

## Kenyan cooking gas company eyes the East African market

In 2007, two entrepreneurs, Ali Noor and his son, Hamza, were toying with the idea of venturing into the LPG (Liquefied Petroleum Gas) business because they saw a huge opportunity and largely unexploited potential. After conducting a feasibility study, they decided in 2008 to switch from their general petroleum products business into LPG packaging and supply as Midland Energy Limited. "It was a risky and capital intensive venture, but we were determined to carve a niche for ourselves in the sector," said Noor, a businessman with over 25 years of experience. With an initial capital of Ksh. 7 million, they started importing LPG from Zambia and selling it locally.

But it has not been a bed of roses for Midland Energy, one of the few local firms licensed by the Energy Regulatory Commission (ERC), to operate in a sector dominated largely by multinationals. "We have encountered many hurdles. Our lowest point, which was supposed to be our happiest moment, was when we introduced our MidGas brand," Hamza, the firm's managing director, told ABC Vision, "Our suppliers, who were also our competitors, were reluctant to supply us." This forced them to look for alternative sources in other countries – UAE, Tanzania and Zambia.

He attributes their resilience to two key factors - their drive towards becoming the number one LPG supplier in East and Central Africa and his father's business experience. "I have learnt from him that to survive in business, you need to be hardworking, optimistic and focused in adversity, confident, rational in decision - making and have a good relationship with people," he said. The firm now boasts of an LPG infrastructure – LPG cylinders, large tanks, a fleet of trucks including transit trucks -and a client base across the country. "We have registered unprecedented growth in the last three years," Hamza said.

Kenya's annual cooking gas per capita consumption is about 2kg compared to Senegal's 13kg. Consumption of LPG could reduce use of firewood and charcoal, minimizing depletion of forests. Midland Energy has purchased equipment for a depot to be set up in Western Kenya - to serve the Western region of the country and Mwanza in Tanzania and Uganda –with another in Mombasa in the cards as part of the plans to expand across East Africa in the next five years. For big institutions, which cannot use cylinders, they have introduced 2-tonne LPG tanks.

"We are grateful for the support ABC Bank has accorded us, taking our relationship beyond banking," said Hamza, "They believed in our business and have played a big role in our growth as any good partner should."



Hamza Ali Noor, MD, Midland Energy Limited, a fast - growing LPG supplier

"We have registered unprecedented growth in the last three years."

### Their advise to entrepreneurs

- ✓ The world of entrepreneurship is full of obstacles and one has to be ready to take risks and surmount challenges to succeed
- ✓ Never venture into a business before identifying a suitable target market to buy your goods or services
- ✓ Capital is no longer a major challenge because there are many financial institutions ready to fund good business ideas including venture capitalists
- ✓ Stay focused and have confidence in your abilities because only you can make your business succeed or fail

## From Our Partners

## In this Issue

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● ABC Bank secures facility from EIB to lend to SMEs



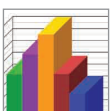
● ABC Group CEO on plans for 2012



● Post Christmas blues? Don't cry over spilt milk!



● Kenya: 2012 Economic environment & outlook





**W**elcome to 2012!  
We, as an institution, aspire to serve you even better this year by building on the gains we made last year.

We are continuously seeking and entering into strategic working relationships with key partners.

In December, the Bank signed an agreement with one of the leading international financial institutions in the world,

the European Investment Bank (EIB), for a Euro 7 million facility. This is good news to our customers in the small and medium enterprise sector because, with this facility, customers can access finance at an affordable rate for a longer term of up to twelve years.

The facility, which will be available in Kenya shillings, Euros and US dollars, will also see eligible customers and the Bank's staff undergoing training from EIB experts. The agreement opens doors for the Bank to partner with other international institutions, which will ensure we live up to your expectations of offering you world class products and services.

We continue to develop partnerships with local institutions, among them, Africa Cancer Foundation (ACF) and Kenya Association of Tour Operators (KATO).

