

African Banking Corporation Investor News



Issue 01

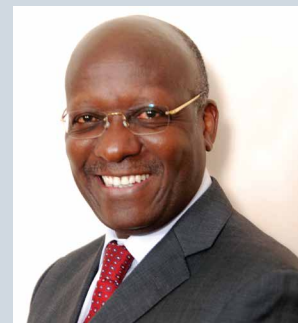
September 2014



Shamaz Savani,
Group Managing Director.

Hello, and welcome to the inaugural issue of our African Banking Corporation Investor News. As we welcome you to the ABC Bank Group family, it gives me great pleasure to share some updates on the Bank's recent achievements and initiatives.

Let me take this early opportunity to congratulate Mr. Richard Omwela who took over from Mr. Ashraf Savani as the ABC Bank Chairman effective 19th May 2014. Mr. Omwela has been sitting on the Board as a Non-Executive Director since 2000. He is an Advocate of the High Court of Kenya and a partner at Nairobi-based law firm, Hamilton Harrison & Mathews Advocates and a member of the Chartered Institute of Secretaries of Kenya. A former Chairman of Kenya Rugby Football Union and a past Chairman of Westlands Rotary Club of Nairobi, Mr. Omwela also sits on the boards of several other companies.



Mr. Richard Omwela
ABC Bank Chairman

The first half of the year has been a momentous period for us as we have made significant steps towards achieving our strategic plan.

I would like to take this opportunity to thank our bond investors for showing confidence in the Bank and for taking the opportunity to invest in our first bond which was subscribed by 157 percent. Your enthusiasm lends credence to the confidence you have in our business, and gives us fresh impetus to build and maintain a strong capital base so as to sustain future development of the business.

We are focused on new initiatives that will drive growth both in the medium and long term. This will enable us to provide our customers with an enhanced value proposition as well as reach new market segments that we have hitherto not targeted. To continue delivering our promise to our customers, we will be opening two new branches in Nairobi early next year. This is part of our plans to expand our network, which now includes Agent Banking through Postbank's 101 branches and over 900 agents countrywide. This will give our customers more access points and in turn contribute to an improved performance.

The Bank reported a modest half year profit of KSh. 162 million and I am confident of improvement as a result of initiatives and collaborations that the business team has undertaken, which we expect to yield fruit before the end of the year.

To buttress our long term growth projections, we have boosted our human capital in line with our business model to grow the SME and Corporate book by bringing on board experienced bankers who will take the Bank to the next level in line with our strategic objectives. This team has been hard at work engineering unique products tailored to suit the dynamic financial needs of our SME and Corporate clients.

Furthermore, we made significant investments in the development of innovative products for which we have won awards such as the First Runners Up in Internet Banking in this year's Think Business Banking Awards. We also added a feather to our cap when a recent Customer Satisfaction Index survey by Infotrack Harris placed us ahead of our tier 3 peers by identifying us as having the highest customer satisfaction levels.

We therefore look forward to improved results in the second half of year 2014 as we remain focused on our strategic intent for business in 2014 and beyond.

Once again, thank you for your support.

Shamaz

VISION: Empowering you to achieve the extraordinary

ABC Bank gives Postbank SMEs cheque clearing solution



ABC Bank Group MD Shamaz Savani (left) exchanges memorandum documents with then Postbank MD Nyambura Koigi as Investment Secretary at the National Treasury, Esther Koimett (right), who was the Chief Guest at the event looks on.

In June, we partnered with Postbank to launch a unique payment solution which includes cheque clearing and payment, cheque collection and other banking products that are important transaction instruments for businesses.

Through the partnership, Postbank-which is yet to become a fully-fledged commercial bank-will also be able to offer trade finance services that it could not provide independently due to legislative and structural considerations. Such products include bid bonds, performance guarantees and advance payment guarantees.

We also launched our Agent Banking channel with Postbank, which has opened its counters to our customers to carry out banking transactions at all its 101 branches and over 900 agents countrywide, thus increasing the touch points for our customers to access our services and giving us a presence in every county in this country, enabling us to seize new opportunities in these areas.

We will continue to seek partnerships in these and other areas with like-minded organizations.

