



ABC Bank House Westlands

GMD's Statement

Dear Investor,

I am pleased to once again bring you updates on our performance. In spite of the generally challenging environment since the beginning of this year (2015), we have consistently sustained a stable standing over the past three quarters.

This past quarter was exciting for us despite the challenges experienced in the local banking industry. The group weathered the storm to record Profit Before Tax of Kes. 302 million, a 32 per cent growth in profits compared to Kes. 229 million recorded in the same period last year, driven by growth in interest income and a drop in our operating expenses.

Additionally, our net interest income increased by 11 percent to Kes. 1.1 billion up from Kes. 987 million over the same period last year. This was largely driven by growth in interest earning assets despite pressure on interest margins experienced this year.

Our customer loans and advances expanded by 13 per cent which contributed to an increase in our interest income, while total deposits grew by 10 per cent in Q3 due to increase in customer numbers.

In order to increase the momentum in both customer loans and deposits, the bank is set to continue to invest in channel capabilities through various digital enhancements as well as expanding our footprint across the market as we target to meet the growing banking needs of our target segments- Corporate, SME, Agribusiness and Saccos.

Furthermore, ABC Bank maintained a stable credit rating, as accorded by the Global Credit Rating Company- a national scale short term A2 (KE) and long term BBB (KE). This came about due to the bank's improved capitalization, enhanced risk management process, sufficient liquidity buffers and moderate earnings profile. Other factors that lead to the rating include the bank's focus on its leading position in providing affordable trade and asset financing products to the vibrant SME and corporate segments, as well as the expansion of our client portfolio to include all market segments.

We are indeed energized by the positive rating as it positions us as having safe and sound financial health, backed by our capital raising efforts through the private bond issue last year. The positive rating status is a reflection of the deliberate steps we have taken in effecting positive operational changes in the business, including the enhanced funding profile and positive internal growth. We have appropriately deployed funding, improved profitability while maintaining credit protection factors and diversified our income streams.

We hope to ride on the momentum we already built this year through our continued investments in technology and innovation, human capacity development, tapping of talent in key positions and recapitalization efforts through another private placement.

Finally, I'd like to take this opportunity to wish you and your family a Happy and Prosperous 2016.

Shamar

ABC Bank gets Kes 554.8 M credit line from European Investment Bank



ABC Bank Group Managing Director Shamaz Savani (right) exchanges memorandum documents with EIB Vice-President Pim Van Ballekon during the signing of Sh554.8 million loan.

11th December, 2015: ABC Bank and the European Investment bank have signed a Kes 554.8 million (Eur 5M) for onward lending to Kenyan small and medium enterprises (SMEs). The credit line from EIB is a top up of a previous Ksh. 770 million that ABC Bank received in 2012, which made ABC Bank the first local bank to enter in to a credit line agreement with the world's largest international public bank to ease credit access for small and medium enterprises.

ABC Bank will utilize the new facility to support growth in the SME and Agribusiness segments which are instrumental in job creation and economic growth in Kenya by providing long-term and affordable credit.

“We have effectively utilized the earlier facility in lending to our SME clients at competitive rates and for longer tenures. As a result, we have witnessed exponential growth in our customers’ businesses, which is in line with our mission of empowering customers to achieve the extra-ordinary”, said ABC Bank Group Managing Director Shamaz Savani.

ABC Bank has invested in the development of tailor-made products targeting the growing SME sector, as well as increased its lending portfolio for the segment, which until recently had been experiencing challenges in obtaining credit from financial institutions.

Mr. Savani added: We are delighted by the new credit line, which comes at an opportune time when there is increased need for financing, especially within the SME and Agribusiness segments, which have in recent times become a key drivers of Kenya’s economy. We are confident that access to affordable financing through ABC Bank, thanks to this facility from EIB, will further unlock the entrepreneurial potential in the country and thus generate more job opportunities and aid in wealth creation.

ABC Bank maintains stable credit rating

29th November, 2015: The Global Credit Rating Company (GCR) has upheld last year’s ABC Bank upgraded rating of national scale short term A2 (KE) and long term BBB (KE) with the outlook accorded as Stable.

