

African Banking Corporation Investor News

Issue 02

January 2015



Shamaz Savani,
Group Managing Director.

Happy New Year Dear Investor,

The year 2014 has been a momentous year for us here at ABC Bank. It has been marked by several milestones that have elevated our business in numerous ways.

It is the year we signed strategic partnerships with two financial institutions, Kirinyaga-based Fortune Sacco and Postbank. These collaborations have enabled us leverage our synergies with the two institutions.

Through the agreements, both institutions were to overcome regulatory obstacles to begin issuing cheques to their members/customers through ABC Bank, enabling them access the national payments system. This came after a similar agreement with Unaitas Sacco in 2013.

We successfully issued a KSh. 650 million private bond with a green shoe option of KSh. 350 million. It was highly successful, thanks for your support. The business has, as a result, not only met the new capital requirement, but also registered significant fiscal improvement. We are confident that 2015 will bring even greater fortunes.

We also won several accolades for our exemplary performance in different areas, with the most recent being an upgraded national scale short term rating of A2 (KE) from previous rating A3 (KE) and the national scale long term rating of BBB (KE), with the outlook accorded as stable.

At the Champions of Governance Awards, we took home two prestigious awards: 1st Runners Up-Overall Champion, and 1st Runners Up in the Finance and Investments category.

In a recent independent Customer Satisfaction Index survey by Infotrack Harris, ABC Bank was rated the best in customer satisfaction in its category. Earlier in the year we emerged the 2nd best Bank in internet banking during the Think Business Awards. This is a testimony of our continued efforts to offer our customers an unparalleled personalized banking experience.

I wish to assure you that we remain committed to our objective of maximize shareholder value by identifying superior niche areas to serve in the market as we strive to become a leading player in the Kenyan financial service ecosystem.

We will continue to pursue an innovative investment strategy to maximize returns using active and prudential management. While our long-term investment approach remains constant, we will continually refine our strategy as market conditions change.

While we are committed to exceeding expectations of our shareholders, we continue to employ best practices in corporate governance and social responsibility in managing our business. Conditions change, competition grows. Uncertainty is the new norm, but we will continue to stay fast, stay flexible, and stay agile.

Lastly, I wish you and your family a prosperous 2015!

shamaz

We wish our investors, their staff and family members a Prosperous New Year.

Corporate news

International credit rating agency upgrades ABC Bank rating!!



The international credit rating agency, Global Credit Rating Company (GCR) upgraded ABC Bank's rating to A2 (KE) from previous rating A3 (KE) and the national scale long term rating of BBB (KE), assigned to African Banking Corporation Limited, with the outlook accorded as stable. The ratings are valid until October 2015.

The upgrade of the bank's short term rating is a reflection of the positive operational changes in the business, including the enhanced funding profile of the bank and the potential internal growth. Appropriate deployment of capital/funding, improving profitability while maintaining credit protection factors, the diversification of income streams and a reduction in funding costs on the back of the retail strategy may have a positive impact on the bank's long-term rating going forward.

The new ratings are supported by the bank's business and financial risk profile, growth in business, efficiency in balance sheet, and commencement of non-performing loans recovery, cost control as well as success in the private bond issue in May 2014. The bank released a Ksh. 650 million private bond with a green shoe option of Ksh. 350 million, with 5.25 years tenure and a yield of 12.6 percent, the bond was oversubscribed by 57 percent.

Rating Upgrade

▲ A3 →A2 (Short term)

BBB (Long term) ►

Leveraging its strengths in asset finance, trade finance and international and local remittance solutions, the bank has carved out a niche by providing focused services and solutions to mid-to-large sized corporate firms. More recently, however, the bank has expanded its client profile to include all market segments.

This good rating assures investors of the fundamentals of our business, its actual strength, financial standing, and management details, giving them the confidence in taking investment decisions.

Corporate news

ABC Bank shines at governance awards



ABC Bank scooped two prestigious awards at the recent Champions of Governance Awards 2014, organized by the Institute of Certified Public Secretaries of Kenya.

The bank bagged the second overall champion award, after the Standard Chartered Bank. We also emerged 1st Runners Up in the Finance and Investments category.

The awards, now in their fifth year, seek to recognize institutions and individuals that exhibit the highest standards of practice of good governance and encourage more organizations, both public and private, to embrace the principles of accountability, transparency and disclosure compliance, consistent shareholder value enhancement, and corporate social responsibility.

