



ABC VISION

InvestorNews

Issue 10

June 2017



Inside our newlook Westlands Branch

...from the **GMD**

Dear Investor,

Warm greetings to you. I trust that you have been well since our last issue of this newsletter. The second quarter of 2016 has been a momentous one for us, with a flurry of activities as we seek to better serve our customers.

During this year's Banking Awards organized by Think Business, we were awarded 'Bank with the Lowest Charges for SMEs' (2nd Runners Up). This confirms our commitment to deepening access to premium financial services to more Kenyans. We owe it to you, our partners, without whom it would not have been possible.

Our branch revamp continues, and this quarter, our Koinange Branch has moved to a better and convenient location on College House at the junction of University Way and Koinange Street.

And that's not all; we will soon launch an online Forex trading platform that will allow customers to conduct their trading activities over the internet. It will be available both as a web service and as a mobile application. This will definitely be a game-changer in our forex markets strategy.

Lastly, our Diaspora Banking team toured the US - Texas, Massachusetts and Wichita, where they interacted with Kenyans as part of our Diaspora outreach plans. This visit is the second in less than a year. The outreach is part of our plans to expand our reach to more Kenyans abroad through relationship-building.

We have realized numerous business opportunities from these engagements, and we will continue to pursue that avenue to tap into emerging opportunities in the Diaspora market.

Once again, thank you for your support. I wish you all the best in your endeavours.

Shamar Savani
Group MD



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ABC Bank Relationship Managers Shadrack Maingi- Corporate (left), Joan Numa- Retail (2nd left) and Senior Credit Analyst Denis Musyoka (right) receive the award from Think Business CEO Ochieng Oloo (2nd right).

ABC Bank bags SME banking award

ABC Bank was named 'Bank with the Lowest Charges for SMEs' (2nd Runners Up) in Kenya. The bank scooped the award during the 2017 Banking Awards gala organised by Think Business. This award affirms the bank's commitment in supporting the SME sector as a key driver of the economy, by offering tailor-made financial solutions at favourable rates.

ABC Bank has over the years solidified its market position as the preferred SME bank in a country with more than 17 million SMEs, with 98 percent of them contributing 25 percent of the country's GDP and employing up to 50 percent of the workforce, according to the Kenya National Bureau of Statistics.

ABC Bank has a fully-fledged and dedicated SME Banking Unit run by a team of professional and experienced bankers with practical understanding of the SME segment. Every client is assigned a dedicated Relationship Manager and Relationship Officer to walk with them through their daily pursuit of business growth and success. Our team regularly meets all clients at their business premises to listen to their needs and offer free expert business development and management advisory.





Koinange Street Branch during a training session.



Staff in a group discussion exercise during the training

ABC Bank staff trained on 2017 strategy

The HR department organized a series of bank-wide training sessions on the bank's strategy for 2017 and beyond. The training was aimed at deepening understanding and encouraging implementation of the bank's key plans as outlined in our strategy for the year.

The strategy, dubbed the '7Cs Strategy' is a deftly laid out and clear plan that guides the bank and all staff towards the realization of key business objectives this year. It has been designed to help the bank focus on core business areas with highest growth potential, provide a performance measurement framework and a medium-term to long-term focus on the success path.



The strategy workshops were a wonderful eye-opener. I understand the strategy better now and I am already on track implementing it in my line of work

- Ruth Mbugua, Marketing.



I had seen the strategy before, but many things were not very clear to me. The training clarified every aspect of it and brought out the relevance of my role in respect to the larger scheme of things in a very simple and personal manner. I am better equipped to make my contribution count

- Dennis Mutunga, SME Banking.





ABC Bank supports Mater Heart Run

ABC Bank sponsored this year's Mater Heart Run held on Saturday 20th May at the Nyayo National Stadium.

Presenting the cheque to the Mater Misericordiae Hospital, ABC Bank's Head of Retail Banking Amanda Corline said the bank is committed to investing in health care support initiatives as a way of giving back to communities where it has operations. Started in 1996, the Mater Heart Run is an annual event that seeks to raise funds for the treatment of children with heart conditions, either through open-heart surgery or interventional cardiac catheterization.

Since inception, the Mater Cardiac Program has benefited over 3,000 children. The program has grown from handling 20 open-heart operations to 200 cases a year. Majority of the beneficiaries are Kenyan children; however, children from Uganda, Tanzania, Ethiopia, Malawi and Zambia have also benefited from the fund.

