



Champions of Governance:

Right- Left: ABC Bank Head of Risk & Compliance John Rioba, Company Secretary Victoria Muya and Head of Finance Samuel Muchiri receive the award for 2nd Runners Up in the Financial and Investments Sector category from FCS Sam Ogutha during the Champions of Governance Awards gala (See story inside).

GMD's Statement

Greetings Dear Investor,

It is a delight to greet you and wish you and your family and team a very happy, healthy and productive New Year.

Firstly, the banking sector in Kenya has gone through quite an interesting period since the new law regulating interest rates came to force from September 14th 2016. In spite of the concerns occasioned by the new law, the industry remained resilient and sustained a positive market sentiment that enhanced customer confidence.

Secondly, the new regulation notwithstanding, the sector recorded significant growth this quarter compared to quarter 2. The summative sector balance sheet grew by 2.91 per cent from Sh3.67 trillion in June 2016, according to CBK Credit Officer Survey July-September 2016. Similarly, the industry registered growth in gross loans and ratio of core capital to risk-weighted assets.

Thirdly, we expect that as the industry aligns itself with the new law, and leveraging on customer goodwill and confidence, we will subsequently begin to notice a stronger appetite for credit especially in the key borrowing sectors, a general improvement in the business environment which will ultimately increase cash flows and trigger a reduction in non-performing loans and a corresponding growth in deposits.

Our performance in the third quarter of 2016 is satisfactory, in spite of the unstable macroeconomic environment. During this period, the Bank reported a Profit Before Tax of Sh236 million on account of prudent loan provisioning in light of emerging economic trends and rise in cost of borrowing occasioned by increase in Treasury Bonds and Treasury Bills, which in turn led to reduced spread.

Additionally, our Net Interest Income grew by 16 per cent to Sh2.5 billion up from Sh2.2 billion the same period last year. Our cost efficiency initiatives adopted last year have continued to yield positive results, as our operating expenses decreased significantly during the period. Our key focus is to continue driving efficiency in the business in an effort to provide better service offering to our customers as we pursue more productivity saves in line with our cost leadership strategy.

Our loan book stood at Sh14.1 Billion in Q3 2016. This represents a Compounded Growth Rate (CAGR) of 3 per cent for the period under review. We have implemented strategies to accelerate the growth of customer deposits without losing sight of our customers' need for more channel capabilities as well as more touch points including expanded branch network.

We continue to prudently deploy resources for credit monitoring and recovery efforts, quality service delivery to customers and to shore up shareholder value.

I sincerely thank you for your support.

Best wishes.

Shamar Savani



ABC Bank feted in Corporate Governance Awards



ABC Bank Company Secretary Victoria Muya (left), Head of Finance Samuel Muchiri (center) and Head of Risk & Compliance John Rioba pose with the trophy after the bank awarded 2nd Runners Up in the Financial and Investments Sector category (See story inside).

ABC Bank's star once again shone at the Champions of Governance Awards held at the InterContinental Hotel Nairobi.

The bank was awarded the 2nd Runners Up award in the Financial and Investments sector category in the seventh edition of the awards organized by the Institute of Certified Public Secretaries of Kenya, ICPSK.

ABC Bank was recognized for implementing and complying with high standards of good corporate governance. The bank has also made investments in innovations and processes that support good governance in its internal and external operations and relationship with customers, stakeholders and the regulator.

This award reaffirms ABC Bank's commitment to the principles of transparency, integrity and accountability by safeguarding shareholder interests, employing efficient practices in providing quality service and products to customers, and open corporate communication channels.

ABC Bank sponsors Kite Festival in Kisumu



Mr. Raj Arora, ABC Bank's chief credit officer, presents an award during the event as Mr. Douglas Okiring' ABC Bank Kisumu Branch manager looks on.

The Kite Festival (Uttarayan) is a Hindu celebration which marks the beginning of summer, according to the Indian calendar. It is a signal to farmers that the sun is back and that harvest season is approaching. This day is considered one of the most important harvest days in India, and communities organize kite competitions to celebrate.

ABC Bank sponsored this year's Kite Festival held in Kisumu on Sunday 15th January 2017. The bank joined the local Hindu community in the celebrations and utilized the opportunity to appreciate them for their business support.

Supporting the bright and needy



Lucy Wariara (left) presents the cheque to Mugure as her mother looks on.

ABC Bank came to the aid of a bright student who was a top performer in the 2016 KCPE, to enable her join high school.

Evelyn Mugure was admitted to Karima Girls High, a national school, but could not raise the fees to join the school to pursue her academic dream. ABC Bank stepped in and supported her financially to put her on the path to her dream.

While presenting the cheque to Mugure, ABC Bank Head of HR Lucy Wariara encouraged her to be resilient and to conquer the challenges ahead in order to excel and live the life she aspires to.

