



African Banking Corporation Investor News

Issue 06

April - June 2016

GMD's Statement

Dear Investor,

I am pleased to report yet another year of robust growth across all our Strategic Business Units (SBUs). In spite of the challenges the local banking industry experienced during the year, ABC Bank Group remained resilient to post a full year Profit Before Tax of Ksh. 388 million, a 15 per cent growth from Ksh. 337 million reported in 2014. We attribute this growth to growth in our interest income and drop in operating expenses which were partly offset by drop in our non-funded income.

In the same breath, our Interest Income grew by 9 per cent to Ksh.3.0 billion in 2015 up from Ksh.2.7 billion the previous year, in line with our 12 per cent growth in loans and advances to customers.

I am proud to report that the cost efficiency strategy we adopted in 2015 has enabled us to reduce our operating expenses by 8 per cent, as we continue to see more productivity saves coming from the actions we have taken so far.

ABC Bank is also happy to report that our customer loans and advances expanded to Ksh. 15.3 billion in 2015 up 12 per cent from KShs 13.7 Billion in 2014. Our customer deposits stood at Sh. 17. 3 billion in 2015, which is a 6 per cent growth year on year. The high interest rates sought for deposits and pricing of bonds in excess of 21 per cent resulted in a conscious decision to scale down high cost deposits.

One of the challenges players in the industry have been facing is liquidity. Our liquidity position remained comfortable month on month, standing at 25 per cent in March 2016, an indication that the Bank is well capitalized as we move to achieve bigger goals in 2016.

Furthermore, in an effort to strengthen our capital base, and in line with our short and medium term strategy, our shareholders in 2015 approved a capital injection of Ksh. 1 billion via private placement before end of 2016. This will enable us to increase our momentum in customer loans, invest more in technological advancements of our channel capabilities and efficiency, as well as expand our footprint across the region as we strive to meet the growing banking needs of our chosen segment.

Additionally, we continue to reinforce our SME strategy to power growth and shore up our market position, backed up by the Ksh. 554.8 million (Eur 5M) credit line from European Investment Bank to lend to this increasingly active segment for longer term and at competitive rates.

Finally, I would like to take this opportunity to thank you for your unwavering support throughout 2015, which has enabled us to realize our strategic objectives for the year. I wish you the very best in your business and other endeavours.

Shamar Savani

ABC BANK NEW BRANCHES



ABC TRM Branch



Inside the Greenhouse Mall Branch

VISION: Empowering you to achieve the extraordinary



ABC Bank expands footprint with new branches

29th March, 2016: ABC Bank has opened two branches in Nairobi, in an effort to expand its presence and deepen service access to its growing customer base. The two branches- Thika Road Mall (TRM) on Thika Road and Green House Mall along Ngong Road- are an addition to the four branches in Nairobi, and six upcountry - Mombasa, Lamu, Meru, Kisumu, Eldoret and Nakuru, already in our network.

ABC Bank signs up Bingwa Sacco as agent

19th February, 2016: ABC Bank continued to expand its reach into new frontiers when it signed an agency banking partnership with Kirinyaga-based Bingwa Sacco. The bank will use the Sacco's 18 branches spread across Kirinyaga County to avail financial services to the county residents.

The agency banking model is increasingly answering the call for deepened financial access in Kenya as commercial banks continue to sign up agents to reach more customers through cost-effective non-traditional banking channels.

Speaking during the launch in Kerugoya town, ABC Bank Group General Manager Peter Kinyanjui said the bank does not view Saccos as competition, but as partners working together to meet the increasingly changing customer demands.

The partnership is an opportunity for ABC Bank to bring its services closer to more Kenyans to connect them with the country's financial system for greater convenience, an objective it has aggressively pursued over the last couple of years.

In 2014, the bank signed a similar partnership with Postbank, allowing it to use the latter's outlets across the country to serve Kenyans in locations where it's not physically present.



ABC Bank boosts Bible Society of Kenya's children's outreach programme

14th January, 2016: The Bible Society of Kenya has benefited from a donation by ABC Bank in support of its Children's Program.

The donation will go towards enhancing its Children's Outreach Program activities. The program focuses on character formation and equipping pre-teens and teenagers with necessary life skills.

The donation is part of ABC Bank's corporate social responsibility initiatives, which includes supporting social causes in communities where it operates in.