These awards mean a lot to us; the recognition is a result of our deliberate and consistent observance of an open and transparent culture that permeates all our daily activities and interactions at all levels. They are a reflection of who we are, as a body corporate.

We dedicate these awards to you, our valued investor, customers and shareholder, for continually supporting us.



Our Financial Analyst Joram Onsare receives the 1st Runners Up award- Finance & Investments category- from Amb. Francis Muthaura.

CSR

ABC Bank Baringo Half Marathon comes of age

2014 edition of the annual ABC Bank Baringo Half Marathon took place in November 1st in Kabarnet town, Baringo County.

This was the second year the bank has organized the marathon as the title sponsor. The marathon is our flagship Corporate Social Responsibility initiative, and seeks to identify and nurture young athletic talent with a view to produce the next generation of world champions.

We have doubled the sponsorship kitty to Ksh. 10 million, for hosting the event and our Athletes Development Program. This has helped us to boost the prize purse for the winners.

We have also introduced attractive prizes for schools that saw over 50 schools register teams of ten students for the 6 km cross country race.

The Athletes Development Program is a sustainability project to enable us to deliver on the objective of producing world champions. We have selected a group of 12 promising young athletes, whom we have placed in various athletics training camps in the North Rift region.

Some of them have gone on to participate in different local and international races, and have recorded impressive performances. For instance, Hilary Kemboi scooped the gold medal in the 10,000 meters race in Nigeria in November. In August, Alfred Barkach participated in the East African Secondary Schools Championships and won the 10,000 meters race. Josphat Kiprop, another of our sponsored athletes, won the 21 kilometer race in this year's Baringo Half Marathon. Our endeavour to spot, nurture and train talent continues.



ABC Bank Group MD Shamaz Savani (centre) presents the sponsorship cheque to the Paul Tergat Foundation Chairman and marathon Patron Paul Tergat (left), flanked by Baringo County Governor Benjamin Cheboi during the launch. The Bank doubled the sponsorship kitty to Sh. 10 M this year, to go in to organizing the race and athletes development.



ABC Bank Group MD Shamaz Savani confers with Baringo County Governor Benjamin Cheboi during the closing ceremony of the ABC Bank Baringo Half Marathon in Kabarnet town over the weekend.

Corporate news

Corporate Governance update for Directors of ABC Bank and Group Companies

The Directors of ABC Bank and all the Group Companies, including ABC Capital Bank Uganda, ABC Insurance Brokers and ABC Capital Ltd Kenya (member of NSE) were updated on nuances of Corporate Governance as a part of the two day event at the Southern Sun Mayfair, on November 13th and 14th.

We are cognizant of the role of Board of Directors in ensuring that the Group Companies continue to operate in the best interests of all stakeholders. As our companies continue to grow in size and to do business in an increasingly complex environment, it is essential for directors to uphold the highest standards of corporate governance and to perform their roles effectively, and the course was tailored to meet the requirements

UNAUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 30TH SEPTEMBER 2014



AFRICAN BANKING CORPORATION LTD.
P.O. BOX 46452 - 00100, NAIROBI. Tel: (020) 4263000, 2223922, 2251540/1, 2226712
Email: talk2us@abcthebank.com Website: www.abcthebank.com

UNAUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 30TH SEPTEMBER 2014

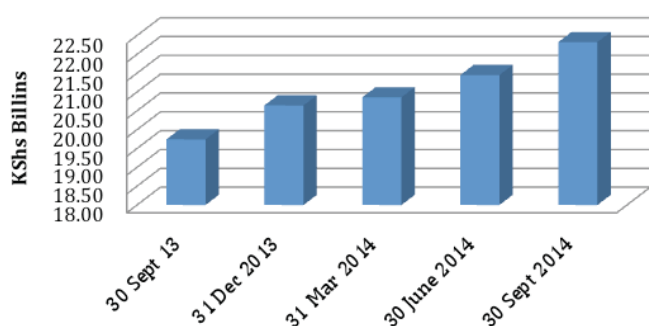
I BALANCE SHEET

	Bank 30 th Sept 2013 Unaudited Shs '000'	Bank 31 st Dec 2013 Audited Shs '000'	Bank 31 st Mar 2014 Unaudited Shs '000'	Bank 30 th June 2014 Unaudited Shs '000'	Bank 30 th Sept 2014 Unaudited Shs '000'	Group 30 th Sept 2013 Unaudited Shs '000'	Group 31 st Dec 2013 Audited Shs '000'	Group 31 st Mar 2014 Unaudited Shs '000'	Group 30 th June 2014 Unaudited Shs '000'	Group 30 th Sept 2014 Unaudited Shs '000'
A ASSETS										
1 Cash (both Local & Foreign)	142,287	170,580	152,990	145,716	169,671	156,869	186,527	178,949	174,370	199,165
2 Balances due from Central Bank of Kenya	767,761	1,072,816	1,461,717	852,370	733,635	813,666	1,112,225	1,489,338	894,654	733,635
3 Kenya Government and other securities held for dealing purposes	-	-	-	-	-	-	-	-	-	-
4 Financial Assets at fair value through profit and loss	-	-	-	-	-	-	-	-	-	-
5 Investment Securities:										
a) Held to Maturity:	3,907,694	4,249,723	4,118,688	4,901,360	4,832,511	4,373,698	4,619,003	4,406,432	5,247,491	5,260,518
a. Kenya Government securities	3,593,198	3,968,110	3,828,573	4,643,215	4,566,599	3,593,198	3,968,110	3,828,573	4,643,215	4,566,599
b. Other securities	314,496	281,613	290,115	258,145	266,112	780,500	650,893	577,859	604,276	694,119
b) Available for sale:	1,117,132	630,276	333,947	577,602	397,586	1,117,132	630,276	333,947	577,602	397,586
a. Kenya Government securities	1,117,132	630,276	333,947	577,602	397,586	-	-	-	-	-
b. Other securities	-	-	-	-	-	-	-	-	-	-
6 Deposits and balances due from local banking institutions	39,328	299,384	737,535	572,755	272,703	47,166	309,875	759,881	595,644	286,758
7 Deposits and balances due from banking institutions abroad	586,193	535,302	384,875	693,987	880,421	1,003,663	609,250	514,522	887,055	887,055
8 Tax recoverable	26,805	12,295	12,295	12,295	12,295	28,853	27,131	28,394	28,754	14,915
9 Loans and advances to customers (net)	9,973,220	10,851,417	10,783,807	11,124,698	12,107,723	10,595,171	11,491,145	11,347,322	11,653,562	12,684,981
10 Balances due from banking institutions in the group	3,955	3,955	4,052	4,105	8,935	-	-	-	-	-
11 Investments in associates	-	-	-	-	-	-	-	-	-	-
12 Investments in subsidiary companies	841,358	821,358	821,358	841,358	841,358	-	-	-	-	-
13 Investments in joint ventures	-	-	-	-	-	-	-	-	-	-
14 Investment properties	-	-	-	-	-	-	-	-	-	-
15 Property and equipment	588,421	615,614	612,918	614,602	620,570	598,007	645,362	647,182	650,808	664,538
16 Prepaid lease rentals	-	-	-	-	-	-	1,040	-	-	-
