



ABC VISION

INVESTOR News

Issue: 10

September 2017



From the Group MD

Dear Valued Investor,

I greet you most warmly, as I trust you and your family/ staff are well. I am happy to bring you our updates once again.

In line with our strategy for 2017, we continue to train our focus firmly on key growth areas: deposit mobilization, recoveries to reduce non-performing loans, Foreign Exchange revenue growth and Bancassurance. Our efforts are yielding results and we will endeavour to maintain the momentum over the remaining part of 2017.

Our performance has remained robust in the face of a tough operating environment. Notably, our total customer liabilities grew 17 per cent to close at Sh20 billion in the half-year period to June 2017 from Sh17 billion the same period last year, on account of our aggressive business initiatives. At the same time, our non-funded income grew 58 per cent from Sh219 million in 2016 to Sh345 million backed by growth in Foreign Exchange income. The Bank's liquidity position remained sound at 35 per cent as at June 2017, against the statutory minimum of 20 per cent.

To more effectively deliver quality service to our customers, we have continued to boost the efficiency of our key systems as customers now demand better services.

We recently upgraded our cheque processing system to a new and more robust software that not only speeds up the clearing process but also helps us partner with agents, micro-finance institutions (MFIs) and Saccos for cheque services.

We have also enhanced our anti-money laundering program with a new, fully automated and robust software that features sophisticated architecture to shields the bank against risks associated with criminal financial dealings. It automatically monitors and blocks suspicious transactions on a real time basis.

The software design combines all major functions of anti-money laundering systems, making it highly effective in helping the Bank comply more comprehensively with local and global regulations. It is also effective in preventing terrorism financing globally.

Lastly, banking on our cost-effective operating approach and a highly motivated team, we will continue to leverage our strengths in our key segments to achieve our business objectives over the remaining period 2017.

Best wishes in your pursuit of the extraordinary!

Shamaz Savani,
Group MD.





ABC Bank Head of Risk and Compliance John Rioba (left) follows a demonstration of the new Anti-Money Laundering software by the vendors during the launch at ABC Bank Head office in Westlands.



ABC Bank curbs money laundering with new software

In a bid to mitigate the risk associated with money laundering and terrorism-financing activities, ABC Bank has invested in a new, fully automated and robust anti-money laundering software. The new software automatically monitors and blocks suspicious transactions on a real time basis.

The software design combines all major functions of anti-money laundering systems, making it highly effective in helping the Bank comply more comprehensively with the Proceeds of Crime and Anti-Money Laundering (Amendment) Act 2017.

Because the nature of banking is rapidly changing, the monitoring of unusual transactions or verifying a customer's identity is equally becoming complex and time-consuming. That is why we have invested in this superior software for greater efficiency and reduced risk for the bank.

The application features a Cash Transaction Reporting (CTR) system, which identifies and reports large cash transactions of Sh1 million (\$10,000) and over, as per regulatory requirement, and identifies suspicious account activity and patterns.





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ABC PAYEE ONLY
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ONLY

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28/07/17

Account Number

ABC Bank's new system speeds up cheque clearing

In order to improve efficiency in our cheque clearing process and to give our customers a premium banking experience, we have invested in a fully automated clearing system. It significantly speeds up cheque processing, hence hastening payments and improving business efficiency for our customers.

The new system is a flexible and a more robust solution for high-speed documentation imaging and transaction processing. It enables us to provide customers with instant account transaction updates, a departure from the past where customer accounts were credited the following day after the transaction.

It also eliminates a bulk of manual processes associated with older clearing systems. It facilitates the automated processing of cheques, electronic funds transfers (EFTs), direct debits, standing orders, salary processing among others.

It is to be noted that in the fast-paced world we live in today, speed and convenience are key customer expectations and ABC Bank continues to invest in new systems and solutions that support the changing needs of the Bank customer.



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The ABC Bank team with some of the Corniche Sacco members during the Sacco's Annual General Meeting in Doha.