Speaking during the cheque presentation ceremony at the Bible Society of Kenya offices in Nairobi, Head of Retail Banking Amanda Corline said the bank is committed to supporting social causes that have a significant and direct impact on communities.



ABC Bank hosts Chinese New Year celebrations

6th February, 2016: ABC Bank hosted the Chinese community living in Kenya as they ushered in their new year at the Villa Rosa Kempinski. The event was organized by Guang Dong Association, an umbrella body of Chinese business people in Kenya.

The Chinese New Year began on 8th February, and is the Year of the Monkey, the ninth animal in the cycle. The next Year of the Monkey will be in 2028.

ABC Bank utilized the opportunity to engage the growing Chinese community in Kenya, with a view to cultivating mutually beneficial partnerships. The bank is interested in building strong strategic cooperation with the association to explore mutually beneficial opportunities including but not limited to Chinese Yuan Services and Chinese remittances.

Guang Dong Association's main agenda is to facilitate productive relationships between its members and businesses in Kenya, including Investment identifying business opportunities.



ABC Bank supports improvement of Catholic Church health facilities

14th January, 2016: ABC Bank has donated Sh.250, 000 in support of health facilities under the Catholic Church. Presenting the donation to the Kenya Conference of Catholic Bishops, Head of Retail Banking Amanda Corline said the bank is committed to plugging the gap in health care by supplementing the public sector efforts by partnering with the private sector. The funds will go towards the improvement of health facilities under the Catholic Church.



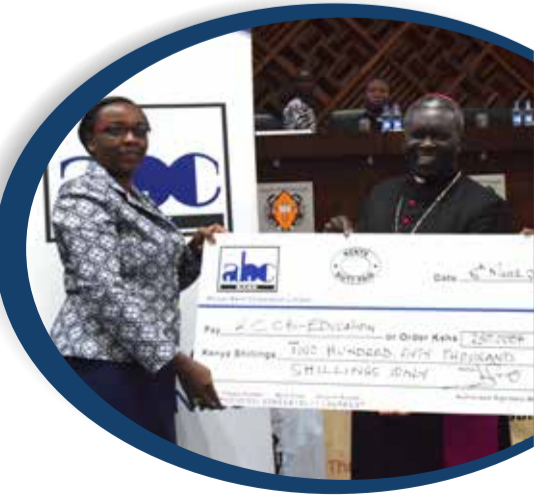
ABC Bank gives Catholic's Education Commission a boost

8th March, 2016: ABC Bank donated Ksh. 250,000 to the Kenya Conference of Catholic Bishops (KCCB) in support of their Education Commission's efforts in improving educational standards in the country.

The bank issued the cheque during the ongoing Catholic Private Schools Education Conference at the Catholic University of East Africa. The conference brought together about 600 delegates representing Catholic educational institutions across the country.

"ABC Bank recognizes the need for the private sector to participate in enhancing access to quality education for the Kenyan child, and we support the efforts by the Catholic Church in this direction", noted Amanda.

ABC Bank continues to invest in key areas of need among Kenyan communities- health, education, humanitarian and development.





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AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 31ST DECEMBER 2015

