

KENYA POST OFFICE SAVINGS BANK

Annual Report & Financial Statements For The Year Ended 31st December 2014

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BOARD OF DIRECTORS

The Kenya Post Office Savings Bank consists of a team of experienced and qualified professionals who provide leadership in matters relating to decision making in the bank. The Board is appointed by the Minister of Finance and it provides guidance and direction to the running of the Bank.

The Board is made up of directors including the Chairman. Directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance requirements. The day-to-day running of Postbank has been delegated to the Managing Director. The Board retains responsibility for establishing and maintaining the internal controls over the strategic, financial, operational and compliance issues. The Board is responsible of ensuring succession planning and recruitment of the CEO.



Hon. Fred Kapondi
Chairman

Hon. Fred Kapondi Chesebe holds a Bachelor of Arts degree (Hons) from the University of Nairobi. Prior to his appointment as Postbank Chairman, he served as the Member of Parliament for Mt. Elgon Constituency between 2008 and 2012. He has vast experience serving in various Parliamentary Committees and was the Chairman of the Parliamentary Committee on Administration and National Security between 2008 and 2012. Hon. Kapondi also served as a Member of the Parliamentary Committee on Budget 2008-2012; Member Parliamentary Committee on Equal Opportunities 2010-2012; Member Parliamentary House Privileges Committee and also Member, Liaison Committee. Hon. Kapondi is trained in Corporate Governance and has attended many local & International conferences. He was appointed as chairman of Kenya Post Office Savings on **10th January 2014**.



Nzomo Mutuku
Board Member

Nzomo Mutuku is since June 2013 the Senior Advisor, Financial Sector, at The National Treasury of Kenya where he advises on policy matters relating to Pensions, Insurance, Capital Markets, Banking and other financial services. Previously, he was the Chief Manager Research & Development at the Retirement Benefits Authority in Kenya. He worked at the Authority for over 12 years having previously worked in the Research Department of the Central Bank of Kenya. Mr. Mutuku holds a Masters of Arts degree in Economics as well as a first class honours Bachelor of Arts (Economics) degree from the University of Nairobi. He has also undertaken training in pensions and financial markets in various countries including the UK and Canada and at the Harvard University and Wharton Business School in the United States. He has authored a number of papers on financial sector issues including "*the case for consolidated Financial Sector Supervision in Kenya* and *the impact of the Global Financial Crisis on the Pensions Sector in Kenya*" which are widely quoted in the region. He was a member of the High Level Task Force that negotiated the East Africa Community Monetary Union Protocol.

BOARD OF DIRECTORS



Ms. Jane Marwa
Board Member

Ms. Jane Moronge Marwa holds a Post Graduate Masters of Education specializing in education and a Bachelor's Degree in Education both from the University of Nairobi. She has been a teacher for over 20 years before becoming a Director of Kuria Women of Valor Organization where she spearheads the recruitment and orientation of new members as well as assist in management of resources. She is the founder and Director of Elite Junior Academy in Isebania – Kuria. Ms. Moronge has been instrumental in formation and development of Radio Lessons in Kenya Institute of Education and has empowered the Girl Child and vulnerable children in Kuria District. Ms. Moronge was a candidate for 2013 elections. She is currently studying PhD in Education Foundation at the University of Nairobi.



Dr. Urbanus Kioko

Dr. Kioko holds a Doctorate in Economics of the University of Nairobi (2008), Mphil (Health Economics) of the University of Cape Town (2000), MA (Econ) of the University of Nairobi (1994) and Bed (Business and Economics) of the University of Nairobi (1992). He is currently a steering committee member of the out-put-based approach (OBA) programme in the Ministry of Health, a coordinator for the MSc in Health Economics and Policy, member of the College Health and Safety Committee, Chair, Health Economics committee, School of Economics, University of Nairobi.



