



**ANNUAL REPORTS AND ACCOUNTS
2016**

CONTENTS VISION AND MISSION STATEMENTS

The Report	5
Notice Of Annual General Meeting	15
Chairman's Statement	16
Report Of The Directors	18
Statement of Director Responsibilities	26
Managing Director/CEO's Report	27
Sustainability Report 2016	30
Advisory Committee of Experts Report	32
Risk Management	34
Corporate Governance Report	59
Annual Report on Code of Corporate Governance	71
Report Of Corporate Governance Appraisal	72
Corporate Social Responsibility	73
Report Of Audit Committee	77
Report Of The Auditors	78
The Accounts	
Statement Of Financial Position	84
Statement Of Income & Comprehensive Income	85
Statement Of Change in Equity	86
Statement Of Cash Flow	87
Statement Of Sources & Uses Of Qard Fund	88
Statement Of Sources & Uses Of Charity Fund	89
Notes To Financial Statements	90
Financial Summary	

OUR VISION

“To be the dominant non-interest financial services provider in Sub-Saharan Africa”



OUR MISSION

“To provide innovative, value added non-interest financial services to our clientele employing the best people supported by technology”



CORE VALUES

- *Quality Service-Customer First*
- *Team Spirit*
- *Respect for the individual*
- *Ethics*
- *Trust*
- *Partnership*
- *Entrepreneurship*

ABOUT JAIZ BANK

Jaiz Bank PLC was created out of the of the former Jaiz International Plc which was set up in 2003/2004 as a special purpose vehicle (SPV) to establish Nigeria's first full-Fledged Non-Interest Bank.

It is a quoted public company owned by over 20,000 shareholders spread over the six geographical zones of Nigeria.

Jaiz Bank Plc. obtained a Regional operating license to operate as a Non-Interest Bank from the Central Bank of Nigeria on the 11th of November 2011 and began full operations as the first Non-Interest Bank in Nigeria on the 6th of January, 2012 with 3 branches located in Abuja FCT, Kaduna and Kano. The Regional license allows the Bank to operate geographically in a third of the country. Also, based on recommendations from Islamic Development Bank (IDB), which is also a shareholder of the bank, Jaiz Bank PLC has partnered with Islamic Bank of Bangladesh (IBBL) for Technical and Management Assistance.

Currently, Jaiz Bank is the only full-fledged Non-Interest (Islamic) Bank in Nigeria. It started with only 3 branches in 2012 and had since then expanded its branch network to with additional 24 which are fully operational as at the end of 2016. It has also been granted National Operating license which enable it to operate in all parts of the Federation. The bank's ultimate objective is to expand beyond the shores of Nigeria in line with its vision.

ABOUT ISLAMIC BANKING

Non-Interest Banking is a profitable growing global phenomenon practiced in nearly 70 countries across the world including the United Kingdom, Canada, the United States of America, the United Arab Emirate, Malaysia, China, Singapore, South Africa, Kenya etc. Global Banks like HSBC, Citibank, Barclays Bank etc. are also offering it. It is an alternative financial service offering which is open to all irrespective of race or religion.

It is based on the ethical principles of fairness, transparency and objectivity. Non-Interest Banking offers almost all the services of conventional banks. The difference is that non-interest Islamic Banks do not give or receive interest, nor finance anything that is harmful to society like alcohol, tobacco, gambling etc. They also seek to avoid gharar- speculation, uncertainty deception and more.

Currently, about 41% of Nigeria's total population of 183 million is craving for such Non-Interest banking services. These people are desirous of ethical banking services which provide for socially responsible investment outlets. In a nutshell, Non-Interest Banking is a profit and loss sharing arrangement where the mode of financing is mostly on mark-up, leasing and partnership basis.

The Investment Opportunity

Jaiz Bank Plc plans have upgraded to National operating license in 2016. Consequently, it is increasing its current Share Capital Base from N11.7 billion (USD \$75 million) to N15 billion (USD \$78 million). This upgrade has enable the Bank operate in all 36 states of the Federation including the Federal Capital Territory, thus positioning it to compete effectively in one of the most thriving sectors of the Nigerian economy. The Bank have their presence in 8 additional locations in 2016 and to reach 50 by 2017.

The Potential for Non- Interest Bank in Nigeria

The business potential for a Non-Interest Bank in Nigeria is enormous as such an institution has long been awaited by a population of over 78 million Nigerians representing over 46% of the country's population of about 170million. Jaiz Bank is focusing mainly on retail banking, but will also offer corporate and commercial banking services.

This focus will make it easy to service the majority of Nigerians who want do away with Riba (Usury) in their daily activities. The market for retail banking in Nigeria is estimated by KPMG at US\$30 billion (2006). The Bank is being positioned to be a national bank offering its services to all regardless of religious beliefs.

Our Vision

To be the dominant non-interest financial services provider in Sub-Saharan Africa”.

Mission Statement

To provide innovative, value-added, non-interest financial services to our clientele employing the best people, supported by technology”.

Core Values

- Quality Service – Customer First
- Team Spirit
- Respect for the Individual
- Ethics
- Trust
- Partnership
- Entrepreneurship

Business Philosophy:

Our philosophy is to deliver world class sharia compliant financial services to our clientele irrespective of class, creed, race or religious belief and to contribute to the socio-economic development of the society.

For Enquiries: Kindly contact us at

Jaiz Bank Plc.
Kano House, 73 Ralph Shodeinde,
Central Business District
P.M.B. 31 Garki
Abuja, Nigeria.

Tel: +234-9-460(JAIZ)5125
Email: info@jaizbankplc.com

OR:

Visit our website on: www.jaizbankplc.com

JAIZ BRANCH LOCATIONS & ADDRESSES

S/No	BRANCH	ADDRESS
1	Abuja Branch	Ground Floor, Kano House, 73 Ralph Shodeinde Street CBD, Abuja
2	ATBU Branch	Abubakar Tafawa Balewa University, Bauchi
3	Bannex Branch	Bannex Plaza, Wuse II, Abuja
4	Bauchi Branch	No 2 Mohammed Bello Kirfi Road, Off Ahmadu Bello Way, Bauchi
5	Gombe Branch	No 8 New Market Road, Commercial Area Gombe
6	Gusau Branch	No 21 Canteen Road, Opposite CBN Gusau
7	Gwarimpa Branch	1st Avenue, DBB Plaza, Gwarimpa, Fct- Abuja
8	Ibadan Branch	No.3 Fajuyi Road, Dugbe Ibadan
9	Ilorin Branch	No.11 Unity Road, (Beside Kasmag Transport) Ilorin, Kwara State
10	Kabuga Branch	Kabuga Shopping Complex, Along Buk / Gwarzo Road, Kano
11	Kaduna Branch	11a Ali Akilu Road Kaduna
12	Kaduna Branch 2	Farida Ventures Building, Kano Road, Kaduna
13	Kano Branch 1	No 55 Tafawa Balewa Way Off Murtala Muhammad Way, Kano
14	Kano Branch 2	Bello Road Kano
15	Katsina Branch	No 109b Ibb Way, Kofar Kaura Katsina
16	Lagos Branch	119 Awolowo Way, (Allen Round About) Ikeja, Lagos State
17	Maiduguri Branch	No 18 Shehu Laminu Way, Maiduguri
18	National Assembly Branch	National Assembly Complex, 3 Arms Zone Abuja
19	NNPC Branch	Ground Floor, Block B Room 16, Nnpc Towers, Abuja
20	Port Harcourt Branch	186 Abba Road, Porth Harcourt (Opposite Water Line), River State
21	Samaru Branch	Ahmadu Bello University Road, Opposite Main Gate, Samaru, Zaria, Kaduna State
22	Sokoto Branch	No 5 Ahmadu Bello Way, Former Finbank Building, Sokoto
23	Wuse Branch	No 36 Douala Street Off Herbert Macaulay Way, Erisco Bompert Plaza, Zone 5 Abuja
24	Yola Branch	No 14, Aliyu Mustapha Way Opposite New Modern Market Yola, Adamawa State
25	Zoo Road Branch	Zoo Road, Opposite Trade Fair Complex, Kano State
26	Hotoro Branch	Plot 140, Opposite Nnpc Depot, Maiduguri Road, Hotoro Kano
27	Birnin Kebbi Branch	Plot 20 Ahmadu Bello Way, Birnin-Kebbi, Kebbi State

THE BOARD

ALHAJI (DR.) UMARU ABDUL MUTALLAB, CON – CHAIRMAN BOARD OF DIRECTOR

Prominent business leader and former minister of the Federal Republic of Nigeria, chartered accountant and banker; former Executive Vice Chairman and Managing Director of United Bank for Africa (UBA) – the third largest bank in Nigeria and an affiliate of BNP Paribas. Also former Chairman of First Bank of Nigeria Plc, the oldest and biggest bank in Nigeria.

He is a holder of one of the highest national awards in Nigeria – Commander of the Order of the Niger (CON). Abdul Mutallab has also been conferred with the Fellowship of both the Association of Chartered Certified Accountants (ACCA) of UK and the Institute of International Bankers Association (FIBA) of the United States of America.

HASSAN USMAN FCA. – MANAGING DIRECTOR/CEO

A trained accountant, Mr. Hassan Usman graduated with a first class degree in Accounting in 1985 from Ahmadu Bello University, Zaria, Nigeria and became an associate Member of ICAN in 1989. He obtained a Post Graduate Diploma in Management in 1995 from Maastricht School of Management.

Mr. Hassan also attended the Oxford University Advanced Management Programme in 2002. He worked as the Financial Controller of Nigerian Development Company Limited, Kaduna until he joined NAL Merchant Bank PLC where he served as the Financial Controller and Treasurer respectively between 1996-2001.

Mr. Hassan had a brief stint with Inland Bank where he served as General Manager, Banking Services before re-joining NAL Bank as Deputy General Manager and Head, Business and Financial Advisory Group. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN). He was appointed as the Managing Director of Jaiz Bank Plc by the Board of Director in May 2016.

MAHE ABUBAKAR – DEPUTY MANAGING DIRECTOR

A seasoned banker of standing repute with over 20 years cognate banking experience, Abubakar Mahe is steering the business development drive of Jaiz Bank Plc. He is also a qualified dealing clerk of the Nigerian Stock Exchange. Prior to joining Jaiz Bank, Mahe was the Group Zonal Head of Zenith Bank Plc in charge of the Northwest region.

Before joining the banking sector in 1994, Mahe worked with the Nigerian International Securities Limited (NISEL), a member of Nigerian Stock Exchange and a subsidiary of Continental Merchant Bank Plc from 1991 to 1994. Between 1990 and 1991, he worked as the dealing clerk/branch head of the Lagos office of the Gidauniya Investment & Securities Limited. Born in the ancient city of Kano, Mahe obtained a Bachelor of Science Degree in Business Administration from Ahmadu Bello University in 1984. In 1987, he completed his Master Degree in Business Administration from the same institution.

He attended several trainings in and outside Nigeria including High Potential Leader: Accelerating Your Performance at Wharton School, Pennsylvania, USA; High Performance People Skills, London Business School; and Senior Management Programmes, Lagos Business

School. He was appointed as the Deputy Managing Director of Jaiz Bank Plc by the Board of Director in May 2016.

DR. AMINU ALHASSAN DANTATA, CON, MEMBER, BOARD OF DIRECTORS

A renowned business man, he began his career as produce buyer in 1949 in the family business of Alhassan Dantata and Sons Limited. He became the Chairman and Managing Director of the Company, in 1960, a position he holds till date. Dr. Dantata was a member of the Steering Committee of the Nigerian Industrial Development Bank (now Bank of Industry, BOI), and served as a Director of the Bank between 1962 and 1966. He has led several trade missions to several countries across the world.

PROFESSOR TAJUDEEN ADEBIYI, MEMBER, BOARD OF DIRECTORS

He was between 2003 and 2005, the Treasurer and Investment Consultant to OPEC Fund (Vienna, Austria), where he managed an approximately US \$5 billion investment portfolio. He is a holder of an MBA (Finance, Accounting and Quantitative Analysis) and, a Ph.D. in Banking & Finance from the University of Maryland, USA.

Prof. Adebisi spent 20 years (1983-2003) at the Islamic Development Bank, Jeddah, serving at different levels in project management, treasury, financial analysis and portfolio management. He is a visiting Professor of portfolio investment management and quantitative analysis to the Bowie State University, Maryland, USA.

ALHAJI (DR.) MUHAMMADU INDIMI, OFR, MEMBER, BOARD OF DIRECTORS

He is a distinguished and highly successful businessman. Dr. Indimi is the sole Founder and Chairman of Oriental Energy Resources, Limited. He has over 20 years' experience in the Nigerian Upstream Oil and Gas sector. Dr. Indimi is an astute business man with a notable presence in the international business arena. He also serves as the Chairman of M & W Pump Nigeria Limited; which has partnered with MWI Corp of Deerfield Beach, Florida.

He is a founder of many successful indigenous companies and sits on the board of several privately owned companies encompassing all sectors of the economy. Dr. Indimi is a humanitarian and a philanthropist and has received numerous awards as well as honorary doctorate degrees from notable Universities in Nigeria, Ireland and the United States.

MALLAM FALALU BELLO, OFR, MEMBER, BOARD OF DIRECTORS –

A 1978 law graduate from Ahmadu Bello University, Zaria, Nigeria. He started his legal career with the Kaduna State Government as Magistrate II and subsequently moved to Northern Nigeria Investment Company Limited as Senior Executive/Acting Company Secretary. He was later appointed Kaduna State Government Commissioner for Trade and Industry.

He was appointed Managing Director /CEO of Habib Nigeria Bank Limited in 1994 until 1998 when he was appointed Managing Director/CEO of Intercity Bank Plc. He resigned as Vice Chairman/Managing Director in 2001.

In 2001, he was appointed Managing Director of Nigerian Agricultural Development Bank Limited. Mallam Bello holds the National honour of the Officer of the Federal Republic (OFR). He recently resigned from Unity Bank as the Managing Director/CEO.

MALLAM NAFIU BABA-AHMED, MNI, MEMBER, BOARD OF DIRECTORS,

He is a 1978 law graduate from Ahmadu Bello University, Zaria, Nigeria. He started his banking career as a legal officer with United Bank for Africa Plc in 1980 from where he proceeded to Nigeria Merchant Bank in 1982. He was an Assistant General Manager/Company Secretary & Legal Adviser with First Interstate Merchant Bank Limited and subsequently, became a Director/Legal Adviser & Board Secretary at Nigerian Deposit Insurance Corporation (NDIC). He was also, a Director representing CBN/NDIC on several banks that were taken by both the Central Bank of Nigeria/NDIC for turnaround. He has attended several professional courses abroad including those of Queens Mary College, University of London, in International Commercial Law, Institute of Management Development (IMD), Switzerland, as well as Senior Executive Development Program in Kuala Lumpur, Malaysia.

DR. MOHAMED ALI CHATTI, MEMBER, BOARD OF DIRECTORS,

He is a representative of the Islamic Development Bank. He is an investment specialist and currently works in the Investment Department of IDB.

Between 2010 and 2012, he was in the Young Professional Programme of IDB. He also led a team of 15 - 20 on the French Council of Islamic Finance as Chief of the Research and translation to translate the AAOIFI standards and the CIBAFI modules.

A PhD holder in Management Sciences, Dr. Chatti attended many seminars and presented different papers on Islamic Finance. He has also contributed to some published books on Islamic Finance.

He is fluent in Arabic, French and English Languages.

HRH, (ENGR.) BELLO MOHAMMED SANI, OON, MEMBER, BOARD OF DIRECTORS

HRH, is a holder of Bachelor's Degree in Engineering from Ahmadu Bello University, Zaria, Nigeria in 1973 and a Master's Degree in Civil Engineering from University of Dundee, Scotland in 1977. He is currently the Emir of Bakura, Zamfara State, Nigeria. Prior to becoming the Emir, HRH held several notable positions in some of the most prestigious corporate private and public organizations in Nigeria, including Director, Building and Engineering Services, Central Bank of Nigeria (CBN) between 1989-1996, Senior Assistant General Manager, Union Bank of Nigeria (formerly Barclays Bank).

ALHAJI (DR.) MUSBAHU MOHAMMAD BASHIR, MEMBER, BOARD OF DIRECTORS

He is the Chairman of Althani Group of Companies, and Cobalt International Services Limited since 2004. He is also a director in the following companies, Bento Drill Nigeria Limited 1995, Offshore Technologies International Limited 1995, and Resource capital group 1995.

Cobalt International Services Limited is a pre-shipment inspection agent for dry goods and bulk liquid cargos. They are currently inspection agents for oil and gas exports in the country.

Alhaji Bashir also worked with Hammad development facilities in 1987 and Jadaid Diversified Services in 1989.

He obtained a BBA in Business Management from the American University in 2002 London, an advanced diploma in business management 1998 from Tafawa Balewa University, Abuja campus, and a National Diploma in Irrigation Engineering from the Kaduna Polytechnic 1987.

ALHAJI (DR.) UMARU KWAIRANGA, MEMBER, BOARD OF DIRECTORS

He is an experienced investment expert with over nineteen years' experience in Capital Market, Banking and the Real Sector. He possesses a first Degree in Business Administration from University of Maiduguri, an MBA from Edo State University in addition to an M.Sc. Finance and Corporate Governance from Liverpool John Moores University, United Kingdom.

Alhaji Kwairanga has attended several courses and training programs in fields relating to finance, investment and money market in reputable institutions including the Harvard Business School, New York, Institute of Finance and Euro Money. He is a professional certificate holder of the Chartered Institute of Stock brokers, Certified Pension Institution of Nigeria and the Abuja Commodities & Securities Exchange. He has been Managing Director of a top notch stock broking firm for over a decade and a director in several blue chip organizations including Chairman of Ashaka Cement Company. He was a member of the Nigerian Vision20:2020, National Technical Working Group (NTWG) on Public Sector Thematic Area. He is a well-travelled executive with extensive senior level management experience and unimpeachable ethics and integrity.

ALHAJI MUKTHAR SANI HANGA, MEMBER, BOARD OF DIRECTORS

He is a renowned business man and an administrator. He was one time Managing Director of Hanga Line Limited, Special Adviser to Governor Kabiru Gaya of Kano State on Sport and Youth Development, Member Board of Directors NISER Ibadan, Chairman NYSC Committee, Kano, Chairman Kano State Export Actualization Committee and Director, Northern Nigeria Investment Limited, Kaduna.

MEMBERS OF JAIZ ADVISORY COMMITTEE OF EXPERTS (SHARI'AH BOARD)

Professor Dr. Monzer Kahf

Prof. Monzer Kahf is the Chairman, Advisory Committee of Expert (ACE). He is a leading scholar, Professor and a consultant in Islamic banking and finance. He has been drafting and reviewing Shari'ah contents of finance agreements, by-laws and operational systems for Islamic financial institutions in many countries around the world including USA, Canada, Switzerland, Saudi Arabia and Trinidad.

Since the middle of 2008 He has been professor of Islamic Finance and Economics at Qatar the Faculty of Islamic Studies, Hamad University, in Doha, Qatar. He served as a visiting Professor of Islamic Finance at the International Centre for Education in Islamic Finance (INCEIF) based in Malaysia, summer 2010. In the year 2004/2005, he was a Professor of Islamic Economics, Finance and Banking at Graduate program of Yarmouk University, Jordan and he served as a senior research economist at the Islamic Research And Training Institute if the Islamic Development Bank, IDB, in Jedda from 1985 to 1999.

He has written 38 books and published over 91 articles in English and Arabic on Trusts, Awqaf, Zakah, Islamic Finance and Banking and other areas of Islamic economics. Since 1973 till today he has been contributing to conferences, seminars and training programs across North America, Europe, Africa, Asia, Far East and the Middle East.

He holds PhD in Economics from the University of Utah, Salt Lake City, Utah, March, 1975, High Diploma in Social and Economic Planning, UN Institute of Planning, Damascus, Syria, 1967, B.A. in Business from the University of Damascus, Damascus, Syria, 1962 which earned him the President's Award for best University Graduating Student, July, 1962. Prof. Kahf was awarded the Islamic Development Bank (IDB) Prize for Islamic Economics in 2001. He speaks English, Arabic and a little of French.

Professor Muhammad Lawal Bashar

Prof. Dr. Muhammed L. Bashar is a member of the ACE. , Advisory Committee of Expert – Professor Muhammed Bashar is the Head of the Department of Economics, Usman Dan Fodio university, Sokoto, Nigeria. He is a well-published, prolific writer. He has a B.A. (Hons.) Economics from Jamia Milla Islamia, New Delhi, an M.A. (Economics) from Jawaharlal Nehru University, New Delhi, a Ph.D (Economics) from Usman Dan Fodio University, Sokoto. He studied the following courses at graduate level; Advanced Macroeconomics, Fiqh (Islamic Jurisprudence) for Economics, Development Economics, Islamic Banking and Finance and Public Finance. He is proficient in Hausa, English, Hindi and Arabic.

Dr. Muhammad Alhaji Abubakar

Dr. Muhammad Alhaji Abubakar, Member, Advisory Committee of Expert - Dr. Muhammad Alhaji Abubakar has over 20 years' experience in Islamic Scholarship. He obtained his degree, M.A and Ph.d (in Islamic jurisprudence) from Islamic University of Madinah, Saudi Arabia. From 2002 to 2008, Dr. Muhammad was a Reviewer of academic research at the Deanship of Academic Research, Islamic University of Madinah, Saudi Arabia. He was also an Assistant Supervisor, Department of Student Supervision of the same University. Dr. Muhammad had also at various times rendered support services to the General Court of Medinah in area of translation. He has Published articles on Islamic commercial jurisprudence and other areas of Islamic law in refereed academic journals (local and international). He also published articles in some local dailies in Hausa language. He attended learned conferences within and outside Nigeria. He is actively engaged in propagating Islam.

Dr Muhammad speaks Arabic, English, Kanuri and Hausa. He is currently a lecturer at the Department of Sharia, Faculty of Law, University of Maiduguri, Chairman, Da'awah Committee of Imam Malik Islamic Center, Maiduguri, Chairman Shura Council, Indimi Islamic Trust, Maiduguri and member, Union of African Scholars.

Shaikh Abdulwahab Abdallah Muhammad

Shaikh Abdulwahab is a renowned Islamic Scholar and preacher who has spent major part of his life in teaching and preaching of Islam. Together with Late Shaikh Ja'afar

Mahmud Adam, they have contributed immensely in creating Islamic awareness within and outside the country. He is a graduate of Darul Hadith in Makkah and Islamic University of Madinah, Kulliyatul Hadith Wa Darasat al Islamiyya (Faculty of Hadith and Islamic Knowledge). He is the Chairman of Bin Baz Foundation, Member, Shari'ah Commission of Zamfara State and member, National Supreme Council for Islamic Affairs (NSCIA).

As part of his efforts towards propagation and development of Islam, Sheik Abdulwahab has written several books on various topics including but not limited to Fatwa on Marriage and Divorce, Fatwa on Bid'a (innovation), issues of Hisba, Fatwa on Hajj (pilgrimage), Fatwa on Fasting among others. Some of his activities include weekly preaching at Usman Bin Affan Mosque Gadon Kaya, Weekly preaching for women and Sahihul Bukhari at Sharada, Fatwa with Radio Kano and a weekly program with the popular Sunnah TV. The Shaikh is married with children.

Dr. Ahmad Bello Dogarawa

Dr. Ahmad Bello Dogarawa is a Senior Lecturer with the Department of Accounting, Ahmadu Bello University, Zaria, Nigeria. He received his B.Sc. in Business Administration from Ahmadu Bello University, Zaria, Nigeria; Master of Banking and Finance (MBF) from Bayero University, Kano, Nigeria; and M.Sc. Accounting and Finance; and Ph.D. Accounting and Finance from Ahmadu Bello University, Zaria, Nigeria. In addition, he obtained Professional Diploma in Education (PDE) from Institute of Education, Ahmadu Bello University, Zaria, Nigeria and belong to several professional bodies. His area of interest is Banking, Islamic finance, Entrepreneurship and Human resource management.

