

African Banking Corporation

# Investor News

Issue 04

July - September 2015



Shamaz Savani,  
Group Managing Director.

I am delighted to bring you highlights of our performance and activities in quarter 1 2015.

On the business front, although the operating environment in quarter one of 2015 was challenging for Kenya, we are glad to report that your banking Group, ABC Bank recorded a positive performance across all our business units, recording Kshs. 116 million pre-tax profit, a 72 percent increase from Kshs.67 million recorded over a similar period in 2014.

Moreover, loans and advances to customers increased by 20 percent during the quarter, enabling us to make a 5 percent increase in our PBT (Profit Before Tax) quarter to quarter giving us an impetus for the rest of the year. In addition, our operating cost decreased by 2 percent, in line with our cost efficiency strategy.

Our investments in product innovation are bearing fruit, as attested to by our recognition during the Think Business Banking Awards held on May 8th.

We emerged 1st Runners Up in the Best Bank in Product Innovation category. The recognition follows our launch of an electronic warehouse receipt financing solution in March, in partnership with East Africa Exchange (EAX). This is a confirmation of our commitment to developing revolutionary financial solutions that meet our customers' dynamic needs.

This recognition is to us as much a challenge as it is a cause for celebration. It is a call to us to do more in identifying the unique needs of our customers and design new creative solutions to satisfy those needs.

In the same breath, the recent Central Bank of Kenya supervision annual report also ranked ABC Bank as the most affordable lender to SME's. Our loan pricing regime is designed to avail much-needed credit by the SME segment to support enterprise and to spur economic growth and employment across Kenya. I invite you to contact us today for your financial needs.

A feather in our performance cap is the news that ABC Bank was rated the Bank with the Most Improved Performance in SME Banking in the 2015 Think Business Banking Survey. We improved from position 30 in 2014 to 6th position in 2015

Lastly, in a bid to interact with our customers, we hosted our first ever Google+ hangout dubbed #ABCofBiz, in which we offered valuable insights to our SME customers and to entrepreneurs in general. We will have similar interactions in future, as we seek to tap in to emerging technologies to reach out to our customers. We have more news on the Google+ hangout in this issue.

I wish you the very best in your endeavors.

Thank you.

*Shamaz*

**OUR VISION: Empowering you to achieve the extraordinary**

## ABC Bank is proud to be associated with National Prayer Breakfast

For the third year in a row, ABC Bank sponsored the annual National Prayer Breakfast hosted by the President of Kenya and organized by the Parliamentary Prayer Fellowship Group. This year's event was held on 28th May at Safari Park and was led by President Uhuru Kenyatta.

The two-day event brings together the political, social, and business elite to reflect on national issues, build and strengthen relationships between government and private sector players as well as reaffirm commitment to God and dedicate the country to divine protection.

The first day of the event is dedicated to National Dialogue during

which leaders from the public and private sectors discuss the sociopolitical and economic affairs of the country, and culminates in prayers on the second day.

ABC Bank's sponsorship is part of our plans to support the government in furthering its national agenda of creating a healthy economic environment through engagements with the private sector.

During this year's prayer breakfast, President Uhuru Kenyatta urged leaders to be consistent in speech and deed, and to use their positions to catalyze change in the lives of Kenyans. He also appealed for support in the fight against corruption, insecurity and tribalism in the country. The bank was represented by our Group MD Shamaz Savani, General Manager Peter Kinyanjui, Head of Corporate Banking Josiah Muia and Head of Marketing Wambui Kaguongo.



President Kenyatta and Deputy President William Ruto join hands with other leaders in prayer

## ABC Bank scores a first with Google Hangout



Our panelists, from left to right: Eric Kinoti, Prof. Bitange Ndemo, Dan Ndambuki (Churchill), Lee Gachomba, June Gathoni and Murori Kiunga during the hangout.

In keeping with technological advancements in communication, ABC Bank has initiated a series of Google+ Hangouts to connect and engage with customers and the general online community. The bank hosted the first hangout on May 26th, becoming the first Kenyan financial institution to use the platform.