ABC Bank signs partnership agreement with Fortune Sacco

In February, we signed a partnership agreement with Kirinyaga-based Fortune Sacco – which has 10 branches spread across the county, serving close to 70,000 members in an effort to boost the county’s economic growth through offering residents a wider range of financial services to the county residents.

The partnership has allowed Fortune Sacco, through the ABC Bank Platform Account, to overcome a regulatory obstacle to begin issuing cheques to its members through ABC Bank. The agreement has given the Sacco members access to the national payments system. As a result, members now enjoy increased ease of transactions and improved efficiency of doing business.

The Fortune Sacco members can also obtain trade finance facilities such as bid bonds and performance guarantees which are requirements for participation in government procurement.

ABC Bank sees Saccos not as competition but as partners working together to help Kenyan entrepreneurs access financial services more easily, maximize on their potential and create more employment opportunities.



ABC Bank Group MD Shamaz Savani (Centre) with Fortune Sacco CEO Amos Kimoitho (Left) after signing the deal. Looking on is Kirinyaga County Governor Joseph Ndathi (right).

ABC Bank shines in Internet Banking

We stood tall again this when we were awarded 2nd Best Bank in Internet Banking during the Think Business Banking Awards gala held on April 30th 2014.

This award is especially meaningful for the Bank, as it is a validation of the strategic direction we chose two years ago. It reinforces our resolve to increase and improve our channels to provide more touch points for our customers to access our services.

We have made significant investment in technology because we understand that branch-less banking is no longer the future of banking; it is the way to bank. This win demonstrates our commitment to excellence and innovation to align ourselves with emerging trends in service delivery in line with our culture of professionalism and customer-centricity.

Through our free-of-charge internet banking, our customers can now access their accounts and perform online transactions without visiting a banking hall, making it very easy and convenient for customers to manage their bank accounts.



ABC Chief Operating Officer Raj Pal Arora receives the First Runners Up Best Bank in Internet Banking Award from Mr Tonny Tugee (Photo courtesy: Business Daily, May 2nd, 2014)