ABC Bank's Head of Retail Banking Amanda Corline (left) presents the sponsorship cheque to Mater Hospital's Chief Executive Officer Dr. Kennedy Manyonyi (right) and Sister Felista Thiong'o



ABC Bank's Chief Credit Officer Raj Arora (right) Mombasa Branch Relationship Manager Mbugua Muiruri (centre) and Customer Service Officer Wafaa Al-amry (left) present a sponsorship cheque to the Chairman of The Medical Fund Siri Guru Singh Sabha community Arjinder Pal Singh Bamrah during fund's food festival held in Mombasa.

ABC Bank supports The Medical Fund of Siri Guru Singh Sabha food festival

ABC Bank sponsored the food festival and fun day organized by the Medical Fund of Siri Guru Singh Sabha in Mombasa on 20th May. It was also the fund's 23rd anniversary celebration.

The Medical Fund is a Sikh charitable health fund founded on the principles of hard work, sincerity, honesty and sharing with others. It mobilises resources from its members who contribute to a common pool from which all benefit equitably.

The Bank's sponsorship was in appreciation of the fruitful relationship it has had with the Sikh community in Mombasa and across Kenya.

FINANCIAL STATEMENTS



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UN-AUDITED QUARTERLY FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 31ST MARCH 2017

I STATEMENT OF FINANCIAL POSITION	Bank	Bank	Bank	Group	Group	Group
	31 st Mar 2016	31 st Dec 2016	31 st Mar 2017	31 st Mar 2016	31 st Dec 2016	31 st Mar 2017
	Unaudited Shs '000'	Audited Shs '000'	Unaudited Shs '000'	Unaudited Shs '000'	Audited Shs '000'	Unaudited Shs '000'
A ASSETS						
1 Cash (both Local & Foreign)	176,534	155,946	186,141	221,456	204,601	254,718
2 Balances due from Central Bank of Kenya	1,192,352	1,238,857	1,304,344	1,307,144	1,301,923	1,377,968
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	2,900,091	2,920,747	2,906,885	3,297,451	3,391,142	3,324,858
b. Other securities	-	-	-	397,360	470,395	417,973
b) Available for sale:						
a. Kenya Government securities	480,881	504,209	510,578	480,881	504,209	510,578
b. Other securities	-	-	-	-	-	-
6 Deposits and balances due from local banking institutions	82,963	426,014	371,149	95,333	432,314	455,181
7 Deposits and balances due from banking institutions abroad	145,324	804,091	565,171	480,108	978,614	692,323
8 Tax recoverable	20,655	19,219	19,219	34,777	33,717	33,982
9 Loans and advances to customers (net)	14,062,190	14,228,599	13,656,946	14,518,774	14,641,988	14,097,299
10 Balances due from banking institutions in the group	12,112	12,731	12,912	-	-	-
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	527,216	515,978	512,251	558,792	546,353	542,693
16 Prepaid lease rentals	-	-	-	-	-	-
17 Intangible assets	128,134	122,352	119,036	128,385	123,796	119,818
18 Deferred tax asset	25,440	25,084	25,084	30,046	31,538	32,027
19 Retirement benefit asset	-	-	-	-	-	-
20 Other assets	1,088,356	563,119	1,603,414	1,138,960	674,773	1,773,129
21 TOTAL ASSETS	21,727,653	22,422,351	22,678,535	22,292,107	22,864,968	23,214,574
B LIABILITIES						
22 Balances due to Central Bank of Kenya	838,402	1,392,756	-	838,402	1,392,756	-
23 Customer deposits	15,995,342	16,078,445	17,686,762	16,485,489	16,573,195	18,145,638
24 Deposits and balances due to local banking institutions	101,449	-	-	101,449	7,603	-
25 Deposits and balances due to foreign banking institutions	196,942	344,133	330,462	24,387	152,240	216,290
26 Other money market deposits	-	-	-	-	-	-
27 Borrowed funds	1,350,014	1,248,742	1,201,280	1,350,014	1,248,742	1,201,280
28 Balances due to banking institutions in the group	-	-	-	-	-	-
29 Tax payable	33,520	-	18,428	38,068	-	21,112
30 Dividends payable	-	-	-	-	-	-
31 Deferred tax liability	-	-	-	-	-	-
32 Retirement benefit liability	-	-	-	-	-	-
33 Other liabilities	315,394	361,512	394,649	368,767	393,199	487,315
34 TOTAL LIABILITIES	18,831,063	19,425,588	19,631,581	19,206,576	19,767,735	20,071,635
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	(79,139)	(58,014)	(50,820)	(154,786)	(159,156)	(162,112)
38 Retained earnings/Accumulated losses	1,811,578	1,920,510	1,963,507	1,822,733	1,938,517	1,979,291
39 Statutory loan loss reserves	114,151	84,267	84,267	118,717	84,770	84,267
40 Other Reserves	-	-	-	(38,260)	(82,517)	(75,170)
41 Proposed dividends	-	-	-	-	-	-
42 Capital grants	-	-	-	-	-	-
43 TOTAL SHAREHOLDERS' FUNDS	2,896,590	2,996,763	3,046,954	2,798,404	2,831,614	2,876,276
44 Minority Interest	-	-	-	287,127	265,619	266,663
45 TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	21,727,653	22,422,351	22,678,535	22,292,107	22,864,968	23,214,574

