

GMD's Statement



ABC Bank GMD Mr. Shamaz Savani

Greetings to you dear Investor.

I have the pleasure to once again bring you our quarterly updates on our performance and activities. Through the past quarter, we remained consistent with our superior service offering to our customers, who have in return rewarded us with their unwavering loyalty. This support is reflected in our performance. Although the micro and macro-economic environment was generally challenging, ABC Bank Group recorded Ksh. 195 million as Profit Before Tax in the period ending 30th June 2015. This translates to a 20 per cent growth in profits vis a vis performance in H1 2014. We attribute this to growth in interest income and a significant drop in our operating expenses.

I'd like to take this opportunity to reiterate our commitment to driving business efficiency through various deliberate cost efficiency initiatives, which are now bearing fruit. As a result, our operating expenses decreased by six percent. Additionally, our advances recorded a positive growth (20 percent) and deposits (8 percent) over H1 2015 driven by our strong focus on delivering and exceeding the customer promise.

As we move in to the last quarter of the year, we plan to continue to invest in channel capabilities through various digital enhancements as well as further exploiting emerging opportunities in the market. This will enable us sustain the momentum in both customer loans and deposits, as we target to meet the growing banking needs of our customers. We remain committed to delivering shareholder value and to being the business partner of choice by empowering business growth through innovative but socially, culturally and technologically relevant banking solutions to the market.

I take this opportunity to thank you for your partnership in business and wish you the very best in your endeavours.

Thank you.

Shamaz

31 YEARS OF
SERVICE TO
YOU

OUR VISION: Empowering you to achieve the extraordinary

**THINK BUSINESS. THINK WINNING.
THINK ABC BANK**



Let the celebrations begin!!!

ABC Bank reaches out to UK Diaspora with GBP Debit card

ABC Bank in August became the first Kenyan bank to introduce a British Pound (GBP) Debit MasterCard. The new card is suitable for Diaspora customers in the UK. Kenyan business and leisure travelers to the UK can also deposit GBP in their ABC Bank accounts and access it while in the UK, thereby avoiding exchange rate losses.

The card is EMV enabled, making it a secure substitute for cash and is also useful for UK expatriates. It provides them easy and convenient access to their funds held in their ABC Bank accounts. It also allows them to withdraw cash at MasterCard ATMs, pay for goods and services at point of sale terminals in the UK, and over the internet.

The introduction of this card is part of the bank's strategy to bolster its strategy for Diaspora customer acquisition. The bank entered the UK market last year and has sustained a marketing campaign to grow its presence there as recognition of the growth of the segment.

ABC Bank, EIB in training partnership

ABC Bank staff will benefit from a three year technical assistance and training partnership between the bank and European Investment Bank (EIB).

The training, which kicked off a year ago, is aimed at equipping bank employees with international standards and best practices in various areas such as Sales and Customer Relationship Management (CRM), credit/loan and portfolio management.



ABC Bank supports CUEA scholarship fund

As part of its Corporate Social Responsibility (CSR) commitment, ABC Bank in August donated Ksh. 250,000 to the Catholic University of East Africa to go towards the Cardinal Otunga Scholarship Fund for needy but bright students in the university. CUEA is a major client of the bank and this donation is expected to further cement the business relationship between the two institutions.



Industry Focus

Parliament passes bill to retain core capital requirement for Banks

Banks may not increase their core capital to Ksh. 5 billion, following amendments to the Finance Bill 2015 to retain it at Ksh. 1 billion. The National Assembly on August 27th passed the Finance Bill 2015 after making key amendment to the proposals that had been presented by the Cabinet Secretary for the National Treasury. The National Treasury had proposed a number of amendments in various statutes that impact the banking industry.

The key proposal was to raise banks' core capital to Sh2 billion by December 2016, Sh3.5 billion by December 2017, and Sh5 billion by December 2018. However, Parliament has retained this at Sh1 billion. While making the proposal in June, the Cabinet Secretary Mr. Henry Rotich had argued that the economy needs fewer and better capitalised banks that can finance big projects to accelerate growth.