Dr. Dogarawa has travelled throughout Nigeria and some neighbouring countries to present papers and give sensitisation lectures on various topical issues particularly Islamic banking and finance, and Islamic perspective of economic empowerment, investment and poverty eradication, and has participated in training of staff of various public and private sector organisations, as well as members of professional bodies and business communities in Nigeria. He has published more than 25 articles in refereed academic journals (local and international), presented over 50 papers at local and international conferences and published 6 Islamic books in Hausa and English Languages. He is currently the Head, Department of Accounting; Member, ABUTH Health Research Ethics Committee; and Member, Capacity Building and Certification Committee of the Chartered Institute of Bankers of Nigeria.

Shaikh (Dr). Isa Ali Ibrahim Pantami

Dr. Isa Ali Ibrahim Pantami is a Jumu'ah chief Imam, university professor and a writer. He was educated in Nigeria, United Kingdom and Saudi Arabia. Dr Isa Ali Ibrahim Pantami holds a BTech, MSc (Computing & IT) and also MBA in (Technology Management). In addition, he also holds a PgCert in research methods, PgCert in teaching and also a PhD from the best modern university in the UK. Prior to that, he memorized the Qur'an by heart at the age of 13 or 14.

Furthermore, Dr Ibrahim Pantami has published 15 Islamic books and 9 international journal articles in reputable journals and many conference papers. He has been leading Jumu'ah prayer for over 20 years in both Nigeria and the United Kingdom. He has been invited to present lectures in many countries, such as the UK, Malaysia, Germany, France, etc. He is also a Shurah member of the Supreme Council for Shari'ah in Nigeria and a member of many other national and international council.

In addition, he learnt Islamic knowledge from many prominent international scholars in various **Majaalis**. These scholars include, Shaykh Muhammad Umar Fallatah, Shaykh Muhammad Saleh Al-Uthaymeen and recently Shaykh Abdulmuhsin bn Abbad among others Dr. Ibrahim Pantami has been a lecturer in a university for almost 15 years. He is currently a professor at the Islamic University of Madinah, Saudi Arabia (al-Jamiatul-Islamiyya). He teaches at the new Faculty of Computing and Information Systems of the university. He also serves in various university committees, such as Accreditation Committee, Staff Training Committee, etc.

Notice of Annual General Meeting

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am grateful to Almighty Allah for yet another wonderful year for our great institution. The outgoing year has been both a very challenging but yet exciting one for us in our corporate existence. It was challenging not only because of the recessed node of the economy throughout the year, but also it was part of our formative period where we had to make the difficult decision of either keeping our revenues or reinvesting them in infrastructure and expansion of our business. Of course, had consideration not been given to growing the branch channels of the Bank and other allied infrastructures, profitability could have been much higher than prior year looking at the Total Income of N4.91 billion that was generated (2015: N4.30 billion).

I want to assure you though that we do not see this pursuit of operational expansion to be at the expense of shareholders. On the contrary, we think our shareholders will benefit because their bank has a longer-term and more sustainable view of the benefits to future bottom-line.

The year 2016 was full of Exciting developments from the upgrade of our regional operating license to a national one, the execution of a very successful capital raising exercise, appointment of a new substantive CEO and the decision to list the Bank on the Main Board of the Nigerian Stock Exchange (NSE).

In Q1 2016, Central Bank of Nigeria (CBN) approved the Bank's application for national license after meeting requisite requirements. With this approval, the Bank was able to open new branches across the country in cities including, Lagos, Ilorin, Ibadan and Port Harcourt.

At the conclusion of the Bank's Rights Issue, "the Issue" of 2,957,424,930 ordinary shares of N1.00 each at N1.30 per share on Monday 11th January 2016 a total of 1,150 applications for 3,023,777,650 units of ordinary shares of N1.00 each at N1.30 per share valued at N3,930,910,945.00 were received in connection with the Rights Issue. This translates into about 66,35 million units (22%) over-subscription. A total of 2,902,424,930 from 1,149 applications were successfully allotted.

Last year saw Hassan Usman succeeding Nurul Islam as the Bank's new substantive Chief Executive Officer on 1 June 2016. Hassan joined Jaiz International Plc in 2009 (the precursor of Jaiz Bank Plc) in 2005 as a pioneer staff and was a key member of the team that anchored the process leading to the licensing of the Bank in November 2011 by the CBN. He variously served as General Manager, Business Development from January 2012 till April 2013 and as Executive Director in charge of Operations, Information Technology and CFO prior to this appointment. Hassan in the view of the Board, epitomises the attributes needed to achieve the goals we have set for our Bank. I take this opportunity of thanking Mahe Abubakar for acting as CEO from the exit of Nurul Islam in November 2015 till the appointment of a new substantive CEO. In its bid to ensure smooth succession, the Board also appointed Mahe as the Deputy Managing Director of the Bank.

The exciting developments of 2016 will not be complete without the mention of the decision of the Board to list the Bank on the NSE. If members recall, five years ago when the Bank was licensed in 2012, the flagship business plan of the Bank has it that the Bank shall be listed on the NSE by its fifth year in operation. This promise was what the Board kept with the commencement of trading on your stock at the NSE on the 9th of this February 2017. From the records, the shares were introduced to the NSE at N1.25 per share with a Market Cap of N36.83billion (making Jaiz Bank the 7th most valuable Bank equity out of 15 listed Banks on the exchange). Within couple of weeks of listing, the equity appreciated by about 11.2% (from N1.25 to N1.40) with a Market Cap of N41 billion. Your Bank no doubt has enormous brand equity.

Your Board believes the management team is well equipped to achieve Bank's priority of rapidly adapting growth, supported by a strong culture of customer service. This will position us strongly to deliver improved growth and value to shareholders over time.

Report of the Directors for the year ended 31 December 2016

The Directors present their report together with the audited financial statements and auditors' report for the year ended 31 December 2016.

1. LEGAL FORM AND PRINCIPAL ACTIVITY

Jaiz Bank Plc was incorporated as a public limited liability company in 2003 and obtained a regional licence to operate as a non-interest commercial bank on September, 2011. The Bank commenced operation on January 6, 2012. The Bank was issued a National Banking licence by the Central Bank of Nigeria in May 2016

2. FINANCIAL SUMMARY

	31 st December, 2016	31 st December, 2015
	N	N
Paid-up Share Capital	14,732,124,650	11,829,699,720
Risk Regulatory Reserve	1,360,773,975	741,894,202
Retained Earnings	(2,010,476,046)	(1,714,073,000)
Share Premium	627,365	549,886
Shareholders' Funds	14,709,788,000	11,407,407,000

3. BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Company carried on as a non-interest commercial bank in the year under review in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and prospects for the ensuing year is contained in the Managing Director's Report.

4. DIRECTORS/ADVISERS for the year Ended 31 December 2016

Below is the list of the Directors and Advisers of the Company during the year:

	DIRECTORS	CAPACITY	REMARKS
1.	Alhaji (Dr.) Umaru Mutallab, CON	Chairman	
2.	Hassan Usman	Managing Director/CEO	Appointed MD on May 31,

			2016
3.	Mahe Abubakar Mahmud	Deputy Managing Director	
4.	Alhaji (Dr.) Aminu Dantata, CON	Non-Executive Director	
5.	MallamFalalu Bello, OFR	Non-Executive Director	
6.	Alhaji (Dr.) Umaru Kwairanga	Non-Executive Director	
7.	Nafiu Baba-Ahmad	Independent Director	
8.	HRH (Engr.) Bello Muhammad Sani, OON	Non-Executive Director	
9.	Prof. TajudeenA. Adebisi	Independent Director	
10.	Alhaji Mukhtar Sani Hanga	Non-Executive Director	
11.	Alhaji Musbahu M. Bashir	Non-Executive Director	
12.	Alhaji (Dr.) MuhammadulIndimi, OFR	Non-Executive Director	
13.	Dr. Mohamed Ali Chatti	Non-Executive Director	
Company Secretary/Legal Adviser		Mrs. Rukayat Oziama Salaudeen	
Registered Office		No. 73, Ralph Shodeinde Street, Central Business District, Abuja	
Website		www.jaizbankplc.com	
Telephone		Tel: +234-9-04605125	
Email		info@jaizbankplc.com	
Auditors		Ahmed Zakari & Co. 22B, Oladipo Diya Crescent 2 nd Avenue Estate Ikoyi P.O. Box 54478, Falomo, Ikoyi, Lagos Tel ;01-7431279,7431280	

Registrars	African Prudential Registrars (Formerly UBA Registrars Ltd. 220B Ikorodu Road Palmgrove, Lagos, Nigeria
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a. Directors Retiring by Rotation

In accordance with the provisions of the Companies & Allied Matters Act, Alh. (Dr.) Umaru Abdul Mutallab, CON, Dr. Mohamed Ali Chatti, Prof. Tajudeen Adebisi and Nafiu Baba-Ahmed hereby retire by rotation. However being eligible, the said Directors hereby present themselves for re-election.

b. Notification of Attainment of Seventy (70) Years of Age

In accordance with the provisions of the Companies & Allied Matters Act, the Directors hereby announce that Alhaji (Dr.) Umaru Abdul Mutallab, CON and Alhaji Aminu Dantata, CON have attained the age of seventy (70) years and the approval of members for the two Directors to continue in office is hereby sought.

c. Directors Fees

The Board of Directors hereby presents their fees as provided in the 2015 Annual Report and Accounts for approval of Shareholders at this meeting.

d. Directors' Interest

The direct and indirect interests of directors in the issued share capital of the Company recorded in the register of directors' shareholding and/or as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are stated below:

S/N	Directors	Direct	Indirect	Indirectly Held through	Total No. of Shares Held
1	Alhaji (Dr.) Umaru Abdul Mutallab	3,979,064,468	N/A	N/A	3,979,064,468
2	Alhaji (Dr) Aminu Dantata	11,444,364	3,679,369,326	Dantata Investment & Securities Co. Ltd)	3,690,813,690

3	Alhaji (Dr) Muhammadu Indimi, OFR	2,733,813,044	Nil	N/A	2,733,813,044
4	Prof. Tajudeen A. Adebisi	3,083,686	Nil	N/A	3,083,686
5	Mallam Falalu Bello	5,496,750	40,000,000	MBS Merchants Ltd	45,496,750
6	HRH (Engr) Bello M. Sani	12,500,000	Nil	N/A	12,500,000
7	Nafiu Baba-Ahmed	8,000,000	Nil	N/A	8,000,000
8	Alhaji (Dr.) Umaru Kwairanga	34,770,000	669,908,622	Finmal Finance Services Ltd	704,678,622
9	Alhaji Mukhar Sani Hanga	Nil	2,500,000,000	Dangote Industries Ltd	2,500,000,000
10	Alhaji (Dr.) Musbahu M. Bashir	Nil	2,200,000,000	Althani Investment Ltd	2,200,000,000
11	Dr Mohamed Ali Chatti	Nil	2,,506,666,588	Islamic Development Bank	2,506,666,588
12	Hassan Usman	1,550,000	Nil	N/A	1,550,000
13	Abubakar Mahe	200,000	Nil	N/A	200,000

5. EMPLOYMENT AND EMPLOYEES

a. Employee Involvement and Training

Management, professional and technical expertise are the Company's major assets and investment in their training, both locally and overseas, continued during the period under review. Formal and informal channels of communication are employed in keeping staff abreast of various factors affecting the Company's performance.

b. Employment Policy

The Company's recruitment policy, which is based solely on merit, does not discriminate against any person on the grounds of Religion, Tribe, or Physical Disability. The Company currently has one physically challenged person on its employment.

c. Health Safety and Welfare at Work

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The company provides subsidy to all levels of employees for medical, transportation, lunch, to enhance their welfare and improve productivity.

6. POST BALANCE SHEET EVENTS

There were no post balance sheet events which could have a material effect on the state of affairs of the Company as at 31 December 2016 or the profit for the year ended on that date that have not been adequately provided for or disclosed.

7. EQUITY RANGE ANALYSIS

JAIZ BANK PLC								
RANGE ANALYSIS AS AT 31-12-2016								
Range			No. of Holders	Holders %	Holders Cum.	Units	Units %	Units Cum.
1	-	1,000	6,600	24.66	6,600	6,577,670	0.04	6,577,670
1,001	-	5,000	9,515	35.56	16,115	31,827,504	0.22	38,405,174
5,001	-	10,000	3,046	11.38	19,161	29,286,470	0.20	67,691,644
10,001	-	50,000	3,950	14.76	23,111	147,014,194	1.00	214,705,838
50,001	-	100,000	1,666	6.23	24,777	153,677,450	1.04	368,383,288
100,001	-	500,000	1,399	5.23	26,176	379,220,449	2.57	747,603,737
500,001	-	10,000,000	548	2.05	26,724	1,261,363,323	8.56	2,008,967,060
10,000,001	-	50,000,000	20	0.07	26,744	497,350,009	3.38	2,506,317,069
50,000,001	-	Above	17	0.06	26,761	12,225,807,581	82.99	14,732,124,650
Grand Total			26,761	100.00		14,732,124,650	100.00	

8. SHAREHOLDERS WITH 5% UNITS AND ABOVE

S/N	Name	Holdings	%
1	MUTALLAB UMARU ABDUL	3,979,064,468	13.50
2	DANTATA INVESTMENT & SECURITIES LIMITED	3,679,369,326	12.49
3	INDIMI MUHAMMADU	2,733,813,044	9.28
4	ISLAMIC DEVELOPMENT BANK	2,,506,666,588	8.51
5	DANGOTE INDUSTRIES LTD	2,500,000,000	8.48
6	ALTANI INVESTMENT LIMITED	2,200,000,000	7.47
7	DANTATA AMINU ALHASSAN	11,444,364	5.24

9. SHAREHOLDING HISTORY

Authorized Share Capital Increase				Issued & Fully Paid Capital Increase			
Year	Units	From	To	Units	From	To	Consideration
2003	2,500,000,000	-	2,500,000,000	2,500,000,000	-	2,500,000,000	Cash
2004		-	-	-	-		
2005	-	-	-	-	-	-	
2006	13,000,000,000	2,500,000,000	13,000,000,000	-	-	-	Cash
2007	-	-	-				
2008	-	-	-	1,514,429,720	2,500,000,000	4,014,429,720	Cash
2012	-	-	-	7,732,867,330	4,014,429,720	11,829,699,720	Cash
2014	15,000,000,000	13,000,000,000	15,000,000,000	-	-	-	
2016	-	-	-	2,902,424,930	11,829,699,720	14,732,124,650	Cash

10. DONATIONS AND SPONSORSHIP

During the Year 2016 the Bank donated the sum of N9.38 Million as donations and sponsorship to various organisation as charitable contribution. List of organizations that benefited from this gesture are detailed below.

DONATION AND SPONSORSHIP	
Sponsorship payment to Doveland intl. school	30,000
Kaduna intl trade fair farewell dinner sponsorship	1,000,000
Sponsorship for ECOWAS agric., agro-allied & tech exhibition	3,000,000
Sponsorship of the zonal sport championship in National police game	100,000
Sponsorship of sporting/extra circular activities for Al-manar academy	100,000
Donation to A-qulam University accreditation and convocation	1,000,000
Donation for the 1st UTOTA royal agric investment tour to Thailand	500,000
Sponsorship & participation in Katsina State Economic & Investment summit	2,000,000

Sponsorship of the 53rd African Day Celebration and IDP/Charity programme	500,000
Contribution towards 2015 and 2016 banker's dinner and award night	200,000
Participation at the symposium & dinner of the association of African Central banks (AACB)	250,000
Sponsoring of jogging event at the 10th annual banking & finance conference	400,000
Sponsoring president's Nite - Nigeria American chamber of commerce	100,000
Sponsoring the 2nd daily trust agric conference and exhibition	100,000
Purchasing some copies of the book titled Journalism & Business: My Newspaper Odyssey	100,000
	9,380,000

11. Asset Values

Information relating to the Company's Assets is detailed in the Notes 12 to the Financial Statements.

12. AUDIT COMMITTEE

Pursuant to Section 359(3) of the Companies and Allied Matters Act, Cap C20 LFN 2004, the Company has in place an Audit Committee comprising three shareholders and three directors as follows:

Alhaji Idris Onaolapo Sulaimon	Shareholder Representative -Chairman
Alhaji Muhammad Rabiu El-Yakub	Shareholder Representative
Alhaji Mohamed Gambo Fagge	Shareholder Representative
Mallam Falalu Bello, OFR	Non-Executive Director
Prof. Tajudeen Adebisi	Non-Executive Director
Alhaji (Dr.) Muhammadu Indimi, OFR	Non-Executive Director

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act, Cap C20 LFN 2004.

13. AUDITORS

Messrs Ahmed Zakari & Co. having indicated their willingness to continue in office will do so in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004.

A resolution will be proposed at the Annual General Meeting to Authorize the Directors to determine their remuneration.

BY ORDER OF THE BOARD



RUKAYAT O. SALAUDEEN
FRC/2014/NBA/0000009649
Company Secretary /Legal Adviser
Jaiz Bank Plc.
Kano House
No. 73 Ralph Shodeinde Street
Central Business District
Abuja
Federal Capital Territory

March 31, 2017

Statement of Directors' Responsibilities in Relation to the Financial Statements for financial year ended December 31, 2016

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, the Financial Accounting Standards issued by AAOIFI, 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 regulations.

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 is 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 Company'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.

Board Resolution:

At the 20th Meeting of the Board of Directors of the Bank held on March 9, 2017 at the Bank's Board Room, Kano Hous Plot 73, Ralph Shodeinde Street, Central Business District Abuja, the following resolution was proposed and duly passed:

"That the Bank's Audited Financial Statement and Accounts for the year ended December 31, 2016 be and is hereby approved.

SIGNED ON BEHALF OF THE DIRECTORS BY:



Abdullahi Usman, FCA
Chief Financial Officer
FRC/2017/ICAN/00000016235



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

CHIEF EXECUTIVE OFFICER'S REPORT

I am privileged to have been chosen once again to take the mantle of leadership as the Chief Executive Officer of Jaiz Bank Plc. Jaiz Bank is an exceptional organisation, one which has consistently demonstrated that it is possible to be successful while doing financial service business ethically. While appreciating the contributions of my predecessors, I can assure you that our success story has just began.

This success is manifested in the latest set of results, which shows strong growth in financing assets (38%), strong deposit inflows (30%) and over xxx new current accounts opened. These figures are the result of a consistent and sustained focus on the needs of our customers and the employees that serve them, through the provision of excellent service, great products and continued investment in the knowledge set that underpins our kind of banking model.

Our underlying profit of N343million is the culmination of our performance over the past twelve months and the customer loyalty that we have formed over preceding years within our short period of existence. We stood by our customers' financing needs through the difficult business environment occasioned by the recession experienced by the nation's economy in 2016. Our robust risk management system made it possible for us to do so - in an era where banks are shying away from lending to real sector and come out with one of the least non-performing risk assets ratio in the industry. Our capital ratio (33%) has further improved and is comfortably three times ahead of current regulatory requirements (10%) and broadly in line with our best understanding of the kind of capital we would require over the medium term to support our rapid growth. Our strong prudential health enables us to be secure and to invest in the future for the benefit of shareholders today and tomorrow.

Notwithstanding the fact that there is no compliant Interbank Money Market for us to participate in, your Bank for yet another year, maintained one of the highest liquidity ratio (23%) in the industry. Our goal has consistently been to deliberately build solid foundations for a bank that shall sustainably be profitable and whose prudential health is based on sound realism. We are conscious of the fact that such action may in the short-run come at the

expense of high profitability but in the long – run, be rest assured of having a bank with growing profitability without compromising sound financial health.

As the new Chief Executive Officer, my job will be to build on current success as well as chart a clear direction for us to take into the future. As the results show, Jaiz Bank is not in need of any radical reform, but rather all it needs is time to lay the foundation for its future growth while an constantly challenging itself on ways it can improve and offer an enhanced level of service to its customers and value to its shareholders.

BUILDING A FINANCIALLY STRONG INSTITUTION

As an ethical bank we aim to optimize, rather than maximize, profit, retaining sufficient earnings to support future growth, sustain strong capital ratios and to allow us to invest in the business to provide the services that our customers demand. This will help us to deliver in long term, sustainable business that operates in the interests of our shareholders.

Buoyant gross volumes (N5.48billion from N4.89billion) and an improved net profit margin (NPM) as a Mudarib (N4.3billion from N3.9billion) have characterized our performance during the year. Although it did not translate into higher PBT due to increase in operating expenses (OPEX), but the growth in the top-line affirms that demand for our products and services is increasing and at a profitable price as indicated by the positive NPM. The increase in OPEX by N704 million to N2,089 million (N1,385million), reflecting the growth of our business, specifically in the area of branch development as part of the requirements for national licensing by the Central Bank and enhancement of the redundancies in our IT systems to enhance the reliability of our services. This has resulted in our underlying cost-income ratio deteriorating slightly by 11% (2015: 82%).

GROWING CUSTOMER SATISFACTION

Our service satisfaction lead is a measure of our performance over the last twelve months compared to the preceding year. As a result, even with the growth in all areas of our services to customers due to availability of more channels, products and branches, our total customer complaint has dropped by about 34% (from 9,261 in 2015 to 6,066 in 2016).

Not only has the total number of customers' complaints dropped, but also we have improved the efficacy of resolving these complaints to the satisfaction of our customers. Out of the total cases received in 2016, 99% (6,008) were resolved by end of December 2016 (2015:84%).

FUTURE FOCUS

As we position the bank for the future, we shall strategically be focusing on the retail market for both our financing assets and deposits. The consequence of this retail strategy is not going to be limited to preponderance of retail funding and assets creation but shall include:

Lowering incidence of credit default risk, consistent support for the MSME sector, preservation of shareholders fund due to reduction in impairment, greater investment in technology and steady sustainable growth in profitability.

Jaiz Bank is a unique organisation with a proud history and an optimistic future. We have the potential to build an even stronger bank serving the needs of today and tomorrow, by championing the right thing to do and continuing to deliver tangible service excellence and long term value. We are committed to serving customers, shareholders and the wider society.

JAIZ BANK SUSTAINABILITY REPORT 2016

Jaiz Bank is built on the principles and foundations of Sharia and Islamic commercial and financial practice, which engender a high level of equity, fairness, sustainability and social welfare in all activities with the ultimate aim of achieving a well-balanced society.

Our business model is such that our definition of a profitable venture does not necessarily stop at monetary profits alone but must include social sustainability based on non-destructive activities (physical and moral) and compliance with divine law governing all interaction between man, animals and the environment. By default, all our operations must comply with moral and sustainability filters in addition to the financial. As a NIFI operating under Islamic financial principles, sustainability is not a choice but rather a must, because our accountability in respects of inter-human/environmental transactions is ultimately to Allah.

We are 100% committed to doing what is right – that extends from how we run our business and how we relate to customers to how we treat the environment. From employing skilled ethical staff to delivering product innovations and helping the community, we are absolutely focused on providing a better future for our stakeholders.

As part of our efforts to drive the bank's commitment to these principles, the following were implemented during the year:

- The Bank revised its investment credit appraisal process to include considerations for environmental and social risks. Other relevant processes were also reviewed to ensure that the sustainability principles are better imbibed into our operations. In addition to shari'ah compliance screening, investments that contravene sustainability principles were not made or financed by the Bank. Vendors and suppliers were also screened before engagement in compliance with the principles.
- All income classified as non-permissible through the process of shari'ah screening is donated to charity for the benefit of the less-privileged.
- A well-equipped gymnasium was opened at the Head Office for use by the staff members. This is geared at driving attainment of a healthy lifestyle for the staff of the bank as well as encouraging them to maintain a healthy work/life balance.
- As part of efforts to reduce travel mileage and our CO2 foot print, the bank connects with its other locations via teleconferencing for Performance Review meetings, Investment committee meetings etc.
- A nursery/crèche was established for use by the employees that are nursing mothers.
- Donations were made to the Internally Displaced Persons at various camps around the country
- A new branch branding concept was designed, approved and adopted. The new design takes cognizance of the 'green' concept with high consideration for low energy usage and emission. Accessibility for physically challenged members of the society was also considered in the new structure.
- The bank is in the process of installing its first solar powered Automated Teller Machine

- An annual employee award scheme is being proposed to incentivize good behavior, long service and outstanding performance from deserving staff members of the bank.

