



African Banking Corporation IMUESTOT NEWS

February 2017 Issue 08



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'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



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



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**

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

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

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).

VISION: Empowering you to achieve the extraordinary

FINANCIAL STATEMENTS



AFRICAN BANKING CORPORATION LTD.

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QUARTERLY FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT

	30 TH SEPTEMBER, 2016										
1	BALANCE SHEET	Bank 30 th Sept 2015 Unaudited	Bank 31st Dec 2015 : Audited	Bank 31st Mar 2016 : Unaudited	Bank 30 th Jun 2016 Unaudited	Bank 30 th Sept 2016 3 Unaudited	Group 50 th Sept 2015 3 Unaudited	Group 51st Dec 2015 3 Audited	Group 31st Mar 2016 3 Unaudited	Group 30 th Jun 2016 3 Unaudited	Group Oth Sept 2016 Unaudited
A	ASSETS Cash (both Local & Foreign)	Shs '000' 141,067	Shs '000' 181,083	Shs '000' 176,534	Shs '000' 181,507	Shs '000' 165,917	Shs '000' 180,428	Shs '000' 224,355	Shs '000' 221,456	Shs '000' 231,953	Shs '000' 210,867
2	Balances due from Central Bank of Kenya Kenya Government and other securities held for dealing purposes	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
4 5	Financial Assets at fair value through profit and loss 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 b. Other securities	3,498,044 217,728	3,241,430 157,115	2,900,091	2,921,914	2,899,563	3,498,044 709,269	3,241,430 606,588	2,900,091 397,360	2,921,914 596,384	2,899,563 531,413
	b) Available for sale: a. Kenya Government securities b. Other securities	485,747 485,747	499,621 499,621	480,881 480,881	500,375 500,375	519,538 519,538	485,747 485,747	499,621 499,621	480,881 480,881	500,375	519,538 519,538 -
6 7	Deposits and balances due from local banking institutions Deposits and balances due from banking institutions	106,501 117,674	91,784 31,481	82,963 145,324	92,138 65,609	105,414 222,980	106,650 394,259	98,937 343,715	95,333 480,108	98,212 298,766	118,984 413,340
8 9	abroad Tax recoverable Loans and advances to customers (net)	80,302 13,807,808	20,655 14,828,522	20,655 14,062,190	20,655 14,096,987	20,655 13,637,212	81,899 14,309,624	35,038 15,292,071	34,777 14,518,774	35,383 14,450,667	35,187 14,060,068
10 11 12	Balances due from banking institutions in the group Investments in associates Investments in subsidiary companies	11,207 885,405	11,479 885,405	12,112 885,405	12,370 885,405	12,530 885,405	-	-	-	-	-
13	Investments in joint ventures Investment properties Property and equipment	502,504	498,770	527,216	517,904	509,764	- - 536,466	- - 532,416	- - 558,792	- - 548,547	- - 538,000
16 17 18	Prepaid lease rentals Intangible assets Deferred tax asset	135,039 31,501	132,362 25,440	128,134 25,440	125,286 25,440	121,803 25,440	135,433 33,078	132,719 29,943	128,385 30,046	125,515 32,563	121,975 32,383
19 20 21	Retirement benefit asset Other assets TOTAL ASSETS	933,961 21,758,165	549,203 22,058,297	1,088,356 21,727,653	1,195,629 24,039,489	1,400,681 21,645,599	983,274 22,320,512	574,364 22,617,744	1,138,960 22,292,107	1,254,025 24,548,412	1,588,794 22,272,047