Mr. Lawrence Tanui
Board Member

Mr. Lawrence Tanui has over 15 years' experience in business, insurance and accountancy. He is currently studying PhD in Business Management at Moi University, Mr. Tanui Holds an MBA in strategic management (UON), Bcom (accounting) and he is a Certified public Accountant (CPAK). He has developed his career in Finance and Accounts and is currently the Finance Manager at Africa Merchant Assurance Company Ltd (AMACO LTD).



Ms. Anne Karanja
Managing Director

Anne has a Masters degree in Business Administration specializing in Strategic Management and a Bachelor's degree in Economics and Sociology. She has vast experience in banking, auditing and finance. Prior to joining Kenya Post Office Savings Bank, Anne was an Auditor with the Controller and Auditor General. She has previously headed several departments in the bank including Finance & Accounts, Administration and Money Transfer Services. Anne has proven leadership, project and business management skills and has a passion for service excellence. She has also steered several business projects with remarkable success.

SENIOR MANAGEMENT

Anne Waiyego Karanja—Managing Director



Anne has a Masters degree in Business Administration specializing in Strategic Management and a Bachelor's degree in Economics and Sociology. She has vast experience in banking, auditing and finance. Prior to joining Kenya Post Office Savings Bank, Anne was an Auditor with the Controller and Auditor General. She has previously headed several departments in the bank including Finance & Accounts, Administration and Money Transfer Services. Anne has proven leadership, project and business management skills and has a passion for service excellence. She has also steered several business projects with remarkable success.

Chief Operating Officer—Mr. Sylvester Obuon



Sylvester holds B.A and M.A degrees in Economics from the University of Nairobi. He is the Chief Operating Officer since 1st November 2016. Prior to this appointment, Mr. Obuon was the Ag. Director Banking Services & Marketing. He has headed Retail Banking, Administration, Procurement and Property management departments. Mr. Obuon has also previously worked as a Products Manager, Bank's Economist and Head of Planning and Research. Before joining the bank, Sylvester served as a Research Economist at the then Ministry of Finance and Planning and Kenya Industrial Research and Development Institute (KIRDI) respectively. He is an Honorary Fellow of the Kenya Institute of Bankers (HKIB) and is currently the chairman of KIB, Nairobi Local Centre. He has previously served as the Vice- Chair of the Kenya Credit and Debit Card Association.

Head of Banking Services - Mr. Simon Njoroge



Simon Njoroge holds a Masters of Commerce from the University of Shivaji in India and a Bachelor of Commerce from the University of Mysore in India. He also has a Diploma in Micro Finance from Strathmore University. He has over 13 years of professional experience in Business Process Reengineering, People Management and Customer support services. He has been involved in many projects including the roll out of Western Union Translink system, MoneyGram, Delta works and Postbank Express. Mr. Njoroge also has expertise in franchise contracting, franchise management and business development of the 3 leading money remittance international brands.

Ag. Head of Legal & Property Management/ Company Secretary- Mr. Peter Kioni



Peter Kioni is an Advocate of the High Court of Kenya and holds a Master of Laws degree (LLM) from the University of Nairobi and a Bachelor of Laws degree from Moi University. He also has a Postgraduate diploma from the Kenya School of Law. Mr. Kioni has over 10 years working experience in the Legal field. He was Assistant Manager Legal Services prior to his current appointment. He has experience in Credit from Diamond Trust Bank Limited where he worked for more than two years.

Head of Information & Communication Technology Department – Mr. Henry Omumia



Henry Kenozwa Omumia joined the Bank in year 2001 and has helped the bank implement customer centric solutions. He is an ICT executive with extensive experience and track record in the field having started his career in Ernest and Young an international professional audit firm. He also worked for Cirio Del Monte a large International Pineapple growing and Canning Company prior to joining the bank. Kenozwa has a Bachelor of Science degree from the University of Nairobi and is a Fellow of the Computer Society of Kenya (FCSK). He has also attended Project Management, Change Management and General Management courses and workshops both in Kenya and abroad.