The Bank has a forward looking outlook on sustainability principles and has pledged full support and commitment to the provision of resources required for the achievement and maintenance of all nine principles in the Bank in the years to come.

ADVISORY COMMITTEE OF EXPERTS (ACE) REPORT ON SHARI'AH COMPLIANCE
for the year ending Dec. 31, 2016

In the Name of Allah Most Gracious Most Merciful

Praise be to Allah, and may peace and blessings be upon our Beloved Prophet Muhammad (SAW), his family and companions.

To the Shareholders of Jaiz Bank Plc:

Peace, mercy and blessings of Allah be upon you and Assalamu Alaikum wa Rahmatullahi wa Barakatuh;

According to the letter of assignment, we present the following report:

We have reviewed the products used and the contracts relating to transactions, application and practices made by the Jaiz Bank Plc during the year ending December 31, 2016. We have also made due diligence to determine our opinion regarding whether Jaiz Bank has committed to the principles and rules of the Shariah as well as our advisory opinions, decisions and directives.

Responsibility of Management:

The management is responsible for ensuring that Jaiz Bank operates in accordance with the provisions and principles of Islamic Law as the ACE advises regularly on Shariah application and our responsibility is restricted and confined to expression of an independent opinion based on our observations of the Bank's operations, as well as preparations of report for you.

Scope of work of the Advisory Committee of Experts:

We have reviewed and adopted forms of contracts and agreements. We have also reviewed various processes relating to all transactions of Jaiz Bank, with shareholders, investors, customers and others. We have selected random samples of such transactions through the Internal Shariah Audit Unit covering all transactions as well as review of feedback regarding the Shariah Audit, its field visit, the operations and applications of ACE Fatwas and decisions issued by the Board in this regards. In performing our duties, we have received cooperation and understanding from all levels of management in the Jaiz Bank especially the Managing Director and the Shari'ah Audit Department.

BOARD OF DIRECTORS:

Alh. (Dr.) Umaru Abdul Mutallab, CON - Chairman, Hassan Usman, FCA - MD/CEO, Mahe M. Abubakar - Deputy Managing Director, Alh. (Dr.) Muhammadu Idimi, OFR, Alh. (Dr.) Aminu Al-Hassan Dantata, CON, Prof. Tajudeen A. Adebisi, Malam Falalu Bello, OFR, Nafiu Baba-Ahmed, mni, Dr. Mohamed Ali Chatti, Alh. Mukhtar S. Hanga, HRH (Engr.) Bello Mohammed Sani, OON, Alh. (Dr.) Muhammad Musbahu Bashir, Alh. (Dr.) Umaru Kwairanga



We have planned and implemented our task with the aim of obtaining all the information and explanation which we considered necessary to provide us with sufficient evidence to give reasonable assurance that all transactions by Jaiz Bank did not violate the provisions of the rules and principles of Shariah and wherever we found any earned income to be from non-permissible sources we directed that such income must be transferred to charity.

Opinions of the ACE:

- a. We are of the opinion that the reviewed contracts and transactions conducted by Jaiz Bank during the year ending by 31/12/2016 were in accordance with the rules and principles of Shariah.
- b. The distribution of profits on the investment accounts were in line with the bases adopted and approved by the ACE according to the rules and principles of Islamic law.
- c. All the gains made from Haram (prohibited by Shariah rules) sources have been set aside in a separate account and/or transferred to Jaiz Foundation for charitable purposes.
- d. However, we have noticed a few mistakes in processing some of the transactions which we communicated to the management for correction. Many of these have already been regularized and some are still in the process with management promise to work on regularizing all of them.

The Advisory Committee of Experts (ACE) wish to thank the Board of Directors, management, departments and staff of the Jaiz Bank for their good cooperation with it and their commitment to the Islamic banking practices. The ACE prays to Almighty Allah to bring them success.

And Allah knows best.

May Allah's mercy and blessings be upon you all.

Date: February 10, 2017

Prof. (Dr.) Monzer Kahf
Chairman



Prof. (Dr.) M. L. Bashir
Member

Dr. M. A. Abubakar
Member

Sheik Abdulwahab A. Muhammad
Member



Dr. Ahmad Bello Dogarawa
Member



Dr. Isa Ali Ibrahim Pantami
Member

RISK MANAGEMENT REPORT

Jaiz Bank has implemented a comprehensive Enterprise Risk Management platform and process with effective Board and senior management oversight to identify, measure, evaluate, monitor, report and control or mitigate all material risks on a timely basis. The Bank takes an integrated 'Bank-wide' perspective of risk exposure, encompassing its individual business lines and business units with the aim of optimal protection of the wealth of its shareholders and interest of all stakeholders in line with the mandate of Non-Interest Financial Institutions (NIFIs). The mandate considers a holistic approach in ethically managing assets and liabilities including assessment of the adequacy of capital and liquidity in relation to the risk profile, market and macroeconomic conditions. The process takes into account appropriate steps to comply with Shari'ah rules and principles in all of the risk management activities.

The Risk Management Division is led by the Chief Risk Officer reporting to the Board Risk Committee with a dotted line to the MD/CEO. He is responsible for the establishment of a framework geared towards the enhancement of capacity to provide greater value to shareholders/stakeholders while effectively dealing with the risks and uncertainties associated with business to protect from losses, thereby enhancing the Bank's competitive advantage. The whole risk management processes of the Bank are guided by the Central Bank of Nigeria (CBN), the Nigeria Deposit Insurance Corporation (NDIC) and other relevant regulatory authorities, the Islamic Financial Services Board (IFSB), the Accounting and Auditing Organization of Islamic Financial Institution (AAOIFI) as well as best practice.

RISK MANAGEMENT OBJECTIVES

Jaiz Bank defines risk as the internal or external uncertainty that Jaiz faces in achieving its objectives as well as the probability that an actual return on an investment will be lower than the expected return due to the different categories of risk that are inherent in its business model or the environment. The major objectives are as follows -

- Assisting the Bank to achieve an ethical and socially-oriented market objective.
- Ensuring the Bank's financing and investments are geared towards contribution to the real economy in an ethical manner that transcends business profits.
- Ensuring risk management evaluation techniques that reflect Shari'ah principles that ultimately aim at achieving Maqasid-Al-Shari'ah (the purposes of Shari'ah) against conventional criteria which is focused primarily on money profits.
- To manage the unforeseen losses that are inherent in the business and achieve sustainability of earnings.

PHILOSOPHY

- The Bank implements a sound, ethical and shari'ah-based risk management system, complying with regulatory authorities to build the foundation of a resilient financial institution focused on ethical banking.
- The Bank has adopted a holistic and integrated approach to risk management as is required by the nature of Sharia'h-based financial contracts viz-a-viz its operations and therefore, brings all risks together under one or a limited number of oversight functions.
- Risk officers are empowered to perform their duties professionally, ethically and independently, free of interference.
- Risk management is governed by well-defined policies that are clearly communicated across the Bank.
- Risk management is a shared responsibility; therefore the Bank aims to build a shared perspective on risks that is grounded in consensus.
- The Bank's risk management governance structure is clearly defined.
- There is a clear segregation of duties between risk-taking business units and risk-managing functions.
- Risk related issues are taken into consideration in all business decisions. The Bank shall continue to strive to maintain a conservative balance between risk and revenue considerations and in consonance with the import of Islamic Jurisprudence.
- Risks are reported openly and fully to the appropriate levels once they are identified.

RISK CULTURE

- Minimization of potential risks that can jeopardize its fiduciary responsibility as a Non-Interest Financial Institution (NIFI) operating under Islamic financial principles while expanding the Bank's market share.
- The responsibility for risk management in the Bank is fully vested in the Board of Directors, which in turn delegates such to senior management.
- The Bank pays attention to both quantifiable and unquantifiable risks with special treatment for shari'ah non-compliance risk.
- The Bank's management promotes awareness of risk and risk management across the Bank.
- The Bank avoids products, markets and businesses where it cannot objectively assess and manage the associated risks in line with both the shari'ah and country perspective.

RISK GOVERNANCE STRUCTURE

- The **Board of Directors of the Bank (BOD)**: The BOD is ultimately responsible for overall risk management of the Bank and for establishing and monitoring the effectiveness of its Risk Management and Corporate Governance frameworks.
- The **Advisory Committee of Experts (ACE)**: The independent committee sits quarterly, endorses risk management processes and reviews accounts, validates products and services and their decision is final subject to the **Financial and Regulatory Advisory Committee of Experts (FRACE)** of the CBN.
- **Board Risk Management & Audit Committee (BR&AC)**: The BR&AC is a standing Board committee comprising of the Managing Director, and 4 Non-Executive Directors of the Bank that considers risk reports periodically to ensure transparency and risk control.

In addition to the BR&AC, the following Board committees are also directly or indirectly responsible for reviewing and guiding risk management functions.

1. Statutory Board Audit Committee (BAC)
2. Board Investment Committee (BIC)
3. Board Finance & General Purpose Committee (F&GPC)
4. Board Governance/Remunerations Committee

The following senior management committees are also directly or indirectly responsible for examining and recommending risk management functions:

1. Executive Management Committee (EXCO)
2. Operational Risk Management Committee in conjunction with the Management Committee (MANCO)
3. Strategic Asset & Liability Committee (ALCO)
4. Management Investment Committee (MIC)
5. IT Steering Committee
6. Criticized Asset Committee (CAC)

RISK APPETITE:

The Bank's risk appetite is set by the Board of Directors annually at a level that minimizes erosion of earnings or capital due to avoidable losses, including income loss from non-compliance with Shari'ah, in its overall asset and liability portfolio in the banking and trading books, or from frauds or operational inefficiencies. The Bank's appetite for risk is governed by investing in high quality risk assets measured by five Key Performance Indicators:

- I. Ratio of Non-Performing Investment (NPI) to Total Investment ;
- II. Ratio of investment loss expenses to profit returns;
- III. Ratio of investment loss provision to gross non-performing investments.
- IV. Ratio of investment income loss (Balance sheet risk) due to Shari'ah violation to total investment income.
- V. Ratio of penalty against sale based investments (Murabaha etc) to total Investment income

The broad objective is to be among the industry leaders with respect to (i) and (ii) above and for (iii) to maintain a ratio that ensures that there are adequate provisions for all non-performing assets based on their levels of classification. In the case of (iv), due care shall be put in place to make transactions Shari'ah compliant before disbursement and (v), monitoring and investment supervision mechanisms shall be strictly followed in a post-disbursement environment, up to recovery.

- Diversification targets are set for the investment portfolio and limits are also set for aggregate large exposures.
- Losses due to frauds and operational lapses are pegged at a maximum of a specified percentage of gross earnings and in any case must be lower than the industry average.
- Financial and Prudential ratio targets are pegged at a level more conservative than regulatory requirements and better than the average of benchmark banks. These include, but not limited to, liquidity ratios, deposit concentration limits, open-position limits and provisioning policies.
- Primary Shari'ah screening mechanisms are put in place in Investment Appraisal Memos (IAMs) and careful checks conducted in the pre-disbursement phase by screening contracts and invoices; due process in the purchase and sale stage; and finally, proper documentation to avoid any Shari'ah violations.
- Periodic visitation, monitoring of sale proceeds (receivables), account turnover monitoring and vigilance in the maturity diary is exercised by relationship management as well as supervised by risk officers to avoid past dues in sale transactions which are prone to investment income loss. Penalties have to be strictly realized from customers without any favor unless the overdue is not willful.
- The Bank aims at minimizing the following independent indicators of excessive appetite for risk:

- I. Exception reporting by internal control officers, auditors, shari'ah auditors, regulators and external rating agencies.
- II. Adverse publicity in both local and international press.
- III. Frequent litigations.
- IV. Payment of fines and other regulatory penalties.
- V. Above average level of staff and customer attrition.

RISK MANAGEMENT PROCESS

The bank has standardized risk management policies Bank-wide in tandem with Shari'ah principles which give a clear and consistent direction for the creation of risk exposures across all asset creating business units.

A provision for a comprehensive guide and framework in creating and managing risk assets is in place; this ensures prompt identification of problems through risk management and prudent management when there is a decline in risk asset quality.

A sound process is in place for executing all elements of risk management including risk identification, measurement, mitigation, monitoring and reporting of individual exposures and the overall risk asset portfolio.

When asset quality declines, a system of adequate controls over investment collection & recovery, with appropriate checks and balances, is in place.

A framework is in place to manage the Bank's risk management policies and processes, including an income smoothing plan to manage Displaced Commercial Risk (DCR) by smoothing the profits payout to Investment Account Holders (IAH) through the Profit Equalization Reserve (PER) and the Investment Risk Reserve (IRR).

The quality and timeliness of risk reporting to regulatory authorities and provision of additional and voluntary information needed to identify emerging problems possibly giving rise to systemic risk issues, is enshrined.

Appropriate and timely disclosure of information to Investment Account Holders (IAH) is maintained so that the investors are able to assess the potential risks and rewards of their investments and to protect their interest in their decision making process.

RISK MANAGEMENT ENVIRONMENT

The global practice of risk management has witnessed deep and dramatic changes in recent years as the business of financial intermediation has morphed and globalized, with financial crises prompting changes both in regulations and business practices. Regulatory oversight in the US and Europe has pushed financial institutions to radically transform their risk management methodologies and make significant changes in areas of governance, capital requirements, liquidity management, proprietary trading and financial intermediation with customers. New

Basel III standards have revolutionized national approaches to capital requirement and risk governance.

Non-interest Banks operating under Islamic financial principles face a triple struggle in the changing world of risk management. They face the risk challenges common to a relatively young industry, where norms have yet to solidify and rapid growth uncovers contradictions and inconsistencies. At the same time, many of the principles of emerging risk management standards are not appropriate for them, given the often different structures of NIFIs which straddle the domains of conventional banks and investment companies or collective investment schemes. They often have to manage their risk within more difficult environments than their conventional counterparts; for example, with less developed money markets available to them.

In response to managing the risks, the various Islamic Finance standard-setting bodies (IFSB, AAOIFI and others) have made strong progress in developing specific standards but these are not applied in all jurisdictions and more importantly, regulatory regimes overseeing financial systems have generally not caught up with the evolution of Islamic financial products and approaches.

The hybrid nature of much contemporary Islamic finance - on the border between debt financing (mark-up sale) and equity (profit loss sharing) - also creates regulatory confusion and therefore risk. It is commonly argued that Islamic finance should be essentially equity (PLS) finance, where risks are equally shared among investors (the customer and Islamic Financial Institutions). In fact, most IFIs operating as NIFIs, evolved initially as low-risk financing Banks, focusing on short term risk assets with contracted payback in terms of both amount and profit rate, typically structured as a Murabaha and to some extent Ijarah wa Iqtina on real estate/properties through home finance. As such, their risk profiles have been more reflective of conventional counterparts though vividly the modus operandi of products are completely different and Shari'ah compliant.

On the liability side, Investment Account Holders (IAHs) are often aligned with classic depositors, with a high degree of certainty expected by IAHs in terms of security of principal as well as the expected rate of return. As a result, regulators in many jurisdictions have not only viewed classic IFIs as deposit-taking institutions but have effectively treated them like conventional banks, in terms of liquidity and capital requirements, making no allowance for risk sharing even when in fact, present. The tendency to treat IAHs as equivalent to conventional depositors may have negative consequences to the extent that NIFIs have profit-sharing mechanisms and the capacity to absorb losses, as quasi-equity, therefore the impact on financial stability and systematic risk may differ substantially from that of their conventional counterparts. This divergence requires greater regulatory understanding and analysis and consequently, divergent regulatory treatment where appropriate.

These differences need to be better understood and regulated accordingly. This evolution must include mechanisms to create acceptable guarantee schemes and lender-of-last-resort approaches that can assist to manage the systematic risks during crises whether triggered by bank insolvency, liquidity crunch or any other cause.

The recent crash in commodity prices has affected the Nigerian economy negatively, particularly the drop in the oil price, which is the main FX earner for the country. Jaiz, as part of the industry, faced the following macro-economic and systemic risks along with all counterparts:

1. Volatile depreciation of the Naira by at least 50%
2. Oil price/barrel came down below USD 40 amid declining production
3. Effect of the Treasury Single Account (TSA) on liquidity
4. Slow implementation of the budget and payment of contractual debt

All these factors affected negatively the national financial market which has pushed up the industry average Non-Performing Investment/Loan ratio above the regulatory 5% maximum to greater than 12%. In the same vein, the industry suffered for having huge past-dues due to the slow growth of the economy. However, Jaiz bank does not have any direct investment in the upstream oil sector and it's not that much affected but the Bank was affected by the TSA in terms of deposit mobilization and retention and several payments due to customers especially contractors/suppliers, from the public sector agencies were delayed. These can be summarized as either directly or indirectly related to the Bank as follows:

- a. Political and economic risks have consistently remained at the highest end of the scale
- b. Credit risk management remains a broad concern
- c. Liquidity management continues to be a challenge even though CBN has granted the bank a discounted rate of 10% CRR taking into consideration that NIFIs do not have access to the money market in the country, especially in investing idle funds.
- d. Technology risk
- e. Shari'ah compliance and its impact on reputation
- f. Requirement for increased need to invest in enhanced risk governance
- g. Lack of sufficient risk data and need for enhancing data quality

COMPOSITION OF THE RISK MANAGEMENT DIVISION

The Risk Management Division of the bank is broadly arranged into the following units -

- Credit(Investment) Risk Unit (including equity investment risk)
- Market and Liquidity Risk Unit

- Shari'ah Non-Compliance and Other Unique Risks Unit
- Operational Risk Unit

CREDIT RISK MANAGEMENT - **Credit risk** is the risk of economic loss from default or changes in ratings or other credit events. In a typical NIFI, it is defined as 'the potential that a counterparty fails to meet its obligations in accordance with agreed terms under a financial contract'. It arises principally from (i) Financing in Bai' (sale) e.g. Murabaha, promising to buy or deliver in Istisna' and Salam; (ii) leasing in Ijarah for rentals and leasing-to-own in Ijarah wa Iqtina' (iii) Investing in business performance on PLS (profit & loss sharing) in the Musharakah and Mudarabah contracts. Credit risk can also arise as a result of the crystallization of any off-balance sheet transaction.

PECULIARITY OF CREDIT RISK EVENTS

1. The role of the Bank can be that of financier, supplier, Muḍarib (fund manager to Investment Account Holders) and Musharakah partners (customers). The bank principally concerns itself with the risk of counterparties' failure to meet their obligations in terms of receiving a deferred payment and making or taking delivery of an asset. A failure could relate to a delay or default in payment, or in delivery of the goods/assets of Salam or Parallel Istisna', entailing a potential loss of income and even capital.
2. Due to the unique characteristics of each financing instrument, such as the non-binding nature of some contracts, the commencement stage involving credit risk varies. Therefore, credit risk is assessed separately for each financing instrument to facilitate appropriate internal controls and risk management systems.
3. The Bank also considers other types of risks that give rise to credit risk. For example, during the contract life, the risk inherent in a Murabaha contract is transformed from market risk to credit risk. In another example, the invested capital in a Muḍarabah or Musharakah contract will be transformed to debt in case of proven negligence or misconduct of the Mudarib or the Musharakah's managing partner.
4. In case of default in some cases, the Bank does not impose a penalty except in the case of deliberate procrastination, thus increasing the probability of default. As a matter of fact, the Bank is prohibited from using the amount of any penalty for its own benefit or taking it into income; it must donate any such amount to charity. This increases the cost of default.

The Bank's Credit Risk unit verifies and manages the credit process from origination to collection and recovery; monitoring and controlling all such risks by adhering to sound policies and processes that have been laid down to guard against their (risk) manifestation in tandem with the Shari'ah contracts' specific risk as per best practice.

CREDIT RISK PRODUCTS AND MANAGEMENT

The peculiar nature of investment risk products requires a holistic approach of risk management as stated earlier. The Bank has the following risk asset master products that have got certification from the Advisory Committee of Experts (ACE) and the Central Bank of Nigeria (CBN) available for its financing operations -

- a. Bai'(sale-based) contracts
 - i. Murabaha (sale on profit mark-up)
 - ii. Bai-Muajjal (Sale on credit)
 - iii. Salam (Advance Sale)
 - iv. Istisna' (Manufacture sale)
- b. Shirkat (Partnership)
 - i. Musharakah (Profit & Loss Partnership)
- c. Ijarah(Lease)
 - i. Ijarah wa Iqtina (lease to own)
 - ii. Ijarah Service (for service finance)
- d. Qard Hasan (benevolent loan without addition)
- e. Kafalah/Wakalah based Guarantees

RISK PROFILE OF THE PRODUCTS

Without having to re-iterate the description and characteristics of Islamic financial contracts as they have become public knowledge, their risk profile can be described as being based on the axiom of realism. What goes on in real life is what is accepted in Shari'ah without any additives or assumptions. In other words, the nature of these contracts defines their risk profile. The fundamental financing elements in the Islamic financial contracts are:

1. There must be asset in existence to justify earning. Assets are either handed over to a manager/entrepreneur or turned over for leasing or obtained for resale.
2. The asset base of financing must be the kind that produces increments either by its very nature (e.g., benefits or usufruct) or by the effect of real market forces (e.g. goods and services).
3. The investor (property provider) earns by virtue of ownership of an asset that grows. This is apparent in sale and lease financing and implied in the agency contract of sharing.
4. Moral and Shari'ah screening is essential for Shari'ah compatible investment and all financial contracts.

These characteristics have their own risk profiles. The basic point that Islamic products are essentially based on real market transactions i.e. assets, goods and/or services requires that we

deal with the real risk of owning goods, services and productive assets. Hence, there is a combination of price risk and an opportunity cost risk, the latter is usually expressed as 'interest rate' risk in conventional finance. As the Islamic Financial Institutions account for only a small fraction of the global finance market, Islamic finance products and dealers are price takers not price setters. The Investment risk or risk of default always exists whenever a contract creates a debt and the moral hazard risk crops up in any inter-personal relationship.