B 22 23	LIABILITIES Balances due to Central Bank of Kenya Customer deposits	16,779,715	1,098,624 15,774,465	838,402 15,995,342	3,326,546 15,891,610	1,397,054 15,321,123	17,315,052	1,098,624 16,300,473	838,402 16,485,489	3,326,546 16,239,661	1,397,054 15,790,918
24 25	Deposits and balances due to local banking institutions Deposits and balances due to foreign banking	167,692	370,229 184,213	101,449 196,942	185,080	245,040		370,229	101,449 24,387	84,105	95,796 251
26 27	institutions Other money market deposits 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 29 30	Balances due to banking institutions in the group Tax payable Dividends payable	82,601	-	33,520	45,744 -	60,747	89,933 -	-	38,068 -	49,813	68,171 -
31 32 33	Deferred tax liability Retirement benefit liability Other liabilities	- - 548,927	389,580	- - 315,394	321,994	- - 275,866	567,019	- 413,454	- - 368,767	356,876	- 373,968
34 C 35	TOTAL LIABILITIES SHAREHOLDERS' FUNDS Paid up /Assigned capital	1 9,008,198 1,050,000	1 9,221,689 1,050,000	1 8,831,063 1,050,000	21,095,962 1,050,000	1 8,647,567 1,050,000	19,401,267 1,050,000	19,587,358 1,050,000	1 9,206,576 1,050,000	21,381,989 1,050,000	1 9,073,895 1,050,000
36 37 38	Share premium/(discount) Revaluation reserves Retained earnings/Accumulated losses	(73,569) 1,673,327	(60,908) 1,733,365	(79,139) 1,811,578	(60,727) 1,840,103	(41,228) 1,875,109	(173,206) 1,684,485	(136,555) 1,742,052	(154,786) 1,822,733	(136,374) 1,858,333	(125,363) 1,897,959
39 40 41	Statutory loan loss reserves Other Reserves Proposed dividends	100,209	114,151	114,151	114,151	114,151	105,227 (28,197)	120,957 (30,322)	118,717 (38,260)	117,687 (15,261)	118,547 (37,708)
42 43	Capital grants TOTAL SHAREHOLDERS' FUNDS Minority Interest	2,749,967	2,836,608	2,896,590	- 2,943,527	2,998,032	2,638,309 280,936	2,746,132 284,254	2,798,404 287,127	2,874,385 292,038	- 2,903,435 294,717
45 II	TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS PROFIT AND LOSS ACCOUNT	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
1.1 1.2	INTEREST INCOME Loans and advances Government securities	1,669,969 366,456	2,287,672 470,251	663,732 104,021	1,393,628 202,338	2,095,317 295,664	1,751,780 408,074	2,396,824 527,048	688,123 115,128	1,441,394 228,009	2,165,458 338,354
1.4 1.5	Deposits and placements with banking institutions Other Interest Income Total interest income	3,573 20,287 2,060,285	3,706 25,699 2,787,328	11 2,610 770,374	31 2,610 1,598,607	1,918 2,610 2,395,509	18,151 20,304 2,198,309	25,030 25,699 2,974,601	13,972 2,625 819,848	23,423 3,820 1,696,646	31,336 4,279 2,539,427
2.1 2.2	INTEREST EXPENSE Customer deposits Deposits and placement from banking institutions	928,048 33,829	1,323,055 97,941	454,705 32,881	843,590 111,468	1,288,081 151,730	943,734 34,589	1,344,269 94,399	459,880 32,701	854,426 106,843	1,305,939 143,413
2.4 3.0	Other interest expenses Total interest expenses NET INTEREST INCOME/(LOSS)	123,782 1,085,659 974,626	164,051 1,585,047 1,202,281	38,028 525,614 244,760	76,180 1,031,238 567,369	113,570 1,553,381 842,128	123,782 1,102,105 1,096,204	164,051 1,602,719 1,371,882	38,028 530,609 289,239	76,180 1,037,449 659,197	113,570 1,562,922 976,505