An A2 rating means a very high credit quality rating and denotes expectations of very low default risk. It indicates a very strong capacity for payment of financial commitments not significantly vulnerable to foreseeable events. On the other hand, a ‘BBB’ rating is good credit quality and indicates default risk is currently low, with adequate capacity for payment of financial commitments.

The favourable rating is supported by the bank’s improved capitalization, enhanced risk management process, sufficient liquidity buffers and moderate earnings profile. Other factors that led to the rating include the bank’s focus on its leading position in providing affordable trade and asset financing products to the vibrant SME and corporate segments, as well as its expansion of client portfolio to include all market segments.

In spite of a higher absorption of funds to support lending to SME and corporate clients, the bank’s liquidity ratio has remained solid and in line with the regulatory requirements. The bank also took a strategic decision to maintain the liquidity ratio at a low of 25 percent and a high of 32 percent to optimize fund utilization and grow the loan portfolio.



ABC Bank marks customer focus week



ABC Bank customer (Center) cuts a cake to celebrate a successful end of Customer Focus Week held from 5th to 9th October

ABC Bank observed this year’s International Customer Service Week from 5th to 9th November to appreciate its customers and to demonstrate its customer service values. The Bank’s theme for the week was ‘Customer Selfie Week’. It involved customers visiting the bank’s branches and interacting with bank staff. They then took selfies (own photos taken using cell phones) which they posted on social media tagging the bank.

ABC Bank utilized this opportunity to reinforce its relationship with customers and spur business growth through cross-selling and upselling.

Customer Service Week is a time when organizations and institutions around the world recognize the importance of Service Excellence in their organizations by carrying out special activities to raise awareness on customer service standards.

Here in Kenya, the events of the week are championed by the Institute of Customer Service to encourage companies to participate.

FINANCIAL STATEMENTS



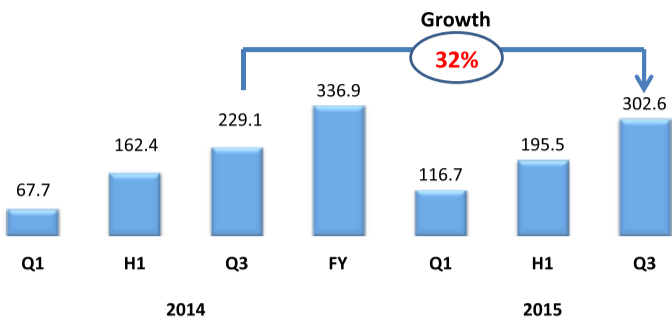
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P.O. BOX 46452 - 00100, NAIROBI. Tel: (020) 4263000, 2223922, 2251540/1, 2226712
Email: talk2us@abcthebank.com Website: www.abcthebank.com

QUARTERLY FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 30TH SEPTEMBER 2015