The donation is in line with the Bank's corporate social responsibility policy which focuses on among other areas, educational development of needy yet bright students to empower them achieve the extra-ordinary, supported by personal guidance and mentoring by the ABC Bank team.

Zooming in on Dubai

The Diaspora Banking team went on a week-long marketing blitz to the world's luxury capital-Dubai, in an effort to strengthen ties with its Diaspora customer base as well as create new relationships. During the trip, from 11th to 17th December, the team held meetings with different groups of Kenyans living and working there.

This was part of ABC Bank's strategy on Diaspora engagement and partnership-building to harness the emerging opportunities both in the Middle East and in Kenya that the Diaspora Community can take advantage of.

ABC Bank recognizes the crucial role Kenyans in Diaspora play in building the economy of the motherland Kenya, and is keen on partnering with them to conveniently midwife that process. For instance, Kenyans working abroad increased the money they sent back to the country by 6.3 per cent in June to hit a record Sh15.6 billion, according to the latest data from the Central Bank of Kenya (CBK).

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 30TH SEPTEMBER, 2016

I BALANCE SHEET		Bank	Bank	Bank	Bank	Bank	Group	Group	Group	Group	Group
		30 th Sept 2015 Unaudited Shs '000'	31 st Dec 2015 Audited Shs '000'	31 st Mar 2016 Unaudited Shs '000'	30 th Jun 2016 Unaudited Shs '000'	30 th Sept 2016 Unaudited Shs '000'	30 th Sept 2015 Unaudited Shs '000'	31 st Dec 2015 Audited Shs '000'	31 st Mar 2016 Unaudited Shs '000'	30 th Jun 2016 Unaudited Shs '000'	30 th Sept 2016 Unaudited Shs '000'
A	ASSETS										
1	Cash (both Local & Foreign)	141,067	181,083	176,534	181,507	165,917	180,428	224,355	221,456	231,953	210,867
2	Balances due from Central Bank of Kenya	803,677	903,947	1,192,352	3,398,270	1,118,697	866,341	1,006,547	1,307,144	3,454,108	1,201,935
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:	3,715,772	3,398,545	2,900,091	2,921,914	2,899,563	4,207,313	3,848,018	3,297,451	3,518,298	3,430,976
a.	Kenya Government securities	3,498,044	3,241,430	2,900,091	2,921,914	2,899,563	3,498,044	3,241,430	2,900,091	2,921,914	2,899,563
b.	Other securities	217,728	157,115	-	-	-	709,269	606,588	397,360	596,384	531,413
b)	Available for sale:	485,747	499,621	480,881	500,375	519,538	485,747	499,621	480,881	500,375	519,538
a.	Kenya Government securities	485,747	499,621	480,881	500,375	519,538	485,747	499,621	480,881	500,375	519,538
b.	Other securities	-	-	-	-	-	-	-	-	-	-
6	Deposits and balances due from local banking institutions	106,501	91,784	82,963	92,138	105,414	106,650	98,937	95,333	98,212	118,984
7	Deposits and balances due from banking institutions abroad	117,674	31,481	145,324	65,609	222,980	394,259	343,715	480,108	298,766	413,340
8	Tax recoverable	80,302	20,655	20,655	20,655	20,655	81,899	35,038	34,777	35,383	35,187
9	Loans and advances to customers (net)	13,807,808	14,828,522	14,062,190	14,096,987	13,637,212	14,309,624	15,292,071	14,518,774	14,450,667	14,060,068
10	Balances due from banking institutions in the group	11,207	11,479	12,112	12,370	12,530	-	-	-	-	-
11	Investments in associates	-	-	-	-	-	-	-	-	-	-
12	Investments in subsidiary companies	885,405	885,405	885,405	885,405	885,405	-	-	-	-	-
13	Investments in joint ventures	-	-	-	-	-	-	-	-	-	-
14	Investment properties	-	-	-	-	-	-	-	-	-	-
15	Property and equipment	502,504	498,770	527,216	517,904	509,764	536,466	532,416	558,792	548,547	538,000
16	Prepaid lease rentals	-	-	-	-	-	-	-	-	-	-
17	Intangible assets	135,039	132,362	128,134	125,286	121,803	135,433	132,719	128,385	125,515	121,975
18	Deferred tax asset	31,501	25,440	25,440	25,440	25,440	33,078	29,943	30,046	32,563	32,383
19	Retirement benefit asset	-	-	-	-	-	-	-	-	-	-
20	Other assets	933,961	549,203	1,088,356	1,195,629	1,400,681	983,274	574,364	1,138,960	1,254,025	1,588,794