ABC Bank team meets Kenyans in Qatar

As part of our continuous Diaspora market outreach, our Diaspora Banking team was on a two-day tour of Qatar where it met Kenyans living there. The team joined members of the Corniche Diaspora Sacco during their Annual General Meeting in Qatar. The team utilized the opportunity to reinforce relations with our customers there, as well as forge new relationships.

ABC Bank prides itself in providing distinguished financial service to Kenyans in the Diaspora, focusing on remittances and investments. Some of the investment products the bank offers to Diaspora clients (groups and individuals) include the ABC D'Bouquet, which is a cocktail of insurance products comprising of medical insurance, pension plan and life cover with a host of last expense benefits in case of bereavement.

The Bank offers professional investment advice to customers to enable them to make informed investment decisions and enlighten them on the best investment opportunities available in Kenya.

Other products on offer include construction and project financing, mortgages/home loans, etc.



Koinange Branch Customer Service Officer Racheal Ngandu and Branch Manager Arthur Washe welcome customers to the new location

ABC Bank Koinange Branch relocates to College House

Our Koinange Street Branch moved to a new location on College House at the junction of Koinange Street and University Way in Nairobi.

The new redesigned branch opened its doors to the public on 19th June 2017. The relocation is part of the bank's plans to enhance convenience of access to customers.

We have redesigned our branches to respond to the changing needs of the discerning banking public, and to provide a unique banking experience to our customers, which they appreciate.



Kisumu Branch Manager Douglas Okiring (standing) speaks to the Muslim faithfuls during the Iftar



ABC Bank Kisumu hosts Iftar

Iftar is the meal served at the end of the day during Ramadan, to break the day's fast. Literally, it means "breakfast." Iftar is served at sunset during each day of Ramadan, as Muslims break the daily fast.

Through our Kisumu branch, we organised the event as a way of appreciating the Muslim community for their business support. The event drew both customers and non-customers alike.

We continue to support community initiatives as a way of reciprocating their goodwill in business.





ABC Bank Head of Diaspora Banking Joseph Waithaka (back left) and Relationship Manager Joan Numa (holding child) with the centre's founder Annah Ndeto and some of the children during the visit.



ABC Bank visits children's home

Children at the Twaweza Pamoja Children's Home in Kayole benefited from a donation of various food and toiletry items from ABC Bank staff who visited them.

The staff spent a weekend with the children, who are drawn mostly from the sprawling low-income Kayole residential area. Some are orphans while others are neglected or vulnerable children whose parents or guardians are unable to fend for them.

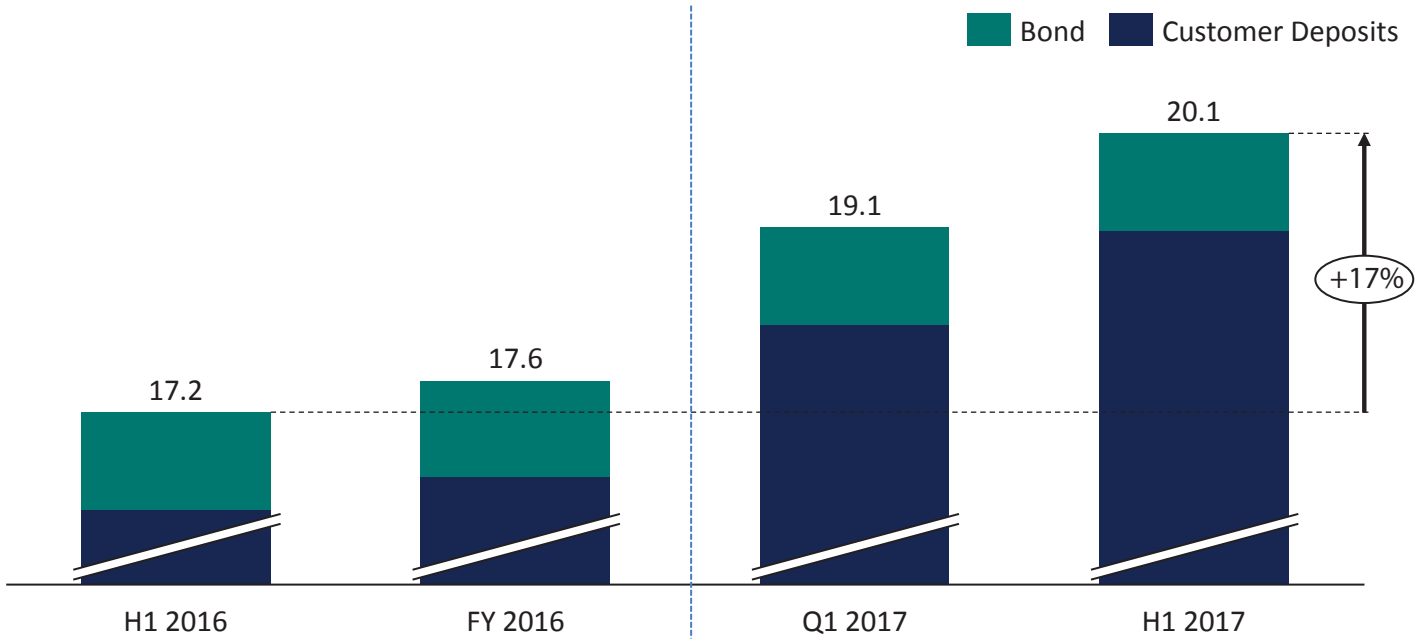
The center was founded by Annah Ndeto, a former journalist, a publisher, communications consultant, and a board member of the Association of Media Women in Kenya (AMWIK),