	NON-INTEREST INCOME Fees and commissions on loans and advances Other fees and commissions	124,429 112,886	166,062 155,333	42,128 34,102	61,266 92,166	84,825 135,877	128,637 139,698	168,798 186,819	44,013 41,037	64,777 105,946	90,029 153,838
4.3 4.4 4.5	Foreign exchange trading income/(Loss) Dividend Income Other income	62,655 (9,981)	60,245 8,781	33,925 (1,681)	39,326 27 (6,090)	48,650 73 (5,973)	66,919 - 17,601	64,225 43,080	35,110 2,006	41,534 27 7,029	52,038 73 19,119
4.6 5.0 6.0	Total Non-interest income TOTAL OPERATING INCOME OTHER OPERATING EXPENSES	289,989 1,264,615	390,421 1,592,702	108,474 353,234	186,695 754,064	263,452 1,105,580	352,855 1,449,059	462,922 1,834,804	122,166 411,405	219,313 878,510	315,097 1,291,602
6.1 6.2 6.3	Loan loss provision Staff costs Directors' emoluments	127,044 447,318 42,852	77,742 585,803 58,188	11,200 149,619 14,365	82,351 309,572 28,025	101,876 475,301 41,992	136,677 517,908 42,852	88,088 685,120 59,770	12,154 175,256 14,428	84,660 360,170 28,155	105,015 550,001 42,181
6.4 6.5	Rental charges Depreciation charge on property and equipment Amortisation charges	50,664 47,518 12,084	69,172 62,018 16,258	16,793 13,888 4,227	32,949 27,269 8,454	48,808 40,201 12,401	69,604 53,101 12,367	94,398 69,970 16,650	23,956 15,740 4,331	47,700 31,144 8,580	70,293 45,891 12,541
6.7 6.8	Other operating expenses Total Other Operating Expenses Profit/(loss) Before Tax and Exceptional Items	261,797 989,277 275,338	368,095 1,237,276 355,426	31,409 241,501 111,733	112,962 601,582 152,482	182,510 903,089 202,491	313,997 1,146,506 302,553	432,409 1,446,405 388,399	46,023 291,888 119,517	144,141 704,550 173,960	229,492 1,055,414 236,188
8.0 9.0	Exceptional Items Profit/(Loss) After Exceptional Items Current Tax	275,338 82,601	355,426 82,547	111,733 33,520	152,482 45,744	202,491 60,747	302,553 92,511	388,399 95,633	119,517 35,963	173,960 49,895	236,188 69,818
11.0 12.0	Deferred Tax Profit/(Loss) After Tax and Exceptional Items Minority Interest	192,737	6,161 266,718	78,213	106,738	141,744	210,042 7,685	2,847 289,919 10,357	83,554 2,873	124,065 7,784	166,370 10,463
14.0	Profit/(loss) after tax, exceptional items and Minority Interest Other Comprehensive Income	192,737	266,718	78,213	106,738	141,744	202,357	279,562	80,681	116,281	155,907
15.1	Gains/(Losses) from translating the financial statements of foreign operations	- (65.721)	- (52.550)	- (10.271)	-	-	(73,816)	(76,917)	(7,874)	15,061	(7,386)
15.3 15.4	Fair value changes in available for sale financial assets Revaluation surplus on Property, plant and equipment Share of other comprehensive income of associates	(65,321) - -	(52,660) - -	(18,231) - -	181 - -	19,680 - -	(65,321) - -	(30,347) - -	(18,231) - -	181 - -	19,680 - -
16.0	Income tax relating to components of other comprehensive income Other Comprehensive Income for the year net of tax	(65,321)	(52,660)	(18,231)	181	19,680	(139,137)	(107,264)	(26,105)	15,242	12,294
18.0 19.0	Total comprehensive income for the year EARNINGS PER SHARE- BASIC & DILUTED DIVIDEND PER SHARE -DECLARED	127,416 1.84	214,058 2.54	59,982 0.74	106,919 1.02	161,424 1.35	70,905 2.00	182,655 2.66	57,449 0.80	139,307 1.18	178,664 1.58
	OTHER DISCLOSURES NON-PERFORMING LOANS AND ADVANCES (a) Gross Non-performing loans and advances	2,629,721	2,676,858	2,803,218	2,821,502	2,825,408	2,647,654	2,694,737	2,824,209	2,839,822	2,842,626
