



African Banking Corporation Investor News

Issue 07

July - September 2016



GMD's Statement

Dear Investor,

It gives me great pleasure to update you on our performance during Quarter 1 of 2016.

Firstly, on the macroeconomic front, inflation dropped to 6.5 per cent in March from a 16-month high of 8.0 per cent in December 2015, on the back of a decline in oil pump prices, which bolstered the shilling by reducing current account deficit.

Consequently, the shilling strengthened by 0.8 per cent against the dollar closing at 101.3, compared to 102.3 as at the end of December. The appreciation of the shilling was largely driven by a decline in oil prices.

Secondly, the economy recorded a significant growth, expanding by 5.9 per cent, according to data from the Kenya National Bureau of Statistics. This is the fastest growth reported in five years.

While the economy was reported to have improved, the banking sector faced a challenging operating environment as it was still dealing with the shocks of the turbulence triggered by governance lapses last year that saw a third lender placed under receivership.

In spite of all these challenges, ABC Bank weathered the turbulence to record a Ksh 120 million Profit Before Tax in Q1 2016 compared to Ksh 116 million in the same period last year (Q1 2015). The growth was on account of interest income and drop in our operating expenses. There was an increase in cost of funds for banks on account of increased rates for Government (Treasury) securities.

Furthermore, our Interest Income grew by 18 per cent during the quarter to close at Ksh800 million (Q1 2015: Ksh 700 million) which was in line with our 8 per cent growth in loans and advances to customers.

Our operating expenses decreased 15 per cent during the quarter, compared to same period last year. This is a clear indication that our cost efficiency initiatives implemented last year are bearing fruit. We are still pursuing more cost-efficiency initiatives to achieve our strategy on cost leadership.

Our customer loans and advances expanded to Ksh 14.5 Billion in Q1 2016 from Ksh 13.5 Billion in Q1 2015, which was an 8 percent quarter-on-quarter growth.

In spite of the industry challenges I mentioned earlier, we have implemented strategies to accelerate the growth of customer deposits without losing sight of the needs of our customers which include, among others, more channel capabilities through various digital enhancements as well as more touch points including expanded branch networks.

Our balance sheet remains highly liquid, well capitalised and diverse.

During Q1 2016, our liquidity position improved to 25 per cent compared to the regulatory minimum of 20 per cent indicating that the Bank is stable and well capitalized even as we move in to the second half of 2016.

Lastly, I am also excited to inform you that we opened two new branches in Nairobi to provide our rapidly growing clientele base with more touch points and ease of access to our services. This brings our branch network in Nairobi to six.

The opening of the branches at two prime locations in Nairobi - TRM on Thika Road and Greenhouse Mall on Ngong Road- is in line with our strategic plan to expand our foot print not only in Kenya but in the region.

I thank you for your support during these challenging times, and wish you the very best in your endeavours.

Shamar Savani



Head of Alternative Channels Rosemary Muturi and ICT Senior Manager Alex Musumbi pose with the Special Award for Product Innovation presented to the Bank during this year's Think Business Awards.



Right to left: ABC Bank's Head of Operations Elizabeth Kimani, Head of Alternative Channels Rosemary Muturi and ICT Senior Manager Alex Musumbi, receive the Special Award for Product Innovation from Think Business CEO Ochieng Oloo during the recent Banking Awards in Nairobi. The bank was recognized for its revenue collection and management system it developed for Kirinyaga County.

ABC Bank lifts innovation title

ABC Bank was awarded the Special Award for Product Innovation in the 2016 Think Business Awards. The Bank was recognized for its game-changing Revenue Collection and Management Solution developed for Kirinyaga County. ABC Bank becomes the first entrant to claim the win in the category which was introduced this year.

The solution was also recognised on the national technology arena when the County government was awarded the 1st Runners Up, Best County Initiative Award during the 2016 Connected Summit in Mombasa hosted by the government through the ICT Authority.