The center houses over 100 children and supports their education, clothing and other basic needs. It relies on well-wishers for support.

ABC Bank invests in supporting communities as a way of giving back and improving livelihoods in line with our vision of empowering individuals and communities to achieve the extraordinary.

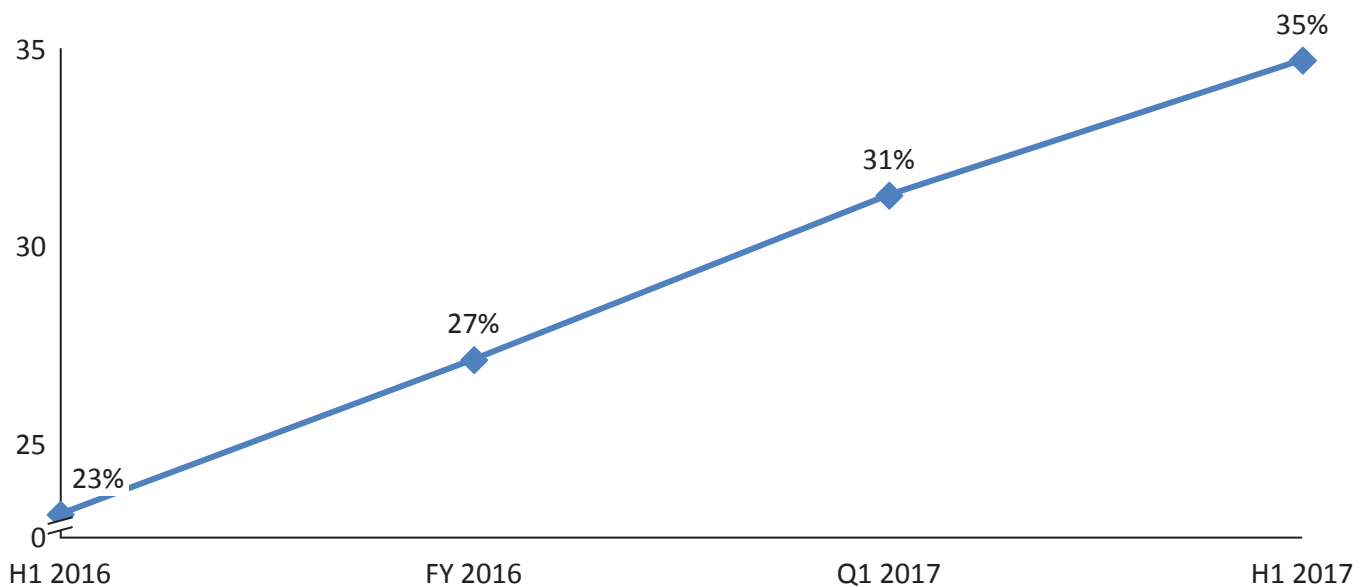


Customer Liabilities (KShs Billion)



Total customer liabilities expanded 17% (KShs 2.9Billion) to close at KShs 20.1Billion in H1 2017 from KShs 17.2Billion same period last year. This was driven by aggressive business's initiatives implemented during same period.