Dubbed #ABCofBiz, the session involved a panel of experts with diverse knowledge bases, discussing "Common mistakes entrepreneurs make", with thousands of entrepreneurs and social media enthusiasts following the conversation which was broadcast live on Youtube.

Google+ Hangouts is a free video chat service, a little similar to Skype, and Facebook Video Chat, but focuses more on "face-to-face-to-face" group interaction as opposed to one-on-one video chats. Google+ Hangouts also offers a "Hangouts on Air" feature for broadcasting live video conversations that are accessible to anyone with a web browser. In addition to video chatting, users can share YouTube videos with other users.

The panel of experts included Prof. Bitange Ndemo, a former Permanent Secretary and currently Associate Professor at University of Nairobi's School of Business. Others were June Gathoni, the Director of SME Resource Centre, pioneer comedian and Director of Laugh Industry, Daniel Ndambuki, aka Churchill, entrepreneurs Eric Kinoti of Shade Systems and Murori Kiunga of Queenex Publishers.

ABC Bank's Head of SME Banking, Lee Gachomba moderated the session, which Churchill supported. The bank plans to host regular hangouts to empower and mentor entrepreneurs to excel in their business ventures by plugging existing knowledge gaps.

Some of the common mistakes the panelists highlighted for entrepreneurs to address during the session are:

- Analysis paralysis: this is the tendency to over analyze situations, hence taking too long to make a decision. To avoid this, seek advice from trusted mentors and friends instead.
- Seeking financing from incredible sources like shylocks. This could lead to frustration and losses. Always turn to established financial institutions for support.
- Not properly defining the product and services purpose. Understand your product properly to be able to position it in the market.
- Improper hiring strategies and poor talent retention. Always hire and retain the right people to propel your business to success
- Not responding promptly to customers and keeping your word to customers. To retain your customers and attract new ones, it's important to offer prompt solutions and feedback.
- Doing it alone. Most small business owners are wary of forming partnerships. Be open to collaborations that complement your vision and ideas and provide the synergy for exponential growth.
- Lack of business management skills. To become better managers of their businesses, entrepreneurs should seek to enhance their managerial skills, formally or informally.

If you can avoid these, and other common mistakes, you'd be on the highway to the entrepreneurs' hall of fame. In case you missed the hangout, the full video is available on our Youtube channel, ABCBankGroup. Watch out for our next session, which we will announce via our social media pages soon.

You can watch the full recording of the hangout on Youtube <https://www.youtube.com/watch?v=4E33LaGSfwo>.



THINK BUSINESS.THINK BANKING.  
**THINK ABC BANK**



**BEST BANK IN  
PRODUCT INNOVATION**

1<sup>ST</sup>RUNNERS-UP

Think Business Banking Awards 2015

Dear Customer,  
You are the reason we shine every season.

**ASANTE SANA!**

We are  
the home  
of Money  
Transfer  
Services!



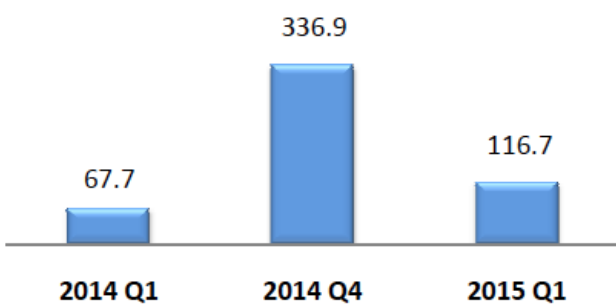
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FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 31ST MARCH 2015