ABC Bank Group General Manager Peter Kinyanjui (centre), Meru County Senator Hon. Kiraitu Murungi (left) and Capital Sacco Chief Executive Eliezer Kaburu unveil the co-branded cheque during the launch.

ABC Bank partners with Capital Sacco

ABC Bank and Meru-based Capital Sacco signed a partnership agreement to facilitate the Sacco members make payments using cheques. Through the agreement, ABC Bank will provide cheque clearing services to Capital Sacco, which has 15 branches.

This will allow the Sacco to issue personal cheque books to its 150,000 customers. The Sacco member's cheques will be cleared through ABC Bank. This will increase ease of payments and improve efficiency of doing business for the Sacco members.

ABC Bank has entered into similar partnerships with other Saccos such as Fortune, Bingwa, Imarika and Unaitas, as well as Postbank, to enable them offer a wider range of services beyond what they are mandated to offer on their own.

The partnership is part of ABC Bank's efforts to boost the cooperative sector's competitive advantage to best achieve their business goals, and to offer a seamless, convenient and comprehensive financial services experience to their members.



ABC Bank's Head of SME Banking Lee Gachomba (centre) addresses the forum, flagged by EAX Board Chairperson Dr. Jendayi Frazer (right) and EAX Country Director Constantine Kandie

ABC Bank and EAX sign Ksh200M deal for farmer financing

ABC Bank and the East Africa Exchange will soon launch a Ksh200 million credit line in a collaborative initiative to offer small scale grain farmers affordable trade finance. The initiative was hailed by Uasin Gishu County Governor Jackson Mandago during a stakeholders' forum held in Eldoret and graced by EAX Board chair, Former Amb. Dr. Jendayi Frazer and ABC Bank Head of SME Banking Lee Gachomba.

The three-way deal heralds the commodity exchange's plans to expand its operations into Kenya as part of its vision to increase regional market efficiency and give East Africa's smallholder farmers better access to post-harvest management services and link them to reliable agricultural and financial markets and facilitate competitive pricing for their crops and access to finance.

EAX identified ABC Bank as a suitable financial partner due to its aggressive and strategic focus on supporting the Agribusiness segment.



ABC Bank Group General Manager Peter Kinyanjui (center) presents Adulkadir Ali (right) with a prayer rug and an umbrella during the event at the English Point Marina in Mombasa. Looking on is ABC Bank Mombasa Area Sales Manager Eric Mungai.

ABC Bank hosts Iftar in Mombasa

ABC Bank hosted its Mombasa Muslim customers for Iftar at the English Point Marina during the Holy Month of Ramadhan.

The Bank held Iftar in Mombasa, where it invited the customers for the evening meal when Muslims end their daily fast at sunset as a way of appreciating their support in business. The bank utilized the opportunity to raise awareness on Tahfif Account, which specifically targets Muslim customers, as well as other products.

FINANCIAL STATEMENTS



AFRICAN BANKING CORPORATION LTD.

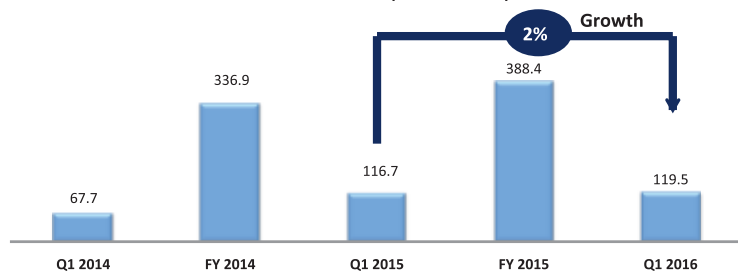
P.O. BOX 46452 - 00100, NAIROBI. Tel: (020) 4263000, 2223922, 2251540/1, 2226712
Email: talk2us@abcthebank.com Website: www.abcthebank.com