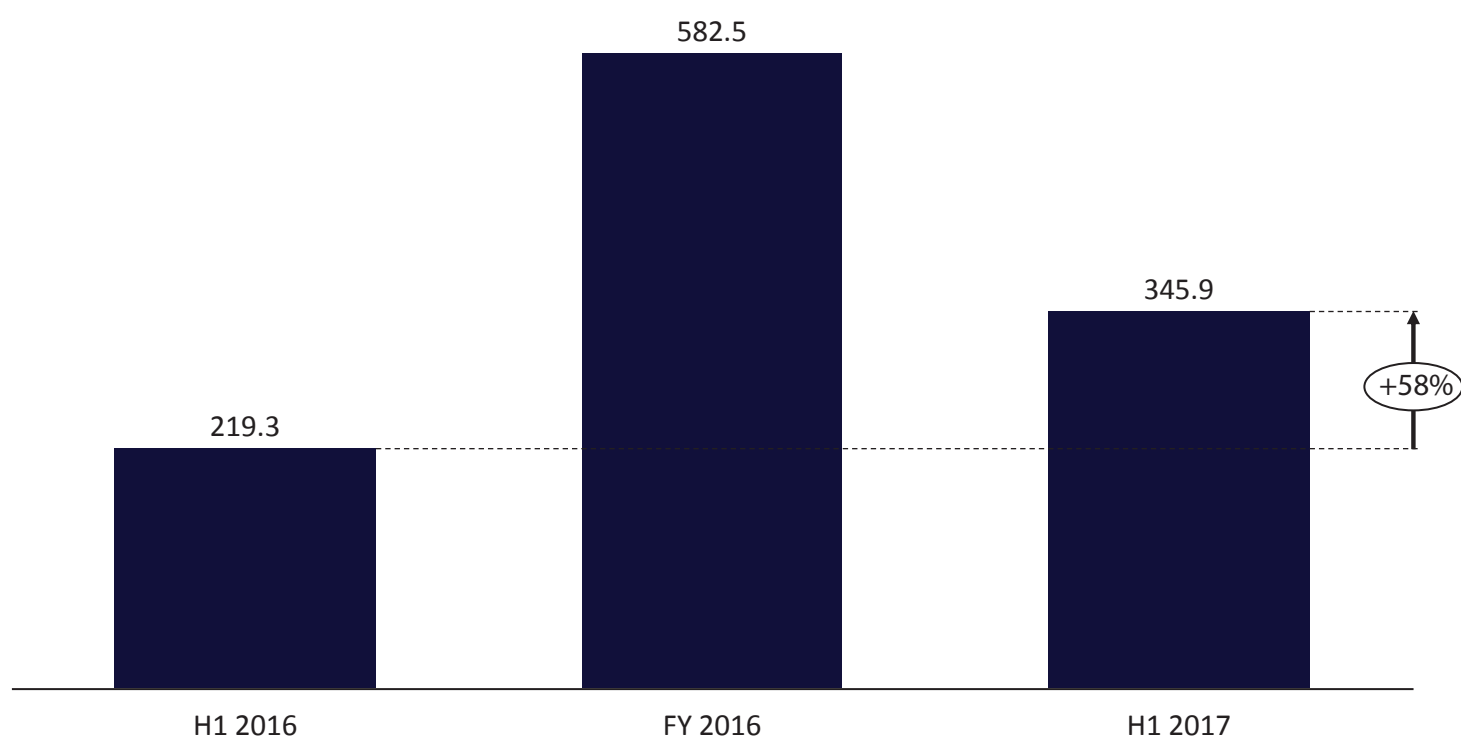
Liquidity Ratio (Reg. Min 20%)



The Bank's Liquidity sound at 35% (Minimum statutory requirement: 20%) as at 30th June 2017.



