

## **Middle East Bank Kenya Ltd**

### **Qualitative Disclosures For The Year Ended 31 December 2021**

#### **1. Financial Performance**

The Bank's profit before tax increased by 44% (or Shs 46 million) from Shs 105 million in 2020 to Shs 151 million in the year ended 31 December 2021. This was mainly due to growth in net interest income and a decline in the provisions charge.

The profit after tax was Shs 123 million (2020: Shs 125 million). This is because in 2020, the Bank reported an income tax credit of Shs 21m driven by utilization of previous years income tax losses while in 2021, the bank reported an income tax expense of Shs 28 million.

Credit impairment charges reduced by 36% to Shs 18 million due to the improvement in the quality of the current loan book and active monitoring of the performance of the loan book.

#### **2. Financial Position**

The Bank's balance sheet grew by 1% (or Shs 0.2 billion) from Shs 11 billion in 2020 to Shs 11.2 billion in 2021. Total shareholder funds increased by 10% from Shs 1.274 billion at 31 December 2020 to Shs 1.4 billion as at 31 December 2021. This increase is attributable to the increased profitability year on year. Liquidity ratio at 31 December 2021 was 52.1% (31 December 2020: 31.5%).

The Bank reported strong capital adequacy ratios which continue to be well above the minimum statutory ratios. The Bank's core capital grew by 8.4% to Shs 1.3 billion (2020: Shs 1.2 billion) against a minimum capital requirement of Shs 1 billion.

#### **3. Risk Management Strategies and Practices**

The Banks' risk management policies and processes are designed to identify and analyze risk, set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date data. Risk management policies, models and systems are regularly reviewed to reflect changes in market, products and best market practice.

The Board of Directors is responsible for setting overall risk appetite of the bank and oversees the management of the most significant risks through regular review of risk exposures and related key controls. The Board Risk and Compliance Committee (BRCC) is responsible for monitoring the Banks' risk profile against the agreed risk appetite and reports on the same to the Board. At management level, there is the Risk Management Committee (RMC) which oversees the risk management process and ensures checks and balances are in place to curb against any would be arising risk. The Risk and Compliance Manager is a member of the senior management team of the bank and has overall day to day responsibility for risk management and reports directly to the BRCC. The Internal Audit function is responsible for the independent review of risk management and the control environment.

#### **4. Risk Exposures**

The Bank has adopted a Risk Management Framework for identifying, monitoring and addressing the various risk exposures faced in our day to day operations. In addition various limits are in place with

respect to risk exposure within which the Bank must operate. These limits are monitored on a daily basis and reported to the RMC on a monthly basis and to the BRCC and Board of Directors on quarterly basis.

#### **5. Related Parties**

Our total insider loans and advances to Directors, shareholders, associates and employees increased from Shs 244.5 million as at 31 December 2020 to Shs 315 million as at 31 December 2021. The Bank has complied with the Prudential Guidelines on the prescribed level of insider lending.

#### **6. Group Structure**

The Bank is incorporated in Kenya under the Companies Act and is domiciled in Kenya with no Group companies. The Bank currently has 4 branches in Nairobi, Mombasa and Eldoret.

#### **7. Accounting Policies**

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information required by national regulations is included where appropriate. The measurement basis applied is the historical cost basis except for financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

Our detailed accounting policies are as disclosed in our Annual report and financial statements.

#### **8. Business, management and corporate governance**

The Board of Directors has overall oversight on the Bank. There are various Board committees as prescribed by the Prudential Guidelines such as Board Credit Committee, Board Audit Committee, Board Risk and Compliance Committee and these have quarterly meetings. The Bank has competent staff to manage the various functions. In addition, the Bank has several committees that manage the Bank's business such as ALCO, Risk Management, ICT Steering, Financial and Management Committees. These meet at least monthly to assess the Bank's performance and monitor risk.

***Prepared by  
Finance Department***