However, the new Central Bank of Kenya Governor, Dr. Patrick Njoroge, has been opposed to the proposal, arguing that small banks are necessary in the economy as they serve niche clients that contribute to overall economic growth. If the president assents the bill in to law, banks will get a major reprieve, allaying concerns of imminent mergers and acquisitions that would have been occasioned by the proposed capital requirement. Our core capital adequacy ratios remain sound and within the regulatory requirements.

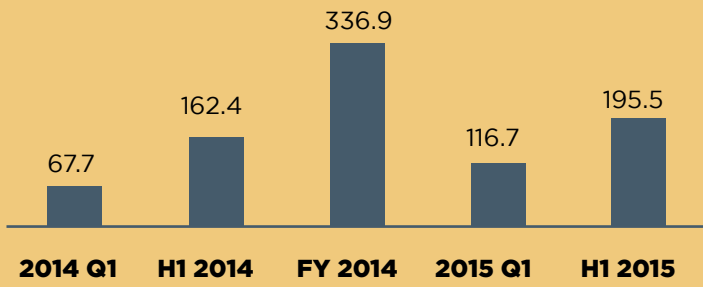
Kayole Children's Home Visit

ABC Bank staff are in the photo with children of Kayole Street Children Rehabilitation Centre. They had visited the centre to donate food, clothing and other items. This is one of the bank's CSR initiative through which volunteers employees support the former street children through cash and food donations, as well as mentorship in addition to the Bank's initiatives as a corporate citizen.

OUR MISSION: To nurture lasting relationships with all our stakeholders through innovative, value adding financial solutions and services that help them realize their objectives.

INVESTOR NEWS:

Profit Before Tax (Kshs. Million)

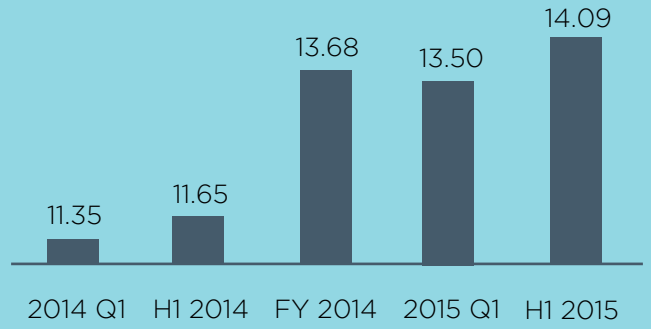


H1 PBT closed at KShs 196m to record a 20% growth compared to same period last year driven by 7% (KShs. 46m) growth in net interest income and 6% (KShs 44m) drop in operating costs.

Net Interest Income 7% growth attributed to improved margins from our loan book and proper management of cost of funds which grew only by 2% (15 million)

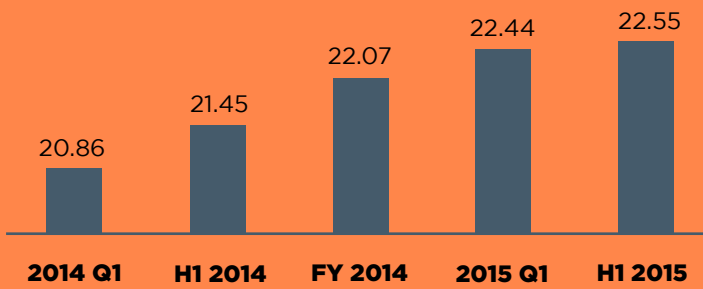
FINANCIAL HIGHLIGHTS H1 2015:

Loans & Advances (Kshs. Billion)