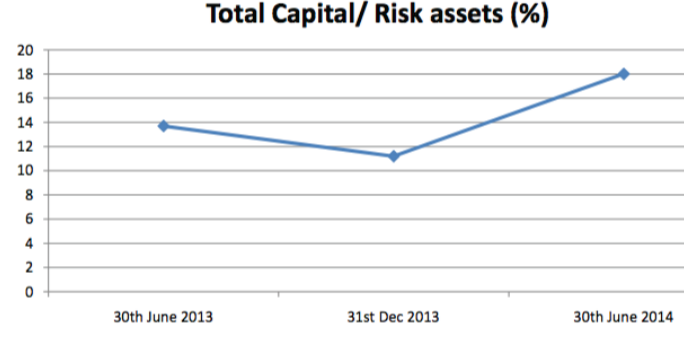
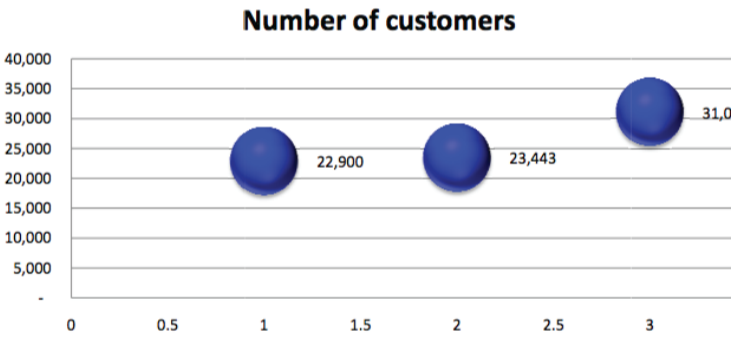
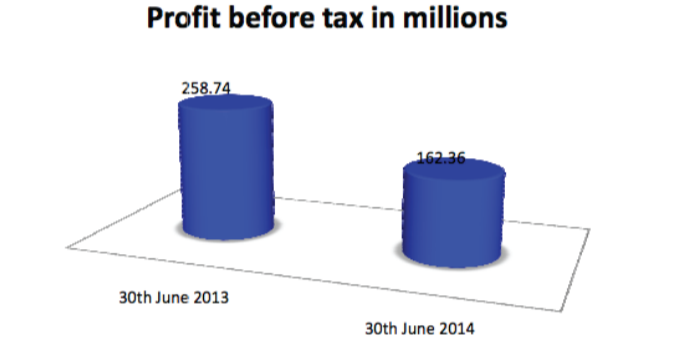
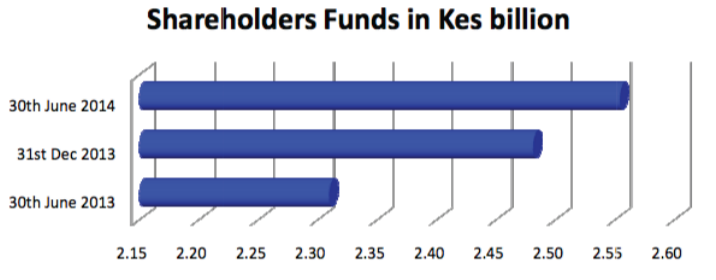
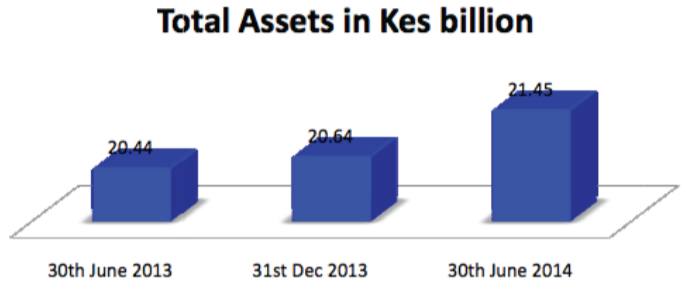
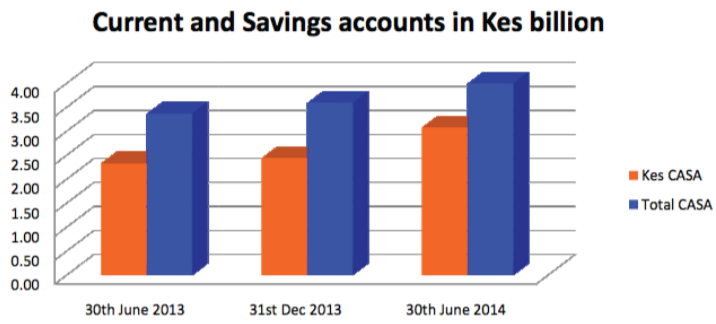
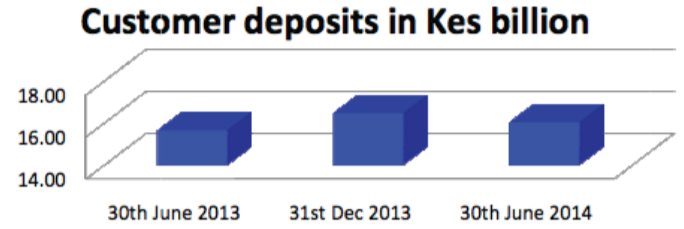
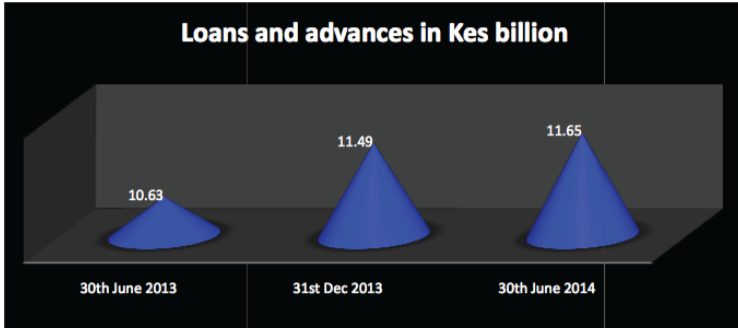
The bank continued on its growth trajectory amid the tough and turbulent economic environment in Kenya and the world. In the six month ended 30 June 2014, the bank reported a modest profit of KShs 162 million compared to KShs 258 million reported same period last year.

The income streams showed resilience during the first half of the year 2014 registering marginal growth during the period. The trend is expected to improve going forward as a result of initiatives and collaborations undertaken by the business team in the first half of 2014 which are expected

to yield fruit before the end of the year.