SENIOR MANAGEMENT (Continued)

Head Marketing and Business Development - Mr. David Gatawa



A First Class Honours graduate of Civil Engineering with an MBA from Leicester University UK, David is an internationally experienced senior management professional with over 19 years of Corporate, retail and microfinance banking and project management experience in the banking industry. He has also previously been a Lead Business Consultant with the World Savings Bank Institute (WSBI) implementing a Bill & Melinda Gates funded project in Lesotho Postbank. Prior to joining Postbank, he worked for the Global UK Bank and Barclays Bank for 12 years. David is also an AC-CA and ACIB (UK) finalist.

Head Human Resources - Ms. Ursula Sabina Oyatsi



Ursula Sabina Oyatsi is the Head of Human Resources with effect from **1st December 2014**. She holds a Masters degree from Esami and Bachelors of Commerce from University of Nairobi. Sabina has massive experience in Marketing and Customer Service having worked in various departments in the Bank such as Money Transfer Services, Card Services, Marketing and Customer Relations. Prior to this position, Sabina was Head Corporate Banking, Money Transfer and Card Services. She also served as Manager Customer Relations where she was instrumental in developing customer service standards for the Bank. She has attended various management courses locally and internationally. Before joining the bank she worked for Bata Shoe Company.

Ag. Head of Finance - Mr. Sammy Muriu



Sammy Muriu is the Ag. Head of Finance with effect from **1st December 2014**. Muriu holds a Master of Business Administration degree (Finance) from University of Nairobi and a Bachelor of Science (International Business Administration) from United States International University. Mr. Muriu has vast experience in banking as he joined the bank in 1991. Prior to this appointment, he was the Business Growth Manager in charge of Nairobi South Region which has 22 branches. Mr Muriu is both a qualified Certified Public Accountant (CPA-K) and Certified Credit Professional (CCP). In addition he is a holder of a Certificate in Bank Card Management from the Chartered Institute of Banking/Visa International. He has also served as Chairman of the Institute of Credit Management Kenya (ICM-K) from 2007 to 2013.

Ag. Head Audit, Risk & Compliance - CPA Abraham Kiptum



Mr. Kiptum is a member of Institute of Certified Public Accountants of Kenya (ICPAK). He holds a Bachelors of Commerce Finance option degree from KCA University. He also holds a Diploma in Criminology and Social Order from University of Nairobi. Mr. Kiptum has over 23 years' experience in Auditing. He has attended various professional and Management courses locally including Enterprise Risk management. He has been involved in implementation of various computerization Projects in the Bank. He is currently an ASBEA Risk management Trainer. Mr. Kiptum is a Board Member of KCA University Alumni. He was appointed as acting Head Audit, Risk & Compliance on **1st April 2014**.

CORPORATE INFORMATION

Kenya Post Office Savings Bank (Postbank) is established under an Act of Parliament CAP 493B of the laws of Kenya, and is domiciled in Kenya. The address of the registered office of the Bank is:

Postbank House
16th Banda Street
P. O. Box 30311 00100,
Email: md@postbank.co.ke
Website: www.postbank.co.ke

NAIROBI-KENYA

Postbank is primarily engaged in the mobilization of savings for national development and operates under the Kenya Post Office Savings Bank Act Cap 493B. In addition, the Bank offers other financial services such as remittance, collections and disbursement services.

Principal Banks

Kenya Commercial Bank Ltd
Kencom House – 6th Floor
P.O Box 48400 - 00100
Tel: +254-020-3270000

NAIROBI

National Bank of Kenya Ltd
Harambee Avenue branch
P.O Box 72866-00200
Tel: +254-020-2828000

NAIROBI

Citibank, N.A.
P.O Box 30711-00100
Upper Hill Road

NAIROBI

Independent Auditor

Auditor- General
Kenya National Audit Office
Anniversary Towers, University Way
P.O.Box 30084-00100

NAIROBI

Principal Legal Advisers

Kale Maina & Bundotich Advocates
Teleposta Towers, 13th Floor,
Kenyatta Avenue
P.O Box 10674-00100