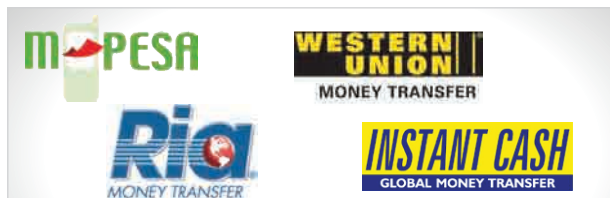
Internally, we are working to have an even closer working relationship with you through our ongoing change management programme dubbed "Nyota Mpya" (Kiswahili for New Star), whose key pillar is customer centricity through efficient service and tailor-made products.

I also take this opportunity to thank you for making our Customer Focus Week of 19th - 23rd December 2011, a success. We value your input and are working to incorporate your feedback to improve your experience with ABC Group. In the spirit of building strong relationships, we salute our customer, Midland Energy Limited, for availing cooking gas at a negotiated price to our staff when the country experienced a shortage of the commodity recently. On behalf of all of our staff, I thank you for this very kind gesture.

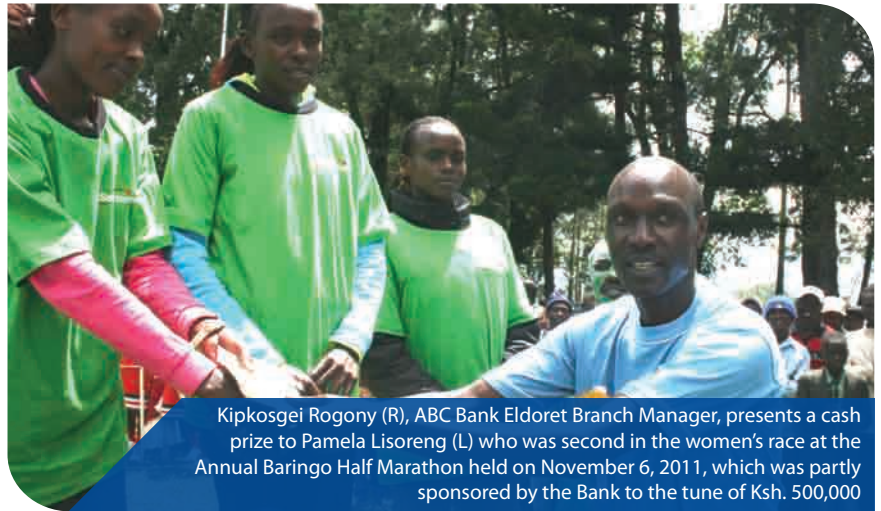
Also join me in welcoming on board Mungai Kihanya, an independent management trainer and freelance writer, whose article has definitely enriched our newsletter.

We look forward to a fruitful 2012!

Group Managing Director



You can now access these money transfer services across the ABC Bank branch network.



Kipkosgei Rogony (R), ABC Bank Eldoret Branch Manager, presents a cash prize to Pamela Lisoreng (L) who was second in the women's race at the Annual Baringo Half Marathon held on November 6, 2011, which was partly sponsored by the Bank to the tune of Ksh. 500,000



Ambrose Mwachilumo, Relationship Officer, Retail Banking, hands a sponsorship cheque to Mrs Caroline Blumer, organizer of the Pembroke House Foundation Mini Triathlon, held at Pembroke House School in Gilgil recently.



Jesse Timbwa (L), ABC Bank Head of Credit & Legal receives a gift from Philippe A. Forget, Deputy Chief Executive Officer, Mauritius Commercial Bank, during the Africa Forward Conference held in Mauritius in November 2011.



Julius Juma (L), Branch Manager, ABC Bank Nakuru Branch, presents a gift to a customer, Paul Muraya (R) of SGM Investments during the Bank's annual Customer Focus Week. Looking on is ABC Bank's Solomon Gachungwa.

## ABC Bank secures facility from European Investment Bank to lend to SMEs

ABC Bank has secured a Euro 7 million loan from the European Investment Bank (EIB) to lend to its small and medium enterprise (SME) customers.

The Ksh. 770 million facility, under the EIB's Private Enterprise Finance Facility (PEFF) II-Kenya, will enable the Bank to lend to SMEs for periods of between four and twelve years.

"This is very good news for our clients because we will not only be able to lend to them for a longer tenor, but also at a fairly lower cost," said Shamaz Savani, ABC Bank Group Managing Director, during the signing ceremony on December 15, 2011.