QUARTERLY FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 31ST MARCH 2016

I BALANCE SHEET	Bank			Group		
	31st Mar 2015 Unaudited Shs '000'	31st Dec 2015 Audited Shs '000'	31st Mar 2016 Unaudited Shs '000'	31st Mar 2015 Unaudited Shs '000'	31st Dec 2015 Audited Shs '000'	31st Mar 2016 Unaudited Shs '000'
A ASSETS						
1 Cash (both Local & Foreign)	172,123	181,083	176,534	198,790	224,355	221,456
2 Balances due from Central Bank of Kenya	692,915	903,947	1,192,352	744,289	1,006,547	1,307,144
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	4,346,728	3,398,545	2,900,091	4,922,935	3,848,018	3,297,451
b. Other securities	4,102,526	3,241,430	2,900,091	4,102,526	3,241,430	2,900,091
b. Available for sale:						
a. Kenya Government securities	244,202	157,115	-	820,409	606,588	397,360
b. Other securities	829,158	499,621	480,881	829,158	499,621	480,881
6 Deposits and balances due from local banking institutions	80,977	91,784	82,963	90,187	98,937	95,333
7 Deposits and balances due from banking institutions abroad	198,098	31,481	145,324	349,055	343,715	480,108
8 Tax recoverable	80,302	20,655	20,655	94,354	35,038	34,777
9 Loans and advances to customers (net)	12,945,731	14,828,522	14,062,190	13,501,549	15,292,071	14,518,774
10 Balances due from banking institutions in the group	10,579	11,479	12,112	-	-	-
11 Investments in associates	-	-	-	-	-	-
12 Investments in subsidiary companies	885,405	885,405	885,405	-	-	-
13 Investments in joint ventures	-	-	-	-	-	-
14 Investment properties	-	-	-	-	-	-
15 Property and equipment	525,726	498,770	527,216	564,607	532,416	558,792
16 Prepaid lease rentals	-	-	-	-	-	-
17 Intangible assets	138,636	132,362	128,134	139,022	132,719	128,385
18 Deferred tax asset	31,501	25,440	25,440	33,125	29,943	30,046
19 Retirement benefit asset	-	-	-	-	-	-
20 Other assets	869,986	549,203	1,088,356	976,146	574,364	1,138,960
21 TOTAL ASSETS	21,807,865	22,058,297	21,727,653	22,443,217	22,617,744	22,292,107
B LIABILITIES						
22 Balances due to Central Bank of Kenya	-	1,098,624	838,402	-	1,098,624	838,402
23 Customer deposits	16,451,190	15,774,465	15,995,342	16,816,733	16,300,473	16,485,489
24 Deposits and balances due to local banking institutions	510,117	370,229	101,449	510,117	370,229	101,449
25 Deposits and balances due to foreign banking institutions	148,423	184,213	196,942	148,423	-	24,387
26 Other money market deposits	-	-	-	-	-	-
27 Borrowed funds	1,494,354	1,404,578	1,350,014	1,494,354	1,404,578	1,350,014
28 Balances due to banking institutions in the group	-	-	-	-	-	-
29 Tax payable	32,790	-	33,520	36,427	-	38,068
30 Dividends payable	-	-	-	-	-	-
31 Deferred tax liability	-	-	-	-	-	-
32 Retirement benefit liability	-	-	-	-	-	-
33 Other liabilities	482,118	389,580	315,394	569,343	413,454	368,767
34 TOTAL LIABILITIES	19,118,992	19,221,689	18,831,063	19,575,397	19,587,358	19,206,576
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
36 Share premium/(discount)	-	-	-	-	-	-
37 Revaluation reserves	(18,436)	(60,908)	(79,139)	(122,011)	(136,555)	(154,786)