NAIROBI

Kimaru Kiplagat Advocates
National Bank Building,
1st Floor, Uganda Road
P.O Box 5025-30100

ELDORET

Cherono & Co. Advocates
Hazina Towers, 8th Floor,
Monrovia Street
P.O. BOX 4007-00100

NAIROBI

J. Louis Onguto Advocates
City House, 3rd Floor,
Wabera Street
P.O Box 41376-00100

NAIROBI

Kantai & Co. Advocates
Bruce House, 10th Floor,
Standard Street
P.O. BOX 34247

NAIROBI

Macharia-Mwangi &
Njeru Advocates
ACK Garden Annex,
6th Floor, 1st Ngong Avenue
P.O. BOX 10627-00100

NAIROBI

CHAIRMAN'S STATEMENT



Hon. Fred Kapondi
Chairman

I am pleased to present the Annual Report and Financial Statements of Kenya Post Office Savings Bank (Postbank) for the year ended 31st December 2014.

ECONOMIC REVIEW

The National Treasury estimates that the Kenyan economy grew by 5.3% in the year 2014. Whilst this is an improvement on the rate of 4.7% recorded in the year 2013, the economy has struggled to attain its true growth potential of above 6 percent in recent years due to a host of challenges including political uncertainties, periodic droughts and security challenges. During this period, macro-economic factors recorded mixed results as outlined here below:

- a) Interest rates for the benchmark 91- day Treasury Bills average 8.93% in the period. The Central Bank Rate was also retained at 8.5%. The stability in the interest rates regime was primarily driven by fiscal discipline on the part of the government and improved up take of funds by county governments hence improving liquidity distribution.
- b) Inflation rate averaged 6.88% in the period which is within the target of 5% +/- 2.5% as per the government's monetary policy. Lower inflation rates were primarily driven by a reduction in the cost of energy in the second half of the year as well as lower costs in food prices.
- c) The exchange rate opened the year at Kshs. 86.41 to the dollar and closed the year at 90.59. The local currency came under pressure in the year due to low dollar inflows occasioned by low receipts from exports and a drop in tourist arrivals caused by insecurity challenges. This was compounded by high importer demand for the dollar to finance the purchase of capital goods for use in the various infrastructure projects on going in the country.

The year 2014 also marked the debut of the Kenyan government in International financial markets through the highly successful issuance of the \$2 Billion (Ksh. 176 Billion) euro bond at the end of June. The envisaged effect of this is to get the government out of the domestic money markets and allow the productive sectors of the economy to access funds at reasonable cost.

A notable development in the banking sector in the year was the introduction of a Kenya Banks' Reference Rate (KBRR). This was an outcome of discussions between the stakeholders, Central Bank of Kenya (CBK) and the National Treasury. The KBRR was developed as part of the recommendation to enhance the supply of private sector credit and Mortgage finance in Kenya by facilitating a transparent credit pricing framework. It will be the base rate for all commercial banks' lending. Given that one of the components of the KBRR is the Central Bank Rate (CBR), this framework is expected to enhance the transmission of monetary policy signals through commercial banks' lending rates. It will be computed as an average of the CBR and the weighted 2-month moving average of the 91-day Treasury bill rates. The KBRR will be reviewed and announced by the CBK through Monetary Policy Committee (MPC) releases every six months.

CHAIRMAN'S STATEMENT (Continued)

YEAR 2014 RESULTS

During the year, Postbank's gross income decreased by 36.57% from Kshs.3.037 billion in 2013 to Kshs.1.926 billion in 2014. The net income decreased by 48.28% from a loss of Kshs.1.024 billion in 2013 to a loss of Kshs.1.518 billion in 2014. On customer's deposit, the bank achieved Kshs.17.50 billion against a target of 23 billion which translates to 76% achievement. The market has become very competitive with many new players entering the market and offering credit facilities which is more attractive to customers.