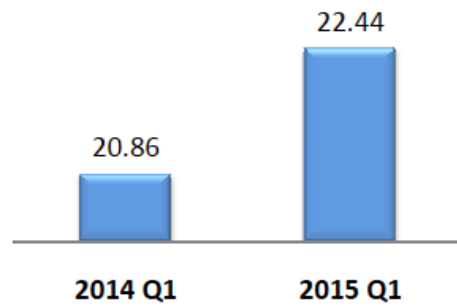
	Bank			Group		
	31st Mar 2014 Unaudited Shs '000'	31st Dec 2014 Audited Shs '000'	31st Mar 2015 Unaudited Shs '000'	31st Mar 2014 Unaudited Shs '000'	31st Dec 2014 Audited Shs '000'	31st Mar 2015 Unaudited Shs '000'
<b>I BALANCE SHEET</b>						
<b>A ASSETS</b>						
1 Cash ( both Local & Foreign)	152,990	168,556	172,123	178,949	203,012	198,790
2 Balances due from Central Bank of Kenya	1,461,717	941,488	692,915	1,489,338	1,006,260	744,289
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:	4,118,688	4,389,201	4,346,728	4,406,432	4,992,117	4,922,935
a. Kenya Government securities	3,828,573	4,154,524	4,102,526	3,828,573	4,154,524	4,102,526
b. Other securities	290,115	234,677	244,202	577,859	837,593	820,409
b) Available for sale:	333,947	550,954	829,158	333,947	550,954	829,158
a. Kenya Government securities	333,947	550,954	829,158	333,947	550,954	829,158
b. Other securities	-	-	-	-	-	-
6 Deposits and balances due from local banking institutions	737,535	46,564	80,977	759,881	52,939	90,187
7 Deposits and balances due from banking institutions abroad	384,875	44,107	198,098	609,250	170,364	349,055
8 Tax recoverable	12,295	80,302	80,302	28,394	96,130	94,354
9 Loans and advances to customers (net)	10,783,907	13,127,628	12,945,731	11,347,322	13,679,881	13,501,549
10 Balances due from banking institutions in the group	4,052	10,316	10,579	-	-	-
11 Investments in associates	-	-	-	-	-	-
12 Investments in subsidiary companies	821,358	885,405	885,741	-	-	-
13 Investments in joint ventures	-	-	-	-	-	-
14 Investment properties	-	-	-	-	-	-
15 Property and equipment	612,918	539,937	525,726	647,182	582,548	564,607
16 Prepaid lease rentals	-	-	-	-	-	-
17 Intangible assets	57,615	139,735	138,636	270,177	140,897	139,022
18 Deferred tax asset	5,941	31,501	31,501	9,846	36,860	33,125
19 Retirement benefit asset	-	-	-	-	-	-
20 Other assets	744,058	483,035	869,650	779,281	561,161	976,146
21 <b>TOTAL ASSETS</b>	<b>20,231,896</b>	<b>21,438,729</b>	<b>21,807,865</b>	<b>20,859,999</b>	<b>22,073,123</b>	<b>22,443,217</b>
<b>B LIABILITIES</b>						
22 Balances due to Central Bank of Kenya	-	-	-	-	-	-
23 Customer deposits	16,391,387	16,050,353	16,451,190	16,654,798	16,390,568	16,816,733
24 Deposits and balances due to local banking institutions	349,579	769,116	510,117	349,579	769,116	510,117
25 Deposits and balances due to foreign banking institutions	113	27,266	148,423	113	27,272	148,423
26 Other money market deposits	-	-	-	-	-	-
27 Borrowed funds	588,173	1,549,401	1,494,354	588,173	1,549,401	1,494,354
28 Balances due to banking institutions in the group	-	-	-	-	-	-
29 Tax payable	31,324	-	32,790	35,150	-	36,427
30 Dividends payable	-	84,000	-	-	-	-
31 Deferred tax liability	-	-	-	-	-	-
32 Retirement benefit liability	-	-	-	-	-	-
33 Other liabilities	340,631	336,043	482,118	400,407	489,035	615,126
34 <b>TOTAL LIABILITIES</b>	<b>17,701,207</b>	<b>18,816,179</b>	<b>19,118,992</b>	<b>18,028,220</b>	<b>19,225,392</b>	<b>19,621,180</b>
<b>C SHAREHOLDERS' FUNDS</b>						
35 Paid up /Assigned capital	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	944	(8,248)	(18,436)	944	(11,823)	(122,011)
38 Retained earnings/Accumulated losses	1,380,411	1,480,589	1,557,100	1,343,667	1,482,128	1,485,142
