

Middle East Bank Kenya Limited

Qualitative Disclosures for the period ended 31 March 2024

1. Financial Performance

The Bank's profit before tax decreased by 32% (or Shs 38.3 million) from Shs 118.3 million reported as at 31 March 2023 to Shs 79.9 million for the period ended 31 March 2024. This was mainly due to an increase in interest expenses on deposits driven by customer demand for higher returns in the wake of increasing Central Bank's CBR rate and T-bill returns coupled with additional long-term borrowings taken on by the Bank mid of the financial year ended 31 December 2023.

2. Financial Position

The Bank's balance sheet decreased by 7% (or Shs 1.4 billion) from Shs 18.85 billion as of 31 December 2023 to Shs 17.45 billion as of 31 March 2024 driven by reduced value of foreign denominated assets as a result of significant appreciation of the Kenyan Shilling against the US dollar in the intervening period estimated to be 15.9% coupled with repayment of 41% (or Shs 501 million) of balances due to other local banks from Shs 1.2 billion as of 31 December 2023 to Shs 717 million as of 31 March 2024.

Total shareholder funds grew by 17% from Shs 1.88 billion as of 31 March 2023 to Shs 2.2 billion as of 31 March 2024 due to increased profitability year on year.

The Bank was well above the minimum statutory ratios on liquidity, core capital to deposit liabilities, core capital to risk-weighted assets and total capital to risk weighted assets.

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 daily and reported to the RMC monthly 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 760.28 million as at 31 March 2023 to Shs 801.93 million as at 31 March 2024. 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 located 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**