PRODUCT RISK MITIGATION TECHNIQUES

MURABAHA

MAJOR RISK ISSUES	Nature of Risk	MITIGATION TECHNIQUES
<i>Jaiz buys goods, delivery not assured</i>	<i>Market Risk</i>	<i>Promise to Purchase signed by the customer and Hamish Jiddiya (Down Payment)</i>
<i>Possession/ownership of goods/assets by the bank</i>	<i>Shariah Non-Compliance Risk</i>	<i>Constructive possession and risk transfer via Wakalah contract (Agency) and signing a Purchase and Sale Schedule - PSS</i>
<i>Diversion of funds/cash facility through fraudulent buying</i>	<i>Shariah Non-Compliance Risk</i>	<i>Direct payment to vendor where Jaiz is the buyer evidenced with acknowledgement and receipt of invoice in its name or endorsed</i>
<i>No additional profit when past due as it can never be restructured with additional profit</i>	<i>Balance sheet Risk</i>	<i>Prudent and conservative contract structuring considering return of sales revenue <i>Imposing a penalty for wilful delay, which ultimately goes to charity</i></i>
<i>Sale Price can't be increased at any point even after the market prime rate increases</i>	<i>Rate of Return Risk</i>	<i>Mark-up is defined considering the historic market trend and tenured for short periods.</i>

ISTISNA'

MAJOR RISK ISSUES	NATURE OF RISK	MITIGATION TECHNIQUES
<i>Jaiz commits to manufacture an asset, subcontracts via parallel-istisna' and contractor delays in delivery/not according to specification</i>	<i>Market and Performance Risk</i>	<i>Risk transfer via Wakalah(agency) contract with ultimate buyer to oversee the project.</i>
<i>Two contracts in one sale</i>	<i>Shariah Non-Compliance Risk</i>	<i>Completely separate the two contracts - one with seller and another with ultimate buyer - but with the same terms and conditions</i>
<i>No additional profit when past due as it can never be restructured with additional profit</i>	<i>Balance Sheet Risk</i>	<i>Prudent and conservative contract structuring considering return of sales revenue Imposing a penalty which ultimately goes to charity/Jaiz policy for option to sell under Ijarah Mausufa Fid-Dimmah (sale of a clearly specified underlying asset, which is currently being produced or constructed, for a future delivery)</i>
<i>Sale Price can't be increased at any point</i>	<i>Rate of Return Risk</i>	<i>Mark-up is defined considering historic market trend and tenured for a short period.</i>

IJARAH WA IQITINA

MAJOR RISK ISSUES	NATURE OF RISK	MITIGATION TECHNIQUES
<i>Asset becomes ready or in place , customer does not buy bank's portion</i>	<i>Market Risk</i>	<i>Undertaking to rent and purchase is signed by the customer and rent charged in advance</i>

Rentals can't be charged if the asset is not ready and does not generate usufruct	Ijarah Asset Risk	A gestation period is allowed (covered by Istisna) till the asset becomes ready to generate usufruct and a profit is charged at the end of the istisna.
Asset remains with Jaiz	Ownership Risk	The customer shall maintain the asset in protection of the interest of the Bank at their own cost except in cases of any accident due to any natural calamity/disaster (acts of Allah) or the like. The calamity is to be ascertained by the Bank and for that eventuality, a Takaful cover is established.
Customer defaults but residual value of the asset does not cover past-dues because of price fall.	Credit Risk	Other available sources of the customer and recourse to collateral

MUSHARAKAH

MAJOR RISK ISSUES	NATURE OF RISK	MITIGATION TECHNIQUES
Mismanagement by the partner	Operational Risk	Strict Supervision and periodic monitoring with data collection. Continual realization of the profit sharing ratio on a short-term basis
Manipulating the balance sheet	Operational Risk	Careful selection of partners who must be established to be credit-worthy, well known to the bank and with high credibility
Low profit declaration/earning	Rate of Return Risk	Selection of predictable profit making projects with sophisticated accounting system in place that can assist the Bank to determine the Profit-Sharing Ratio (PSR), at least not below the benchmark rate of the Bank.
Revocation of contract that results in capital loss due to misconduct of the partner	Equity Investment Risk	Disposal of collateral

<i>Incurring Loss</i>	<i>Balance Sheet</i>	<i>Immediate exit</i>
	<i>Risk</i>	

OBJECTIVES AND PURPOSES OF CREDIT RISK MANAGEMENT

The Bank's specific investment credit risks objectives are detailed in the Investment Policy Framework and summarized as:

- I. Monitoring and controlling investment risks in order to maintain a quality investment portfolio.
- II. Ensuring that expected returns compensate for the risks taken & investment risk decisions are clear & well calculated.
- III. Improving the risk management culture to minimize risk in banking operations in compliance with NIFI principles .
- IV. Establishing minimum standards for segregation of duties & responsibilities of the executives /officials.
- V. Formulating of an overall investment strategy & orientation with a view to maintaining the investment exposure of the Bank at prudent levels consistent with the available investable fund.
- VI. Setting up a sound investment approval process.
- VII. Maintaining an appropriate investment administration & monitoring process

CREDIT RISK ASSESSMENT

- Islamic commercial jurisprudence permissibility of the items of investment and business of the customer
- Particulars of the customer and the guarantor
- Amount, type and mode of investment requested
- Purpose of investment
- Payment potentiality out of funds generated from the customers' business (cash flow)
- Limit Structure (Tenor, Covenants, Payment Schedule, Rate of Return etc.)
- History and previous performance of the customer
- Current business and financial position of the customer.
- Credit Rating and confidential reports.
- Credit information report from the CBN & at least two other Credit Bureaus.
- Security Arrangements, both primary and collateral.

The bank utilizes several risk rating schemes and financial spreadsheets to determine the suitability of its obligors and the exposure to the major investment credit portfolios. The transition to IFRS models has obligated the bank to review and enhance its credit management process and data collection in order to be able to meet the statistical based requirements under the IFRS.

INVESTMENT RISK GRADING (IRG)

The IRG scale consists of 8 categories with short names and numbers as outlined:

GRADING	SHORT NAME	NUMBER
Superior	SUP	1
Good	GD	2
Acceptable	ACCPT	3
Marginal/Watch list	MG/WL	4
Special Mention	SM	5
Sub standard	SS	6
Doubtful	DF	7
Lost	Lost	8

RISK LIMIT CONTROL AND MITIGATION POLICIES

The industry and portfolio limits are set by the Board of Directors on the recommendation of the Chief Risk Officer. The Investment Risk Management unit monitors compliance with the approved limits.

Portfolio limits -

- The Bank engages in a detailed portfolio plan annually. In drawing up the plan, the Bank reviews the macro-economic factors, identifies the growth sectors of the economy and

conducts a risk rating of the sectors to determine its acceptable target market industries and exception. The Bank's target investment portfolio is then distributed across acceptable target market industries, strategic business units and approved product programmers.

- Public sector exposure limit of not more than 10% of the Bank's investment portfolio.
- Industry/economic sector limits are imposed on the Bank's credit investment portfolio, in line with the following policies:
 - The Bank's target market includes companies operating in industries rated 'BB' or better unless on an exception basis.
 - The Bank would not have more than 19% of its portfolio in any group of positively correlated industries in terms of risk (e.g., Oil Exploration and Oil Service, Tire Manufacturing and Tire Distribution etc.).
 - The Bank strives to limit its exposure to any single industry to not more than 15% of its investment portfolio and such industry must be rated 'BBB' or better.
 - No more than 10% of the Bank's portfolio would be in any industry rated 'BB'.

Single obligor limits

- Limits are imposed on investments to individual borrowers. The Bank as a matter of policy does not avail finance above its regulatory financing limit to any one borrower, which is 20% of its shareholders' funds unimpaired by losses. The internal guidance limit is, however, set at 19% of shareholders' funds, to create a prudent buffer.
- Product programs/schemes contain guidelines on single obligor limits.
- Except with the approval of the Board of Directors, the Bank shall not avail more than:
 - 19% of the Bank's shareholders' funds to any company. Only companies rated 'A' or better may qualify for this level of exposure.
 - No single retail investment should amount to more than 0.2% of total retail portfolio.
 - No single retail investment should amount to more than 0.5% of the related retail product portfolio.

INVESTMENT RISK PORTFOLIO PERFORMANCE

(ii) Impairment by Products (IFRS)							
	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Other Assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January	175,869	13,000	-	51,487	214,275	138,530	593,161
Recovery	- 63,891	- 4,704	-	-	(151,500)	(76,259)	296,354
Impairment for current year	17,101	-	-	72,402	35,802	-	125,305
Balance at 31 December	129,079	8,296	-	123,889	98,577	62,271	422,112
Notes	6	7	8	9	10	15	
(iii) Provision by Products (CBN)							
	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Other Assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January	471,310	13,000	-	137,979	574,236	138,530	1,335,055
Re-classification	226,545	- 1,000	1,277	135,661	(295,759)	-	66,723
Recovery	- 66,722	-	-	-	-	(76,259)	(142,982)
Impairment for current year	188,458	12,000	1,277	13,733	308,622	-	524,090
Balance at 31 December	819,591	24,000	2,554	287,372	587,099	62,271	1,782,886
(iv) Impairment by Type							
	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Other Assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
General Impairment	353,116	24,000	2,553	15,406	274,582	62,271	731,928
Specific Impairment	466,475	-	-	271,966	312,517	-	1,050,958
Balance at 31 December	819,591	24,000	2,553	287,372	587,099	62,271	1,782,886
	176,558	12,000	1,277	7,703	131,192		
(v) Investment Classification (IFRS)							
	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Total	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Performing	18,569,430	1,200,000	127,674	836,486	14,360,092	35,093,682	
Non-performing				263,267	-	263,267	
Balance at 31 December	18,569,430	1,200,000	127,674	1,099,753	14,360,092	35,356,949	
(vi) Investment Classification (CBN)							
	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Total	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Performing	17,655,786	1,200,000	127,674	770,289	13,729,085	33,482,835	
Non-performing	913,644	-	-	329,464	631,006	1,874,114	
Balance at 31 December	18,569,430	1,200,000	127,674	1,099,753	14,360,092	35,356,949	

41 FINANCING ANALYSIS

(I) By Performance

	2016	2015
	N'000	N'000
Performing	32,872,950	24,681,833
Non Performing:		
Substandard	329,523	246,500
Doubtful	1,663,055	342,049
Lost	491,421	128,461
	35,356,949	25,398,843

(ii) By Security

	2016	2015
	N'000	N'000
All Asset Debenture	650,466	146,941
Corporate Guarantee	296,748	759,211
Personal Guarantees	121,462	155,429
Pledge of Asset/Lien of Assets	961,370	56,102
Deposit of Title Deeds	22,138	18,336,934
Legal Mortgage	23,731,044	1,158,992
Equitable Mortgage	2,482,660	3,797,541
Salary Domiciliation/ lien of Assets	5,898,085	67,879
Post Dated Cheques	121,214	147,242
Clean/Staff Qard Hassan	127,674	25,331
Hyphotication of Goods	319,210	7,761
Irrevocable Standing Payment Order/Letter of comfo	417,261	690,030
Domiciliation of Contract proceeds	207,617	49,450
	35,356,949	25,398,843

(iii) By Location

	2016	2015
	N'000	N'000
Head Office	3,097,657	3,021,698
Abuja	12,843,311	9,132,725
Kano	2,837,567	1,650,273
Kaduna	3,494,634	2,909,758
Gombe	305,857	348,042
Maiduguri	46,104	205,580
Kano 2	3,081,886	2,751,595
Katsina	2,103,641	804,345
NASS	1,378,572	1,043,996
Wuse	3,004,629	2,472,079
Gusau	869,243	308,534
ATBU	27,822	70,975
Sokoto	269,820	247,158
Zoo Road	345,574	-
Kabuga- Kano	48,172	37,818
NNPC	377,642	244,689
Bauchi	51,470	1,456
Yola	219,579	878
Kaduna 2	41,559	-
Bannex	75,885	-
Ikeja	521,225	-
Ibadan	633	-
Ilorin	161,557	-
Gwarimpa	9,860	-
Samaru	15,376	-
Staff Qard	127,674	147,242
	35,356,949	25,398,843

<i>(iv) By Product</i>	2016	2015
	N'000	N'000
Murabaha Corporate	8,400,925	3,260,936
Ijarah Wa Iqtina Corporate	6,903,069	6,141,719
Musharakah	1,200,000	650,000
Qard Hassan	127,674	147,242
Murabaha Household Appliance	123,236	80,161
Murabaha Auto Finance	1,482,140	952,118
Ijarah Auto Finance	34,047	14,007
Ijarah Home Finance	6,389,371	4,810,445
Ijarah Service	1,033,604	1,061,105
Murabaha Retail/Gen.	8,563,130	7,499,219
Istisna	1,099,753	781,891
	35,356,949	25,398,843
<i>(v) By Sector</i>	2016	2015
	N'000	N'000
Agriculture	3,114,030	2,006,017
Real estate	8,519,238	7,549,362
Manufacturing	451,241	173,324
Education	1,181,951	1,335,289
Wholesale trading	-	-
Construction	2,530,782	1,567,465
	2,841	-
Information technology	335,809	384,678
General	7,859,450	9,098,886
Oil and Gas	4,273,764	-
Retail	6,282,339	2,460,092
	1,025	-
Transport	804,479	823,731
	35,356,949	25,398,843
<i>(vi) By Category</i>	2016	2015
	N'000	N'000
Corporate	25,263,819	17,818,470
Retail	10,093,130	7,580,373
	35,356,949	25,398,843
42 (vii) By Age	2016	2015
	N'000	N'000
0 - 30 days	3,250,689	849,377
31 - 60 days	1,593,063	-
61 - 90 days	661,103	3,128,305
91 - 180 days	5,307,081	3,631,916
180 - 360 days	3,346,299	2,188,522
Over 30 days	21,198,714	15,600,723
	35,356,949	25,398,843

MARKET AND LIQUIDITY RISK

The Market & Liquidity Risk unit monitors disciplined risk taking within a frame work of the well-defined risk appetite that enables the Bank to enhance shareholders' wealth while retaining its competitive advantage.

As a NIFI, the Bank is exposed to rate of return risk in the context of its overall balance sheet exposures. An increase in industry benchmark rates may result in Investment Account Holders' (IAHs) having expectations of a higher rate of return on their deposits, failure of which can turn to a Displaced Commercial Risk (DCR). In consideration, the Bank analyses the Rate of Return Risk and has developed a reporting format to the ALCO to identify, measure and mitigate the risk of DCR to protect the interest of Investment Account Holders. The Bank has also developed a draft policy on income smoothing plan through a Profit Equalization Reserve (PER) to treat the interest of shareholders and IAHs, as well as approved the setting up of an Investment Risk Reserve (IRR) exclusively to subsidize potential future losses.

Liquidity Risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to meet the obligation at excessive cost. This risk arises from mis-matches in the timing of cash flows. Funding risk (a form of liquidity risk) arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.

As a protective measure against liquidity risk, the Bank solicits and attracts various sources of funds to channel to its financing and investment activities in Shari'ah compliant instruments from the money and capital markets, where available. The Bank, as the sole full-fledged NIFI and in conjunction with other window-NIFIs and the regulators, is working on the development of compliant instruments and some progress has been achieved with at least two products introduced in 2016. Internally, the bank has set its liquidity ratio at 3% above the regulatory limit and its investment to deposit ratio at 5% below the regulatory limit.

RATE OF RETURN RISK

A greater portion of investment funds raised by NIFIs is based on the *Mudarabah* contract, which is a partnership between 'work' and 'capital' in which the capital provider (*Rabb-ul-Mal*) is exposed to losses of their capital, while the provider of work (*Mudarib*) is exposed to losing its time and effort. The contract thus involves profit-sharing for both partners and loss-bearing for the provider of capital. Under the *Mudarabah* contract, the IAHs agree to participate as *Rabb-ul-Mal* in the financial activities undertaken by the NIFI as *Mudarib*, and to share the profits

generated from financing and investment activities based on a contractually predetermined profit-sharing ratio.

As capital owners, IAHs are liable to bear the losses arising from the assets funded by their deposits, except in the case of fraud, misconduct, negligence, or breach of contracted terms and conditions by the NIFI.

Under the *Mudarabah* contract, the IAHs therefore bear the commercial risk associated with the investment financed by the funds provided by them. Concurrently, the Bank is responsible for managing the investment of assets and is under a fiduciary obligation to safeguard the interests of the IAHs through the establishment of sound and prudent policies in the management of the investments funded by IAHs. However, NIFIs are faced with a number of limitations while managing funds provided by the IAHs.

In Nigeria, a major hindrance is the limited or non-availability of a *Shariah*-compliant lender-of-last-resort facility that should be provided by the central bank/monetary authorities. Equally important is the limited coverage of the Nigerian Deposit Insurance Scheme for Profit-Sharing Investment Accounts (PSIA). Despite the issuance of *Shari`ah*-compliant instruments called *Sukuk* in a number of jurisdictions in recent years, the development of an active secondary capital market in these issues remains elusive.

The unavailability or limited supply of the aforementioned instruments or market mechanisms in many jurisdictions impacts on a NIFI's liquidity management and leaves a huge idle fund which generates no income. This may result, at times, in the returns earned on its IAH funds being uncompetitive compared to those being offered by its competitors. This leads to the *Rate of Return Risk*, which is a particular problem with respect to funds of Unrestricted Investment Account Holders (UIAH), who typically may withdraw their funds at short notice subject to loss of profit share. In such a scenario, rate of return risk exposes the NIFI to *withdrawal risk* – namely, the risk that their UIAH may withdraw their funds at short notice and place them with other Banks that offer better expected or actual rates of return. If unmitigated, UIAH withdrawals can reach systemic proportions and become a cause for concern on the part of both the NIFI and supervisory authorities

Displaced Commercial Risk refers to the risk (i.e. volatility of the stream of profits) arising from assets managed on behalf of IAHs which is effectively transferred to the NIFI's own capital because the NIFI may follow the practice of forgoing part or all of its *Mudarib's* share of the profit on such funds, and/or making a transfer to UIAHs out of the shareholders' investment profit as a *hibah* (gift), when it considers this necessary.

In the absence of smoothing mechanisms, the rate of return paid to the UIAHs may thus be "smoothed" at the expense of the profits attributable to the NIFI's shareholders.

In addition to the effects on profitability and the limitations on liquidity management, a major cause of DCR is the Rate-of-Return risk. The Rate-of-Return risk is the risk of facing a lower rate of return on assets than that currently expected by depositors from other

competitors. For instance, NIFIs may have invested UIAH funds into relatively long maturity assets such as long-maturity *Murabaha* or other *fixed sale products* and thereby have locked in lower rates of return on assets than those currently on offer in the market. DCR results when there is pressure on the NIFI to match the market expectations of UIAHs.

CLASSES OF INVESTORS AND INVESTMENT ACCOUNTS

NIFIs have three main types of funding:

1. Equity
2. Demand deposits based on “Qard hassan” which pay no return and are repayable in full on demand, and
3. Investment accounts which are mainly based on Mudarabah principles. Investment accounts are divided into two types: Unrestricted Investment Accounts (UIA) and Restricted Investment Accounts (RIA). In managing UIAs, a NIFI has full discretion to utilize the funds for the provision of finance and/or investments as UIAHs provide funds without specifying any restrictions as to where, how or for what purpose the funds should be invested, provided that they are *Shari’ah* compliant and are within the standards of banking prudential and due diligence guidelines.

A common practice in NIFIs is to hold UIAs on Mudarabah basis and RIAs on Wakalah basis, which is off-balance sheet by its nature and known as Wakalah Investment Deposit (WID). Qard-based current deposits which are by nature demand deposits, do not concern profit pay-outs, thus are excluded from the income smoothing group.

In principle, smoothing applies to both UIAs and shareholders’ equities, but in practice, it is generally found in connection with UIAs since they are considered a *Shari’ah*-compliant substitute for conventional deposits.

CLASSIFICATION OF SMOOTHING TECHNIQUES

As per industry practices and guidance note on the practice of smoothing the profit pay-outs to IAAs in order to mitigate withdrawal risk, NIFIs resort to various smoothing techniques, each taking different forms and therefore entailing different legal and governance consequences for the NIFI. The basic purpose of smoothing is to give better rates of payout to UIAHs in periods when assets financed from UIAH funds fail to generate competitive returns vis-à-vis competitors’ distributable return. In addition, some NIFIs are also involved in the practice of building separate reserves for covering losses on the UIAHs’ investment.

The smoothing methods used by NIFIs in various jurisdictions entail mitigation of DCR by the use of reserves. DCR occurs when NIFI effectively transfer risk (i.e. volatility of the income stream) arising from the assets managed on behalf of UIAHs to their own capital, by forgoing a part or all of (a) the *Mudarib*’s share of profit, and/or (b) the shareholders’ portion of profit in the joint investments, in order to increase the rate of return payable to UIAHs.

Methods which entail DCR without resorting to setting any reserves include the following:

- i) A NIFI may forgo or give up part or the entire *Mudarib's* share of profit earned on UIAH funds. Normally, in this case, the contractual percentage of the *Mudarib's* share is established at a high level, so as to provide flexibility in setting the percentage share for any particular year.
- ii) Alternatively, even when the contractual distribution of profit between the *Mudarib* and the UIAH is set at a moderate level, the directors may decide to give up a part of the profit due to the Bank to the UIAH, in order to avoid withdrawal risk.

In both cases, a NIFI may make a transfer from the shareholders' current or retained profits to the UIAH on the basis of *Hibah*. This of course requires an authorization from the general assembly in its annual meeting while at the same time; it may not require any amendment or change in the contractual relationships with the UIAH.

Methods by which DCR is mitigated by the Bank may include the following:

- Establish a reserve called a Profit Equalization Reserve (PER) by setting aside amounts from the investment profits before allocation between the shareholders and the UIAH i.e. before the calculation of the NIFI's *Mudarib* share of profits. Funds from this PER are used in bad years to supplement the return which is distributed to the UIAH.
- Maintain a reserve called an Investment Risk Reserve (IRR) by setting aside amounts from the investment profits attributable to the UIAH, after deducting the NIFI's *Mudarib's* share of profits. The IRR can be used only to cover losses on the capital or principal of UIAH deposits.

The use of the IRR mitigates withdrawal risk and reinforces the effect of the PER.

Jaiz Bank has a framework in place to adopt these two mechanisms i.e., Profit Equalization Reserve (PER) and Investment Risk Reserve (IRR) to protect both shareholders and investment depositors (UIAHs).

SHARIAH NON-COMPLIANCE AND OTHER UNIQUE RISKS

Shari'ah Non-Compliance risk is the risk that arises from failure to comply with the rules of Shari'ah and its principles as determined by the Bank's Advisory Committee of Experts (ACE) and the Central Bank's Financial Regulatory Advisory Council of Experts (FRACE). Shari'ah compliance is critical for NIFIs' operations and such compliance requirements must permeate throughout the organization's products and activities. The Bank is strictly determined to comply with Islamic commercial jurisprudence in all its activities.

Other unique risks are exclusively associated with NIFIs which the Bank manages through effective monitoring and complying with pre- and post-disbursement modalities.

- a. **Risk of continuity of usufruct in Ijarah** since a fundamental ethical axiom in Ijarah is that “rent is a price of usufruct; it is due as long as usufruct exists”.
- b. **Reputational risk** due to breach of Shari’ah compliance which may result to loss of shareholders and IAHS’ confidence.
- c. **Ownership Risk** which is that risk associated with owning a property, asset or commodity especially in Murabaha and Ijarah modes.
- d. **Legal, fiduciary, regulatory and strategic risks** are also managed appropriately.

OPERATIONAL RISK

Operational Risk is defined as a risk of loss arising from failure in internal processes, people, systems or external events. This includes legal risk but excludes reputational and strategic risks.

The responsibility of Operational Risk in Jaiz Bank is to prevent the occurrence and /or crystallization of such losses and/or to reduce the impact and severity when they occur. The unit achieves this by creating appropriate policies and platforms to reduce the occurrence of such incidences. An operational risk framework is in place to guide the governance and implementation of operational risk. The objectives of the framework are:

- minimize or eliminate losses attributable to operational risk
- ensure operational risk awareness and effective control of operations
- improve performance measurement and feedback
- embed early warning signals when exceptions occur.

The basic tools of operational risk management i.e. the Risk Control Self-Assessment (RCSA), Key Risk Indicator (KRI), Issues & Action Plan reporting and Loss Trend reporting have been incorporated in order to lead to seamless reporting, analysis, mitigation and eventual prevention of operational risk losses that may be inherent in the system. The Bank is ISO-certified as follows: 22301 for business continuity and 27001 for information security.

CAPITAL MANAGEMENT & BASEL II/III

Jaiz Bank Plc adopted Basel II/III in January 2014 in line with the CBN’s circular dated 10th December 2013 on the implementation of Basel II/III through a 'simple' approach with respect to **Pillar I** requirements as follows:

Credit risk (Investment Risk) - Standardised Approach: This is similar to previous (Basel I) requirements whereby regulatory capital requirements are calculated by multiplying the value of the Bank’s exposure by an appropriate risk weight. Under Basel II, the risk weight

is determined by the credit rating of the counterparty, where available, as well as the type of exposure.

Market risk – Standardised Approach: Similarly, the Standardized Approach is used for the calculation of market risk.

Operational risk - Basic Indicator Approach: whereby regulatory capital is calculated by taking a single risk-weighted multiple (15%) of the Bank's average gross operating income.

In pursuant of the Islamic Financial Services Board (IFSB) standard No.1 in addition to the above Pillar I requirements, Equity Investment risk (which we include under credit risk), Rate of Return risk including Displaced Commercial Risk (under market risk) and Shariah Non-Compliance risk (under operational risk) have been taken care of in line with the requirement of Non-Interest Financial Institutions. Under the **Pillar 2** of the Basel II requirements, the Bank has undertaken a self-assessment of its internal capital requirements - an Internal Capital Adequacy Assessment Process, or ICAAP.

The Bank makes certain disclosures on solo basis to the market to encourage market transparency and discipline. The aim is to allow market participants to assess key pieces of information on the Bank's capital, risk exposures and risk assessment process. The disclosures, which are to complement the minimum capital requirements (Pillar I) and the supervisory review process (Pillar 2), are to be made to the market for its benefit.