39 Statutory loan loss reserves	99,334	100,209	100,209	105,593	108,557	105,767
40 Other Reserves	-	-	-	38,177	22,351	4,109
41 Proposed dividends	-	-	-	-	-	-
42 Capital grants	-	-	-	-	-	-
43 <b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>2,530,689</b>	<b>2,622,550</b>	<b>2,688,873</b>	<b>2,538,381</b>	<b>2,551,213</b>	<b>2,523,007</b>
44 Minority Interest	-	-	-	293,398	296,518	299,030
45 <b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>20,231,896</b>	<b>21,438,729</b>	<b>21,807,865</b>	<b>20,859,999</b>	<b>22,073,123</b>	<b>22,443,217</b>
<b>II PROFIT AND LOSS ACCOUNT</b>						
<b>1.0 INTEREST INCOME</b>						
1.1 Loans and advances	463,097	1,970,644	519,024	498,901	2,108,120	545,454
1.2 Government securities	117,051	505,225	121,035	125,478	550,173	136,860
1.3 Deposits and placements with banking institutions	4,153	18,610	1,139	14,127	40,995	3,349
1.4 Other Interest Income	8,503	32,072	7,085	8,789	32,203	7,085
1.5 <b>Total interest income</b>	<b>592,804</b>	<b>2,526,551</b>	<b>648,283</b>	<b>647,294</b>	<b>2,731,491</b>	<b>692,748</b>
<b>2.0 INTEREST EXPENSE</b>						
2.1 Customer deposits	287,358	1,152,671	293,129	297,809	1,177,227	297,777
2.2 Deposits and placement on banking institutions	10,259	39,652	6,378	10,341	39,853	7,038
2.3 Other interest expenses	13,817	134,547	41,322	13,817	134,547	41,322
2.4 <b>Total interest expenses</b>	<b>311,434</b>	<b>1,326,870</b>	<b>340,829</b>	<b>321,967</b>	<b>1,351,627</b>	<b>346,137</b>
3.0 <b>NET INTEREST INCOME/(LOSS)</b>	<b>281,370</b>	<b>1,199,681</b>	<b>307,454</b>	<b>325,327</b>	<b>1,379,864</b>	<b>346,611</b>
<b>4.0 NON-INTEREST INCOME</b>						
4.1 Fees and commissions on loans and advances	22,925	108,506	15,043	24,811	116,983	16,412
4.2 Other fees and commissions	43,456	198,197	51,953	46,233	230,390	63,830
4.3 Foreign exchange trading income/(Loss)	39,547	133,086	25,414	40,614	138,395	27,028
4.4 Dividend Income	-	-	-	-	-	-
4.5 Other income	16,149	27,138	1,601	22,920	47,234	5,247
4.6 <b>Total Non-interest income</b>	<b>122,077</b>	<b>466,927</b>	<b>94,011</b>	<b>134,578</b>	<b>533,002</b>	<b>112,517</b>
5.0 <b>TOTAL OPERATING INCOME</b>	<b>403,447</b>	<b>1,666,608</b>	<b>401,465</b>	<b>459,905</b>	<b>1,912,866</b>	<b>459,128</b>
<b>6.0 OTHER OPERATING EXPENSES</b>						
6.1 Loan loss provision	18,578	131,635	10,000	66,624	161,948	12,639
6.2 Staff costs	146,583	616,927	142,072	167,568	715,825	164,986
6.3 Directors' emoluments	7,200	58,722	13,359	7,200	58,882	13,359
6.4 Rental charges	14,196	62,829	15,033	18,947	87,006	21,098
6.5 Depreciation charge on property and equipment	11,421	48,621	17,832	12,543	55,669	19,777
6.6 Amortisation charges	2,700	10,505	2,617	2,978	11,626	2,706
6.7 Other operating expenses	98,355	418,840	91,252	116,382	485,031	107,845
6.8 <b>Total Other Operating Expenses</b>	<b>299,033</b>	<b>1,348,079</b>	<b>292,165</b>	<b>392,242</b>	<b>1,575,987</b>	<b>342,410</b>
7.0 <b>Profit/(Loss) Before Tax and Exceptional Items</b>	<b>104,414</b>	<b>318,529</b>	<b>109,300</b>	<b>67,664</b>	<b>336,879</b>	<b>116,718</b>
8.0 Exceptional Items	-	-	-	-	-	-
9.0 <b>Profit/(Loss) After Exceptional Items</b>	<b>104,414</b>	<b>318,529</b>	<b>109,300</b>	<b>67,664</b>	<b>336,879</b>	<b>116,718</b>