38 Retained earnings/Accumulated losses	1,557,100	1,733,365	1,811,578	1,561,652	1,742,052	1,822,733
39 Statutory loan loss reserves	100,209	114,151	114,151	105,767	120,957	118,717
40 Other Reserves	-	-	-	(11,183)	(30,322)	(38,260)
41 Proposed dividends	-	-	-	-	-	-
42 Capital grants	-	-	-	-	-	-
43 TOTAL SHAREHOLDERS' FUNDS	2,688,873	2,836,608	2,896,590	2,584,225	2,746,132	2,798,404
44 Minority Interest	-	-	-	283,595	284,254	287,127
45 TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	21,807,865	22,058,297	21,727,653	22,443,217	22,617,744	22,292,107
II PROFIT AND LOSS ACCOUNT						
1.0 INTEREST INCOME						
1.1 Loans and advances	519,024	2,287,672	663,732	545,454	2,396,824	688,123
1.2 Government securities	121,035	470,251	104,021	136,860	527,048	115,128
1.3 Deposits and placements with banking institutions	1,139	3,706	11	3,349	25,030	13,972
1.4 Other Interest Income	7,085	25,699	2,610	7,085	25,699	2,625
1.5 Total interest income	648,283	2,787,328	770,374	692,748	2,974,601	819,848
2.0 INTEREST EXPENSE						
2.1 Customer deposits	293,129	1,323,055	454,705	297,777	1,344,269	459,880
2.2 Deposits and placement from banking institutions	6,378	97,941	32,881	7,038	94,399	32,701
2.3 Other interest expenses	41,322	164,051	38,028	41,322	164,051	38,028
2.4 Total interest expenses	340,829	1,585,047	525,614	346,137	1,602,719	530,609
3.0 NET INTEREST INCOME/(LOSS)	307,454	1,202,281	244,760	346,611	1,371,882	289,239
4.0 NON-INTEREST INCOME						
4.1 Fees and commissions on loans and advances	15,043	166,062	42,128	16,412	168,798	44,013
4.2 Other fees and commissions	51,953	155,333	34,102	63,830	186,819	41,037
4.3 Foreign exchange trading income/(Loss)	25,414	60,245	33,925	27,028	64,225	35,110
4.4 Dividend Income	-	-	-	-	-	-
4.5 Other income	1,601	8,781	(1,681)	5,247	43,080	2,006
4.6 Total Non-interest income	94,011	390,421	108,474	112,517	462,922	122,166
5.0 TOTAL OPERATING INCOME	401,465	1,592,702	353,234	459,128	1,834,804	411,405
6.0 OTHER OPERATING EXPENSES						
6.1 Loan loss provision	10,000	77,742	11,200	12,639	88,088	12,154
6.2 Staff costs	142,072	585,803	149,619	164,986	685,120	175,256
6.3 Directors' emoluments	13,359	58,188	14,365	13,359	59,770	14,428
6.4 Rental charges	15,033	69,172	16,793	21,098	94,398	23,956
6.5 Depreciation charge on property and equipment	17,832	62,018	13,888	19,777	69,970	15,740
6.6 Amortisation charges	2,617	16,258	4,227	2,706	16,650	4,331
6.7 Other operating expenses	91,252	368,095	31,409	107,845	432,409	46,023
6.8 Total Other Operating Expenses	292,165	1,237,276	241,501	342,410	1,446,405	291,888
7.0 Profit/(loss) Before Tax and Exceptional Items	109,300	355,426	111,733	116,718	388,399	119,517
8.0 Exceptional Items	-	-	-	-	-	-
9.0 Profit/(Loss) After Exceptional Items	109,300	355,426	111,733	116,718	388,399	119,517
10.0 Current Tax	32,790	82,547	33,520	34,682	95,633	35,963
11.0 Deferred Tax	-	6,161	-	-	2,847	-
12.0 Profit/(Loss) After Tax and Exceptional Items	76,510	266,718	78,213	82,036	289,919	83,554