	(b) Less: Interest in Suspense (c)Total Non-Performing Loans and Advances (a-b) (d) Less: Loan Loss Provision	426,722 2,202,999 221,657	513,773 2,163,085 195,996	530,130 2,273,088 195,304	554,838 2,266,664 215,681	555,957 2,269,451 234,798	427,600 2,220,054 231,600	514,280 2,180,457 202,720	531,719 2,292,490 201,422	555,799 2,284,023 221,116	557,597 2,285,029 240,034
	(e) Net Non-Performing Loans and Advances(c-d) (f) Discounted Value of Securities (g) Net NPLs Exposure (e-f)	1,981,342 1,981,342	1,967,089 1,967,089	2,077,784 2,077,784	2,050,983 2,050,983	2,034,653 2,034,653	1,988,454 1,988,454	1,977,737 1,977,737	2,091,068 2,091,068	2,062,907 2,062,907	2,044,995 2,044,995
2.0	(a) Net NFLS Exposure (e-1) INSIDER LOANS AND ADVANCES (a) Directors, Shareholders and Associates (b) Employees	196,321 322.438	207,629 362,059	233,198 388,362	230,662 423,013	221,220 459,378	197,080 323,197	208,312 362,742	233,963 389,127	230,934 423,285	- 221,791 459,949
7.	(c)Total Insider Loans and Advances and other facilities	518,759	569,688	621,560	653,675	680,598	520,277	571,054	623,090	654,219	681,740
3.0	OFF-BALANCE SHEET ITEMS (a) Letters of credit, guarantees, acceptances (b) Forwards, swaps and options (c) Characteristics of the state	1,857,205 2,265,811	901,587 1,181,087	858,040 1,114,305	1,101,167 952,935	796,819 473,747	2,068,895 2,265,811	1,126,545 1,181,087	1,034,541 1,114,305	1,230,001 952,935	832,912 473,747
4.0	(c)Other contingent liabilities (d)Total Contingent Liabilities CAPITAL STRENGTH	753,296 4,876,312	56,414 2,139,088	99,910 2,072,255	13,631 2,067,733	33,629 1,304,195	753,296 5,088,002	56,414 2,364,046	99,910 2,248,756	13,631 2,196,567	33,629 1,340,288
	(a)Core capital (b) Minimum Statutory Capital (c)Excess/(Dificiency)(a-b)	2,024,582 1,000,000 1,024,582	2,180,988 1,000,000 1,180,988	2,220,095 1,000,000 1,220,095	2,234,357 1,000,000 1,234,357	2,251,860 1,000,000 1,251,860					
	(d) Supplementary Capital (e) Total Capital (a+d) (f)Total risk weighted assets	866,876 2,891,458 18,921,715	830,818 3,011,806 18,304,295	780,818 3,000,913 18,423,018	730,818 2,965,175 18,717,659	680,818 2,932,678 18,324,816					
	(g) Core Capital/Total deposits Liabilities (h) Minimum statutory Ratio (l) Excess/(Deficiency) (g-h)	12.1% 8.0% 4.1%	13.8% 8.0% 5.8%	13.9% 8.0% 5.9%	14.1% 8.0% 6.1%	14.7% 8.0% 6.7%					
	(j) Core Capital / total risk weighted assets (k) Minimum Statutory Ratio (l) Excess (Deficiency) (j-k)	10.7% 10.5% 0.2%	11.9% 10.5% 1.4%	12.1% 10.5% 1.6%	11.9% 10.5% 1.4%	12.3% 10.5% 1.8%					
	(m) Total Capital/total risk weighted assets (n) Minimum statutory Ratio (o) Excess/(Deficiency) (m-n)	15.3% 14.5% 0.8%	16.5% 14.5% 2.0%	16.3% 14.5% 1.8%	15.8% 14.5% 1.3%	16.0% 14.5% 1.5%					
14.1 14.2	LIQUIDITY (a) Liquidity Ratio (b) Minimum Statutory Ratio	29.5% 20.0%	21.4% 20.0%	24.5% 20.0%	23.2% 20.0%	23.5% 20.0%					
	(c) Excess (Deficiency) (a-b) inancial statements are extracts from the books of the insti	9.5% itution The com	1.4% plete set of qua	4.5% rterly financial s	3.2%	3.5%	ative disclosures	s can be accesse	ed on the instit	ution's website	www.abcthe-

The financial statements are extracts from the books of the institution. The complete set of quarterly 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.

SHAMAZ SAVANI GROUP MANAGING DIRECTOR

JOSEPH K. MUIRURI DIRECTOR