Non- Funded Income (KShs Million)



- Non- Funded Income grew by 58% to KShs 345.9 Million in H1 2017 from KShs 219.3 Million in 2016 mainly on account of growth in foreign exchange income, commitment fees, remittances and transactions banking and relationship.

Capital Adequacy

As at..	31 st Dec 2015 Audited	31 st Dec 2016 Audited	31 st Mar 2017 Unaudited	30 th Jun 2017 Unaudited
Core Capital/Total deposits Liabilities	13.8%	14.7%	13.5%	12.9%
Minimum statutory Ratio	8.0%	8.0%	8.0%	8.0%
Excess/(Deficiency)	5.8%	6.7%	5.5%	4.9%
Core Capital / total risk weighted assets	11.9%	12.8%	12.7%	12.6%
Minimum Statutory Ratio	10.5%	10.5%	10.5%	10.5%
Excess (Deficiency)	1.4%	2.3%	2.2%	2.1%
Total Capital/total risk weighted assets	16.5%	16.0%	15.6%	15.2%
Minimum statutory Ratio	14.5%	14.5%	14.5%	14.5%
Excess/(Deficiency)	2.0%	1.5%	1.1%	0.7%





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UNAUDITED QUARTERLY FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 30TH JUNE 2017

I STATEMENT OF FINANCIAL POSITION	Bank	Bank	Bank	Bank	Group	Group	Group	Group
	30 th Jun 2016 Unaudited Shs '000'	31 st Dec 2016 Audited Shs '000'	31 st Mar 2017 Unaudited Shs '000'	30 th Jun 2017 Unaudited Shs '000'	30 th Jun 2016 Unaudited Shs '000'	31 st Dec 2016 Audited Shs '000'	31 st Mar 2017 Unaudited Shs '000'	30 th Jun 2017 Unaudited Shs '000'
A ASSETS								
1 Cash (both Local & Foreign)	181,507	155,946	186,141	184,184	231,953	204,601	254,718	221,441
2 Balances due from Central Bank of Kenya	3,398,270	1,238,857	1,304,544	2,015,560	3,454,108	1,301,923	1,377,968	2,099,028
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	2,921,914	2,920,747	2,906,885	2,929,689	3,518,298	3,391,142	3,324,858	3,662,865
b. Other securities	2,921,914	2,920,747	2,906,885	2,929,689	2,921,914	2,920,747	2,906,885	2,929,689
b) Available for sale:								
a. Kenya Government securities	500,375	504,209	510,578	532,847	500,375	504,209	510,578	532,847
b. Other securities	500,375	504,209	510,578	532,847	500,375	504,209	510,578	532,847
6 Deposits and balances due from local banking institutions	92,138	426,014	371,149	350,301	98,212	432,314	455,181	350,493
7 Deposits and balances due from banking institutions abroad	65,609	804,091	565,171	633,392	298,766	978,614	692,323	658,462
8 Tax recoverable	20,655	19,219	19,219	19,219	35,383	33,717	33,982	32,524
9 Loans and advances to customers (net)	14,096,987	14,228,599	13,656,946	13,560,930	14,450,667	14,641,988	14,097,299	14,002,752
10 Balances due from banking institutions in the group	12,370	12,731	12,912	12,985	-	-	-	-
11 Investments in associates	-	-	-	-	-	-	-	-
12 Investments in subsidiary companies	885,405	885,405	885,405	885,405	-	-	-	-
13 Investments in joint ventures	-	-	-	-	-	-	-	-
14 Investment properties	-	-	-	-	-	-	-	-
15 Property and equipment	517,904	515,978	512,251	516,610	548,547	546,353	542,693	545,318
16 Prepaid lease rentals	-	-	-	-	-	-	-	-
17 Intangible assets	125,286	122,352	119,036	118,386	125,515	123,796	119,818	119,121
18 Deferred tax asset	25,440	25,084	25,084	25,084	32,563	31,538	32,027	34,323
19 Retirement benefit asset	-	-	-	-	-	-	-	-