17 Intangible assets	52,980	49,580	57,615	60,899	60,165	279,261	262,894	270,177	273,176	272,161
18 Deferred tax asset	8,852	5,941	5,941	5,941	5,941	8,852	7,324	9,846	9,819	9,818
19 Retirement benefit asset	-	-	-	-	-	-	-	-	-	-
20 Other assets	750,917	321,329	744,058	786,732	861,227	843,707	346,368	779,281	830,799	915,051
21 TOTAL ASSETS	18,806,903	19,639,370	20,231,896	20,733,310	21,618,307	19,742,803	20,643,733	20,859,999	21,451,161	22,326,181
B LIABILITIES										
22 Balances due to Central Bank of Kenya	-	-	-	-	-	-	-	-	-	-
23 Customer deposits	14,947,912	15,905,263	16,391,387	15,778,282	16,371,905	15,494,904	16,478,690	16,654,798	16,040,009	16,648,092
24 Deposits and balances due from banking institutions	350,243	342,369	349,579	356,556	350,243	350,243	349,379	349,379	356,556	356,556
25 Deposits and balances due to foreign banking institutions	147	-	113	-	-	147	18,747	113	-	-
26 Other money market deposits	663,040	678,967	588,173	1,622,400	1,566,857	663,040	678,967	588,173	1,622,400	1,566,857
27 Borrowed funds	-	-	-	-	-	-	-	-	-	-
28 Balances due to banking institutions in the group	-	-	-	-	-	-	-	-	-	-
29 Tax payable	114,741	-	31,324	51,374	66,870	122,909	-	35,150	51,374	69,765
30 Dividends payable	-	-	-	-	-	-	-	-	-	-
31 Deferred tax liability	-	-	-	-	-	-	-	-	-	-
32 Retirement benefit liability	-	-	-	-	-	-	-	-	-	-
33 Other liabilities	346,847	262,834	340,631	378,483	438,733	414,768	338,725	400,407	510,295	530,502
34 TOTAL LIABILITIES	16,422,930	17,189,430	17,701,207	18,187,095	19,007,690	17,046,611	17,857,495	18,028,220	18,580,634	19,378,541
C SHAREHOLDERS' FUNDS										
35 Paid up / Assigned capital	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
36 Share premium/(discount)	-	-	-	-	-	-	-	-	-	-
37 Revaluation reserves	(287)	(6,713)	944	(30,312)	(2,067)	(287)	(6,713)	944	(30,312)	(2,067)
38 Retained earnings/Accumulated losses	1,240,238	1,307,319	1,380,411	1,422,193	1,463,550	1,236,062	1,296,122	1,345,667	1,409,781	1,454,029
39 Statutory loan loss reserves	94,022	99,334	99,334	99,334	99,334	100,259	107,039	105,593	104,623	105,107
40 Other Reserves	-	-	-	-	-	32,210	35,187	38,177	20,018	19,886
41 Proposed dividends	-	-	-	-	-	-	-	-	-	-
42 Capital grants	-	-	-	-	-	-	-	-	-	-
43 TOTAL SHAREHOLDERS' FUNDS	2,383,973	2,449,940	2,530,889	2,546,215	2,610,617	2,418,224	2,481,635	2,538,381	2,554,110	2,626,955
44 Minority Interest	-	-	-	-	-	278,568	304,603	293,398	316,417	320,685
45 TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	18,806,903	19,639,370	20,231,896	20,733,310	21,618,307	19,742,803	20,643,733	20,859,999	21,451,161	22,326,181