13.0 Minority Interest	-	-	-	2,512	10,357	2,873
14.0 Profit/(loss) after tax, exceptional items and Minority Interest	76,510	266,718	78,213	79,524	279,562	80,681
15.0 Other Comprehensive Income						
Gains/(Losses) from translating the financial statements of foreign						
15.1 operations	-	-	-	-	-	-
15.2 Fair value changes in available for sale financial assets	(10,188)	(52,660)	(18,231)	(18,242)	(76,917)	(7,874)
15.3 Revaluation surplus on Property, plant and equipment	-	-	-	(10,188)	(30,347)	(18,231)
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	(10,188)	(52,660)	(18,231)	(28,430)	(107,264)	(26,105)
17.0 Total comprehensive income for the year	66,322	214,058	59,982	53,606	182,655	57,449
18.0 EARNINGS PER SHARE- BASIC & DILUTED	0.73	2.54	0.74	0.78	2.66	0.80
19.0 DIVIDEND PER SHARE -DECLARED						
III OTHER DISCLOSURES						
1.0 NON-PERFORMING LOANS AND ADVANCES						
(a) Gross Non-performing loans and advances	1,356,464	2,676,858	2,803,218	1,362,739	2,694,737	2,824,209
(b) Less: Interest in Suspense	337,536	513,773	530,130	337,987	514,280	531,719
(c) Total Non-Performing Loans and Advances (a-b)	1,018,928	2,163,085	2,273,088	1,024,752	2,180,457	2,292,490
(d) Less: Loan Loss Provision	181,094	195,996	195,304	183,663	202,720	201,422
(e) Net Non-Performing Loans and Advances(c-d)	837,834	1,967,089	2,077,784	841,089	1,977,737	2,091,068
(f) Discounted Value of Securities	837,834	1,967,089	2,077,784	841,089	1,977,737	2,091,068
(g) Net NPLs Exposure (e-f)	-	-	-	-	-	-
2.0 INSIDER LOANS AND ADVANCES						
(a) Directors, Shareholders and Associates	202,932	207,629	233,198	202,932	208,312	233,963
(b) Employees	244,891	362,059	388,362	244,891	362,742	389,127
(c) Total Insider Loans and Advances and other facilities	447,823	569,688	621,560	447,823	571,054	623,090
3.0 OFF-BALANCE SHEET ITEMS						
(a) Letters of credit, guarantees, acceptances	2,331,539	901,587	858,040	2,389,885	1,126,545	1,034,541
(b) Forwards, swaps and options	2,539,663	1,181,087	1,114,305	2,539,663	1,181,087	1,114,305
(c) Other contingent liabilities	290,576	56,414	99,910	290,576	56,414	99,910
(d) Total Contingent Liabilities	5,161,778	2,139,088	2,072,255	5,220,124	2,364,046	2,248,756
4.0 CAPITAL STRENGTH						
(a) Core capital	1,966,132	2,180,988	2,220,095			
(b) Minimum Statutory Capital	1,000,000	1,000,000	1,000,000			
(c) Excess/(Deficiency)(a-b)	966,132	1,180,988	1,220,095			
(d) Supplementary Capital	967,987	830,818	780,818			
(e) Total Capital (a+d)	2,934,119	3,011,806	3,000,913			
(f) Total risk weighted assets	18,373,684	18,304,295	18,423,018			
(g) Core Capital/Total deposits Liabilities	12.0%	13.8%	13.9%			
(h) Minimum statutory Ratio	8.0%	8.0%	8.0%			
(i) Excess/(Deficiency) (g-h)	4.0%	5.8%	5.9%			
(j) Core Capital / total risk weighted assets	10.7%	11.9%	12.1%			
(k) Minimum Statutory Ratio	10.5%	10.5%	10.5%			
(l) Excess (Deficiency) (j-k)	0.2%	1.4%	1.6%			
(m) Total Capital/total risk weighted assets	16.0%	16.5%	16.3%			
(n)						