CAPITAL MANAGEMENT

The Bank endeavors to maintain sufficient capital resources to support its investment credit business and general business growth. Capital adequacy will be formally reviewed and approved annually while the monitoring and reporting of changes to the capital forecasts will take place quarterly. The Board will consider the need to change its capital forecasts and capital plans based on these reviews.

The Bank holds capital at a level that the Board considers necessary and the assessment of minimum capital requirements is a combination of regulatory requirement and sound judgment exercised by the Board. In assessing the adequacy of its capital, the Bank considers its risk appetite, the material risks to which the Bank is exposed and the appropriate management strategies for each of the material risks, including whether or not capital provides an appropriate buffer.

In addition to capital adequacy reporting to the CBN, the Bank has commenced a process that ensures performing monthly Internal Capital Adequacy calculation for the Executive Management and quarterly for the Board, in order to assess the Bank's capital adequacy and to determine the levels of capital required going forward to support the current and future risks in the business.

STRESS TESTING

The Bank performs regular quarterly stress tests on its capital adequacy and liquidity position under a range of scenarios. The scenarios are agreed by the ALCO and reviewed by the EXCO, and regularly updated to reflect the Bank's risk profile and external risks, including risks associated with the economic cycle.

Where applicable, the stress tests cover all relevant risks to which the Bank is exposed, for example, capital adequacy stress tests based on macro-economic scenarios would be geared towards analysing the impact on both credit and market risk exposures.

Liquidity stress tests are performed monthly and capital adequacy stress tests yearly. In addition, periodic ad-hoc stress tests are performed as required by the Executive Management or the ALCO.

Detailed results of stress tests are presented to the ALCO, including the impact of the stress scenario on the Bank's capital requirement, its capital resources and its profitability; summary results are presented to the EXCO. Stress testing is used to determine the Bank's capital adequacy, the adequacy of its liquidity position and to influence strategy and medium term planning.

IMPAIRMENT TEST & IFRS

As per the requirements of the IFRS, the Bank did a risk asset impairment test conducted by an independent consultant as at the end the year 2016 as reflected in the accounts.



Musa Potiskum

Ag. Chief Risk Officer

CORPORATE GOVERNANCE REPORT

Introduction

At Jaiz Bank Plc, we believe that good Corporate Governance goes beyond complying with rules and regulations. It also includes compliance with the core values of the Bank – Quality Customer Service; Team Spirit; Respect for the Individual; Ethics; Trust; Partnership; and Entrepreneurship. The Board ensures that the Bank adheres to applicable Corporate Governance regulations, and imbibes international best practices.

This report documents the Bank’s Corporate Governance practices for the year ended 31 December, 2016.

Board Structure

The composition of the Board is a mix of Executive and Non-Executive Directors (NEDs), headed by a Chairman. The Board presently consists of 13 members, two of whom, inclusive of the Managing Director are Executive Directors while ten are Non-Executive Directors. Two of the Non-Executive Directors are Independent Directors appointed based on criteria laid down by the Central Bank of Nigeria’s Guideline on Independent Directors of Banks in Nigeria. The position of the Managing Director and Chairman are held by separate persons, and their roles are clearly defined.

The Board meets quarterly and additional meetings are convened as the need arises. The Board has the authority to delegate matters to Board Committees and the Executive Management Committee. The Board has delegated to the Managing Director its powers which relate to the operational running of the Bank.

The Board of Directors of Jaiz Bank Plc in the year under review:

- | | | |
|--------------------------------------|---|--------------------------|
| 1. Alh. (Dr.) Umar Abdul Mutallab | - | Chairman |
| 2. Prof. Tajudeen Adepemi Adebisi | - | Independent Director |
| 3. Nafiu Baba-Ahmad | - | Independent Director |
| 4. Alh. (Dr.) Aminu Alhassan Dantata | - | Non-Executive Director |
| 5. Alh. Musbahu Muhammed Bashir | - | Non-Executive Director |
| 6. Alh. Mukhtar Danladi Hanga | - | Non-Executive Director |
| 7. Alh. (Dr.) Umaru Kwairanga | - | Non-Executive Director |
| 8. Mall. Falalu Bello | - | Non-Executive Director |
| 9. Mr. Mohamed Ali Chatti | - | Non-Executive Director |
| 10. H.R.H. Engr. Bello Muhammad Sani | - | Non-Executive Director |
| 11. Alh. (Dr.) Muhammadu Indimi | - | Non-Executive Director |
| 12. Mallam Hassan Usman | - | Managing Director |
| 13. Mahe Abubakar Mahmud | - | Deputy Managing Director |

Board Appointment

During the Course of 2016 financial year, Mallam Hassan Usman, Executive Director Operations & CFO was appointed as the Managing Director, following the exit of the former MD/CEO whose tenure expired towards the end of 2015

Director's Appointment Process, Induction and Training

The Board Governance, Remuneration and Nominations Committee is responsible for leading the process for Board appointments and for identifying and recommending suitable candidates for the approval of the Board. In making Board appointments, the Board takes cognizance of the knowledge, skill, experience and other qualities considered necessary for the role. The appointment of Directors is subject to the approval of the shareholders and the Central Bank of Nigeria.

On appointment, a new Director undergoes a personalized induction programme which is arranged by the Company Secretary. The Director also receives an induction pack which comprises of the Board's charter, memorandum and articles of association of the Bank, important legislations/policies and a calendar of Board activities.

The Board ensures that members are trained on issues relating to their oversight functions. Directors are required to partake in periodic relevant continuing professional development programmes to update their knowledge and skills to keep them abreast of new developments in the industry and operating environment.

Attendance of Meetings

In its bid to continuously improve its corporate governance processes, the Board prepares and circulates an annual calendar of meetings among its members prior to the commencement of a new financial year, in order to enhance attendance of Board meetings by Board members. The table below shows the frequency of meetings of the Board of Directors and its respective Board Committees during the 2016 financial year:

Directors	Board Of Directors	Board Investment Committee	Board Risk Management & Audit Committee	Board Governance Remuneration Committee	Finance & General Purpose Committee	Audit Committee
Alhaji (Dr.) Umaru Mutallab, CON	5	N/A	N/A	N/A	N/A	N/A
Hassan Usman *	5	8	4	-	-	-
Mahe Abubakar Mahmud **	5	N/A	N/A	N/A	N/A	N/A
HRH (Engr.) Bello Muhammad Sani, OON	5	-	4	7	-	-
Alhaji (Dr.) Aminu Dantata, CON	5	8	-	5	-	-
Mallam Falalu Bello, OFR	5	9	-	-	-	4
Alhaji (Dr.) Umaru Kwairanga	5	-	4	-	8	-
Nafiu Baba-Ahmad, mni.	5	-	4	7	-	-
Alhaji Mukhtar Sani Hanga	5	-	-	7	8	-
Alhaji Musbahu M. Bashir	5	9	-	-	7	-
Alhaji (Dr.) Muhammadu Indimi, OFR	5	-	-	-	8	4
Prof. Tajudeen Adebisi	5	-	-	6	-	4

Dr. Mohamed Ali Chatti	4	N/A	N/A	N/A	N/A	N/A
Prof. Idris O. Sulaimon	-	-	-	-	-	3
Prof. Ibrahim H. Umar ***	-	-	-	-	-	2
Alh. Abdullahi I. Umar ***	-	-	-	-	-	2
Alh. Muhammad El-Yakub ****	-	-	-	-	-	2
Alh. Mohammed Gambo Fagge ****	-	-	-	-	-	2

Note:

* Appointed Managing Director/CEO by Board with effect from 2 May, 2016 and approved by Central Bank of Nigeria (CBN) on

**Appointed Deputy Managing Director (DMD) by the Board with effect from 2 May, 2016 and approved by Central Bank of Nigeria (CBN) on.....

*** Retired from the committee with effect from May, 2016

**** Appointed to the committee with effect from May, 2016

N/A – Not Applicable (Not a committee member)

Dates for Board and Board Committee meetings held in 2016:

	Board Of Directors	Board Investment Committee	Board Risk Management & Audit Committee	Board Governance Remuneration Committee	Finance & General Purpose Committee	Audit Committee
No. of Meetings	5	9	4	7	8	4
	22/03/2016	10/02/2016	16/02/2016	25/01/2016	17/02/2016	15/03/2016
	17/05/2016	03/03/2016	11/05/2016	23/02/2016	20/04/2016	16/05/2016
	30/05/2016	12/04/2016	08/08/2016	09/03/2016	05/05/2016	10/08/2016
	23/08/2016	16/05/2016	06/12/2016	16/05/2016	25/05/2016	13/12/2016
	14/12/2016	17/06/2016		22/08/2016	21/07/2016	
		14/07/2016		06/09/2016	17/08/2016	
		21/08/2016		11/12/2016	19/10/2016	
		18/10/2016			12/12/2016	
		09/11/2016				

Tenure of Directors

In order to ensure both continuity and injection of fresh ideas, the tenure for Non-Executive Directors is limited to a maximum of three (3) terms of four (4) years each, i.e. twelve (12) years while the maximum tenure for Independent Non-Executive Directors is limited to a maximum of two (2) terms of four (4) years each, i.e. eight (8) years.

This is in compliance with the directives of the CBN Code.

Board Committees

The Board has established various Committees with well-defined Terms of Reference defining their scope of responsibilities. The Committees meet quarterly but may hold additional meetings as the need arises. The Board has five standing Committees and they include:

1. Board Risk Management Committee.
2. Board Investment Committee.
3. Board Finance & General Purpose Committee.
4. Board Risk Management and Audit Committee.
5. Board Governance Remuneration and Nomination Committee.

In compliance with the provision of Section 359 of the Companies and Allied Matters Act, the Bank constituted a Statutory Audit Committee made up of three non-executive directors and three shareholders.

The composition of the respective Committees, their membership and terms of reference are provided in the table below:

BOARD COMMITTEE	MEMBERSHIP	TERMS OF REFERENCE
Statutory Audit Committee	Alh. Idris Onaolapo Sulaimon (Chairman/Shareholder) Alh. Muhammad Rabiu El-Yakub (Shareholder) Alh. Mohammed Gambo Fagge (Shareholder) Mallam Falalu Bello, OFR Professor Tajudeen Adebisi Alhaji Muhammadu Indimi	<ul style="list-style-type: none"> ❖ Examining the External Auditors report and making recommendations thereon; ❖ Examining CBN/NDIC Examination reports and making recommendations thereon; ❖ Receiving and reviewing on Quarterly basis, Internal Audit and Compliance reports of the Bank; ❖ Reviewing the Scope and Planning of annual audit requirements; ❖ Reviewing the effectiveness of the Bank's Accounting System and Internal Control; ❖ Making recommendations to the Board of Directors on the appointment, renewal and remunerations of the External Auditors of the Bank; and ❖ Reviewing the integrity of the Bank's financial reporting and protecting the independence

		and objectivity of the External Auditors.
Board Investment Committee	Malam Falalu Bello (Chairman) Alh Musbahu M. Bashir Alh Aminu Dantata Hassan Usman (Managing Director)	<ul style="list-style-type: none"> ❖ Evaluating and approving all investments within its powers delegated by the Board; ❖ Evaluating and recommending all investments beyond its powers to the Board; ❖ Reviewing investments portfolio in line with set objectives. ❖ Reviewing classification of investments of the Bank based on prudential guidelines on quarterly basis; ❖ Approving the restructuring and rescheduling of investments within its powers; ❖ Writing-off and grant of waivers within powers delegated by the Board; and ❖ Periodic review of Investment Manuals and Guidelines.
Board Risk Management & Audit Committee	Nafiu Baba-Ahmad (Chairman) HRH Eng. Bello Muhammad Sani Alh (Dr.) Umaru Kwairanga Hassan Usman (Managing Director)	<ul style="list-style-type: none"> ❖ Overseeing the overall Risk Management of the Bank; ❖ Reviewing periodically, Risk Management objectives and Policies for consideration of the full Board; ❖ Approving the Risk Rating Agencies, Credit Bureau and other related services providers to be engaged by the Bank; ❖ Approving the Internal Risk Rating Mechanism; ❖ Reviewing the Risk compliance reports for regulatory authorities; ❖ Reviewing and approving exceptions to the Bank's Risk policies; ❖ Reviewing policy violations on Risk issues at Senior Management level; ❖ Certifying Risk reports for investments, operations, market/liquidity subject to limits set by the Board. ❖ Ensuring the adequacy and efficacy of the Bank's internal control systems; adequacy and integrity of underlying financial data, financial systems, as well as processes for identifying,

		<p>capturing, and reporting key data such as profit and loss, valuation of financial instruments, and impairment allowances;</p> <ul style="list-style-type: none"> ❖ Review the Chief Compliance Officer's quarterly reports. ❖ Consider the appointment, resignation or dismissal of the Bank's Chief Risk Officer and Chief Compliance Officer; ❖ Report to the Board on its consideration of the above matters, identifying those areas where action or improvement is needed, and making recommendations as appropriate.
<p>Board Finance and General Purpose Committee</p>	<p>Alh (Dr.) Umaru Kwairanga (Chairman) Alh Mukhtar Hanga Alh Muhammadu Indimi Alh Musbahu M. Bashir</p>	<p>The Committee:</p> <ul style="list-style-type: none"> ❖ Considers and advises the Board of Directors on all aspects of the Bank's finances; ❖ Considers and makes recommendations to the Bank on the annual estimates of income and expenditure, other budgets and the financial forecasts for the Bank; ❖ Considers and makes recommendations to the Board of Directors for its approval. the framework for expenditure on capital items and to review the list of priorities within the framework; ❖ Considers, reviews and reports on the periodic management accounts of the Bank, and to also advise the Board of Directors on the year-end accounts. ❖ Considers and makes representations to the Board of Directors on the solvency of the Bank and the safeguarding of its assets; ❖ Considers and advises the Board of Directors on any relevant taxation issues; ❖ Advises the Board of Directors generally on borrowings. ❖ Advises the Board of Directors on the Bank's policy related to grants, loans or other payments to staff within a limit to be agreed. ❖ Considers and recommends financial procedures, capitalisation and depreciation and treasury management policies. ❖ Considers and monitor proposed capital expenditure projects above the thresholds set for Management by the Board and advises the Board of Directors on their financial implications. ❖ Considers and advises the Board of Directors on employment policy, approves personnel

		<p>policies and procedures and monitors staffing issues.</p> <ul style="list-style-type: none"> ❖ Revises personnel policies for Board Approval, reviews job descriptions, establishes or periodically reviews the staff salary structure and staff benefits package.
<p>Board Governance, Remunerations & Nominations Committee</p>	<p>HRH Engr. Bello Muhammad Sani (Chairman) Alh Mukhtar Hanga Alh. Aminu Dantata Nafiu Baba Ahmad Prof. Tajudeen .A. Adebisi</p>	<p>The Committee is responsible for:</p> <ul style="list-style-type: none"> ❖ Matters relating to Board’s remunerations and Appointment; ❖ Remuneration, incentive arrangements and benefits of the Chairman of the Board; ❖ Reviews incentive arrangements and benefits of the Executive and Non- Executive Directors of the Bank within the limits imposed by Regulatory Authorities; ❖ Recommendations concerning Executive Directors compensation plans and perquisites and ensuring that their packages are competitive; ❖ Recommending any proposed change(s) to the Board; ❖ Keeping under review the need for appointments; ❖ Preparing a description of the specific experience and abilities needed for each Board appointment, considering candidates for appointment as either Executive or Non-Executive Directors and recommending such appointments to the Board; ❖ Reviewing the tenor of the Non-Executive Directors on the Board and Board Committee assignments and other commitments to the Bank; ❖ Recommending to the Board renewal of appointment of Executive/Non-Executive Directors at the end of their 1st and/ 2nd term of office based on the outcome of review of Directors performance; ❖ Advising the Board on succession planning regarding the roles of the Chairman, Chief Executive Officer and Executive Directors; ❖ Advising the Board on the contents of the Directors Annual Remuneration Report to shareholders;

		❖ Considering and deciding on such other matters as the Board may refer to it.
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Management Committees

The Board Committees are supported by Management Committees of the Bank, Comprising of senior officers who are responsible for the day-to-day operation of the Bank as a going concern. They ensure that laid down policies are followed and that the Bank abides by all relevant regulatory and legal requirements.

Management Committee (MANCO) is the highest Management Committee comprising of the Top Management Staff of the Bank and all Heads of Departments. Other Management Committees include Assets and Liability Committee (ALCO), Management Investment Committee (MIC); Branch Development Committee; Procurement Committee; IT Steering Committee; Disciplinary Committee; Criticized Asset Committee (CAC), and Operations Risk Management Committee. These Committees review and formulate strategies to implement the Board's broad strategic direction in various areas including business and financial performance, strategic planning, manpower planning, operations, customer service, investor relations, external relations, and organizational efficiency amongst others.

Ownership Structure

The ownership structure of the Bank is as follows:

S/N	CATEGORY	NO.	UNITS
1	COPORATE	206	5,546,022,288
2	STATE GOVT	14	1,425,989,562
3	LOCAL GOVT.	105	391,412,975
4	INDIVIDUAL	26,173	4,111,378,789
5	JOINT	154	2,217,561
6	INSTITUTION	108	2,001,770,181
7	FOREIGN	1	1,253,333,294
		26,761	14,732,124,650

Sustainability Banking

We at Jaiz Bank Plc strive to do business in an ethical and socially impactful manner. We are therefore mindful of business decisions on the environment, as a result of which we are constantly developing and implementing policies with the ultimate objective of enhancing the quality of life of our people and other stakeholders within our community, protecting our environment, whilst ensuring the growth of our

business. We have consequently adopted significantly, the Nigerian Sustainable Banking Principles (NSBP).

Code of Ethics

The Bank has an Ethical Conduct and Integrity Policy in place and all employees are required to abide by it. All employees are expected to maintain high ethical standards in all aspect of their professional life. The Policy also provides sample offences and appropriate disciplinary measures to be adopted.

The Bank also has a Code of Conduct & Ethics for its Directors which specifies expected behaviors.

Dealing in Company Securities and price sensitive information

The Bank has adopted a policy on insider trading and market abuse regarding all transactions in the Bank's securities which is applicable to its Directors, Officers, employees, contractors and consultants who have access to material public information. In line with the policy, affected persons are prohibited from trading on the Bank's security during a closed period.

Whistle Blowing Procedure

The Bank has established a robust whistle blowing procedure which covers internal whistle blowers and extends to the conduct of the stakeholder. The Bank has a direct link on its website and intranet to enable stakeholders to report any allegations they want the Bank to investigate.

The Bank's Internal Auditor is responsible for reviewing reported cases and recommending appropriate action to the MD and/or the Board. The Board or MD takes appropriate action to rectify the anomaly within a reasonable time.

The Chief Compliance Officer of the Bank is saddled with the responsibility for rendering quarterly whistle blowing report to the Central Bank of Nigeria.

Remuneration Policy

In line with corporate governance best practices, the Board had developed a robust policy on Remuneration for the Bank. The Policy takes into account the environment in which the Bank operates and the results it achieves at the end of each financial Year. The bank's remuneration comprises of the following elements:

- **Fixed remuneration:** This is primarily based on the level of responsibility and constitutes a relevant part of total compensation. It entails the base salary and allowances payable monthly, in arrears or annually. A wage benchmark is established for each position/level.
- **Variable remuneration:** This is primarily linked to the achievement of previously established targets and prudent risk management. It comprises profit sharing/productivity bonus payable annually.

The combination of these elements serves as the basis for a balanced remuneration system reflecting the bank's strategy, its values as well as the interests of its shareholders.

- i. **Remuneration to Non-Executive Directors:** The Non-executive Directors of the Bank are paid remuneration by way of sitting fees for attending the meetings of the Board of Directors and its Committees. Beside the sitting fees they are also entitled to Directors fees, reimbursement of travel, hotel, and other out-of-pocket expenses incurred in the course of discharging their responsibilities. The Non-executive Directors of the Company are not paid any other remuneration or commission.

The sitting fees of the Non-executive Directors for attending meetings of Board of Directors and the Committees of Board of Directors may be modified or implemented from time to time only with the approval of the Board.

- ii. **Remuneration to Executive Directors:** The remuneration for Executives comprises of fixed remuneration, benefits & perquisites, retirement/exit benefit and performance based remuneration (short term incentives and long term incentives).

Contingency Planning Framework

The framework for contingency planning consists of a set of identified policies, actions and processes necessary for the prevention, management and containment of banking systemic distress and crisis.

The Board has put in place various contingency plans for capital and liquidity restoration, amongst others which would enhance the Bank's ability to withstand both temporary or long term disruptions in its ability to fund its activities in a timely manner.

Shareholders' interest

The Bank in its bid to protect the interest of its shareholders including particularly, its minority shareholders, ensures that Shareholders meetings are convened in a transparent and fair manner. Adequate notice of general meeting is provided to shareholders and their rights are protected at all times. Attendance of general meeting is open to all shareholders or their proxies. The proceedings are usually monitored by the representatives of the Central Bank of Nigeria, Corporate Affairs Commission, Nigerian Deposit Insurance Commission and the Securities and Exchange of Commission.

The Bank has an Investor Relations Unit, which deals with communications among the Bank; the shareholders; as well as the capital market. The Bank also has an Investor Relations Portal on its website where the Bank's annual reports and accounts and other relevant information are made accessible to its shareholders.

Communication Policy

The main objective of the Policy is to support the Bank in achieving its objectives in pursuit of best corporate governance practices. The Executive Management ensures that communication and dissemination of information is done in English language which must be clear, relevant, objective, easy to understand and useful. The Policy also ensures that the Bank delivers prompt, courteous and responsive service that is sensitive to the needs and concerns of the customers and other stakeholders.

Advisory Committee of Experts (ACE)

The independent Committee of Shariah Experts reviews the Banks operations to confirm that activities were carried out in accordance with the Shariah. The ACE has the responsibility of providing assurances that the Banks funds are not invested in prohibited activities or transactions, and also certify that all the Bank's products and services are compliant with the Shariah. The members of the Shari'ah Advisory Board are a mixture of Islamic scholars well versed in Islamic laws, principles and traditions relating to trade, finance and economics, as well as financial experts.

Internal Control

Various aspects of the internal control of the bank are the responsibilities of key officers. The Internal Auditor, the Chief Compliance Officer, the Chief Risk Officer, the Chief Finance Officer, and the Company Secretary/Legal Adviser are all responsible for managing the internal control of the Bank.

The System of the Bank provides adequate assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen.

Company Secretary

The Company Secretary is responsible for assisting the Board and Management in the implementation of the applicable Codes of Corporate Governance. The Company Secretary serves as a point of reference and support for all Directors. The appointment of the Company Secretary is done through a rigorous process that is similar to those of directors. The Company Secretary is fully empowered to discharge these responsibilities and the position reports directly to the Board, with dotted line to the MD/CEO.

Customer' Complaints Report for the Year Ended December 31, 2016

The Bank complied with the provision of the CBN Circular on handling customer complaints. Various channels such as, 24 hour contact centre; customer service desks and contacts through the Bank's website have been provided to facilitate seamless complaint and feedback process. The report below details the customer complaints for the Year ended December 31, 2016.

NAIRA	NUMBER		AMOUNT CLAIMED (NAIRA)		AMOUNT REFUNDED (NAIRA)	
	2016	2015	2016	2015	2016	2015
Pending Complaints B/F	5	0	-	0	-	-
Received Complaints	6,066	66	9,261,406	2,083,000	-	-
Resolved Complaints	6,008	65	7,806,401	2,078,000	1,599,271	534,897,186
Unresolved Complaints Escalated to CBN for Intervention	-	-	-	-	-	-
Unresolved Complaints Pending with the Bank C/F	58	1	1,455,005	5,000	-	-



JAIZ BANK PLC
Kano House, 73 Ralph Shodeinde Street
Central Business District, Abuja
P.M. B. 31, Garki, Abuja, Nigeria
Tel: +234 9 4605125
e-mail: info@jaizbankplc.com
website: www.jaizbankplc.com

December 31st, 2016

ANNUAL REPORT ON CODE OF CORPORATE GOVERNANCE & WHISTLE BLOWING GUIDELINES

With reference to section 5.2.8 of the Code of Corporate Governance for Banks and Discount Houses in Nigeria and Section 4.11 of the Whistle blowing Guidelines issued by the Central Bank of Nigeria (CBN), I wish to confirm that no breach of Corporate Governance code was observed in 2016 Financial year and all the received whistle blowing complaints have been fully investigated and filed with the Central Bank of Nigeria.