20 Other assets	1,195,629	563,119	1,603,414	1,921,342	1,254,025	674,773	1,773,129	2,091,594
21 TOTAL ASSETS	24,039,489	22,422,351	22,678,535	23,705,934	24,548,412	22,864,968	23,214,574	24,350,768
B LIABILITIES								
22 Balances due to Central Bank of Kenya	3,326,546	1,392,756	-	-	3,326,546	1,392,756	-	-
23 Customer deposits	15,891,610	16,078,445	17,686,762	18,566,792	16,239,661	16,573,195	18,145,638	19,120,110
24 Deposits and balances due to local banking institutions	-	-	-	-	84,105	7,603	-	-
25 Deposits and balances due to foreign banking institutions	185,080	344,133	330,462	266,582	-	152,240	216,290	142,086
26 Other money market deposits	-	-	-	-	-	-	-	-
27 Borrowed funds	1,324,988	1,248,742	1,201,280	1,173,143	1,324,988	1,248,742	1,201,280	1,173,143
28 Balances due to banking institutions in the group	-	-	-	-	-	-	-	-
29 Tax payable	45,744	-	18,428	30,713	49,813	-	21,112	30,713
30 Dividends payable	-	-	-	-	-	-	-	-
31 Deferred tax liability	-	-	-	-	-	-	-	-
32 Retirement benefit liability	-	-	-	-	-	-	-	-
33 Other liabilities	321,994	361,512	394,649	571,843	356,876	393,199	487,315	677,719
34 TOTAL LIABILITIES	21,095,962	19,425,588	19,631,581	20,609,073	21,381,989	19,767,735	20,071,635	21,143,771
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
36 Share premium/(discount)	-	-	-	-	-	-	-	-
37 Revaluation reserves	(60,727)	(58,014)	(50,820)	(29,583)	(136,374)	(159,156)	(162,112)	(116,375)
38 Retained earnings/Accumulated losses	1,840,103	1,920,510	1,963,507	1,992,176	1,858,333	1,938,517	1,979,291	2,000,155
39 Statutory loan loss reserves	114,151	84,267	84,267	84,268	117,687	84,770	84,267	84,268
40 Other Reserves	-	-	-	-	(15,261)	(82,517)	(75,170)	(75,170)
41 Proposed dividends	-	-	-	-	-	-	-	-
42 Capital grants	-	-	-	-	-	-	-	-
43 TOTAL SHAREHOLDERS' FUNDS	2,943,527	2,996,763	3,046,954	3,096,861	2,874,385	2,831,614	2,876,276	2,942,878
44 Minority Interest	-	-	-	-	292,038	265,619	266,663	264,119
45 TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	24,039,489	22,422,351	22,678,535	23,705,934	24,548,412	22,864,968	23,214,574	24,350,768
II STATEMENT OF COMPREHENSIVE INCOME								
1.0 INTEREST INCOME								
1.1 Loans and advances	1,393,628	2,620,574	501,191	1,017,216	1,441,394	2,715,634	524,920	1,066,752
1.2 Government securities	202,338	392,726	96,832	195,149	228,009	446,295	110,747	218,777
1.3 Deposits and placements with banking institutions	31	6,238	10,483	15,986	23,423	47,319	8,711	24,351
1.4 Other Interest Income	2,610	2,610	-	-	3,820	2,923	301	-
1.5 Total interest income	1,598,607	3,022,148	608,506	1,228,351	1,696,646	3,212,171	644,679	1,309,880
2.0 INTEREST EXPENSE								
2.1 Customer deposits	843,590	1,689,614	362,061	748,314	854,426	1,712,712	369,068	763,287
2.2 Deposits and placement from banking institutions	111,468	189,821	30,830	32,888	106,843	182,777	22,061	24,662
2.3 Other interest expenses	76,180	150,284	36,954	71,464	76,180	150,284	36,954	71,464
2.4 Total interest expenses	1,031,238	2,029,719	429,845	852,666	1,037,449	2,045,773	428,083	859,413
3.0 NET INTEREST INCOME/(LOSS)	567,369	992,429	178,661	375,685	659,197	1,166,398	216,596	450,467