The EIB facility will finance up to 50 per cent of a project with the Bank lending the difference. The facility is available in Kenya Shillings, Euros and US Dollars.

"We are happy to partner with ABC Bank in supporting the small business funding, crucial for economic growth in Kenya,"

said Mr Kurt Simonsen, Head of Regional Representation, EIB East and Central Africa Office, during the ceremony. Under the agreement, which was signed at the Bank's Westlands offices, a single project is eligible for a minimum of Euros 10,000 (Ksh. 1.1 million) and maximum of Euros 3.0 million (Ksh. 330 million). "We look forward to a fruitful partnership," said Mr Nikolaos Milianitis, Senior Loan Officer, EIB, Nairobi office.

The facility is targeted at specific sectors including agro-industry, fishing, food processing, manufacturing, transport, construction of commercial developments, private education, healthcare and services related to these sectors. "To secure such a facility after a rigorous due diligence exercise by a respected international lending institution like EIB is an endorsement of ABC Bank and the relationship we have with our clients. It opens doors for the Bank to partner with other major international financial institutions," said Ashraf Savani, ABC Bank Chairman. EIB is the world's largest multinational financial institution and last year lent Euro 72 billion for 460 projects around the world, including over Euro 3.3 billion for projects in Africa. Eligible clients under the facility and the Bank's staff will undergo a free training programme by EIB - sponsored experts to boost their skills. *For more information on this facility, write to us on [talk2us@abcthebank.com](mailto:talk2us@abcthebank.com).*



ABC Bank Chairman, Ashraf Savani (L) exchanges documents with Nikolaos Milianitis, Senior Loan Officer, European Investment Bank after signing the Euro 7 million facility agreement.

## ABC Insurance Brokers joins African Trade Insurance Agency panel

African Trade Insurance Agency (ATI) has approved ABC Insurance Brokers Ltd as one of the brokers on its panel. "We are excited about this partnership because it means our customers have access to the unique products African Trade Insurance is offering, which are not available locally, by covering a variety of risks which might typically not be covered by other insurers. Since ATI covers international risks, the partnership means we are safeguarding the interests of our customers even outside our borders in line with our objective of facilitating international trade financing," said Shamaz Savani, ABC Group Managing Director.

ATI, the only multilateral insurer in Africa, provides insurance cover against political risks such as currency inconvertibility, nationalisation, war and civil disturbance, terrorism and sabotage including forced abandonment. It also insures export/trade credit risk such as against possible payment failure due to bankruptcy, deteriorating financial circumstances or if a payment extends beyond a credit period (protracted default). The insurer is a stable organisation with a long-term 'A' rating from Standard & Poor's, making it the second highest ranked institution in Africa after the African Development Bank.

## Consolidating last year's gains

ABC Vision's Q & A with ABC Group CEO, Deviinder Gupta

**Q:** The year 2011 has been touted as one of the most challenging years for the business community, including the banking industry. How has it been for ABC Group?

**A:** Various macro-economic developments such as the fluctuating exchange rate, double digit inflation, high interest rates, meant 2011 was a challenging year for both our customers and us. I believe we, as ABC Group and our customers, have learnt valuable lessons during the year, equipping us for any hurdles going forward.

**Q:** What plans do you have for 2012?

**A:** We expect to consolidate the gains we made last year by continuing to implement our 5-year strategic plan. This is a roadmap to guide us towards achieving our vision of being a responsible, modern and dynamic universal bank. That is, a Bank offering quality services to our customers, adding value to our shareholder investments, developing the careers of our staff and supporting the community in which we operate.

**Q:** What does implementing the strategic plan entail?

**A:** This is a combination of programmes. We have just upgraded our core banking system and are in the middle of conducting a business process re-engineering. Under the guidance of our new department, Alternative Channels and Change Management, we are implementing a change management plan - Nyota Mpya, whose key feature is reinforcing ABC Group as a customer-centric organisation. Leveraging on our improved IT platform we are increasing and diversifying the channels and services available to our customers. We plan to open new branches this year, increase our ATM outlets as well as improve our mobile and Internet banking channels. We are also exploring new services such as agency banking, equity trading and bancassurance. All this is geared towards enhancing the overall customer experience with ABC Group. We look forward to a rewarding 2012 for our customers.