Ahmed Alhaji Hassan
FRC/2013/ICAN/00000004928
Chief Compliance Officer

BOARD OF DIRECTORS:

Alh. (Dr.) Umaru Abdull Mutallab, CON - Chairman, Hassan Usman, FCA - MD/CEO, Mahe M. Abubakar - Deputy Managing Director, Alh. (Dr.) Muhammadu Idimi, OFR, Alh. (Dr.) Aminu Ali-Hassan Danrasta, CON, Prof. Tajudeen A. Adebiyi, Malam Falalu Bello, OFR, Nafiu Ifaba-Ahmed, MSc, Dr. Mohamed Ali Chaudhry, Alh. Mukhtar S. Hanga, HRH (Engr) Bello Mohammed Sami, CON, Alh. (Dr.) Muhammad Musbahu Bashir, Alh. (Dr.) Umaru Kwairanga





• STRATEGY • TECHNOLOGY • SME DEVELOPMENT • VENTURE CAPITAL

March 14, 2017

Chairman Board of Directors
Jaiz Bank Plc.
Kano House, 75 Ralph Shodeinde Street
Central Business District
Abuja.

Dear Sir,

RE: CORPORATE GOVERNANCE PERFORMANCE REVIEW 2016

The above subject matter refers.

This is to certify that we have concluded the 2016 Corporate Governance performance review exercise for Jaiz Bank Plc, wherein governance and control areas were reviewed and appraised using the Central Bank of Nigeria (CBN) revised Code of Corporate Governance for Banks and Discount Houses issued in May 2014 as benchmark. From our independent assessment, the Bank achieved full compliance on over 94% of the principles defined by the CBN in the industry code of corporate governance.

Our evaluation identified a few gaps in the following areas:

- Quantum of public sector ownership in the equity of the Bank.
- Board and Board Committees attendance.

On the basis of the above, we advise that the Board focuses its attention this financial year on implementing the recommendations contained in our report.

We thank you for the opportunity and privilege of working with you.

Yours faithfully

For: **NEXTZON BUSINESS SERVICES LIMITED**


Mac Atahie
Managing Director/CEO

NEXTZON BUSINESS SERVICES LIMITED
...enterprise builders

1 Richard Ikengere Close,
Lekki Phase II, Lagos,
Lagos, Nigeria
Tel: 234 (1) 461 6468, 461 4765
email: info@nextzon.com
www.nextzon.com

CORPORATE SOCIAL RESPONSIBILITY

Jaiz Bank's Corporate Social Responsibility (CSR) activities are based on the GC 10 Principles. They can be classified based on the core subjects of ISO 26000 as follows.

ORGANIZATIONAL GOVERNANCE

1. Corporate Value

Jaiz Bank promotes both corporate activities and corporate citizenship activities in an integrated fashion. In corporate activities, we earnestly conduct our core business of non-interest banking, while in corporate citizenship activities we act from the standpoint of a corporate citizen. Recognizing that integrating these two aspects is what constitutes CSR activities.

2. CSR Management

We have established an independent charity and community development foundation (Jaiz Foundation) that is dedicated to promoting CSR activities. The role of the organization is to execute CSR mandates and to collaborate with other stakeholders to maximize the value of our social and environmental investments. Our team within the Corporate Communications Department is also tasked with the responsibility of raising the level of CSR activity throughout the entire Bank. The team aims to achieve this by communicating closely with all the departments that have input in the governance of social, environmental, human rights and Shariah aspects of our business. This is in addition to similar communication with those departments responsible for product development and service quality which are directly at the heart of our ethical value proposition. In each case, the CSR team provides lateral support for each department's CSR activities. The framework treats important CSR-related matters in the same way as business matters: responsible departments must make reports and proposals as necessary to the Board of Directors and to the Advisory Committee of Experts.

3. Due Diligence

As a Bank that is committed to improving people's lives, Jaiz is anxious to identify any impacts from its business activities and business it finance on society and the environment, including potential impacts, and to take appropriate measures to counter them.

With respect to the environment, we follow the Basic Principle on the Environment, Assessment of Environmental Impact from Products and Manufacturing Processes: "When developing new products and processes, evaluate the impact on the environment in advance, during development, and periodically after commercialization. Consider the entire business

cycle from the procurement of raw materials and supplies to the use and the final disposal of products to reduce the impact on the global environment.”

Human rights

As a company with more than 350 employees, thousands of customers with different types of accounts as at year end and counting, we recognize the fundamental importance of respecting the basic human rights of all people.

We are focused on ensuring that all of our human resources policies and external interactions are conducted in a way that is respectful of these human rights. This is an integral part of our business strategy, and we are currently focused on ways to ensure our policies reflect these practices.

Trainings are conducted for the staff to have a good feel and understanding of human relations, and an avenue for complaints would be put in place to handle customers effectively and efficiently. So as to give both customers and staff alike good value from our outputs. It is our policy not to discriminate against anyone on the basis of gender, race, religion and belief.

Labour Practices

1. Decent work management

We ensure that staffs are provided with the needed environment to deliver on their responsibilities in all our offices. Health and safety concerns are communicated as at when necessary and consideration is given to staff based on peculiar cases to address their issues. We believe in work-life balance that is why in addition to granting maternal leave to new mothers, we also provide convenient working hours for nursing mothers in order to encourage them to breast-feed and bond with their baby(ies).

2. Remuneration, Rights and Opportunities

The remuneration of the staff is based on grade and across board and is not biased irrespective of gender, religion or tribe. All staff are treated the same and all benefits accrued them are made available to them.

All employees also have the same right in the organization and an employee relation is enhanced by the day to accommodate any grievance or issue a staff might have.

The same opportunities in terms of employment, investments and financing are accorded to various individual in the society.

The Environment

Internally the bank strategizes to have a positive impact to the environment in which we operate. This is because we want to help our customers succeed financially and also support long term economic growth and improve quality of life for everyone in the country.

The bank's greatest environmental impact would result on the activities of the customers we support. We also view environmental and social risk as important factors in the long term financial success of both the bank and its numerous customers.

We are putting more effort to improving our customer relationship with regards to environment in order for all of us to have a positive impact to the environment. All customer request financing shall be subjected to environmental impact appraisal as part of our due diligence in financing appraisal.

Fair Operating Practice

Due to the specialized nature of the services rendered by the bank which inculcates ethics and fairness, the bank ensures that all its operational practices irrespective of where it operates or whom its dealing with are fair.

Fairness, accountability and honesty are integral parts of the objectives of the bank and these are strictly adhered to. As part of fair operating practice, we do not financing any transaction or activity that is considered void (haram) under the Islamic commercial jurisprudence. Transactions involving substances that are scientifically proven to be harmful to the human body (alcohol, tobacco, narcotics) and others such as gambling are examples.

The bank has already constituted a specialized Advisory Committee of Experts whom advises on all transaction and dealings entered into or to be entered into by the bank based on Islamic commercial jurisprudence.

Also the bank extends trainings to staff on ethics and Islamic commercial jurisprudence so as to act professionally and diligently at all times in discharging their responsibilities.

Consumer Issues

The bank is passionately concerned about its customers, as they are the main reason that the bank exist. Staffs are trained to handle consumers in a professional manner and to ensure that all their queries are resolved to their satisfaction.

To this end, a customer care center was set up to handle customer issues 24/7 in order to improve the efficiency and effectiveness of our service delivery.

Complains Received

A total of 6242 major complain were received for the year-end 31 December, 2016. These were centered mostly on ATM dispense error, loss of ATM Cards, inability to log on to the internet banking platform etc. However, a total of 5855 of the complaints were resolved and 58 are still pending as at the time of this report.

Community Involvement and development

The Bank has an arm responsible for community involvement and development. This arm would provide charitable services to the communities in which we operate and the country in general. The bank would finance all the community through income it considers non-halal (not permissible) to its activities.

This would have tremendous impact on the environment in general, and would help in creating symbiotic relationship with the populace. That notwithstanding, the Bank did engage in some humanitarian activities as indicated below.

Donations

In addition to various interventions by Jaiz Foundation, the sum of N9,380,000 was expended on various humanitarian and social welfare issues. The Bank will as deliberate policy, continue to intervene where needed to provide succor to the underprivileged and the needy.

Report of the Audit Committee

We have examined the Auditors Report for the year ended 31st December 2016 in accordance with the provisions of Section 359 of the Company and Allied Matters Act Cap C20, Laws of Federation of Nigeria 2004.

In our opinion, the Auditors Report is consistent with our view of the scope and planning of Audit. The external Auditor's Management letter received satisfactory responses from Management of the Bank. We are also satisfied that the bank's Accounting Policies are in conformity with the statutory requirements and agreed with ethical practices.



Alhaji Idris Onaolapo Sulaimon

Chairman, Board Audit Committee

28th February, 2017

Members of the Audit Committee

1. Alh. Idris Onaolapo Sulaimon	-	Chairman
2. Prof Ibrahim Umar	-	Member
3. Alhaji Abdullahi Ibrahim Umar	-	Member
4. Malam Falalu Bello, OFR	-	Member
5. Prof. Tajudeen Adebisi	-	Member
6. Alhaji Muhammadu Indimi, OFR	-	Member

Note:

The Chairman of the Audit Committee who is a fellow of Institute of Chartered Accountants of Nigeria but yet to register with the Financial reporting Council of Nigeria (FRC) has been granted waiver by the Council.



**REPORT OF THE AUDITORS TO THE
MEMBERS OF JAIZ BANK PLC**

We have audited the financial statements of Jaiz Bank Plc set out on pages 84 to 127, which comprise the statements of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies, financial summary and other explanatory information.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Jaiz Bank Plc as at 31 December 2016 and of its financial performance and cash flows for the year then ended in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011 and in accordance with the International Financial Reporting Standards, the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Companies and Allied Matters Act, CAP C20, LFN 2004 and the Banks and Other Financial Institutions Act, CAP B3, LFN 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the financial statements section of our report. We are independent of the Bank in accordance with the Institute of Chartered Accountants of Nigeria (ICAN) professional code of conduct and guide for accountants, which is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have issued these opinions on behalf of Ahmed Zakari & Co. (Chartered Accountants)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters below relate to the audit of the financial statements.

Area of focus	Procedures
<p>Impairment of financing facilities: Impairment allowance of financing facilities represent management's best estimate of the impact of key assumptions on the recoverability of these facilities. This is a key judgmental area for our audit due to its subjectivity.</p> <p>The global recession was at its all-time high within the financial year. This resulted into low revenue and scarcity of foreign currency in the economy. The ability of bank customers to meet their credit obligations as they fall due was at the lowest ebb.</p> <p>Determination of impairment allowances is inherently judgmental for any bank. As a result, significant judgment is required to determine the allowance for impairment on financing facilities granted to customers. The application of the industry knowledge and prevailing economic conditions in arriving at the impairment allowance required are other key factors to be considered.</p> <p>Impairment allowances should represent management's best estimate of losses incurred on financing facilities portfolios at the balance sheet date. Management applies assumptions and judgements in estimating impairment allowances in accordance with the requirements of the International Financial Reporting Standards. The IFRS model requires that collective impairment is calculated for a portfolio of financing facilities of a similar nature and specific impairment calculated individually for facilities of different nature, magnitude and the current level of past due facilities. The calculation of both collective and specific impairment is based on judgement in estimating the impact of current economic and credit conditions on large financing facilities portfolios and determination of an impairment event and future cash flow expectations.</p>	<ul style="list-style-type: none"> - Reviewed policies set by management to guide and support collective and impairment calculations. Reviewed the performance of financing facilities including timely identification of impairment triggers. - Collective impairment: Selected significant portfolios and reviewed appropriateness of models and methods adopted and management's judgement. We re-computed the calculation using the impairment model of the bank to assess the accuracy of the collective impairment allowances. We also assessed the assumptions of the model against our knowledge of the industry. - Specific impairment: Assessed management's judgement on the estimation of future cashflows. Assessed basis of valuation of collaterals. Reviewed for completeness, the facilities identified by the bank with high risk factors such as magnitude and nature of the facilities and our knowledge of the specific industries and sectors. We re-computed the impairment allowances and compared with that of the bank to assess the accuracy of the specific impairment allowances. Compared key data inputs to relevant sources such as collateral values compared to valuation reports, projected cash flows to historical inflows of relevant customers. - We assessed the methodology used by the bank to compute the likelihood of facilities with different profiles moving into defaults based on our knowledge of the banks historic experience and current circumstances. Actual recoveries of facilities in default and assessed the recovery rate used in the collective impairment assessment. - Prudential Guidelines classification: Assess financing facilities portfolio for classification in compliance with the Prudential Guidelines.

The CBN however requires banks to also calculate impairment based on prudential guidelines. The impairment provisioning under CBN's prudential guidelines have persistently produced higher impairment allowances. The CBN requires that the difference between impairment allowances under prudential guidelines and IFRS is debited to retained earnings account and credited to the Regulatory risk reserve.

Checked accuracy of resulting shortfall between IFRS impairment and Prudential Guidelines allowances and appropriate transfer to the regulatory risk reserve.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Directors Responsibility Statement, Remuneration Policy, Board Evaluation Report, the Audit Committee's Report and the Chairman's Statement. Other information does not include the financial statements and our audit report.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011 and in accordance with International Financial Reporting Standards, the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and in the manner required by the Companies and Allied Matters Act of Nigeria, Cap C20 LFN 2004, the Banks and Other Financial Institutions Act, CAP B3, LFN 2004, and relevant Central Bank of Nigeria circulars. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



Responsibilities of the Auditor for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial statements, including the disclosures, and whether the Financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. In these rare circumstances, we are required to communicate these Key Audit Matters to the Financial Reporting Council of Nigeria before the conclusion of the audit in accordance with Rule 9 of the Financial Reporting Council of Nigeria.

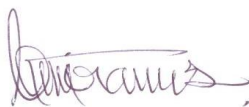
Report on Other Legal and Regulatory Matters

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act CAP C20, LFN 2004

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit.
- ii) In our opinion proper books of account have been kept by the bank.
- iii) The Bank's statements of financial position and comprehensive income are in agreement with the books of account.

Compliance with Section 27 (2) of the Banks and Other Financial Institutions Act CAP B3, LFN 2004 and Central Bank of Nigeria circular BSD/1/2004

- i) Our examination of financing facilities was carried out in accordance with the International Financial Reporting Standards and in accordance with the Prudential Guidelines issued for Deposit Money Banks issued by the Central Bank of Nigeria.
- ii) Related party transactions and balances are disclosed in note 35 to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004.
- iii) The Bank contravened the requirements of some Circulars of the Central Bank of Nigeria during the financial year. Details of these are in note 44 to the financial statements.



Tajudeen Adetokunbo Oni,
FRC/2013/ICAN/0000000749
For: Ahmed Zakari & Co.
(Chartered Accountants)
9 March 2017
Abuja, Nigeria




2016 ACCOUNTS

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	2016 N'000	2015 N'000
Assets			
Cash and Balance with Central Bank of Nigeria	3	21,506,853	18,168,226
Due from Banks and Financial Institution	4	1,478,026	1,886,533
Advance on InterBank Murabaha	5a	1,000,000	-
Sukuk	5b	1,060,252	1,242,396
Murabaha Recievables	6	16,451,245	10,595,013
Investment in Musharaka	7	1,191,704	637,000
Qard Hassan/Benevolent Loan	8	127,674	147,242
Investment in Istisna	9	754,448	638,722
Investment in Ijara Asset	10	14,251,232	11,812,999
Investment in Asset Held for Sale	11	488,942	27,111
Property, Plant and Equipment	12	1,892,970	1,383,189
Leasehold Improvement	13	42,435	82,506
Intangible Assets	14	368,089	307,880
Other Assets	15	5,233,382	3,983,853
Deferred Taxation	16b	1,772,577	1,726,574
Total Assets		67,619,828	52,639,244
Liabilities			
Customer Current Deposit	(17a)	24,415,544	15,475,620
Other Financing	18a	996,635	1,000,000
Other Liabilities	18b	1,552,659	1,463,675
Tax payable	16a	77,087	43,897
Total liabilities		27,041,925	17,983,192
Equity of Investment Account Holders			
Customers' Unrestricted Investment Accounts	(17b)	24,924,792	23,247,923
Mudaraba Term Deposit	(17c)	943,323	721
		25,868,115	23,248,644
Owners' Equity			
Share Capital	19	14,732,125	11,829,700
Share Premium	20	627,365	549,886
Retained Earnings	21	(2,103,858)	(1,714,073)
Risk Regulatory reserve	22 i	1,360,774	741,894
Statutory Reserve	22 ii	93,381	-
Total Equity		14,709,788	11,407,407
Total Equity and Liabilities		67,619,828	52,639,244
Guarantee And Other Contingent Assets & Liabilities		8,726,575	4,047,038

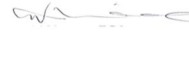
The notes on pages 90 to 125 form an integral part of these financial statements



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



Hassan Usman, FCA
Managing Director/CEO
FRC/2013/ICAN/00000003



Abdullahi Usman, FCA
Chief Financial Officer
FRC/2017/ICAN/00000016235

JAIZ BANK

**STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 N'000	2015 N'000
Income:			
Income from Financing Investment	23	5,289,075	4,006,736
Income from Sukuk	24	188,967	883,009
Gross Income from Islamic financing transactions		5,478,042	4,889,745
Return on Equity of Investment Account Holders	25(i)	(1,181,787)	(948,913)
Bank's share as a Mudarib/Equity investor	25(ii)	4,296,255	3,940,832
Impairment Charges against non-performing Financing and Investment	32(i)	(125,304)	(122,493)
Impairment Write Back non-performing Islamic Financing Investment	32(ii)	220,095	-
Net Spread after Provision		4,391,045	3,818,339
Other Income			
Fee and commission	26	394,137	380,509
Other Operating Income	27	122,440	100,000
Total Income		4,907,623	4,298,848
Expenses:			
Staff costs	29	1,944,405	1,704,927
Depreciation and Amortisation	30	531,054	414,259
Other Expenses	31	2,089,146	1,385,468
Total Expenses		4,564,606	3,504,654
Operating Profit		343,017	794,193
Income Tax Expenses		(31,745)	116,013
Profit for the Year after Tax		311,272	910,206
Basic Earnings per share		0.02	0.07

The notes on pages 90 to 125 form an integral part of these financial statements

**STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	31 December 2016					
	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Statutory Reserve N'000	Risk	Total N'000
					Regulatory Reserve N'000	
Balance at 1 January 2016	11,829,700	549,886	(1,714,073)	-	741,894	11,407,407
Issued during the year	2,902,425	-	-	-	-	2,902,425
Premium from Right Issue	-	77,479	-	-	-	77,479
Transfer to Risk Regulatory Reserve	-	-	(618,880)	-	618,880	-
Transfers to statutory Reserve	-	-	(93,381)	93,381	-	-
Prior Tax year adjustments	-	-	11,205	-	-	11,205
Profit for the year	-	-	311,272	-	-	311,272
Balance at 31 December 2016	14,732,125	627,365	(2,103,858)	93,381	1,360,774	14,709,788

	31 December 2015					
	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Statutory Reserve N'000	Risk	Total N'000
					Regulatory Reserve N'000	
Balance at 1 January 2015	11,829,700	632,289	(1,348,769)	-	115,465	11,228,685
Premium	-	(82,403)	-	-	-	82,403
Transfer to Risk Regulatory Reserve	-	-	-	-	626,429	626,429
Transfers (Remittance to Jaiz Foundation)	-	-	(649,081)	-	-	(649,081)
Profit for the year	-	-	910,206	-	-	910,206
Balance at 31 December 2015	11,829,700	549,886	(1,714,073)	-	741,894	11,407,407

The sum of N657.8 Million was paid from the Share Premium of Right Issue to Jaiz Foundation as the final payment for cleansing pre-operation Non-Permissible Income in line with the directive of the Central Bank of Nigeria and other Non-Permissible Income from the current year operation.

The notes on pages 90 to 125 form an integral part of these financial statements

JAIZ BANK

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 N'000	2015 N'000
Cash flow from operating activities			
Net profit/(loss) before tax		343,017	794,193
Adjustments for non cash items:			
Depreciation	12	374,077	284,468
Amortization of Intangible Assets	14	48,765	40,710
Amortisation of leasehold Improvement	13	108,212	89,081
Provision for financing impairment	32	94,790	122,493
Amortisation of prepaid rent	31	223,735	119,628
Operating profit before changes in operating asset and liabilities		1,003,016	1,450,573
Working capital adjustment:			
Interbank Murabaha	5a	(1,000,000)	-
Sukuk	5b	182,144	1,157,604
Murabaha receivables	6	(5,856,230)	(212,561)
Investment in Musharaka	7	(554,704)	-
Qard Hassan	8	19,568	17,039
Istisna	9	(115,727)	39,605
Ijara rental receivables	10	(2,438,233)	(4,196,963)
Investment in trading assets	11	(461,831)	3,646,606
Other assets	15	(689,391)	(1,311,120)
Customers' current account	(17a)	8,939,924	4,627,663
Other Financing	18a	(3,365)	1,000,000
Other liabilities	18b	88,986	(4,196,071)
Net cash from/(used in) operating activities		(941,606)	2,022,375
INVESTING ACTIVITIES			
Purchase of property, plant & equipment	12	(882,886)	(430,176)
Purchase of intangible assets	14	(108,974)	(77,530)
Improvement on leasehold properties	13	(68,142)	(3,012)
Net cash used in investing activities		(1,060,002)	(510,718)
FINANCING ACTIVITIES			
Shares issued		2,979,904	-
Share Premium		77,479	-
Cleaving of pre-operating non-allowable income		(745,126)	(803,207)
Customers investment accounts	(17b)	2,619,471	6,567,634
Net cash provided by (used in) financing activities		4,931,728	5,764,427
Increase (Decrease) In Cash And Cash Equivalents		2,930,119	7,276,084
Cash and cash equivalents at beginning of year		20,054,759	12,778,675
Cash And Cash Equivalents At 31 December		22,984,878	20,054,759

The notes on pages 90 to 125 form an integral part of these financial statements

STATEMENT OF SOURCES AND USES OF QARD FUND

	2016		2015	
	N'000		N'000	
	Qard Hasan Receivables	Total	Qard Hasan Receivables	Total
Balance at 1 January	147,242	147,242	164,281	164,281
Share loans to staff	-	-	5,135	5,135
Staff loans	1,012	1,012	-	-
Loans to customers	-	-	-	-
Others	-	-	-	-
Total uses during the year	148,254	148,254	169,416	169,416
Repayments	20,580	20,580	22,174	5,135
Balance at 31 December	127,674	127,674	147,242	164,281
Sources of qard fund				
Contribution by the bank	127,674	127,674	147,242	164,281

The purpose of this Statement is to disclose the status of the financial accommodation that was granted to members of staff when they bought the Bank's shares under 2012 Private Placement Exercise as well as the status of Staff Loans taken over by the Bank as a result of recruitment from other Banks. Staff under critical situations were also granted this type of accommodation. The only amount granted during the period is N1.01Million.

The notes on pages 90 to 125 form an integral part of these financial statements

STATEMENT OF SOURCES AND USES OF CHARITY FUND FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	N'000	N'000
Sources of Charity Funds		
Undistributed Charity funds at the beginning of the year	660,958	1,463,333
Non-permissible income during the year	97,361	54,964
Total Sources Of Charity Funds During The Year	758,319	1,518,297
Uses of Charity Funds		
Transfer to Jaiz Foundation	745,126	803,207
Philontropic Activities	-	54,132
Total uses of funds during the year	745,126	857,339
Undistributed charity funds at the end of the year	13,193	660,958

This Statement discloses how the Non-permissible Income was being dispensed.