The marginal growth in income was however overshadowed by the stable but increasing costs. The bank boosted its human capital which increased staff cost in line with the business model to grow the SME and Corporate segments by getting on board competent and experienced bankers who will take the bank to the next level in line with our strategic objectives. We incurred additional ICT enhancement costs to improve our efficiency, boost cash

remittance platforms for our growing Diaspora market segment the benefits of which will be derived in the future. We have also increased security surveillance within our branch locations due to heightened security concerns across the country. We also incurred expenses to increase our authorized share capital from KShs 1.1 billion to KShs 2.1 billion. In order to deliver our promise to our customers, we will be opening two more branches in the coming months.



ABC Key financial highlights

- **Net Loans and advances** increased by 10% (KShs 1.03 billion) from KShs 10.63 billion in June 2013 to KShs 11.65 billion in June 2014.
- **Customer deposits** increased by 2% (0.39b) from KShs 15.65 billion as at June 2013 to KShs 16.04 billion as at June 2014. We have strategically reduced our Fixed Deposit intake by 4% (KShs 529 million) from December 2013 to June 2014 as we grow CASA and utilise the funds raised from the bond issue.
- **Shareholders' funds increased** by 11% (KShs 240 millions) from KShs 2.31 billion as at June 2013 to KShs 2.55 billion as at June 2014.
- **Total Assets increased** by KShs 1.02 billion (5%) from KShs 20.44 billion in June 2013 to KShs 21.45 billion in June 2014.
- **Our customer** base grew by 36% from 22,900 as at June 2013 to 31,090.
- Our non performing accounts increased by KShs 535 million from KShs 454 million as at June 2013 to KShs 999 million as at June 2014. The bank launched '**Project 3Cs**' in the second week of August which stands for **Comprehensive Collection Collaboration**. Project 3Cs involves both business and support teams at head office and in branches to collectively take charge in improving our asset quality.
- Bank is focusing on low ticket facilities from across the country.
- The bank is closely monitoring credit proposals processes up to perfection which has improved the timelines from 168 days on average to 70 days.
- Bank is aggressively driving a Current and Savings Accounts (CASA) campaigns focusing on Saccos, public sector at the county and Constituency levels.
- Bank has enhanced Diaspora engagements especially in the European and American markets.
- Bank is offering free inward remittances for trade customers, schools, universities, on selective basis for those with wide network of payment point requirements to improve CASA
- Bank to customer, customer to Bank functions are now available on MPESA. Additionally, the bank has arrangements with Coop Bank and Post Bank, so that despite limited Branches, the customers or their suppliers can route their collections through various channels to the bank.
- Our MasterCard, Internet banking and Agency banking solutions are now operational.
- Net interest income increased by 8% (42 million) from KShs 525 million as at June 2013 to KShs 567 million as at June 2014.
- FX income increased by 15% (KShs 10 million) from KShs 65million as at June 2013 to KShs 75 million as at June 2014
- Capital gains on bond trading declined from KShs 52 millions as at June 2013 to KShs 17 million as at June 2014 due to reduced activities in the bond market
- Profit before tax declined from KShs 258.74 million as at June 2013 to KShs 162.36 million as at June 2014.
- Staff cost to Total costs declined from 51.83% to 51.19%.
- Liquidity ratio marginally declined from 42.1% as at June 2013 to 40.6% as at June 2014, (Minimum statutory ratio -20%).
- Core capital to Total deposit liabilities improved from 10.1% as at June 2013 to 11.6% as at June 2014, (Minimum statutory ratio -8%).
- Core capital to total risk weighted assets declined from 12.4% as at June 2013 to 11.6% as at June 2014.
- Total capital to risk weighted assets improved from 13.2% as at June 2013 to 18% as at June 2014.

We take this opportunity to sincerely thank our customers who have embraced our innovative products and services. Our personalized customer service has enabled our esteemed customers to come back and also to refer other customers to us. This has enabled ABC to win numerous awards which we dedicate to all our stakeholders.

To continue delivering our promise to our customers, we will be opening two new branches before first quarter of 2015.

We remain focused on our strategic intent for business in 2014 and beyond and look forward to improved results in the second half of year 2014.