

# Middle East Bank Kenya Ltd

## Qualitative Disclosures For The Year Ended 31 December 2023

### **1. Financial Performance**

The bank posted profit before tax of Shs 422 million from Shs 544 million in 2022, a 22% decline in profit before tax, mainly driven by a decrease in Non-Funded Income from recovery of non-performing loans. Interest income was Shs 1,654 million (2022: Shs 1,216 million) while interest expense was Shs 984 million (2022: Shs 672 million). The profit for the year of Shs 355,394,000 (2022: Shs 403,307,000) has been added to retained earnings.

### **2. Financial Position**

The balance sheet grew by 45% from Shs 12.96 billion to Shs 18.85 billion. Customer deposits held were Shs 12.48 billion (2022: Shs 9.33 billion), Loans and advances balances grew by 85% to Shs 10.74 billion (2022: Shs 5.79 billion) and Government securities held were Shs 4.3 billion (2021: Shs 4.42 billion). Total shareholders' equity grew from 1.79 billion as of 31 December 2022) to 2.13 billion for the year ended 31 December 2023. Liquidity ratio stood at 38.5% as of 31 December 2023 (31 December 2022: 49.9%).

The Bank reported strong capital adequacy ratios which continue to be well above the minimum statutory ratios. The Bank's core capital grew by 18% to Shs 2 billion (2022: Shs 1.7 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 646.6 million as at 31 December 2022 to Shs 775.9 million as at 31 December 2023. 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.



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**Prepared by  
Finance Department**