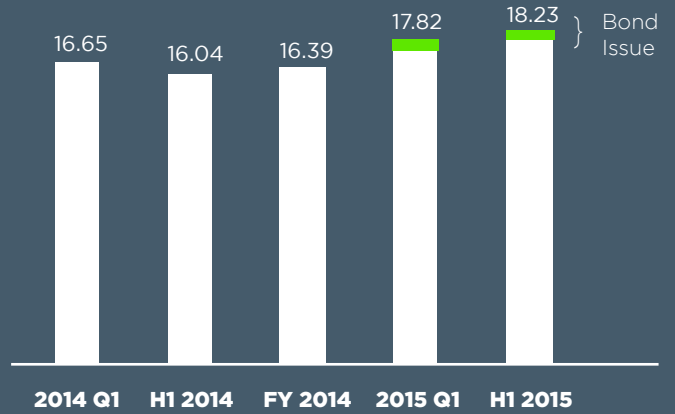
The loans and advance(net) increased by 21% (KShs. 2.4 billion) compared to same period last year driven by increased uptake of our loan products (2014 H1: KShs. 11.65 billion)

Total Assets (Kshs. Billion)



Total Assets increased by 5% (KShs. 1.1 billion) to KShs. 22.55 billion driven by corporate bond issued in mid 2014 and deposits growth compared to same period last year (2014 H1: KShs. 21.45 billion).

Customer Liabilities (Kshs. Billion)



Total Customer Liabilities increased by 14% (KShs. 2.2 billion) from KShs. 16.04 billion in 2014 to close at KShs. 18.23 billion in H1 2015

REMITTANCES
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- Customer Centricity • Professionalism • Teamwork • Excellence • Commitment



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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

UNAUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 30TH JUNE 2015

I BALANCE SHEET	Bank		Bank		Group		Group	
	30th June 2014 Unaudited Shs '000'	31st Dec 2014 Audited Shs '000'	31st Mar 2015 Unaudited Shs '000'	30th June 2015 Unaudited Shs '000'	30th June 2015 Unaudited Shs '000'	31st Dec 2014 Audited Shs '000'	31st Mar 2015 Unaudited Shs '000'	30th June 2015 Unaudited Shs '000'
A ASSETS								
1 Cash (both Local & Foreign)	145,716	168,556	172,123	152,523	174,370	203,012	198,790	201,590
2 Balances due from Central Bank of Kenya	852,370	941,488	692,915	1,026,996	894,654	1,006,600	744,289	1,065,387
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:								
a. Kenya Government securities	4,901,360	4,389,201	4,346,728	4,008,793	5,247,491	4,992,117	4,922,935	4,514,529
b. Other securities	4,643,215	4,154,524	4,102,526	3,797,584	4,643,215	4,154,524	4,102,526	3,797,584
b) Available for sale:								
a. Kenya Government securities	258,145	234,677	244,202	211,209	604,276	837,552	820,409	716,945
b. Other securities	577,602	550,954	829,158	806,540	577,602	550,954	829,158	806,540
6 Deposits and balances due from local banking institutions	572,755	46,564	80,977	79,480	595,644	52,939	90,187	85,004
7 Deposits and balances due from banking institutions abroad	232,877	44,107	198,098	38,179	514,522	170,364	349,055	240,538
8 Tax recoverable	12,295	80,302	80,302	80,302	28,754	96,130	94,354	94,536
9 Loans and advances to customers (net)	11,124,698	13,127,628	12,945,731	13,526,969	11,653,562	13,679,881	13,501,549	14,085,325
10 Balances due from banking institutions in the group	4,105	10,316	10,579	10,999	-	-	-	-
11 Investments in associates	-	-	-	-	-	-	-	-
12 Investments in subsidiary companies	841,358	885,405	885,405	885,405	-	-	-	-
13 Investments in joint ventures	-	-	-	-	-	-	-	-
14 Investment properties	-	-	-	-	-	-	-	-
15 Property and equipment	614,602	539,937	525,726	512,049	650,808	582,548	564,607	548,938
16 Prepaid lease rentals	-	-	-	-	-	-	-	-
17 Intangible assets	60,899	139,735	138,636	139,131	273,176	140,897	139,022	139,647
18 Deferred tax asset	5,941	31,501	31,501	31,501	9,819	36,860	33,125	33,135
19 Retirement benefit asset	-	-	-	-	-	-	-	-
20 Other assets	786,732	483,035	869,986	680,935	830,759	561,161	976,146	733,529
21 TOTAL ASSETS	20,733,310	21,438,729	21,807,865	21,979,802	21,451,161	22,073,123	22,443,217	22,548,698
B LIABILITIES								
22 Balances due to Central Bank of Kenya	-	-	-	-	-	-	-	-
23 Customer deposits	15,778,282	16,050,353	16,451,190	16,820,736	16,040,009	16,390,568	16,816,733	17,226,592
24 Deposits and balances due to local banking institutions	356,556	769,116	510,117	388,354	356,556	769,116	510,117	388,354
25 Deposits and balances due to foreign banking institutions	-	27,266	148,423	76,192	-	27,272	148,423	16,752
26 Other money market deposits	-	-	-	-	-	-	-	-
27 Borrowed funds	1,622,400	1,549,401	1,494,354	1,479,147	1,622,400	1,549,401	1,494,354	1,479,147
28 Balances due to banking institutions in the group	-	-	-	-	-	-	-	-
29 Tax payable	51,374	-	32,790	54,324	51,374	-	36,427	57,702
30 Dividends payable	-	84,000	-	-	-	-	-	-
31 Deferred tax liability	-	-	-	-	-	-	-	-
32 Retirement benefit liability	-	-	-	-	-	-	-	-
33 Other liabilities	378,483	336,043	482,118	455,518	510,295	489,035	615,126	592,584
34 TOTAL LIABILITIES	18,187,095	18,816,179	19,118,992	19,274,271	18,580,634	19,225,392	19,621,180	19,761,131
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
36 Share premium/(discount)	-	-	-	-	-	-	-	-
37 Revaluation reserves	(30,312)	(8,248)	(18,436)	(52,023)	(30,312)	(111,823)	(122,011)	(159,010)
38 Retained earnings/Accumulated losses	1,427,193	1,480,589	1,557,100	1,607,345	1,409,781	1,482,128	1,485,142	1,487,408
39 Statutory loan loss reserves	99,334	100,209	100,209	100,209	104,623	108,557	105,767	105,912
40 Other Reserves	-	-	-	-	20,018	22,351	4,109	1,133
41 Proposed dividends	-	-	-	-	-	-	-	-
42 Capital grants	-	-	-	-	-	-	-	-
43 TOTAL SHAREHOLDERS' FUNDS	2,546,215	2,622,550	2,688,873	2,705,531	2,554,110	2,551,213	2,523,007	2,485,444
44 Minority Interest	-	-	-	-	316,417	296,518	299,030	302,124
45 TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	20,733,310	21,438,729	21,807,865	21,979,802	21,451,161	22,073,123	22,443,217	22,548,698
II PROFIT AND LOSS ACCOUNT								