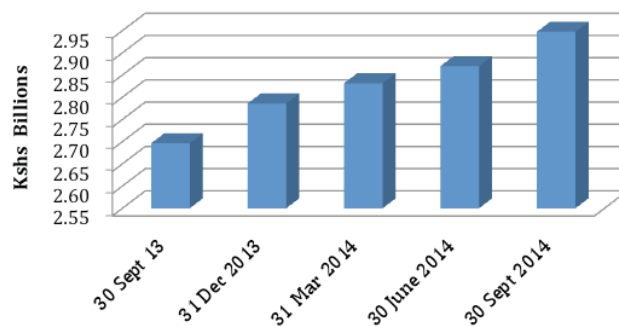
II PROFIT AND LOSS ACCOUNT

INTEREST INCOME											
1.1	Loans and advances	1,293,349	1,763,882	463,097	941,247	1,422,930	1,373,360	1,885,740	498,901	1,012,594	1,527,153
1.2	Government securities	397,159	506,330	117,051	239,620	374,404	419,584	541,629	125,478	257,612	404,828
1.3	Deposits and placements with banking institutions	13,274	16,762	4,153	12,266	16,916	58,242	70,711	14,127	25,958	35,390
1.4	Other Interest Income	28,760	27,760	8,501	28,760	24,505	28,854	37,660	8,789	24,615	30,604
1.5	Total Interest Income	1,732,607	2,324,734	592,804	1,209,753	1,838,835	1,880,041	2,535,840	647,294	1,312,799	1,991,986
INTEREST EXPENSE											
2.1	Customer deposits	866,431	1,149,362	287,358	577,073	864,223	904,841	1,201,081	297,809	592,073	883,409
2.2	Deposits and placement from banking institutions	13,410	19,260	10,259	18,472	30,172	13,798	19,668	10,341	18,612	30,354
2.3	Other interest expenses	50,492	51,117	13,817	50,492	48,402	48,402	66,117	16,117	16,117	24,604
2.4	Total Interest expenses	930,333	1,234,739	311,434	644,229	985,002	969,131	1,286,866	321,967	627,569	1,004,370
3.0	NET INTEREST INCOME/(LOSS)	802,274	1,089,995	281,370	565,524	853,833	910,910	1,248,974	325,327	685,430	987,616
NON-INTEREST INCOME											
4.1	Fees and commissions on loans and advances	42,360	87,569	22,925	47,770	76,413	53,078	100,435	24,811	51,723	83,859
4.2	Other fees and commissions	156,275	187,930	43,456	96,800	146,668	160,963	210,560	46,233	101,162	151,608
4.3	Foreign exchange trading income/(Loss)	100,984	130,297	39,547	75,552	105,480	104,454	134,941	40,614	78,209	109,363
4.4	Dividend Income	-	-	-	-	-	2,000	1,900	-	-	6,680
4.5	Other income	53,058	64,199	-	16,149	19,911	62,217	68,927	22,920	45,456	66,880
4.6	Total Non-interest income	352,677	469,992	122,077	237,572	348,476	387,712	516,763	134,578	276,567	401,066
5.0	TOTAL OPERATING INCOME	1,154,951	1,559,987	403,447	805,051	1,202,309	1,298,621	1,765,737	459,905	931,997	1,388,682
OTHER OPERATING EXPENSES											
6.1	Loan loss provision	27,201	11,979	18,578	28,008	58,108	46,984	48,942	66,624	64,556	91,962
6.2	Staff costs	398,809	528,771	146,583	305,214	462,322	457,610	607,660	167,668	354,916	534,052
6.3	Directors' emoluments	16,520	23,000	7,200	20,720	33,625	16,823	26,527	7,200	20,720	33,625
6.4	Rental charges	34,809	52,488	14,196	28,380	42,570	44,638	67,039	18,947	38,880	58,908
6.5	Depreciation charge on property and equipment	39,042	51,257	11,421	22,437	33,136	41,994	55,186	12,543	25,330	38,105
6.6	Amortisation charges	8,083	10,785	2,700	5,514	8,315	9,112	12,175	2,978	6,071	9,153
6.7	Other operating expenses	248,018	303,441	98,355	223,532	341,334	278,629	356,098	116,382	259,162	393,781
6.8	Total Other Operating Expenses	772,482	981,719	299,033	633,805	979,410	895,789	1,173,627	392,242	769,635	1,159,586
7.0	Profit/(loss) Before Tax and Exceptional Items	382,469	578,268	104,414	171,246	222,899	402,832	592,110	67,664	162,362	229,096
8.0	Exceptional Items	-	-	-	-	-	-	-	-	-	-
9.0	Profit/(Loss) After Exceptional Items	382,469	578,268	104,414	171,246	222,899	402,832	592,110	67,664	162,362	229,096
10.0	Current Tax	114,741	151,232	31,324	51,374	66,870	122,909	152,509	31,324	51,374	69,765
11.0	Deferred Tax	-	-	-	-	-	-	-	-	-	-
12.0	Profit/(Loss) After Tax and Exceptional Items	267,728	424,125	73,090	119,872	156,029	279,923	442,163	36,340	110,988	159,331
13.0	Minority Interest	-	-	-	-	-	5,391	7,822	(11,205)	(2,844)	(1,424)
14.0	Profit/(Loss) after tax, exceptional items and Minority Interest	267,728	424,125	73,090	119,872	156,029	274,532	434,541	47,545	113,832	157,907
Other Comprehensive Income											
15.0	Gains/(Losses) from translating the financial statements of foreign operations	-	-	-	-	-	32,210	78,227	2,990	(15,169)	(15,301)
15.2	Fair value changes in available for sale financial assets	4,995	(1,794)	7,657	(23,599)	(4,646)	4,632	(14,294)	7,657	(23,599)	(4,646)
15.3	Revaluation surplus on Property, plant and equipment	-	-	-	-	-	-	-	-	-	-
15.4	Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	-	-
15.5	Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-
15.6	Other Comprehensive Income for the year net of tax	4,995	(1,794)	7,657	(23,599)	(4,646)	36,842	63,933	10,647	(38,760)	(19,943)
17.0	Total comprehensive income for the year	272,723	422,331	80,747	96,273	151,383	311,374	498,274	58,192	73,055	137,960
EARNINGS PER SHARE- BASIC & DILUTED											
18.0		2.55	4.04	0.70	1.14	1.49	2.67	4.14	0.35	1.06	1.52
DIVIDENDS PER SHARE- DECLARED											
19.0		-	0.80	-	-	-	-	0.80	-	-	-