10.0 Current Tax	31,324	85,944	32,790	31,324	86,658	34,682
11.0 Deferred Tax	-	(25,560)	-	-	(19,126)	-
12.0 <b>Profit/(Loss) After Tax and Exceptional Items</b>	<b>73,090</b>	<b>258,145</b>	<b>76,510</b>	<b>36,340</b>	<b>269,347</b>	<b>82,036</b>
13.0 Minority Interest	-	-	-	(11,205)	(8,085)	2,512
14.0 <b>Profit/(loss) after tax, exceptional items and Minority Interest</b>	<b>73,090</b>	<b>258,145</b>	<b>76,510</b>	<b>47,545</b>	<b>277,432</b>	<b>79,524</b>
<b>15.0 Other Comprehensive Income</b>						
15.1 Gains/(Losses) from translating the financial statements of foreign operations	-	-	-	2,990	(18,711)	(18,242)
15.2 Fair value changes in available for sale financial assets	7,657	(1,535)	(10,188)	7,657	(105,143)	(10,188)
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	-	-	-	-	-	-
16.0 <b>Other Comprehensive Income for the year net of tax</b>	<b>7,657</b>	<b>(1,535)</b>	<b>(10,188)</b>	<b>10,647</b>	<b>(123,854)</b>	<b>(28,430)</b>
17.0 <b>Total comprehensive income for the year</b>	<b>80,747</b>	<b>256,610</b>	<b>66,322</b>	<b>46,987</b>	<b>145,493</b>	<b>53,606</b>
18.0 <b>EARNINGS PER SHARE - BASIC &amp; DILUTED</b>	0.70	2.46	0.73	0.35	2.52	0.78
19.0 <b>DIVIDEND PER SHARE -DECLARED</b>	-	0.80	-	-	0.80	-
<b>III OTHER DISCLOSURES</b>						
<b>1.0 NON-PERFORMING LOANS AND ADVANCES</b>						
(a) Gross Non-performing loans and advances	676,940	885,124	1,356,464	826,448	900,218	1,362,739
(b) Less: Interest in Suspense	163,996	204,785	337,536	176,270	206,964	337,987
(c) <b>Total Non-Performing Loans and Advances (a-b)</b>	<b>512,944</b>	<b>680,339</b>	<b>1,018,928</b>	<b>650,178</b>	<b>693,254</b>	<b>1,024,752</b>
(d) Less: Loan Loss Provision	112,868	180,973	181,094	181,490	187,666	183,663
(e) <b>Net Non-Performing Loans and Advances (c-d)</b>	<b>400,076</b>	<b>499,366</b>	<b>837,834</b>	<b>468,688</b>	<b>505,588</b>	<b>841,089</b>
(f) Discounted Value of Securities	400,076	499,366	837,834	468,688	505,588	841,089
(g) <b>Net NPLs Exposure (e-f)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.0 INSIDER LOANS AND ADVANCES</b>						
(a) Directors, Shareholders and Associates	219,334	209,194	202,932	219,334	209,194	202,932
(b) Employees	198,879	283,052	244,891	199,012	283,052	244,891
(c) <b>Total Insider Loans and Advances and other facilities</b>	<b>418,213</b>	<b>492,246</b>	<b>447,823</b>	<b>418,346</b>	<b>492,246</b>	<b>447,823</b>
<b>3.0 OFF-BALANCE SHEET ITEMS</b>						
(a) Letters of credit, guarantees, acceptances	2,063,315	2,235,129	2,331,539	2,202,532	2,235,423	2,389,885
(b) Forwards, swaps and options	1,672,052	1,453,360	2,539,663	1,672,052	1,453,360	2,539,663
(c) Other contingent liabilities	493,433	809,389	290,576	493,433	809,389	290,576
(d) <b>Total Contingent Liabilities</b>	<b>4,228,800</b>	<b>4,497,878</b>	<b>5,161,778</b>	<b>4,368,017</b>	<b>4,498,172</b>	<b>5,220,124</b>
<b>4.0 CAPITAL STRENGTH</b>						
(a) Core capital	1,810,536	1,928,212	1,966,132	1,810,536	1,928,212	1,966,132
(b) Minimum Statutory Capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
(c) Excess/(Deficiency) (a-b)	810,536	928,212	966,132	810,536	928,212	966,132
(d) Supplementary Capital	99,334	1,016,876	967,987	99,334	1,016,876	967,987
(e) <b>Total Capital (a+d)</b>	<b>1,909,870</b>	<b>2,945,088</b>	<b>2,934,119</b>			