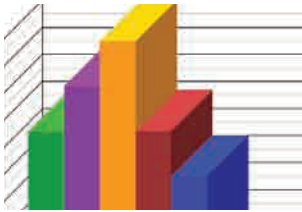


Deviinder Gupta,  
ABC Bank Group CEO

## Kenya: 2012 Economic environment and outlook

By ABC Capital

Kenya's economy is expected to remain suppressed in 2012 but its strong fundamentals could ensure there are many investment opportunities for investors, according to analysts. The analysts forecast East Africa's biggest economy to grow at a rate of 3.5-4.0 per cent this year, which is slower than the projected 4.5-5 per cent growth rate for 2011.



Analysts at ABC Capital attribute the economic slowdown to a combination of factors, among them, 2012 general elections. There are indicators, however, that the economy could get a lift from a gradual easing of the macro-economic pressures that

characterised 2011.

The country's rate of inflation is expected with time, to fall below the double digit levels. It reduced in December 2011 to 18.93 per cent from 19.72 per cent reported in November, the first time it declined in the past 12 months.

The exchange rate, volatile for most of the year, has stabilised as the shilling gains strength against the hard currencies. This could be boosted by an improved performance in key sectors of the economy – tourism, horticulture and tea – and years of investment in the infrastructure sector – roads, energy – which is starting to bear fruits.

The Kenya National Bureau of Statistics (KNBS) in its latest quarterly economic update said horticulture earned Sh76 billion in the first nine months of 2011, with signs that it could hit Sh100 billion by year-end. This could have a ripple effect on the Nairobi Securities Exchange (NSE) by cushioning the bourse against any adverse effects of the dynamics in the domestic and global economies.

Even if activities at the NSE do not hit their record levels, investment opportunities are aplenty. "The bear market would attract contrarian and value investors since the stocks prices remain depressed as investors adopt a wait-and-see attitude," said ABC Capital analysts.

Opportunities are also envisioned in the fixed income market for investors in 2012 because the government is expected to raise money in the primary market through general and infrastructure bonds.

## Post Christmas blues? Don't cry over spilt milk!

By MUNGAI KIHANYA | info@mungaikihanya.com

I have some bad news and some good news for you.

First, the bad: if the festive season left you broke, there is nothing you can do about it! As the saying goes "maji yakimwagika, hayazoleki". But chances are that you were in a similar position last year and the year before that... So the best advice I can give you is work it out the same way you did after the previous holidays.



Now, to the good news: there is something you can do about the next Christmas season (Yes! the 2012 one). If you want to change your financial position, you must plan beforehand, not afterwards.

The first step is to find out the amount of money you spent for your festivities last Christmas. That might be difficult to do since nobody keeps the receipts.

But you can make a good estimate this way:

- Start with your average monthly expenditure during the months before the holidays. Then compare with your total expenses for December. The difference between the two should be the money spent on festivities.
- Now decide whether you want to spend a similar amount next Christmas. This is a personal decision that no one can make for you. Next make an adjustment for inflation. Looking at the trend in the last 12 months, 15 per cent sounds like a prudent rate; so add this to your budget.
- Now divide the budget amount by 10 months to know how much you need to put aside each month. Usually, the result comes out smaller than expected.
- Finally; you must begin keeping this monthly amount aside religiously. If you think you don't have the discipline, you may open a special Christmas Bank Account and then sign a standing order from your regular account. It sounds crazy, but when you try it you suddenly realise that having fun doesn't have to be painful. Enjoy 2012!

### Our Locations:

ABC Bank - Kenya  
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 Westlands ABC Bank House, Woodvale Grove, Westlands  
 Libra House Libra House, Mombasa Road, Nairobi  
 Industrial Area ABC Bank Building, Dar es Salaam Road, Nairobi

Mombasa Shariff Nasser Investment Bldg, Moi Avenue  
 Nakuru Saifee House, Kenyatta Avenue, Nakuru  
 Meru Moi Avenue, Meru  
 Eldoret Zul Arcade, Oginga Odinga Road, Eldoret  
 Kisumu Jubilee House, Oginga Odinga Road, Kisumu

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