II STATEMENT OF COMPREHENSIVE INCOME						
1.0 INTEREST INCOME						
1.1 Loans and advances	663,732	2,620,574	501,191	688,123	2,715,634	524,920
1.2 Government securities	104,021	392,726	96,832	115,128	446,295	110,747
1.3 Deposits and placements with banking institutions	11	6,238	10,483	13,972	47,319	8,711
1.4 Other Interest Income	2,610	2,610	-	2,625	2,923	301
1.5 Total interest income	770,374	3,022,148	608,506	819,848	3,212,171	644,679
2.0 INTEREST EXPENSE						
2.1 Customer deposits	454,705	1,689,614	362,061	459,880	1,712,712	369,068
2.2 Deposits and placement from banking institutions	32,881	189,821	30,830	32,701	182,777	22,061
2.3 Other interest expenses	38,028	150,284	36,954	38,028	150,284	36,954
2.4 Total interest expenses	525,614	2,029,719	429,845	530,609	2,045,773	428,083
3.0 NET INTEREST INCOME/(LOSS)	244,760	992,429	178,661	289,239	1,166,398	216,596
4.0 NON-INTEREST INCOME						
4.1 Fees and commissions on loans and advances	42,128	225,455	94,430	44,013	232,536	96,197
4.2 Other fees and commissions	34,102	203,470	30,332	41,037	225,911	37,883
4.3 Foreign exchange trading income/(Loss)	33,925	81,837	21,091	35,110	86,425	22,656
4.4 Dividend Income	-	-	-	-	-	-
4.5 Other income	(1,681)	13,839	117	2,006	37,599	6,218
4.6 Total Non-interest income	108,474	524,601	145,970	122,166	582,471	162,954
5.0 TOTAL OPERATING INCOME	353,234	1,517,030	324,631	411,405	1,748,869	379,550
6.0 OTHER OPERATING EXPENSES						
6.1 Loan loss provision	11,200	102,477	11,020	12,154	108,348	13,282
6.2 Staff costs	149,619	656,733	159,962	175,256	752,972	185,013
6.3 Directors' emoluments	14,365	64,457	14,864	14,428	69,445	15,411
6.4 Rental charges	16,793	70,431	19,288	23,956	98,259	27,672
6.5 Depreciation charge on property and equipment	13,888	54,821	14,811	15,740	62,327	16,794
6.6 Amortisation charges	4,227	16,631	4,302	4,331	16,812	4,345
6.7 Other operating expenses	31,409	329,592	38,959	46,023	396,986	53,180
6.8 Total Other Operating Expenses	241,501	1,295,142	263,206	291,888	1,505,149	315,697
7.0 Profit/(loss) Before Tax and Exceptional Items	111,733	221,888	61,425	119,517	243,720	63,853
8.0 Exceptional Items	-	-	-	-	-	-
9.0 Profit/(Loss) After Exceptional Items	111,733	221,888	61,425	119,517	243,720	63,853
10.0 Current Tax	33,520	64,271	18,428	35,963	75,856	22,035
11.0 Deferred Tax	-	356	-	-	304	-
12.0 Profit/(Loss) After Tax and Exceptional Items	78,213	157,261	42,997	83,554	167,560	41,818
13.0 Minority Interest	-	-	-	2,873	7,282	1,044
14.0 Profit/(loss) after tax, exceptional items and Minority Interest	78,213	157,261	42,997	80,681	160,278	40,774
15.0 Other Comprehensive Income						
15.1 Gains/(Losses) from translating the financial statements of foreign operations	-	-	-	(7,874)	(76,220)	7,347
15.2 Fair value changes in available for sale financial assets	(18,231)	2,894	7,194	(18,231)	(24,493)	7,194
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	(18,231)	2,894	7,194	(26,105)	(100,713)	14,541
17.0 Total comprehensive income for the year	59,982	160,155	50,191	57,449	66,847	56,359
18.0 EARNINGS PER SHARE- BASIC & DILUTED	0.74	1.50	0.41	0.80	1.53	0.40
19.0 DIVIDEND PER SHARE -DECLARED						