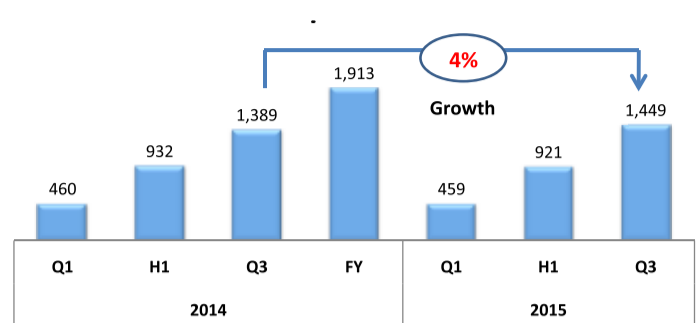
I	BALANCE SHEET	BANK					GROUP				
		Bank 30th Sept 2014 Unaudited Shs '000'	Bank 31st Dec 2014 Audited Shs '000'	Bank 31st Mar 2015 Unaudited Shs '000'	Bank 30th Jun 2015 Unaudited Shs '000'	Bank 30th Sept 2015 Unaudited Shs '000'	Group 30th Sept 2014 Unaudited Shs '000'	Group 31st Dec 2014 Audited Shs '000'	Group 31st Mar 2015 Unaudited Shs '000'	Group 30th June 2015 Unaudited Shs '000'	Group 30th Sept 2015 Unaudited Shs '000'
AASSETS											
1	Cash (both Local & Foreign)	169,671	168,556	172,123	152,523	141,067	199,165	203,012	198,790	201,590	180,428
2	Balances due from Central Bank of Kenya	733,635	941,488	692,915	1,026,996	803,677	733,635	1,006,260	744,289	1,065,387	866,341
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:	4,832,511	4,389,201	4,346,728	4,008,793	3,715,772	5,260,518	4,992,117	4,922,935	4,514,529	4,207,313
a)	Kenya Government securities	4,566,399	4,154,524	4,102,526	3,797,584	3,498,044	4,566,399	4,154,524	4,102,526	3,797,584	3,498,044
b)	Other securities	266,112	234,677	244,202	211,209	217,728	694,119	837,593	820,409	716,945	709,269
b)	Available for sale:	397,586	550,954	829,158	806,540	485,747	397,586	550,954	829,158	806,540	485,747
a)	Kenya Government securities	397,586	550,954	829,158	806,540	485,747	397,586	550,954	829,158	806,540	485,747
b)	Other securities	-	-	-	-	-	-	-	-	-	-
6	Deposits and balances due from local banking institutions	272,703	46,564	80,977	79,480	106,501	286,758	52,939	90,187	85,004	106,650
7	Deposits and balances due from banking institutions abroad	693,987	44,107	198,098	38,179	117,674	887,055	170,364	349,055	240,538	394,259
8	Tax recoverable	12,295	80,302	80,302	80,302	80,302	14,915	96,130	94,354	94,356	81,899
9	Loans and advances to customers (net)	12,107,723	13,127,628	12,945,731	13,526,969	13,807,808	12,684,981	13,679,881	13,501,549	14,085,325	14,309,624
10	Balances due from banking institutions in the group	8,935	10,316	10,579	10,999	11,207	-	-	-	-	-
11	Investments in associates	-	-	-	-	-	-	-	-	-	-
12	Investments in subsidiary companies	841,358	885,405	885,405	885,405	885,405	-	-	-	-	-
13	Investments in joint ventures	-	-	-	-	-	-	-	-	-	-
14	Investment properties	-	-	-	-	-	-	-	-	-	-
15	Property and equipment	620,570	539,937	525,726	512,049	502,504	664,538	582,548	564,607	548,938	536,466
16	Prepaid lease rentals	-	-	-	-	-	-	-	-	-	-
17	Intangible assets	60,165	139,735	138,636	139,131	135,039	272,161	140,897	139,022	139,647	135,433
18	Deferred tax asset	5,941	31,501	31,501	31,501	31,501	9,818	36,860	33,125	33,135	33,078
19	Retirement benefit asset	-	-	-	-	-	-	-	-	-	-
20	Other assets	861,227	483,035	869,986	680,935	933,961	915,051	561,161	976,146	733,529	983,274
21	TOTAL ASSETS	21,618,307	21,438,729	21,807,865	21,979,802	21,758,165	22,326,181	22,073,123	22,443,217	22,548,698	22,320,512
B LIABILITIES											
22	Balances due to Central Bank of Kenya	-	-	-	-	-	-	-	-	-	-
23	Customer deposits	16,371,905	16,050,353	16,451,190	16,820,736	16,779,715	16,648,092	16,390,568	16,816,733	17,226,592	17,315,052
24	Deposits and balances due to local banking institutions	563,325	769,116	510,117	388,354	-	563,325	769,116	510,117	388,354	-
25	Deposits and balances due to foreign banking institutions	-	27,266	148,423	76,192	167,692	-	27,272	148,423	16,752	-
26	Other money market deposits	-	-	-	-	-	-	-	-	-	-
27	Borrowed funds	1,566,857	1,549,401	1,494,354	1,479,147	1,429,263	1,566,857	1,549,401	1,494,354	1,479,147	1,429,263
28	Balances due to banking institutions in the group	-	-	-	-	-	-	-	-	-	-
29	Tax payable	66,870	-	32,790	54,324	82,601	69,765	-	36,427	57,702	89,933
30	Dividends payable	-	84,000	-	-	-	-	-	-	-	-
31	Deferred tax liability	-	-	-	-	-	-	-	-	-	-
32	Retirement benefit liability	-	-	-	-	-	-	-	-	-	-
33	Other liabilities	438,733	336,043	482,118	455,518	548,927	530,502	489,035	569,343	488,250	567,019
34	TOTAL LIABILITIES	19,007,690	18,816,179	19,118,992	19,274,271	19,008,198	19,378,541	19,225,392	19,575,397	19,656,797	19,401,267