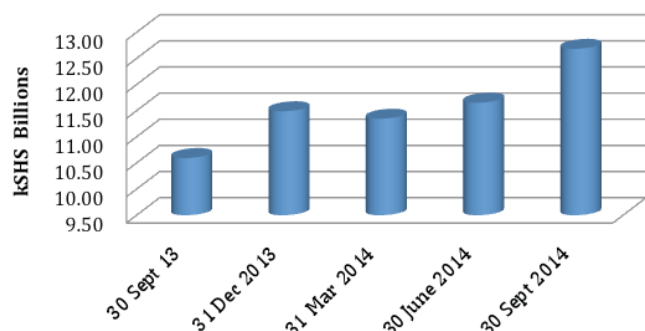
Total assets



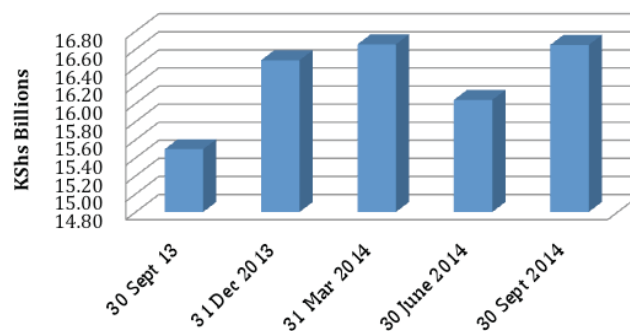
Total Shareholders funds



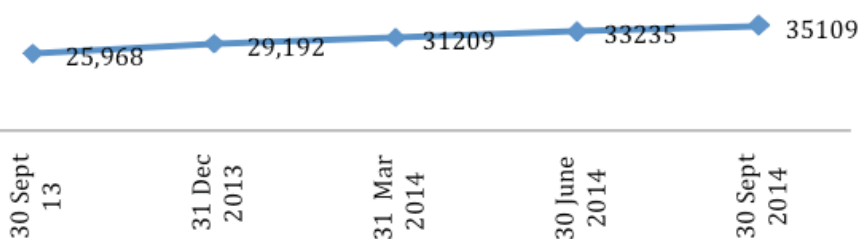
Advances



Customer deposits



No of customers



ABC Key Financial highlights

- **Total Assets** increased by KShs 2.58 billion (13%) from KShs 19.74 billion in September 2013 to KShs 22.33 billion in September 2014.
- **Advances** increased by 20% (KShs 2.09 billion) from KShs 10.60 billion in September 2013 to KShs 12.68 billion in September 2014.
- **Total Shareholders' funds** increased by 9% from KShs 2.7 billion as at September 2013 to KShs 2.95 billion as at September 2014.
- **Customer deposits** increased by 9% (1.15 billion) from KShs 15.49 billion as at September 2013 to KShs 16.65 billion as at September 2014.
- **Liquidity ratio** marginally declined from 37.9% as at September 2013 to 37.0% as at September 2014, (Minimum statutory ratio 20%).
- **Core capital to Total deposit liabilities** improved from 10.5% as at September 2013 to 11.3% as at September 2014, (Minimum statutory ratio 8%).
- **Core capital to total risk weighted assets** declined from 12.8% as at September 2013 to 10.9% as at September 2014.
- **Total capital to risk weighted assets** improved from 13.5% as at September 2013 to 16.90% as at September 2014.
- **Profit before tax** declined from KShs 403 million as at September 2013 to KShs 229 million as at September 2014, on account of lower income from Treasury and bond costs.
- **Net interest income** increased by 8.4% (77 million) from KShs 911 million as at September 2013 to KShs 988 million as at September 2014.
- **FX income** increased by 4.7% (KShs 5 million) from KShs 104 million as at September 2013 to KShs 109 million as at September 2014.
- The Bank is aggressively driving Current and Savings Accounts (CASA) campaigns focusing on Sacco's, public sector and Counties and Constituency funds.
- **Our customer base** grew by 35.2% (9,141) from 25,968 as at September 2013 to 35,109 as at September 2014.
- The bank continue to offer free inward remittances for trade customers, schools, universities, on selective basis for those with wide network of payment point requirements to improve CASA. Our Bank to customer, customer to Bank functions is now available on MPESA. Additionally, the bank has arrangements with Cooperative Bank and Post Bank, so that despite limited Branches, the customers or their suppliers can route their collections through various channels to the bank. The Bank has enhanced Diaspora engagements especially in the European and American markets. Our MasterCard, Internet banking and Agency banking solutions are now operational.