1.0 INTEREST INCOME								
1.1 Loans and advances	941,247	1,970,644	519,024	1,054,480	1,012,594	2,108,120	545,454	1,109,212
1.2 Government securities	239,620	505,225	121,035	244,880	257,612	550,173	136,860	276,018
1.3 Deposits and placements with banking institutions	12,266	16,610	1,389	2,189	25,958	40,995	3,349	8,537
1.4 Other interest income	16,620	32,072	7,085	13,770	16,635	32,203	7,085	13,770
1.5 Total interest income	1,209,753	2,526,551	648,283	1,315,319	1,312,799	2,731,491	692,748	1,407,537
2.0 INTEREST EXPENSE								
2.1 Customer deposits	577,073	1,152,671	293,129	594,839	592,073	1,177,227	297,777	605,089
2.2 Deposits and placement from banking institutions	18,472	39,652	6,378	17,663	18,612	39,853	7,938	18,327
2.3 Other interest expenses	46,684	134,547	41,322	83,108	46,684	134,547	41,322	83,108
2.4 Total interest expenses	642,229	1,326,870	340,829	695,610	657,369	1,351,627	346,137	706,524
3.0 NET INTEREST INCOME/(LOSS)	567,524	1,199,681	307,454	619,709	655,430	1,379,864	346,611	701,013
4.0 NON-INTEREST INCOME								
4.1 Fees and commissions on loans and advances	47,770	108,506	15,043	56,584	51,723	116,983	16,412	59,363
4.2 Other fees and commissions	96,800	198,197	51,953	75,255	101,162	230,390	63,830	96,211
4.3 Foreign exchange trading income/(Loss)	75,652	133,086	25,414	50,582	78,209	138,395	27,028	53,817
4.4 Dividend income	-	-	-	-	-	-	-	-
4.5 Other income	17,305	27,138	1,601	1,718	45,473	47,234	5,247	10,586
4.6 Total Non-Interest income	237,527	466,927	94,011	184,139	276,567	533,002	112,517	219,977
5.0 TOTAL OPERATING INCOME	805,051	1,666,608	401,465	803,848	931,997	1,912,866	459,128	920,990
6.0 OTHER OPERATING EXPENSES								
6.1 Loan loss provision	28,008	131,635	10,000	45,044	64,556	161,948	12,639	50,158
6.2 Staff costs	305,214	616,927	142,072	292,750	354,916	715,825	164,986	340,149
6.3 Directors' emoluments	20,720	58,722	13,359	26,585	20,720	58,882	13,359	26,585
6.4 Rental charges	28,360	62,829	15,033	33,795	38,680	87,006	21,098	45,916
6.5 Depreciation charge on property and equipment	22,437	48,621	17,832	32,385	25,300	55,689	19,777	36,306
6.6 Amortisation charges	5,514	10,505	2,617	7,992	6,071	11,626	2,706	8,178
6.7 Other operating expenses	223,532	418,840	91,252	184,218	259,162	485,031	107,845	218,212
6.8 Total Other Operating Expenses	633,805	1,348,079	292,165	622,769	769,635	1,575,987	342,410	725,504
7.0 Profit/(Loss) Before Tax and Exceptional Items	171,246	318,529	109,300	181,079	162,362	336,879	116,718	195,486
8.0 Exceptional Items	-	-	-	-	-	-	-	-
9.0 Profit/(Loss) After Exceptional Items	171,246	318,529	109,300	181,079	162,362	336,879	116,718	195,486
10.0 Current Tax	51,374	85,944	32,790	54,324	51,374	86,658	34,682	57,845
11.0 Deferred Tax	-	(25,560)	-	-	-	(19,126)	-	-
12.0 Profit/(Loss) After Tax and Exceptional Items	119,872	258,145	76,510	126,755	110,988	269,347	82,036	137,641
13.0 Minority Interest	-	-	-	-	(2,844)	(8,085)	2,512	5,606
14.0 Profit/(Loss) after tax, exceptional items and Minority Interest	119,872	258,145	76,510	126,755	113,832	277,432	79,524	132,035
15.0 Other Comprehensive Income								
15.1 Gains/(Losses) from translating the financial statements of foreign operations	-	-	-	-	(15,169)	(18,711)	(18,242)	(21,218)
15.2 Fair value changes in available for sale financial assets	(23,599)	(1,535)	(10,188)	(43,775)	(23,599)	(105,143)	(10,188)	(43,775)
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	(23,599)	(1,535)	(10,188)	(43,775)	(38,768)	(123,854)	(28,430)	(64,993)
16.0 Other Comprehensive Income for the year net of tax	96,277	256,110	66,322	82,900	75,064	145,493	53,606	72,648
17.0 Total comprehensive income for the year	216,149	514,255	142,832	209,655	188,902	414,935	133,130	204,683
18.0 EARNINGS PER SHARE - BASIC & DILUTED	1.14	2.46	0.73	1.21	1.06	2.52	0.78	1.31
19.0 DIVIDEND PER SHARE -DECLARED	-	0.80	-	-	-	0.80	-	-
III OTHER DISCLOSURES								
1.0 NON-PERFORMING LOANS AND ADVANCES								
(a) Gross Non-performing loans and advances	989,243	885,124	1,356,464	1,357,215	1,073,884	900,218	1,362,739	1,363,276
(b) Less: Interest in Suspense	186,515	204,785	337,536	395,081	201,553	206,964	337,987	395,705
(c) Total Non-Performing Loans and Advances (a-b)	802,728	680,339	1,018,928	962,134	872,331	693,254	1,024,752	967,569