	Bank 31 st Dec 2014 Audited Shs '000'	Bank 31 st Dec 2015 Audited Shs '000'	Group 31 st Dec 2014 Audited Shs '000'	Group 31 st Dec 2015 Audited Shs '000'
I BALANCE SHEET				
A ASSETS				
1 Cash (both Local & Foreign)	168,556	181,083	203,012	224,355
2 Balances due from Central Bank of Kenya	941,488	903,947	1,006,260	1,006,547
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:	4,389,201	3,398,545	4,992,117	3,848,018
a. Kenya Government securities	4,154,524	3,241,430	4,154,524	3,241,430
b. Other securities	234,677	157,115	837,593	606,588
b) Available for sale:	550,954	499,621	550,954	499,621
a. Kenya Government securities	550,954	499,621	550,954	499,621
b. Other securities	-	-	-	-
6 Deposits and balances due from local banking institutions	46,564	91,784	52,939	98,937
7 Deposits and balances due from banking institutions abroad	44,107	31,481	170,364	343,715
8 Tax recoverable	80,302	20,655	96,130	35,038
9 Loans and advances to customers (net)	13,127,628	14,828,522	13,679,881	15,292,071
10 Balances due from banking institutions in the group	10,316	11,479	-	-
11 Investments in associates	-	-	-	-
12 Investments in subsidiary companies	885,405	885,405	-	-
13 Investments in joint ventures	-	-	-	-
14 Investment properties	-	-	-	-
15 Property and equipment	539,937	498,770	582,548	532,416
16 Prepaid lease rentals	-	-	-	-
17 Intangible assets	139,735	132,362	140,897	132,719
18 Deferred tax asset	31,501	25,440	36,860	29,943
19 Retirement benefit asset	-	-	-	-
20 Other assets	483,035	549,203	561,161	574,364
21 TOTAL ASSETS	21,438,729	22,058,297	22,073,123	22,617,744
B LIABILITIES				
22 Balances due to Central Bank of Kenya	-	1,098,624	-	1,098,624
23 Customer deposits	16,050,353	15,774,465	16,390,568	16,300,473
24 Deposits and balances due to local banking institutions	769,116	370,229	769,116	370,229
25 Deposits and balances due to foreign banking institutions	27,266	184,213	27,272	-
26 Other money market deposits	-	-	-	-
27 Borrowed funds	1,549,401	1,404,578	1,549,401	1,404,578
28 Balances due to banking institutions in the group	-	-	-	-
29 Tax payable	-	-	-	-
30 Dividends payable	84,000	-	-	-
31 Deferred tax liability	-	-	-	-
32 Retirement benefit liability	-	-	-	-
33 Other liabilities	336,043	389,580	489,035	413,454
34 TOTAL LIABILITIES	18,816,179	19,221,689	19,225,392	19,587,358
C SHAREHOLDERS' FUNDS				
35 Paid up /Assigned capital	1,050,000	1,050,000	1,050,000	1,050,000
36 Share premium/(discount)	-	-	-	-
37 Revaluation reserves	(8,248)	(60,908)	(111,823)	(136,555)
38 Retained earnings/Accumulated losses	1,480,589	1,733,365	1,482,128	1,742,052
39 Statutory loan loss reserves	100,209	114,151	108,557	120,957
40 Other Reserves	-	-	22,351	(30,322)
41 Proposed dividends	-	-	-	-
42 Capital grants	-	-	-	-
43 TOTAL SHAREHOLDERS' FUNDS	2,622,550	2,836,608	2,551,213	2,746,132
44 Minority Interest	-	-	296,518	284,254
45 TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	21,438,729	22,058,297	22,073,123	22,617,744
II PROFIT AND LOSS ACCOUNT				
1.0 INTEREST INCOME				
1.1 Loans and advances	1,970,644	2,287,672	2,108,120	2,396,824
1.2 Government securities	505,225	470,251	550,173	527,048
1.3 Deposits and placements with banking institutions	18,610	3,706	40,995	25,030
1.4 Other Interest Income	32,072	25,699	32,203	25,699
1.5 Total interest income	2,526,551	2,787,328	2,731,491	2,974,601
2.0 INTEREST EXPENSE				
2.1 Customer deposits	1,152,671	1,323,055	1,177,227	1,344,269
2.2 Deposits and placement from banking institutions	39,652	97,941	39,853	94,399
2.3 Other interest expenses	134,547	164,051	134,547	164,051
2.4 Total interest expenses	1,326,870	1,585,047	1,351,627	1,602,719
3.0 NET INTEREST INCOME/(LOSS)	1,199,681	1,202,281	1,379,864	1,371,882
4.0 NON-INTEREST INCOME				
4.1 Fees and commissions on loans and advances	108,506	166,062	116,983	168,798