During the period under review the Bank has transferred the sum of N745 Million to Jaiz Foundation for charity purposes. This includes N657.8 Million which is the last batch of the quarterly remittance of the Pre-Operations non-permissible Income that was held under the doctrine of necessity as approved by CBN's FRACE, while N86.9 Million was an interest from Right Issue proceed and the sum of N446.8 thousand that relates to current Operations. The closing balance of N13.19million undistributed in due to charity account is the outstanding fourth quarter balance to be transferred in January 2017.

The notes on pages 90 to 125 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2016

1 Reporting entity

Jaiz Bank Plc is the first fully fledged non-interest financial institution in Nigeria. The Bank 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 2016, is only for the Bank as it has no subsidiary and/or Associate company.

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 board of the Bank.

(b) Basis of Preparation, Accounting Judgments & Estimates.

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.

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. The most significant uses of judgments and estimates are as follows:

i 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.

ii Fair Value of Unquoted Equity Securities and Investment Properties

Fair value shall be determined for each investment individually in accordance with the valuation policies of the Bank. Where the fair values of the Bank's unquoted equity securities cannot be derived from an active market, they shall be derived using a variety of valuation techniques. Judgment by management is required to establish fair values through the use of appropriate valuation models, consideration of comparable assets, discount rates and the assumptions used to forecast cash flows. Investment properties and investments in real estate projects shall be carried at fair value as determined by independent real estate valuation experts. The determination of the fair value for such assets requires the use of judgment and estimates by the independent valuation experts that are based on local market conditions existing at the date of the statement of financial position.

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 1% 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.

(c) 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.

(c) Non-Current Assets

Non-current (fixed) assets are initially recorded at cost. They are to be subsequently stated at historical. 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 should be 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	(6 years)	16.67%
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 it use. Gain and losses are recognised in the income statement.

Depreciation is charged when the assets are available for use irrespective of whether they are put to use.

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

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

(e) Intangible Assets

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

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

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

(f) Financial Instruments – Initial Recognition and Subsequent Measurement

All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets recorded at fair value through income statement.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Impairment of Investment in Risk Assets

At each balance sheet date, the Bank assesses whether there is objective evidence that the financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be measured reliably.

The Bank considers impairment both at individual asset level and also at collective level. All individually significant assets are assessed for specific impairment.

Assets found not to be impaired individually are assessed collectively for any impairment that has been incurred but not identified earlier. Insignificant assets are tested for impairment collectively.

Impairment loss on assets classified at amortized cost are measured as the difference between the carrying value of the asset and the present value of future cash flows discounted at the initial assets effective profit rate. Losses are recognized in the income statement of the period the loss is incurred.

Also, provision is determined from a specific assessment of each customer's account in accordance with the Central Bank of Nigeria's (CBN) Prudential Guidelines. A minimum general provision of 1% is made on all risk assets, which have not been specifically provided for.

Profit and/or principal that is outstanding	Classification	Provision
90 days but less than 180 days	Substandard	10%
180 days but less than 360 days	Doubtful	50%
360 days and over	Loss	100%

When an investment is deemed not collectible, it is written off against the related provision for impairments and subsequent recoveries are credited to the provision for loan losses in the statement of income. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for impairment in the statement of income.

Risk assets in respect of which a previous provision was not made are written directly to the statement of income when they are deemed to be irrecoverable.

(I) Income Recognition

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 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.

vii Non-Credit Related Fee Income

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

viii 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.

ix 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.

x Service Income

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

xi 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.

xii 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.

xiii 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.

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 Statement of Income

Investments at fair value through statement of income include investments designated upon initial recognition as investments at fair value through statement of income. Financial assets carried at fair value through statement of income are recognised at fair value, with transaction costs recognised in the consolidated statement of income.

Investments classified as 'at fair value through statement of income' are subsequently measured at fair value. The unrealized gains and losses arising from the remeasurement to fair value are included in the consolidated statement of income.

iii 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.

iv 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 Retirement Benefits

Retirement benefits to employees are provided under a defined contribution scheme, which is funded by contribution from the bank and employees. Funding under the new scheme is 8.0% by staff 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.

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 group 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 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right or shariah requirement to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

v 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 Niara 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

w 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 appropriated from 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

3 Cash and Balance with Central Bank of Nigeria	2016	2015
	N'000	N'000
Cash in Hand	2,580,732	2,078,306
Current account with CBN	6,301,422	7,057,056
Deposit with CBN	12,624,699	9,032,864
At 31 December	21,506,853	18,168,226

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

4 Due from Banks and Financial Institution	2016	2015
	N'000	N'000
Balance with banks within Nigeria:		
First Bank Plc	438,483	616,543
At 31 December a	438,483	616,543
Balance with banks outside Nigeria:		
First Bank UK	705,107	714,053
Habib Bank UK	66,149	117,560
Commerzbank AG	224,939	385,711
Standard Chartered	-	-
Bank Al-Bilad	49,324	52,666
b	1,039,543	1,269,990
At 31 December a+b	1,478,026	1,886,533

The balance held with Banks outside Nigeria substantially represent the Naira equivalent of Foreign Currency balance held on behalf of Customers in respect of Letter 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.

5a Advance on InterBank Murabaha	2016	2015
	N'000	N'000
InterBank Murabaha	1,054,247	-
InterBank Murabaha Deferred Profit	(54,247)	-
At 31 December	1,000,000	-

5b Sukuk	2016	2015
	N'000	N'000
Opening Balance	1,242,396	2,400,000
Addition during the year	-	-
Disposal during the year	-	1,000,000
Part Liquidation during the period	182,144	157,604
At 31 December	1,060,252	1,242,396

In 2013 the Bank invested N1,000,000,000 in a sukuk issued by Osun State Government at 14.5% Return on Investment. In 2014 the Investment was increased to N2,400,000,000 through Secondary Market purchase. The Sukuk has a seven-year Tenor with terminal date of 2020. Principal Repayment commenced from January 2015. And the InterBank Murabaha is between the Bank and Sterling Islamic window, it was granted to Sterling Bank Customer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

6 Murabaha Recievables	2016	2015
	N'000	N'000
Murabaha Retail	4,172,717	2,488,188
Murabaha Corporate	14,375,505	9,268,485
Murabaha Staff	10,464	15,970
Murabaha Related Party	21,027	19,793
Gross Recievable	18,579,713	11,792,436
Allowance for impairment	(129,079)	(175,869)
Deffered Profit	(1,999,389)	(1,021,552)
At 31 December	16,451,245	10,595,015
7 Investment in Musharaka	2016	2015
	N'000	N'000
Gross Investment in Musharaka	1,200,000	650,000
Allowance for impairment	(8,296)	(13,000)
At 31 December	1,191,704	637,000
8 Investment in Qard Hassan	2016	2015
	N'000	N'000
Share loan to staff	147,242	147,242
Loan to customers	-	-
Gross investment in Qard Hassan	147,242	147,242
Repayment	19,568	-
At 31 December	127,674	147,242
9 Investment in Istisna	2016	2015
	N'000	N'000
Istisna Recievable	1,099,753	781,891
Allowance for impairment	(123,889)	(51,487)
Deffered Profit	(221,416)	(91,683)
At 31 December	754,448	638,721
10 Investment in Ijara Asset	2016	2015
	N'000	N'000
Ijara wa Iqtina	13,648,825	11,913,147
Ijara home finance	25,660	27,997
Ijara Auto	251	2,973
Ijara Others	675,073	83,157
Gross investment in Ijara	14,349,809	12,027,274
Allowance for impairment	(98,577)	(214,275)
At 31 December	14,251,232	11,812,999
11 Investment in Asset Held for Sale	2016	2015
	N'000	N'000
Advance for LC Murabaha-in-Transit	32,263	27,111
Inventory-Murabaha Corp. Finance	456,679	-
At 31 December	488,942	27,111

As at 31st December, the Bank has sold off all it's stock of properties.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

12 Property, Plant and Equipment									
	Freehold Land	Building Freehold	Office Equipment	Motor Vehicle	Furnitures and Fixtures	Computer Equipment	Library Books	Fixed Assets WIP	Total
Cost	₺' 000	₺' 000	₺' 000	₺' 000	₺' 000	₺' 000	₺' 000	₺' 000	₺' 000
1 January 2016									
Cost	144,727	130,924	296,327	233,955	128,962	1,177,039	350	-	2,112,284
Additions/Reclassification	- 143,727	329,925	195,434	69,360	20,779	197,193	- 350	214,272	882,886
31 December 2016	1,000	460,849	491,761	303,315	149,741	1,374,232	-	214,272	2,995,170
Accumulated depreciation									
1 January 2016									
Depreciation	-	4,008	116,798	100,294	60,735	447,129	130	-	729,094
Depreciation	-	3,512	73,269	43,798	25,680	227,948	- 130	-	374,077
Adjustment	-	-	-	973	-	-	-	-	973.00
31 December 2016	-	7,520	190,067	143,119	86,416	675,078	-	-	1,102,200
Cost									
1 January 2015									
Cost	69,013	98,973	193,218	190,449	99,378	785,613	350	245,114	1,682,108
Additions/ Reclassification	75,714	31,951	103,109	47,461	29,584	391,426	-	(245,114)	434,131
Disposals	-	-	-	(3,955)	-	-	-	-	(3,955)
31 December 2015	144,727	130,924	296,327	233,955	128,962	1,177,039	350	-	2,112,284
Accumulated depreciation									
1 January 2015									
Depreciation	-	1,839	72,523	68,602	36,784	265,415	43	-	445,206
Depreciation	-	2,168	44,275	33,457	22,799	180,200	88	-	282,987
Adjustment	-	-	-	(1,765)	1,152	1,514	-	-	901
31 December 2015	-	4,009	116,798	100,294	60,735	447,129	130	-	729,095
Netbook value									
31 December 2016	1,000	453,329	301,694	160,196	63,325	699,154	-	214,272	1,892,970
31 December 2015	144,727	126,915	179,529	133,661	68,227	729,910	220	-	1,383,189

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

13	Leasehold Improvement	2016	2015
	Cost	N'000	N'000
	Balance at 1 January	729,574	695,310
	Adjustments	-	31,252
	Addition	65,975	3,012
	Balance at 31 December	795,549	729,574
	Amortisation		
	Balance at 1 January	647,069	547,651
	Adjustments	(2,167)	10,337
	Amortisation for the year	108,212	89,081
	Balance at 31 December	753,114	647,069
	Carrying amounts		
	Balance at 31 December	42,435	82,505
14	Intangible Assets	2016	2015
		N'000	N'000
		Computer	Computer
	Cost	software	software
	Balance at 1 January	454,268	376,738
	Addition	108,974	77,530
	Balance at 31 December	563,242	454,268
	Amortisation and impairment losses		
	Balance at 1 January	146,388	105,678
	Amortisation for the year	48,765	40,710
	Balance at 31 December	195,153	146,388
	Carrying amounts		
	Balance at 31 December	368,089	307,880

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

15 Other Assets	2016	2015
	N'000	N'000
Sundry Debtor	100,637	44,734
Prepaid rent	350,609	282,514
Prepaid Sukuk Premium	68,655	86,963
Other prepayments	175,520	58,236
Prepaid Staff	85,561	-
Inventory-Cheques, Printing and ATM Card	43,146	77,332
Branch development expenditure	227,284	242,619
Account receivables	1,549,048	2,396,119
Ijara accrued Profit	2,145,570	863,409
Due from Banks - ATM Transactions	20,693	23,708
Clearing Suspense Account	477,525	47,067
Interbranch	51,707	(318)
Total	5,295,955	4,122,383
Impairment of Other Assets	(62,571)	(138,530)
Balance at 31 December	5,233,384	3,983,853

Movement of other assets:

	2016	2015
	N'000	N'000
Balance at 1 January	3,983,853	2,840,205
Additions for the year	1,311,802	1,282,178
Impairment of Other Assets	(62,271)	(138,530)
Balance at 31 December	5,233,384	3,983,853

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

16a Taxation

i) Statement of Financial position	2016	2015
	N'000	N'000
Balance brought forward	43,897	10,544
Prior Year Tax Adjustment	11,205	-
Charge for the year	77,748	44,558
	<u>132,850</u>	<u>55,102</u>
Add under provision in previous years	-	-
Taxation	132,850	55,102
Less payment for the year	(55,763)	(11,205)
Balance at 31 December	77,087	43,897

ii) Income statement	2016	2015
	N'000	N'000
Company income	61,960	11,317
Education tax	12,392	26,149
Information technology levy	3,396	7,092
	<u>77,748</u>	<u>44,558</u>
Deferred tax expenses		
Deferred tax expenses	(46,003)	(160,571)
Balance at 31 December	31,745	(116,013)

16b Deferred Taxation	2016	2015
	N'000	N'000
Balance at 1 January	1,726,574	1,566,004
Provision for the year	46,003	160,571
Balance at 31 December	1,772,577	1,726,574

(b) Reconciliation of effective tax rate	2016	2015
	N'000	N'000
Profit for the period	311,272	910,206
Total income tax expense	31,745	(116,013)
Profit excluding income tax	343,017	794,193
Income tax using the Company's domestic tax rate	109,765	254,142
Non-deductible expenses*	-	-
Tax incentives (investment allowance)	-	-
Balance at 31 December	109,765	254,142

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

17 Due to customers	2016	2015
	N'000	N'000
Analysis by type of account		
(17a) Current Account	24,415,544	15,475,620
(17b) Mudaraba Investment Account	24,924,792	23,247,923
(17c) Mudaraba Term deposit	943,323	721
Balance at 31 December	50,283,659	38,724,264

Analysis by type of Depositor	2016	2015
	N'000	N'000
Government	1,665,527	1,449,424
Corporate	18,661,339	10,661,959
Individual	29,956,793	26,612,881
Balance at 31 December	50,283,659	38,724,264

Analysis by maturity

All the customers deposit are analysed by maturity into Current and Savings as follows:

	2016	2015
	N'000	N'000
Current Deposits	24,415,544	15,475,620
Savings Deposits	12,530,257	10,105,852
30days Deposits (JAPSA)	12,394,535	13,142,071
60days Mudaraba Term Deposit	943,323	721
Balance at 31 December	50,283,659	38,724,264

The Bank has introduced Mudarabah Tenored Deposits which has given customers the opportunity to choose from a basket of Return available for different tenors.

(17b) Equity of Investment Accountholders	2016	2015
	N'000	N'000
Savings Account	11,436,159	9,294,106
Children saving Account	602,294	464,762
Jaiz premium Savings Account	12,394,535	13,142,071
Others including MTDs	1,435,127	347,705
Balance at 31 December	25,868,115	23,248,644

18a Other Financing	2016	2015
	N'000	N'000
Fund Sources Outside the Bank (CBN/CACS)	996,635	1,000,000
Balance at 31 December	996,635	1,000,000

CBN/CACS

Intervention Fund

The Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established the Commercial Agricultural Credit Schemes (CACS). During the year, Jaiz Bank Plc didn't receive any amount for on-lending to customer as specified by the guidelines. Financing granted under the scheme are for a seven year period at an interest rate of 9% p.a.

18b Other Liabilities	2016	2015
	N'000	N'000
MC/Margin Deposits	546,640	472,245
Accounts Payable	191,326	63,030
Vendors payable	52,862	49,783
Other Tax Liabilities	109,456	62,188
Profit payable to Mudararaba Savings Account	10,183	330
e-Banking Payables	53,200	28,574
Due to Charity	51	-
Sundry Payables	322,462	563,006
Accrued audit fee	12,109	11,759
Sundry Deposit	10,398	3,841
Other Accurals	33,506	-
Other Payables	210,466	208,917
Balance at 31 December	1,552,659	1,463,673

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

19 Owners Equity

A Share capital

(i) Authorised	2016	2015
	N'000	N'000
15,000,000,000 Ordinary shares of N1 each (31 December 2014: 13,000,000,000 of N1 each)	15,000,000	13,000,000
	15,000,000	13,000,000

(ii) Issued and Fully paid Share capital	2016	2015
	N'000	N'000
11,829,700,000 Ordinary Shares of N1 each	11,829,700	11,829,700
2,902,425,000 Ordinary Shares of N1 each Issued during the year	2,902,425	-
Balance at 31 December	14,732,125	11,829,700

20 Share Premium	2016	2015
	N'000	N'000
4,215,259,125 shares issued at 15 kobo premium during the 2012 financial year	549,886	632,289
2,902,425,000 Share Premium of N0.30 from Right Issue	77,479	-
CBN Provisison (Due from Shareholders)	-	(82,403)
Balance at 31 December	627,365	549,886

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

21 Retained Earnings	2016	2015
Balance at 1 January	(1,714,073)	(1,348,769)
Adjustment of pre-operational reserve	-	(649,081)
Net profit for the year	311,272	910,206
Prior Tax year adjustments	11,205	-
Risk regulatory reserve	(618,880)	(626,429)
Statutory Reserve	(93,381)	-
Balance at 31 December	(2,103,858)	(1,714,073)

22 i Risk Regulatory Reserve	2016	2015
	N'000	N'000
Balance at 1 January	741,894	115,465
Adjustment against retained earnings	618,880	626,429
Balance at 31 December	1,360,774	741,894

ii Statutory Reserve	2016	2015
	N'000	N'000
Balance at 1 January	-	-
Adjustment against retained earnings	93,381	-
Balance at 31 December	93,381	-

The Risk Regulatory Reserve is created as required by the Central Bank of Nigeria (CBN) Prudential Guideline section 12.4(a)(i). This is a non distributable reserve which represents the difference between impairment of Risk Asset under IFRS Rules and provisioning under CBN Prudential Guidelines. The difference between the CBN recommended provision and that of IFRS requirement during the year is N618.9Million. While the Statutory Reserve is the 30% of profit after tax in accordance with Section 16 of Banks and Other Financial Institutions Act 1991.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

23 Income from Islamic Finance	2016	2015
	N'000	N'000
Murabaha profit Corporate	1,809,041	1,454,583
Murabaha profit Retail	535,236	414,063
Murabaha Trade Finance	2,429	1,268
Total profit from Murabaha transactions	2,346,706	1,869,914
Ijara wa Iqtina Profit	2,532,929	1,913,370
Ijara Finance Lease Profit	77,428	19,900
Ijara profit home finance	3,748	1,881
Ijara Others	1,025	617
Total profit from Ijara transactions	2,615,130	1,935,768
Istina Profit	150,005	90,039
Musharaka Profit	177,234	111,015
Total Income from financing	5,289,075	4,006,736
24 Income from investment activities	2016	2015
	N'000	N'000
Trading Assets Income	-	684,210
Sukuk profit	188,967	198,799
Total Investment income	188,967	883,009
25 (i). RETURN ON EQUITY OF INVESTMENT ACCOUNT HOLDERS	2016	2015
	N'000	N'000
Profit paid to Unrestricted Mudarabah Account Holders / Fees of Mudarib	1,181,787	948,913
Profit from Financing Investments paid to Mudarabah Account Holders	1,181,787	948,913
(ii) Mudarib fees/ profit of Joint Investments		
Bank's fees as Mudarib.	2,597,972	2,512,934
Profit from the Bank's Joint Financing investments	1,698,283	1,427,898
Bank's fee as Mudarib/Profit of owned Joint Investmets	4,296,255	3,940,832

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 N1.18 Billion was paid by the Bank to the Mudaraba Account Holders for 2016 Financial Year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

26 Fee and commission	2016	2015
	N'000	N'000
Banking Service Fees	337,560	345,720
LC Charges	22,732	17,393
Trade Finance Fees	25,868	17,396
Trading exchange gain	7,977	-
Total Fee and commission	394,137	380,509
27 Other Operating Income	2016	2015
	N'000	N'000
Wakala income	46,181	100,000
Provision no Longer Required on other Assets	76,259	-
	122,440	100,000
<p>Other operating income includes fees earn from Wakala Transactions, other operating fees and provisin no longer required on other assets.</p>		
28 Other Comprehensive Income	2016	2015
	N'000	N'000
Foreign Currency Translation Difference	-	-
	-	-
<p>The Banks' Accounting Policy provides that Monetary Assets & Liabilities denominated in Foreign Currencies been converted in to Naira a the rate of exchange ruling at the Balance sheet date and any differencee thereof be taken to the Statement of other comprehensive income.</p>		
29 Staff costs	2016	2015
	N'000	N'000
Salaries	1,128,613	1,010,708
Staff pension	132,780	99,103
Staff allowances	509,223	447,772
Medical and other allowance	102,645	88,365
Training and Seminar expenses	71,144	58,979
	1,944,405	1,704,927
30 Depreciation and Amortisation	2016	2015
	N'000	N'000
Depreciation of Property, Plant & Equipment	374,077	284,468
Amortisation of Leasehold Improvement	108,212	89,081
Amortisation of Intangible Assets	48,765	40,710
	531,054	414,259

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

31 Other Expenses	2016	2015
	N'000	N'000
Advertising and marketing	251,878	115,987
Administrative - note 31 (i)	1,188,341	825,989
Subscription and Professional fees	20,171	35,044
ACE's Expense	53,715	33,118
Rental charges (Occupancy Cost)	223,735	141,007
Licences	93,555	54,165
Bank Charges	41,090	37,922
Audit fee & Other Expenses	25,870	22,917
Directors expenses	189,339	119,319
Others	1,452	-
	2,089,146	1,385,468
31 (i) Administrative	2016	2015
	N'000	N'000
Telephone expenses	14,733	20,961
Internet connection	174,025	183,542
SWIFT/NIBBS Charges	16,877	17,151
Courier charges	13,317	5,022
Local and foreign travels	36,155	71,888
Printing & Stationeries	42,156	18,648
Repairs and maintenance	72,440	59,510
Security Guards	26,363	32,304
Other security expenses	29,536	19,349
Money and other Insurance	18,304	19,144
NDIC Premium	148,645	100,999
Fuel Expense	13,194	10,843
Vehicle repairs	5,633	6,438
Service contract (HR and Admin)	178,339	63,150
Data recovery and other software exp	201,902	19,940
Donation	322	8,372
Newspaper, Magazine & Periodicals	1,386	1,496
Entertainment	4,187	5,283
Qurubani expenses	-	1,697
Penalty charge	100	12,358
Sundry expenses	28,317	8,576
Cash shortage W/O	242	202
Technical service	4,880	1,600
Generator expenses	38,900	32,337
Cleaning expxnses	11,408	19,355
ATM related expenses	17,086	15,576
Sukuk Premium expenses	18,347	18,308
ISO 27001	43,644	17,673
Regulatory expenses	27,903	34,267
	1,188,341	825,989

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

32 Provision for Finance Impairment of Financing and Investment

32 (a) PROVISION FOR IMPAIREMENT OF FINANCING AND INVESTMENT

Prudential Adjustment for the Year ended 31st December 2016

During the period under review, a sum of N658m was transferred from Statement of Changes in Equity (SCE) to Risk Regulatory Reserve (Non Distributable Reserve).