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	(2,067)	(8,248)	(18,436)	(52,023)	(73,569)	(2,067)	(111,823)	(122,011)	(159,010)	(173,206)
38	Retained earnings/Accumulated losses	1,463,350	1,480,589	1,557,100	1,607,345	1,673,327	1,454,029	1,482,128	1,561,652	1,614,163	1,684,485
39	Statutory loan loss reserves	99,334	100,209	100,209	100,209	100,209	105,107	108,557	105,767	105,912	105,227
40	Other Reserves	-	-	-	-	-	19,886	22,351	(11,183)	(7,533)	(28,197)
41	Proposed dividends	-	-	-	-	-	-	-	-	-	-
42	Capital grants	-	-	-	-	-	-	-	-	-	-
43	TOTAL SHAREHOLDERS' FUNDS	2,610,617	2,622,550	2,688,873	2,705,531	2,749,967	2,626,955	2,551,213	2,584,225	2,603,532	2,638,309
44	Minority Interest	-	-	-	-	-	320,685	296,518	283,595	288,369	280,936
45	TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	21,618,307	21,438,729	21,807,865	21,979,802	21,758,165	22,326,181	22,073,123	22,443,217	22,548,698	22,320,512
II PROFIT AND LOSS ACCOUNT											
1.0	INTEREST INCOME	1,422,930	1,970,644	519,024	1,054,480	1,669,969	1,527,153	2,108,120	545,454	1,109,212	1,751,780
1.1	Loans and advances	374,404	505,225	121,035	244,880	366,456	404,828	550,173	136,860	276,018	408,074
1.2	Government securities	16,916	18,610	1,139	2,189	3,573	35,390	40,995	3,349	8,530	18,151
1.3	Deposits and placements with banking institutions	24,585	32,072	7,085	13,770	20,287	24,615	32,203	7,085	13,770	20,304
1.4	Other Interest Income	853,833	1,199,681	307,454	619,709	974,626	987,616	1,379,864	346,611	701,013	1,096,204
1.5	Total interest income	1,838,835	2,526,551	648,283	1,315,319	2,060,285	1,991,986	2,731,491	692,748	1,407,537	2,198,309
2.0	INTEREST EXPENSE	864,223	1,152,671	293,129	594,839	928,048	883,409	1,177,227	297,777	605,089	943,734
2.1	Customer deposits	30,172	39,652	6,378	17,663	33,829	30,354	39,853	7,038	18,327	34,589
2.2	Deposits and placement from banking institutions	90,607	134,547	41,322	83,108	123,782	90,607	134,547	41,322	83,108	123,782
2.3	Other interest expenses	985,002	1,326,870	340,829	695,610	1,085,659	1,004,370	1,351,627	346,137	706,524	1,102,105
2.4	Total interest expenses	853,833	1,199,681	307,454	619,709	974,626	987,616	1,379,864	346,611	701,013	1,096,204
3.0	NET INTEREST INCOME/(LOSS)	985,002	1,326,870	340,829	695,610	1,085,659	1,004,370	1,351,627	346,137	706,524	1,102,105
4.0	NON-INTEREST INCOME	348,476	466,927	94,011	184,139	289,989	401,066	533,002	112,517	219,977	352,855
4.1	Fees and commissions on loans and advances	76,413	108,506	15,043	56,584	124,429	83,859	116,983	16,412	59,363	128,637
4.2	Other fees and commissions	146,668	198,197	51,953	75,255	112,886	151,608	230,390	63,830	96,211	139,698
4.3	Foreign exchange trading income/(Loss)	105,480	133,086	25,414	50,582	62,655	109,363	138,395	27,028	53,817	66,919
4.4	Dividend Income	-	-	-	-	-	6,880	-	-	-	-
4.5	Other income	19,915	27,138	1,601	1,718	(9,981)	49,556	47,234	5,247	10,586	17,601
4.6	Total Non-interest income	348,476	466,927	94,011	184,139	289,989	401,066	533,002	112,517	219,977	352,855
5.0	TOTAL OPERATING INCOME	1,202,309	1,666,608	401,465	803,848	1,264,615	1,388,682	1,912,866	459,128	920,990	1,449,059
6.0	OTHER OPERATING EXPENSES	58,108	131,635	10,000	45,044	127,044	91,962	161,948	12,639	50,158	136,677
6.1	Loan loss provision	462,322	616,927	142,072	292,750	447,318	534,052	715,825	164,986	340,149	517,908
6.2	Staff costs	33,625	58,722	13,359	26,585	42,852	33,625	58,882	13,359	26,585	42,852
6.3	Directors' emoluments	42,570	62,829	15,033	33,795	50,664	58,908	87,006	21,098	45,916	69,604
6.4	Rental charges	33,136	48,621	17,832	32,385	47,518	38,105	55,669	19,777	36,306	53,101
6.5	Depreciation charge on property and equipment	8,315	10,505	2,617	7,992	12,084	9,153	11,626	2,706	8,178	12,367
6.6	Amortisation charges	341,334	418,840	91,252	184,218	261,797	393,781	485,031	107,845	218,212	313,997
6.7	Other operating expenses	979,410	1,348,079	292,165	622,769	989,277	1,159,586	1,575,987	342,410	725,504	1,146,506
6.8	Total Other Operating Expenses	222,899	318,529	109,300	181,079	275,338	229,096	336,879	116,718	195,486	302,553
7.0	<										