### Profit Before Tax (KShs Million)



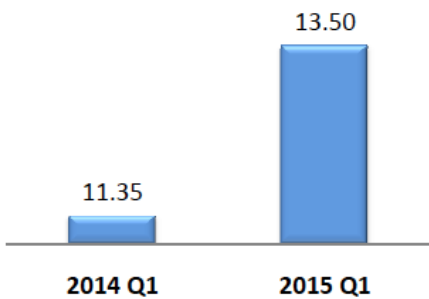
The bank continues to grow from strength to strength. Despite the sluggish growth in the economy, the Group recorded Profit before tax of KShs 116.7 million (72%) (2014 Q1: KShs 67.7 million) for the period ended 31st March 2015.

### Total Assets (KShs Billion)



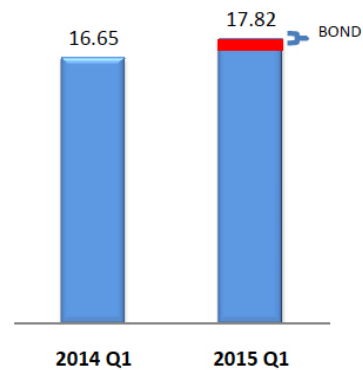
**Total Assets** increased by 8% from KShs 20.86 billion (KShs 1.58 billion) as at 31st March 2014 to KShs 22.44 billion as at 31st March 2015 mainly driven by loan growth and investments in government securities

### Loans and Advances (KShs Billion)



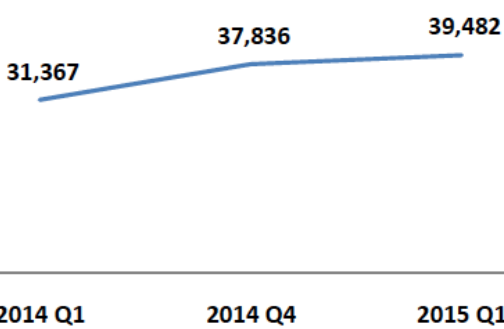
The loans and advance (net) increased by 19% from KShs 11.35 billion as at 31st March 2014 to KShs 13.5 billion as at 31st March 2015. The growth is as a result of the confidence that our customers have in our products, our outreach and turn-around.

### Customer Liabilities (KShs Billion)



**Total customer liabilities:** Total customer liabilities (including bonds) shot up from KShs 16.65 billion in Q1 2014 to KShs 17.82 billion in Q1 2015.

### Number of Customers



Our customers are our strength. We grew by 25.9% in terms of number customers quarter-on-quarter

## OTHER FINANCIAL HIGHLIGHTS 2015

#### Net interest income

**Net interest income** increased by 6.5% to KShs 347 million as at 31st March 2015 from KShs 325 million as at 31st March 2014 mainly driven by 19% growth in our loan book and reduction of high cost deposits.

#### Liquidity ratio

**Liquidity ratio:** The bank liquidity remains strong against the statutory minimum of 20% at 32.6% as at 31st March 2015.

#### Capital Adequacy Ratio

**Our Capital Adequacy Ratio** remained solid with Total capital to risk weighted assets at 16.0%; core capital to total risk weighted assets at 10.7%; and Core capital to Total deposit at 12.0% against a regulatory minimum of 14.5%, 10.5% and 8% respectively.