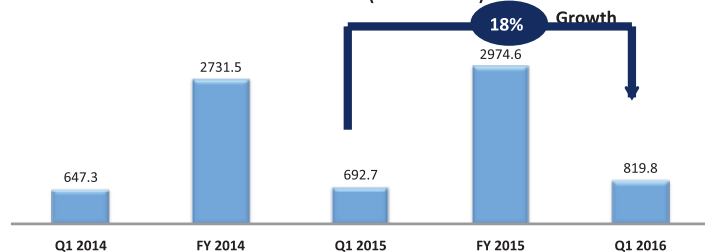
FINANCIAL STATEMENTS

Profit Before Tax (KShs. Million)



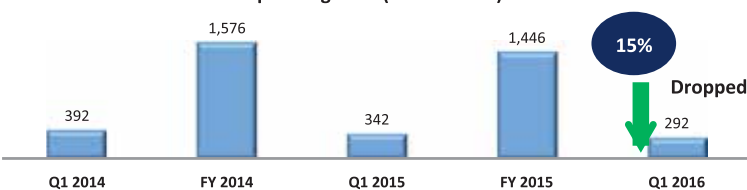
Profit Before Tax grew by Ksh 2.3million to record 2.4% quarter on quarter growth mainly driven by growth in interest income (Ksh 127m) coupled with drop in operating costs. These were partly offset by increase in cost of funds, driven by high cost of Government securities.

Interest Income (KShs. Million)



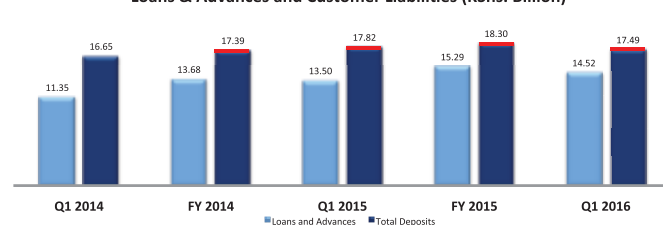
Interest Income recorded 18% (Ksh 127million) growth compared to same period last year in line with 8% growth in customer loans and advances(2016Q1: Ksh 14.5Bn; 2015Q1: Ksh 13.5Bn).

Operating Costs(KShs. Billion)



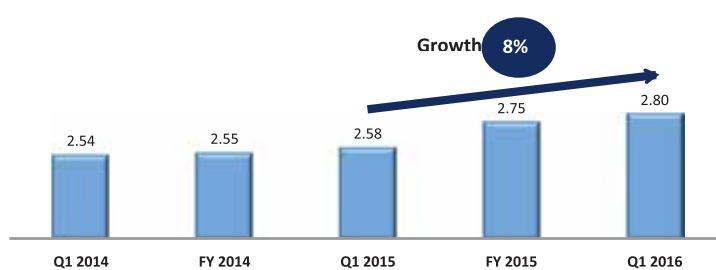
Operating Costs reduced by 15% (Ksh 50million) to Ksh 292million in Q1 2015 compared to same period last year. This was on account of cost saving initiatives implemented during the same period.

Loans & Advances and Customer Liabilities (KShs. Billion)



The loans and advances (net) expanded by 8% (Ksh 1.02 billion) quarter on quarter driven by increased uptake of our loan products (Q1 2015: Ksh. 13.5 billion, Q1 2016: Ksh 14.52 billion)

Shareholders Funds (KShs. Billion)



Shareholders Funds grew by 8% (Ksh 0.22 billion) from Kshs 2.58 billion in Q1 2015 to KShs 2.80 billion in Q1 2016

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%
<i>Excess/(Deficiency)</i>	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%
<i>Excess (Deficiency)</i>	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%
<i>Excess/(Deficiency)</i>	2.7%	1.5%	2.0%	1.8%

LIQUIDITY

	FY 2014	Q1 2015	FY 2015	Q1 2016
Liquidity Ratio (Regulatory Min- (20%))	30.6%	32.6%	22% *	25%
<i>Excess (Deficiency)</i>	10.6%	12.6%	2%	5%

* Strategically maintained at lower levels on account of cost of funds shooting upwards.

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