4.0 NON-INTEREST INCOME								
4.1 Fees and commissions on loans and advances	61,266	225,455	94,430	145,358	64,777	232,536	96,197	150,696
4.2 Other fees and commissions	92,166	203,470	30,332	133,749	105,946	225,911	37,883	149,910
4.3 Foreign exchange trading income/(Loss)	39,326	81,837	21,091	30,854	41,534	86,425	22,656	33,583
4.4 Dividend Income	27	-	-	41	27	-	-	41
4.5 Other income	(6,090)	13,839	117	234	7,029	37,599	6,218	11,654
4.6 Total Non-interest income	186,695	524,601	145,970	310,236	219,313	582,471	162,954	345,884
5.0 TOTAL OPERATING INCOME	754,064	1,517,030	324,631	685,921	878,510	1,748,869	379,550	796,351
6.0 OTHER OPERATING EXPENSES								
6.1 Loan loss provision	82,351	102,477	11,020	70,393	84,660	108,348	13,282	78,474
6.2 Staff costs	309,572	656,733	159,962	323,281	360,170	752,972	185,013	374,694
6.3 Directors' emoluments	28,025	64,457	14,864	36,613	28,155	69,445	15,411	38,367
6.4 Rental charges	32,949	70,431	19,288	34,765	47,700	98,259	27,672	51,552
6.5 Depreciation charge on property and equipment	27,269	54,821	14,811	29,190	31,144	62,327	16,794	34,335
6.6 Amortisation charges	8,454	16,631	4,302	8,591	8,580	16,812	4,345	8,677
6.7 Other operating expenses	112,962	329,592	38,959	80,709	144,141	396,986	53,180	117,530
6.8 Total Other Operating Expenses	601,582	1,295,142	263,206	583,542	704,550	1,505,149	315,697	703,629
7.0 Profit/(Loss) Before Tax and Exceptional Items	152,482	221,888	61,425	102,379	173,960	243,720	63,853	92,722
8.0 Exceptional Items	-	-	-	-	-	-	-	-
9.0 Profit/(Loss) After Exceptional Items	152,482	221,888	61,425	102,379	173,960	243,720	63,853	92,722
10.0 Current Tax	45,744	64,271	18,428	30,713	49,895	75,856	22,035	32,584
11.0 Deferred Tax	-	356	-	-	-	304	-	-
12.0 Profit/(Loss) After Tax and Exceptional Items	106,738	157,261	42,997	71,666	124,065	167,560	41,818	60,138
13.0 Minority Interest	-	-	-	-	7,784	7,282	1,044	(1,500)
14.0 Profit/(Loss) after tax, exceptional items and Minority Interest	106,738	157,261	42,997	71,666	116,281	160,278	40,774	61,638
15.0 Other Comprehensive Income								
15.1 Gains/(Losses) from translating the financial statements of foreign operations	-	-	-	-	15,061	(76,220)	7,347	7,358
15.2 Fair value changes in available for sale financial assets	181	2,894	7,194	28,431	181	(24,493)	7,194	28,431
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	181	2,894	7,194	28,431	15,242	(100,713)	14,541	35,789
17.0 Total comprehensive income for the year	106,919	160,155	50,191	100,097	139,507	66,847	56,359	95,927
18.0 EARNINGS PER SHARE- BASIC & DILUTED	1.02	1.50	0.41	0.68	1.18	1.53	0.40	0.57
19.0 DIVIDEND PER SHARE -DECLARED								
III OTHER DISCLOSURES								
1.0 NON-PERFORMING LOANS AND ADVANCES								
(a) Gross Non-performing loans and advances	2,821,502	2,840,434	2,914,586	3,243,135	2,839,822	2,851,350	2,933,430	3,265,049
(b) Less: Interest in Suspense	554,838	557,552	581,889	601,122	555,799	558,406	582,940	602,725
(c) Total Non-Performing Loans and Advances (a-b)	2,266,664	2,282,882	2,332,697	2,642,013	2,284,023	2,292,944	2,350,490	2,662,324
(d) Less: Loan Loss Provision	215,681	235,850	243,					