Profit Before Tax (Kes. Million)



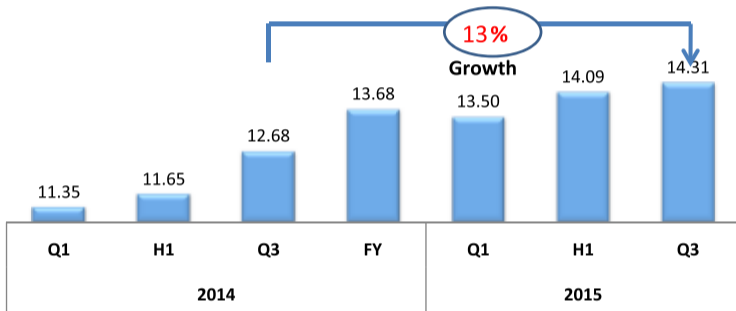
Profit Before Tax closed at KES 303m to record a 32% growth compared to same period last year driven by growth in net interest income (Kes 109m), and drop in operating costs in line with our costs efficiency strategy and a drop in Non Funded Income.

Total Operating Income (Kes. Million)



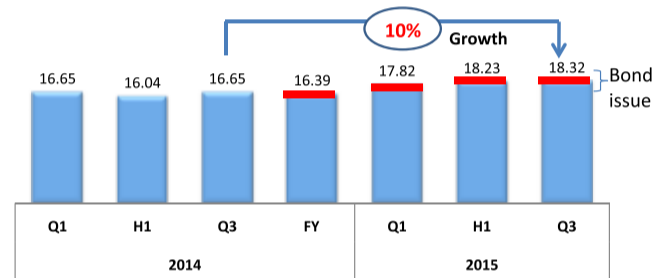
Total Income closed at Kes. 1,449 million in Q3 to record a growth of 4% compared to same period last year (2014 Q3: Kes. 1,389 million). This was mainly driven by increased margins in line with our 13% growth in loans and advances

Loans and Advances (Kes. Billion)



The loans and advances (net) increased by 13% (Kes. 1.6 billion) compared to same period last year driven by increased uptake of our loan products (2014 Q3: Kes. 12.68 billion)

Customer Liabilities (Kes. Billion)



Total Customer Liabilities increased by 10% (Kes. 1.7 billion) from Kes 16.65 billion in 2014 to close at Kes. 18.32 billion in Q3 2015



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