21	TOTAL ASSETS	21,758,165	22,058,297	21,727,653	24,039,489	21,645,599	22,320,512	22,617,744	22,292,107	24,548,412	22,272,047
B	LIABILITIES										
22	Balances due to Central Bank of Kenya	-	1,098,624	838,402	3,326,546	1,397,054	-	1,098,624	838,402	3,326,546	1,397,054
23	Customer deposits	16,779,715	15,774,465	15,995,342	15,891,610	15,321,123	17,315,052	16,300,473	16,485,489	16,239,661	15,790,918
24	Deposits and balances due to local banking institutions	-	370,229	101,449	-	-	-	370,229	101,449	84,105	95,796
25	Deposits and balances due to foreign banking institutions	167,692	184,213	196,942	185,080	245,040	-	-	24,387	-	251
26	Other money market deposits	-	-	-	-	-	-	-	-	-	-
27	Borrowed funds	1,429,263	1,404,578	1,350,014	1,324,988	1,347,737	1,429,263	1,404,578	1,350,014	1,324,988	1,347,737
28	Balances due to banking institutions in the group	-	-	-	-	-	-	-	-	-	-
29	Tax payable	82,601	-	33,520	45,744	60,747	89,933	-	38,068	49,813	68,171
30	Dividends payable	-	-	-	-	-	-	-	-	-	-
31	Deferred tax liability	-	-	-	-	-	-	-	-	-	-
32	Retirement benefit liability	-	-	-	-	-	-	-	-	-	-
33	Other liabilities	548,927	389,580	315,394	321,994	275,866	567,019	413,454	368,767	356,876	373,968
34	TOTAL LIABILITIES	19,008,198	19,221,689	18,831,063	21,095,962	18,647,567	19,401,267	19,587,358	19,206,576	21,381,989	19,073,895
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	(73,569)	(60,908)	(79,139)	(60,727)	(41,228)	(173,206)	(136,555)	(154,786)	(136,374)	(125,363)
38	Retained earnings/Accumulated losses	1,673,327	1,733,365	1,811,578	1,840,103	1,875,109	1,684,485	1,742,052	1,822,733	1,858,333	1,897,959
39	Statutory loan loss reserves	100,209	114,151	114,151	114,151	114,151	105,227	120,957	118,717	117,687	118,547
40	Other Reserves	-	-	-	-	-	(28,197)	(30,322)	(38,260)	(15,261)	(37,708)
41	Proposed dividends	-	-	-	-	-	-	-	-	-	-
42	Capital grants	-	-	-	-	-	-	-	-	-	-
43	TOTAL SHAREHOLDERS' FUNDS	2,749,967	2,836,608	2,896,590	2,943,527	2,998,032	2,638,309	2,746,132	2,798,404	2,874,385	2,903,435
44	Minority Interest	-	-	-	-	-	280,936	284,254	287,127	292,038	294,717
45	TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	21,758,165	22,058,297	21,727,653	24,039,489	21,645,599	22,320,512	22,617,744	22,292,107	24,548,412	22,272,047
II PROFIT AND LOSS ACCOUNT											
1.0	INTEREST INCOME										
1.1	Loans and advances	1,669,969	2,287,672	663,732	1,393,628	2,095,317	1,751,780	2,396,824	688,123	1,441,394	2,165,458
1.2	Government securities	366,456	470,251	104,021	202,338	295,664	408,074	527,048	115,128	228,009	338,354
1.3	Deposits and placements with banking institutions	3,573	3,706	11	31	1,918	18,151	25,030	13,972	23,423	31,336
1.4	Other Interest Income	20,287	25,699	2,610	2,610	2,610	20,304	25,699	2,625	3,820	4,279
1.5	Total interest income	2,060,285	2,787,328	770,374	1,598,607	2,395,509	2,198,309	2,974,601	819,848	1,696,646	2,539,427
2.0	INTEREST EXPENSE										
2.1	Customer deposits	928,048	1,323,055	454,705	843,590	1,288,081	943,734	1,344,269	459,880	854,426	1,305,939
2.2	Deposits and placement from banking institutions	33,829	97,941	32,881	111,468	151,730	34,589	94,399	32,701	106,843	143,413
2.3	Other interest expenses	123,782	164,051	38,028	76,180	113,570	123,782	164,051	38,028	76,180	113,570
2.4	Total interest expenses	1,085,659	1,585,047	525,614	1,031,238	1,553,381	1,102,105	1,602,719	530,609	1,037,449	1,562,922
3.0	NET INTEREST INCOME/(LOSS)	974,626	1,202,281	244,760	567,369	842,128	1,096,204	1,371,882	289,239	659,197	976,505
4.0	NON-INTEREST INCOME										
4.1	Fees and commissions on loans and advances	124,429	166,062	42,128	61,266	84,825	128,637	168,798	44,013	64,777	90,029
4.2	Other fees and commissions	112,886	155,333	34,102	92,166	135,877	139,698	186,819	41,037	105,946	153,838
4.3	Foreign exchange trading income/(Loss)	62,655	60,245	33,925	39,326	48,650	66,919	64,225	35,110	41,534	52,038
4.4	Dividend Income	-	-	-	-	27	-	-	-	-	73
4.5	Other income	(9,981)	8,781	(1,681)	(6,090)	(5,973)	17,601				