4.2 Other fees and commissions	198,197	155,333	230,390	186,819
4.3 Foreign exchange trading income/(Loss)	133,086	60,245	138,395	64,225
4.4 Dividend Income	-	-	-	-
4.5 Other income	27,138	8,781	47,234	43,080
4.6 Total Non-interest income	466,927	390,421	533,002	462,922
5.0 TOTAL OPERATING INCOME	1,666,608	1,592,702	1,912,866	1,834,804
6.0 OTHER OPERATING EXPENSES				
6.1 Loan loss provision	131,635	77,742	161,948	88,088
6.2 Staff costs	616,927	585,803	715,825	685,120
6.3 Directors' emoluments	58,722	58,188	58,882	59,770
6.4 Rental charges	62,829	69,172	87,006	94,398
6.5 Depreciation charge on property and equipment	48,621	62,018	55,669	69,970
6.6 Amortisation charges	10,505	16,258	11,626	16,650
6.7 Other operating expenses	418,840	368,095	485,031	432,409
6.8 Total Other Operating Expenses	1,348,079	1,237,276	1,575,987	1,446,405
7.0 Profit/(loss) Before Tax and Exceptional Items	318,529	355,426.00	336,879	388,399
8.0 Exceptional Items	-	-	-	-
9.0 Profit/(Loss) After Exceptional Items	318,529	355,426.00	336,879	388,399
10.0 Current Tax	85,944	82,547	86,658	95,633
11.0 Deferred Tax	(25,560)	6,161	(19,126)	2,847
12.0 Profit/(Loss) After Tax and Exceptional Items	258,145	266,718	269,347	289,919
13.0 Minority Interest	-	-	(8,085)	10,357
14.0 Profit/(loss) after tax, exceptional items and Minority Interest	258,145	266,718	277,432	279,562
15.0 Other Comprehensive Income	-	-	-	-
15.1 Gains/(Losses) from translating the financial statements of foreign operations	-	-	(18,711)	(76,917)
15.2 Fair value changes in available for sale financial assets	(1,535)	(52,660)	(105,143)	(30,347)
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 Other Comprehensive Income for the year net of tax	(1,535)	(52,660)	(123,854)	(107,264)
17.0 Total comprehensive income for the year	256,610	214,058	145,493	182,655
18.0 EARNINGS PER SHARE- BASIC & DILUTED	2.52	2.54	2.57	2.66
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	885,124	2,676,858	900,218	2,694,737
(b) Less: Interest in Suspense	204,785	513,773	206,964	514,280
(c) Total Non-Performing Loans and Advances (a-b)	680,339	2,163,085	693,254	2,180,457
(d) Less: Loan Loss Provision	180,973	195,996	187,666	202,720
(e) Net Non-Performing Loans and Advances(c-d)	499,366	1,967,089	505,588	1,977,737
(f) Discounted Value of Securities	499,366	1,967,089	505,588	1,977,737
(g) Net NPLs Exposure (e-f)	-	-	-	-
2.0 INSIDER LOANS AND ADVANCES				
(a) Directors, Shareholders and Associates	209,194	207,629	209,194	208,312
(b) Employees	283,052	362,059	283,052	362,742
(c) Total Insider Loans and Advances and other facilities	492,246	569,688	492,246	571,054
3.0 OFF-BALANCE SHEET ITEMS				
(a) Letters of credit, guarantees, acceptances	2,235,129	901,587	2,235,423	1,126,545
(b) Forwards, swaps and options	1,453,360	1,181,087	1,453,360	1,181,087
(c) Other contingent liabilities	809,389	56,414	809,389	56,414
(d) Total Contingent Liabilities	4,497,878	2,139,088	4,498,172	2,364,046
4.0 CAPITAL STRENGTH				
(a) Core capital	1,928,212	2,180,988		
(b) Minimum Statutory Capital	1,000,000	1,000,000		
(c) Excess/(Deficiency) (a-b)	928,212	1,180,988		
(d) Supplementary Capital	1,016,876	830,818		
(e) Total Capital (a+d)	2,945,088	3,011,806		
(f) Total risk weighted assets	17,095,614	18,304,295		
(g) Core Capital/Total deposits Liabilities	12.0%	13.8%		
(h) Minimum statutory Ratio	8.0%	8.0%		
(i) Excess/(Deficiency) (g-h)	4.0%	5.8%		
(j) Core Capital / total risk weighted assets	11.28%	11.9%		
(k) Minimum Statutory Ratio	10.5%	10.5%		
(l) Excess (Deficiency) (j-k)	0.8%	1.4%		
(m) Total Capital/total risk weighted assets	17.23%	16.5%		
(n) Minimum statutory Ratio	14.5%	14.5%		
(o) Excess/(Deficiency) (m-n)	2.7%	2.0%		
5 LIQUIDITY				
(a) Liquidity Ratio	30.6%	21.4%		
(b) Minimum Statutory Ratio	20.0%	20.0%		
(c) Excess (Deficiency) (a-b)	10.6%	1.4%		