III OTHER DISCLOSURES						
1.0 NON-PERFORMING LOANS AND ADVANCES						
(a) Gross Non-performing loans and advances	2,803,218	2,840,434	2,914,586	2,824,209	2,851,350	2,933,430
(b) Less: Interest in Suspense	530,130	557,552	581,889	531,719	558,406	582,940
(c) Total Non-Performing Loans and Advances (a-b)	2,273,088	2,282,882	2,332,697	2,292,490	2,292,944	2,350,490
(d) Less: Loan Loss Provision	195,304	235,850	243,770	201,422	238,079	246,133
(e) Net Non-Performing Loans and Advances(c-d)	2,077,784	2,047,032	2,088,927	2,091,068	2,054,865	2,104,357
(f) Discounted Value of Securities	2,077,784	1,980,973	1,998,586	2,091,068	1,988,806	2,014,016
(g) Net NPLs Exposure (e-f)	-	66,059	90,341	-	66,059	90,341
2.0 INSIDER LOANS AND ADVANCES						
(a) Directors, Shareholders and Associates	233,198	210,750	249,198	233,963	211,389	249,557
(b) Employees	388,362	484,996	495,872	389,127	485,635	496,231
(c) Total Insider Loans and Advances and other facilities	621,560	695,746	745,070	623,090	697,024	745,788
3.0 OFF-BALANCE SHEET ITEMS						
(a) Letters of credit, guarantees, acceptances	858,040	1,136,405	1,024,108	1,034,541	1,238,008	1,135,849
(b) Forwards, swaps and options	1,114,305	205,000	-	1,114,305	205,000	-
(c) Other contingent liabilities	99,910	20,958	69,407	99,910	20,958	69,407
(d) Total Contingent Liabilities	2,072,255	1,362,363	1,093,515	2,248,756	1,463,966	1,205,256
4.0 CAPITAL STRENGTH						
(a) Core capital	2,220,095	2,368,133	2,389,632	-	-	-
(b) Minimum Statutory Capital	1,000,000	1,000,000	1,000,000	-	-	-
(c) Excess/(Deficiency)(a-b)	1,220,095	1,368,133	1,389,632	-	-	-
(d) Supplementary Capital	780,818	600,934	550,934	-	-	-
(e) Total Capital (a+d)	3,000,913	2,969,067	2,940,566			
(f) Total risk weighted assets	18,423,018	18,530,459	18,800,765			
(g) Core Capital/Total deposits Liabilities	13.9%	14.7%	13.5%			
(h) Minimum statutory Ratio	8.0%	8.0%	8.0%			
(i) Excess/(Deficiency) (g-h)	5.9%	6.7%	5.5%			
(j) Core Capital / total risk weighted assets	12.1%	12.8%	12.7%			
(k) Minimum Statutory Ratio	10.5%	10.5%	10.5%			
(l) Excess (Deficiency) (j-k)	1.6%	2.3%	2.2%			
(m) Total Capital/total risk weighted assets	16.3%	16.0%	15.6%			
(n) Minimum statutory Ratio	14.5%	14.5%	14.5%			
(o) Excess/(Deficiency) (m-n)	1.8%	1.5%	1.1%			
5.0 LIQUIDITY						
(a) Liquidity Ratio	24.5%	27.1%	31.3%			
(b) Minimum Statutory Ratio	20.0%	20.0%	20.0%			
(c) Excess (Deficiency) (a-b						