Provision on Risk Assets

	Specific	General	OKL	TOTAL
	N'000	N'000	N'000	N'000
Provision per CBN Prudential Guideline	1,050,958	669,657	62,271	1,782,886
Impairment Allowance per IAS 39 (Specific and Collective)	241,735	118,106	62,271	422,112
As at 31, Dec. 2016	809,223	551,551	-	1,360,774

32 (b) PROVISION FOR IMPAIREMENT OF FINANCING AND INVESTMENT

The Provision for impairment is based on the impairment test conducted by the Bank's Consultants in accordance with the International Accounting Standard (IAS)

(i) Impairment Loss

Credit	N'000
Murabaha	17,101
Musharaka	-
Qard Hassan	-
Istisna	72,402
Ijara	35,802
Total	125,304
Impairment Write Back	(220,095)
	<u>(94,790)</u>

(ii) Impairment by Products (IFRS)

	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Other Assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January	175,869	13,000	-	51,487	214,275	138,530	593,161
Recovery	-	63,891	-	4,704	-	(151,500)	(296,354)
Impairment for current year	17,101	-	-	72,402	35,802	-	125,305
Balance at 31 December	129,079	8,296	-	123,889	98,577	62,271	422,112

Notes 6 7 8 9 10 15

(iii) Provision by Products (CBN)

	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Other Assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January	471,310	13,000	-	137,979	574,236	138,530	1,335,055
Re-classification	226,545	(1,000)	1,277	135,661	(295,759)	-	66,723
Recovery	(66,722)	-	-	-	-	(76,259)	(142,982)
Impairment for current year	188,458	12,000	1,277	13,733	308,622	-	524,090
Balance at 31 December	819,591	24,000	2,554	287,372	587,099	62,271	1,782,886

(iv) Impairment by Type

	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Other Assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
General Impairment	353,116	24,000	2,553	15,406	274,582	62,271	731,928
Specific Impairment	466,475	-	-	271,966	312,517	-	1,050,958
Balance at 31 December	819,591	24,000	2,553	287,372	587,099	62,271	1,782,886
	176,558	12,000	1,277	7,703	131,192		

(v) Investment Classification (IFRS)

	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Performing	18,569,430	1,200,000	127,674	836,486	14,360,092	35,093,682
Non-performing	-	-	-	263,267	-	263,267
Balance at 31 December	18,569,430	1,200,000	127,674	1,099,753	14,360,092	35,356,949

(vi) Investment Classification (CBN)

	Murabaha	Musharaka	Qard Hassan	Istisina	Ijara	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Performing	17,655,786	1,200,000	127,674	770,289	13,729,085	33,482,835
Non-performing	913,644	-	-	329,464	631,006	1,874,114
Balance at 31 December	18,569,430	1,200,000	127,674	1,099,753	14,360,092	35,356,949

33 SIGNIFICANT SHAREHOLDING (5% UNIT & ABOVE)				2016		2015	
				Holdings	%	Holdings	%
Dantata Investment & Securities Limited				1,839,684,663	12.49	1,410,209,270	16.37
Dantat Aminu Alhassan				772,672,258	5.24	618,136,207	-
Islamic Development Bank				1,253,333,294	8.51	1,002,160,494	8.53
Dangote Industries Ltd				1,250,000,000	8.48	1,000,000,000	8.51
Altani Investment Limited				1,100,000,000	7.47	800,000,000	6.81
Indimi Muhammadu				1,366,906,522	9.28	1,366,906,522	11.64
Mutallab Umaru Abdul				1,989,532,234	13.50	1,374,430,074	12.17
				9,572,128,971	64.97	7,571,842,567	64.04
At 31 December				7,175,135,267	64.97	7,571,842,567	64.04

34 Earnings per share

Basic earnings per share

Basic earnings per share of N0.02kobo (2016:N0.07kobo) is based on the profit attributable to ordinary shareholders of 343016.946440001 (2016:N794193) and on the ordinary shares of 14732125 (2015:11829700).

Profit attributable to ordinary shareholders	2016	2015
	N'000	N'000
Profit for the period	343,017	794,193
Profit attributable to ordinary shareholders	343,017	794,193
<hr/>		
Weighted average number of ordinary shares	2016	2015
	N'000	N'000
Issued ordinary shares at 1 January	14,732,125	11,829,700
Effect of share options exercised	-	-
Weighted average number of ordinary shares at 31 December	14,732,125	11,829,700
<hr/>		
Basic earnings per share	0.02	0.07

There have been no transactions during the year which caused dilution of the earnings per share.

JAIZ BANK

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

35 Related parties

- (i) Related parties: Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes investment as well as key management personnel.
- (ii) Transaction with key management personnel: The Bank's key management personnel, and persons connected with them, are also considered related parties. The definition of key management includes the close members family of key personnel and any entity over which key management exercise control. Close members family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Jaiz Bank plc and its related entities/parties.

ACCOUNT NAME	RELATED PARTY	RELATIONSHIP WITH THE BANK	LIMIT N'000	2016	CLASSIFICATION
				AMOUNT RECEIVABLE N'000	
Dr. Umaru Abdulmutallab	Dr. Umaru Abdulmutallab	Chairman	810,000	810,000	Performing
Noble Hall Schools	Dr. Umaru Abdulmutallab	Chairman	330,000	279,995	Performing
Noble Hall Schools	Dr. Umaru Abdulmutallab	Chairman	50,000	50,000	Performing
Noble Hall Schools	Dr. Umaru Abdulmutallab	Chairman	30,000	30,000	Performing
Penman Pensions	Dr. Umaru Abdulmutallab	Chairman	9,800	9,800	Performing
Gidauniyar Jihar Katsina	Dr. Umaru Abdulmutallab	Chairman	150,000	118,653	Performing
Tamidan Nigeria Limited	Aminu Dantata	Director	370,000	370,005	Performing
Tamidan Nigeria Limited	Aminu Dantata	Director	630,000	630,000	Performing
Dantata Plastic Limited	Aminu Dantata	Director	38,400	38,400	Performing
Dantata Plastic Limited	Aminu Dantata	Director	30,000	30,000	Performing
Darul Huda Foundation	Aminu Dantata	Director	36,738	29,391	Performing
Bellmari Energy Limited	Aliko Dangote	Director	800,000	260,000	Performing
Bellmari Energy Limited	Aliko Dangote	Director	25,000	25,000	Performing
Mukhtar Danladi Hanga Sani	Mukhtar Danladi Hanga Sani	Director	54,000	54,000	Performing
MBS Merchant Limited	Falalu Bello	Director	1,120,000	1,116,302	Performing
Ahmad Rufai Sani	HRH Engr. Sani Bello	Director	65,000	65,005	Performing
Ahmad Rufai Sani	HRH Engr. Sani Bello	Director	510,000	510,000	Performing
Ahmad Rufai Sani	HRH Engr. Sani Bello	Director	162,250	77,500	Performing
HRH Engr. Sani Bello	HRH Engr. Sani Bello	Director	80,250	80,250	Performing
Baze University	Nafiu Baba-Ahmad	Director	200,000	160,000	Performing
Mahe Abubakar	Mahe Abubakar	Executive Director	64,350	64,350	Performing
Mahe Abubakar	Mahe Abubakar	Executive Director	4,113	4,113	Performing
Staff Facility	Employee	Employee	1,255,820	1,255,820	Performing
			6,825,722	6,068,584	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

			2015
			N'000
RELATED PARTY	RELATIONSHIP WITH THE BANK	LIMIT	AMOUNT RECEIVABLE
Dr. Umaru Abdulmutallab	Dr. Umaru Abdulmutallab	Director	810,000
Noble Hall Schools	Dr. Umaru Abdulmutallab	Director	330,000
Noble Hall Schools	Dr. Umaru Abdulmutallab	Director	50,000
Penman Pensions	Dr. Umaru Abdulmutallab	Director	9,800
Gidauniyar Jihar Katsina	Dr. Umaru Abdulmutallab	Director	150,000
Tamidan Nigeria Limited	Aminu Dantata	Director	100,000
Darul Huda Foundation	Aminu Dantata	Director	36,738
Dantata Plastics Limited	Aminu Dantata	Director	18,900
Bellmari Energy Limited	Aliko Dangote	Director	500,000
Bellmari Energy Limited	Aliko Dangote	Director	470,000
Bellmari Energy Limited	Aliko Dangote	Director	25,000
Mukhtar Danladi Hanga Sani	Mukhtar Danladi Hanga Sani	Director	54,000
MBS Merchant Limited	Falalu Bello	Director	1,000,000
Mahe Abubakar	Executive Director	Executive Director	64,350
Mahe Abubakar	Executive Director	Executive Director	4,113
Garba Hungu Aliyu	Garba Hungu Aliyu	Director	5,000
Staff Facility	Employee	Employee	833,590
At 31 December 2015			4,461,492

All Investments granted to "Related Parties" were at the same terms & Conditions with those granted to Non-related Parties. The amounts shown as Receivables

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2016**

36 INFORMATION REGARDING DIRECTORS	2016	2015
	N'000	N'000
Emoluments		
Fees:		
Chairman	1,250	1,250
Other directors (N500,000 each)	14,000	14,000
Emolument as executives	62,950	90,467
Highest paid director	32,611	31,192

No. of Directors excluding the chairman with gross emoluments within the following ranges were:

N		N		2016	2015
				Number	Number
5,000,000	-	10,000,000		-	-
10,000,001	-	15,000,000		-	-
15,000,001	-	above		2	2

37 INFORMATION REGARDING EMPLOYEES

The number of employees excluding Directors in receipt of emoluments excluding allowances in the following ranges were:

N		N		2016	2015
				Number	Number
Below	-	400,000		-	21
400,001	-	500,000		-	-
500,000	-	600,000		95	66
600,000	-	700,000		15	16
700,000	-	800,000		76	60
800,000	-	900,000		42	-
900,000	-	1,000,000		-	-
1,000,000	-	5,000,000		272	278
5,000,000	-	10,000,000		69	36
Above	-	10,000,000		24	18

Number of persons employed as at the end of the year were:

	2016	2015
	Number	Number
<i>Managerial</i>	24	9
<i>Senior</i>	69	82
<i>Junior</i>	500	405
	593	496

38 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date which could have had a material effect on the financial statements as at 31 December 2016.

39 CARD ISSUANCE AND USAGE IN NIGERIA AS AT 31 DECEMBER 2016

In line with Sec.11 of the CBN' Circular on The Guidance for issuance and usage of cards in Nigeria, below is the Bank's information on it's Card

TRANSACTION VOLUMES	TRANSACTION VALUE N'000
1,709,753	21,391,968
13,937	160,733
1,723,690	21,552,702

40 COMPLAINTS DATA

In line with CBN circular Ref FPR/DIR/CIR/GEN/01/020, below are the customer complaints data for the year:

(i) ATM complaints data- 31 December 2015

	JAIZ BANK'S MACHINE	OTHER BANKS' MACHINE
Number of complaints	2,083	-
Number of complaints resolved	2,078	-
Number of complaints unresolved	5	-
Amounts in dispute (N'000)	-	-

(i) ATM complaints data- 31 December 2016

	NUMBER	AMOUNT N'000
Number of complaints	6,066	9,261
Number of complaints resolved	6,008	7,806
Number of complaints unresolved	58	1,455

(i) ATM complaints data- 31 December 2015

	NUMBER	AMOUNT N'000
Number of complaints received	66	2,083
Number of complaints resolved	65	2,078
Number in process of resolution	1	5

41 FINANCING ANALYSIS

(I) By Performance

	2016 N'000	2015 N'000
Performing	32,872,950	24,681,833
Non Performing:		
Substandard	329,523	246,500
Doubtful	1,663,055	342,049
Lost	491,421	128,461
	35,356,949	25,398,843

	2016	2015
	N'000	N'000
(ii) By Security		
All Asset Debenture	650,466	146,941
Corporate Guarantee	296,748	759,211
Personal Guarantees	121,462	155,429
Pledge of Asset/Lien of Assets	961,370	56,102
Deposit of Title Deeds	22,138	18,336,934
Legal Mortgage	23,731,044	1,158,992
Equitable Mortgage	2,482,660	3,797,541
Salary Domiciliation/ lien of Assets	5,898,085	67,879
Post Dated Cheques	121,214	147,242
Clean/Staff Qard Hassan	127,674	25,331
Hypothication of Goods	319,210	7,761
Irrevocable Standing Payment Order/Letter of comfort	417,261	690,030
Domiciliation of Contract proceeds	207,617	49,450
	35,356,949	25,398,843
(iii) By Location		
	N'000	N'000
Head Office	3,097,657	3,021,698
Abuja	12,843,311	9,132,725
Kano	2,837,567	1,650,273
Kaduna	3,494,634	2,909,758
Gombe	305,857	348,042
Maiduguri	46,104	205,580
Kano 2	3,081,886	2,751,595
Katsina	2,103,641	804,345
NASS	1,378,572	1,043,996
Wuse	3,004,629	2,472,079
Gusau	869,243	308,534
ATBU	27,822	70,975
Sokoto	269,820	247,158
Zoo Road	345,574	-
Kabuga- Kano	48,172	37,818
NNPC	377,642	244,689
Bauchi	51,470	1,456
Yola	219,579	878
Kaduna 2	41,559	-
Bannex	75,885	-
Ikeja	521,225	-
Ibadan	633	-
Ilorin	161,557	-
Gwarimpa	9,860	-
Samaru	15,376	-
Staff Qard	127,674	147,242
	35,356,949	25,398,843

<i>(iv) By Product</i>	2016	2015
	N'000	N'000
Murabaha Corporate	8,400,925	3,260,936
Ijarah Wa Iqtina Corporate	6,903,069	6,141,719
Musharakah	1,200,000	650,000
Qard Hassan	127,674	147,242
Murabaha Household Appliance	123,236	80,161
Murabaha Auto Finance	1,482,140	952,118
Ijarah Auto Finance	34,047	14,007
Ijarah Home Finance	6,389,371	4,810,445
Ijarah Service	1,033,604	1,061,105
Murabaha Retail/Gen.	8,563,130	7,499,219
Istisna	1,099,753	781,891
	35,356,949	25,398,843
<i>(v) By Sector</i>	2016	2015
	N'000	N'000
Agriculture	3,114,030	2,006,017
Real estate	8,519,238	7,549,362
Manufacturing	451,241	173,324
Education	1,181,951	1,335,289
Wholesale trading	-	-
Construction	2,530,782	1,567,465
	2,841	-
Information technology	335,809	384,678
General	7,859,450	9,098,886
Oil and Gas	4,273,764	-
Retail	6,282,339	2,460,092
	1,025	-
Transport	804,479	823,731
	35,356,949	25,398,843
<i>(vi) By Category</i>	2016	2015
	N'000	N'000
Corporate	25,263,819	17,818,470
Retail	10,093,130	7,580,373
	35,356,949	25,398,843
<i>(vii) By Age</i>	2016	2015
	N'000	N'000
0 - 30 days	3,250,689	849,377
31 - 60 days	1,593,063	-
61 - 90 days	661,103	3,128,305
91 - 180 days	5,307,081	3,631,916
180 - 360 days	3,346,299	2,188,522
Over 30 days	21,198,714	15,600,723
	35,356,949	25,398,843

42 LEGAL CLAIMS, CONTINGENT LIABILITIES AND COMMITMENTS

During the Year under review the Bank in its ordinary course of business was involved in 16 cases. The Directors having sought the opinion of professional legal counsel are of the opinion that based on the advice received, no significant liability will crystallise from these cases.

(ii) Contingent Liabilities

	2016	2015
	N'000	N'000
Advanced Payment Guarantees	2,089,862	1,493,259
Letters of Credit	754,762	974,743
Bonds and Guarantees	368,230	79,037
Wakala Guarantee	5,513,721	1,500,000
	8,726,575	4,047,038

43 (iii) Capital Commitments

There were no capital commitments at the end of the reporting period of 31 December 2016.

(iv) Guarantees and other Financial Commitments

The Directors are of the opinion that all known liabilities and commitments which are relevant in assessing the

OPERATING SEGMENTS INFORMATION

For reporting purposes, the Bank is organised into business segments and has reportable operating segments as follows:

Corporate Banking

Retail Banking

Resources are allocated based on the business segments and Management reviews the segments on periodic basis to

	Corporate Banking	Retail Banking	Total
	N'000	N'000	N'000
As at 31 December 2016			
Cash Balance	2,580,732		2,580,732
Cash and Balance with Central Bank of Nigeria	18,926,121		18,926,121
Due from Banks and Financial Institution	1,478,026		1,478,026
Advance on InterBank Murabaha	1,000,000		1,000,000
Sukuk	1,060,252		1,060,252
Murabaha Receivables	12,278,528	4,172,717	16,451,245
Investment in Musharaka	1,191,704		1,191,704
Qard Hassan/Benevolent Loan	127,674		127,674
Investment in Istisna	754,448		754,448
Investment in Ijara Asset	7,194,628	7,056,604	14,251,232
Investment in Asset Held for Sale	488,942	-	488,942
Property, Plant and Equipment	1,892,970		1,892,970
Leasehold Improvement	42,435		42,435
Intangible Assets	368,089		368,089
Other Assets	5,233,382		5,233,382
Deferred Taxation	1,772,577		1,772,577
Total Assets	56,390,507	11,229,321	67,619,828

	Corporate Banking N'000	Retail Banking N'000	Total N'000
As at 31 December 2015			
Cash and Balance with Central Bank of Nigeria	18,168,226		18,168,226
Due from Banks and Financial Institution	616,543		616,543
Sukuk	1,242,396		1,242,396
Murabaha Recievables	9,304,248	2,488,188	11,792,436
Investment in Musharaka	650,000		650,000
Qard Hassan/Benevolent Loan	147,242		147,242
Investment in Istisna	781,891		781,891
Investment in Ijara Asset	6,548,614	5,478,660	12,027,274
Investment in Asset Held for Sale	27,111		27,111
Property, Plant and Equipment	1,383,189		1,383,189
Intangible Assets	307,880		307,880
Other Assets	3,983,853		3,983,853
Deferred Taxation	1,726,574		1,726,574
Total Assets	44,970,272	7,966,848	52,937,120

The Investments in Islamic Finance are shown here as Gross , while on the face of Statement of Financial position they

CONTRAVENTION OF CBN GUIDELINES

	2016 N'000	2015 N'000
Purchase of two properties without prior approval from CBN	-	-
Due Diligence KYC violation and improper Politically Exposed Person (PEP) app	8,000	2,000
Non implimentation of AML/CFT training program and Enhanced Due Diligence	4,000	
Non-rendition Foreign Exchange Utilisation Returns	4,000	6,000
Breach of CBN Foreign Exchange Trading Position Limit	4,000	4,000
Untimely Rendition of eFASS daily returns for the period 13 th and 18 th Nov. 2015, 11 th a	100	100
Untimely Rendition of eFASS daily returns for the period 11th and 12th May 2016	50	50
Untimely Rendition of eFASS daily returns for the period 29th June 2016	25	50
Untimely Rendition of eFASS daily returns for the period October 19, 20, 21, 22	-	125
Exceeding threshold in an insider related facilities	2,000	-
	22,175	12,325

COMPARATIVE FIGURES

Certain comparative figures have been restated where necessary for a more meaningful comparison

EMPLOYEE BENEFIT PLANS

	2016 N'000	2015 N'000
Opening defined contribution obligation	15,060	16,331
Charge for the year	60,105	54,573
Payment to Fund administrator	(59,474)	(55,844)
	15,691	15,060

A defined contribution plan is a pension plan under which the Bank pays contributions at a fixed rate. The Bank does not guarantee the pension benefit. The total expense charged to income for the year was N60.11kobo.

(i) Defined Benefit Plans

A Defined Benefit Plan is a pension plan that defines an amount of pension benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. The Bank does not currently operate a Defined Benefit Plan and therefore does not have any obligation (legal or constructive) in this regard.

OTHER NATIONAL DISCLOSURES FINANCIAL SUMMARY

		2016	2015	2014	2013	2012
		N'000	N'000	N'000	N'000	N'000
Assets						
Cash and Balance with Central Bank of Nigeria	3	21,506,853	18,168,226	9,156,773	16,263,622	2,866,915
Due from Banks and Financial Institution	4	1,478,026	1,886,533	3,621,902	3,031,297	7,395,491
Advance on InterBank Murabaha	5a	1,000,000	-	-	-	-
Sukuk	5b	1,060,252	1,242,396	2,400,000	1,000,000	-
Murabaha Recievables	6	16,451,245	10,595,013	10,282,739	5,126,458	1,101,377
Investment in Musharaka	7	1,191,704	637,000	643,500	119,848	103,280
Qard Hassan/Benevolent Loan	8	127,674	147,242	164,281	287,361	279,061
Investment in Istisna	9	754,448	638,722	678,328	328,415	-
Investment in Ijara Asset	10	14,251,232	11,812,999	7,744,873	3,370,540	-
Investment in Asset Held for Sale	11	488,942	27,111	3,673,717	1,251,358	473,018
Property, Plant and Equipment	12	1,892,970	1,383,189	1,236,902	934,431	359,539
Leasehold Improvement	13	42,435	82,506	147,659	189,873	264,898
Intangible Assets	14	368,089	307,880	271,061	259,486	217,552
Other Assets	15	5,233,382	3,983,853	2,840,202	761,952	715,750
Deferred Taxation	16b	1,772,577	1,726,574	1,566,004	991,012	337,933
Total Assets		<u>67,619,828</u>	<u>52,639,244</u>	<u>44,427,941</u>	<u>33,915,653</u>	<u>14,114,814</u>
Liabilities						
Customer Current Deposit	(17a)	24,415,544	15,475,620	10,847,954	8,788,859	2,492,553
Other Financing	18a	996,635	1,000,000	-	-	-
Other Liabilities	18b	1,552,659	1,463,675	5,659,746	1,027,800	723,860
Tax payable	16a	77,087	43,897	10,544	-	-
Total liabilities		<u>27,041,925</u>	<u>17,983,192</u>	<u>16,518,244</u>	<u>9,816,659</u>	<u>3,216,413</u>
Equity of Investment Account Holders						
Financial Institutions' Investment Accounts		-	-	-	-	-
Customers' Unrestricted Investment Accounts	(17b)	24,924,792	23,247,923	16,681,010	13,133,000	796,536
Mudaraba Term Deposit	(17c)	943,323	721	-	-	-
		<u>25,868,115</u>	<u>23,248,644</u>	<u>16,681,010</u>	<u>13,133,000</u>	<u>796,536</u>
Owners' Equity						
Share Capital	19	14,732,125	11,829,700	11,829,700	11,747,297	11,747,297
Share Premium	20	627,365	549,886	632,289	632,289	632,289
Retained Earnings	21	(2,103,858)	(1,714,073)	(1,348,767)	(1,529,067)	(2,299,252)
Risk Regulatory reserve	22 i	1,360,774	741,894	115,465	115,475	21,531
Statutory Reserve	22 ii	93,381	-	-	-	-
Total Equity		<u>14,709,788</u>	<u>11,407,407</u>	<u>11,228,687</u>	<u>10,965,994</u>	<u>10,101,865</u>
Total Equity and Liabilities		<u>67,619,828</u>	<u>52,639,244</u>	<u>44,427,941</u>	<u>33,915,653</u>	<u>14,114,814</u>

OTHER NATIONAL DISCLOSURES

FINANCIAL SUMMARY

		<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
		N'000	N'000	N'000	N'000	N'000
Income:						
Income from Financing Investment	23	5,289,075	4,006,736	2,371,737	1,051,702	79,560
Income from Sukuk	24	188,967	883,009	621,985	37,178	-
Gross Income from Islamic financing transactions		5,478,042	4,889,745	2,993,722	1,088,880	79,560
Return on Equity of Investment Account Holders		(1,181,787)	(948,913)	(692,895)	(285,429)	(39,214)
Bank's share as a Mudarib/Equity investor		4,296,255	3,940,832	2,300,827	803,451	40,346
Fee and commission	26	394,137	380,509	244,422	107,023	49,675
Other Operating Income	27	122,440	100,000	324,396	23,307	312
Other Comprehensive Income	28	-	-	32,077	(17,931)	41,234
Total Income		<u>4,812,832</u>	<u>4,421,341</u>	<u>2,901,722</u>	<u>915,850</u>	<u>131,567</u>
Expenses:						
Staff costs	29	1,944,405	1,704,927	1,339,986	883,231	551,033
Depreciation and Amortisation	30	531,054	414,259	286,948	317,547	216,506
Other Expenses	31	2,089,146	1,385,468	957,298	830,943	430,578
Impairment Charges against non-performing Financing and Investment	32/ii	(94,790)	122,493	190,666	280,002	-
Total Expenses		<u>4,469,815</u>	<u>3,627,147</u>	<u>2,774,898</u>	<u>2,311,723</u>	<u>1,198,117</u>
Operating Profit/(Loss)		343,017	794,194	126,824	(1,395,873)	(1,066,550)
Income Tax Expenses		(31,745)	116,013	564,448	653,079	337,933
Profit/(Loss) for the Year after Tax		<u>311,272</u>	<u>910,207</u>	<u>691,272</u>	<u>(742,794)</u>	<u>(728,617)</u>
Other comprehensive income:		-	-	-	-	-
Other comprehensive income for the year, net of tax		-	-	-	-	-
Total comprehensive income for the year		<u>311,272</u>	<u>910,207</u>	<u>691,272</u>	<u>(742,794)</u>	<u>(728,617)</u>
Basic Earnings per share		<u>0.02</u>	<u>0.07</u>	<u>0.01</u>	<u>(0.12)</u>	<u>(0.09)</u>