These financial statements are extracts from the books of the institution as audited by Deloitte & Touche and received unqualified opinion. The complete set of audited financial statements, statutory and qualitative disclosures can be accessed on the institution's website www.abcthebank.com. They may also be accessed at the institution's head office located at ABC Bank House, Woodvale Grove, Westlands Nairobi.

SIGNED
Shamaz Savani
Group Managing Director

Joseph K. Muiruri
Director

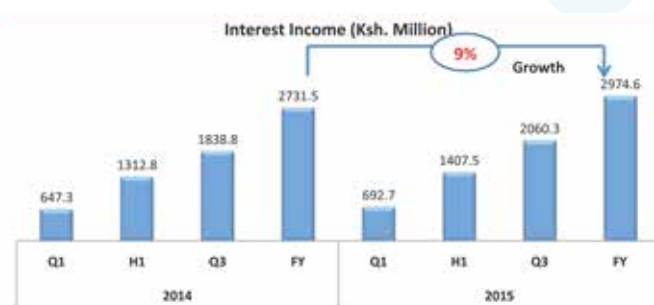
CORE VALUES:

- Customer Centricity
- Professionalism
- Teamwork
- Excellence
- Commitment

FINANCIAL STATEMENTS



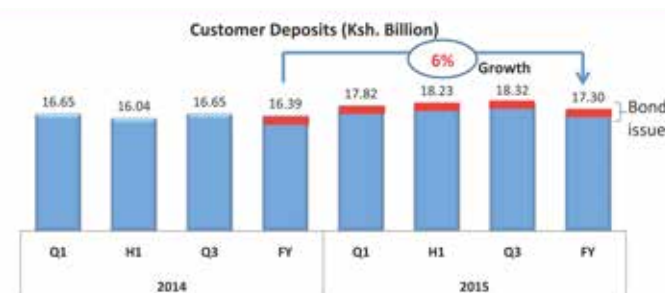
Profit Before Tax grew to Ksh. 388.4 million from Ksh. 336.9 million recording a 15% growth year on year. This was driven by growth in interest income (Ksh. 243m), and drop in operating costs in line with our costs efficiency strategy.



Interest Income grew by 9% year on year to close at Ksh. 2974.6 million in 2015 (FY 2014: Ksh. 2731.5 million). This was mainly driven by increased margin in line with our 12% growth in loans and advances



The loans and advance(net) expanded by 12% (Ksh. 15.3 billion) year on year driven by increased uptake of our loan products (FY 2014: Ksh. 13.7 billion)



Total Customer Liabilities grew by 6% (Ksh. 0.9 billion) from Ksh. 16.4 billion in 2014 to close at Ksh. 17.3 billion in 2015

Other Performance Ratios	FY 2014	Q1 2015	FY 2015	Q1 2016
Core Capital/Total deposits Liabilities (Regulatory Min-8%)	12.0%	12.0%	13.8%	13.9%
Excess/(Deficiency)	4.0%	4.0%	5.8%	5.9%
Core Capital / total risk weighted assets (Regulatory Min-10.5%)	11.3%	10.7%	11.9%	12.1%
Excess (Deficiency)	0.8%	0.2%	1.4%	1.6%
Total Capital/total risk weighted assets (Regulatory Min-14.5%)	17.2%	16.0%	16.5%	16.3%
Excess/(Deficiency)	2.7%	1.5%	2.0%	1.8%

LIQUIDITY

Liquidity Ratio (Regulatory Min-14.5%)	30.6%	32.6%	21.4%	25%
Excess (Deficiency)	10.6%	12.6%	1.4%	5%

At ABC Bank we believe in growth and development; where you are today should always be a launch-pad to greater things tomorrow.

PICTORIAL



An employee serves customers at Greenhouse Mall Branch, located on the ground floor.



L-R: Industrial Area Branch Manager Ernest Njiru, General Manager Peter Kinyanjui and Head of Retail Banking Amanda Corline during the opening of TRM Branch.



A TRM Branch teller serves the first customer immediately after opening the doors for business



Employees cut the cake to celebrate the opening of ABC Bank TRM Branch

ABC BANK PRESENTS THE PERFECT BUSINESS ACCOUNT:

- FREE CASH DEPOSITS**
- FREE WITHDRAWALS**
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- FREE E-STATEMENTS**
- FREE INTERNET BANKING SERVICES**
- DEDICATED RELATIONSHIP MANAGERS**

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ABC Bank is regulated by the Central Bank of Kenya

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