CORPORATE GOVERNANCE

The Board continued to play its role within the tenets of good governance principles. However, for the big part of the year 2014, the Board was not fully constituted and consequently the three committees namely: Audit and Risk, Human Resources and Strategy and Development were not in place. This posed a big challenge especially in business policy formulation and corporate oversight.

2015 OUTLOOK

The National Treasury predicts growth to be more robust this year, due to growth in a range of sectors e.g real estate, financial services, telecommunications and hospitality. The discovery of oil, gas, and other minerals is expected to sustain the recent trend of major multinational organizations setting up offices in the country and turning them into regional hubs for their operations. The country's relatively developed financial markets make it a destination of choice for investors as they can easily move funds in and out of the country.

The banking sector is expected to be a key driver of the envisaged economic activity as it facilitates the efficient movement of funds and resources. On the Macro-economic front, the above developments are expected to have the following impact on the Bank's operations:

- i) Interest rates are expected to maintain a downward trend in the short term mainly driven by abundant liquidity finding its way into the local financial markets in search of profitable investment avenues. However, we expect an upturn towards the end of the fiscal year as the government raises funds to pay off its bills.
- ii) A decline in interest rates and improved liquidity conditions affords the Bank an opportunity to mobilize deposits at lower costs thus stimulating the bonds trading market.
- iii) Inflation is expected to be within the target rate of 5%+/- 2.5%. This will mainly be supported by low energy costs. Lower inflation improves customers' ability to save.
- iv) The exchange rate is expected to come under pressure as a direct consequence of the dip in tourism earnings and reduced flows from agriculture due to low tea prices. The importation of capital goods for investment purposes is also expected to put pressure on the exchange rate.
- v) The continued interest by foreign investors in the local economy will entail a higher degree of integration with the international financial markets. This portends a risk to the local economy as developments in the international markets will have an effect on the local economy.

CHAIRMAN'S STATEMENT (Continued)

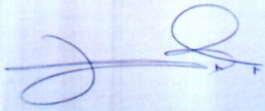
APPRECIATION

I would like to convey my sincere appreciation to the Government, our esteemed customers and business partners for their continued support. I also wish to thank the management and staff for their dedication to service.

CONCLUSION

The year 2015 holds some promise on the interest rates front and the Bank will be alert to take up opportunities that will arise in order to profit from the improving market conditions. However, there is need to mitigate risks that come with new developments in the market.

We look forward to working as a team in order to meet and exceed our customers' and other stakeholder's expectation in the coming year 2015.



HON. FRED KAPONDI CHESEBE

CHAIRMAN

22 MAY, 2015

MANAGING DIRECTOR'S STATEMENT



Ms. Anne Karanja
Ag. Managing Director

It is with great pleasure I present the Bank's Annual Report and the Financial Statements for the year ended 31st December 2014.

FINANCIAL PERFORMANCE

The financial performance for the period ended 31st December, 2014 declined to Kshs.1.518 billion loss recording a Negative growth of 48.28% from 2013 levels. Total assets and customer deposits were Kshs 15.852 billion and Kshs 17.503 billion respectively. The decline in performance was occasioned by:

- Lack of credit which has resulted to accounts falling into dormancy. A total of 917,000 accounts were closed in the year due to lack of activity for over seven years and the accounts had zero balance.
- Reduced revenues due to reduced active accounts.
- Reduced investment due to declining deposits.

STRATEGIC PLANNING

During the year, the Bank carried out a midterm review of its Action Plan 2014 and also developed the Action Plan for the year 2015. This Strategic Planning process combined also the budgeting process for the year 2015. This formed the basis of performance contracting with the Government of Kenya for the year 2015.

PERFORMANCE CONTRACTING

In December 2013, the Bank signed its annual performance contract with the Government of Kenya for the financial year 2014. The contract was then cascaded to all levels within the Bank. Quarterly performance monitoring and evaluation was carried out to ensure attainment of the set targets. An evaluation of the Bank's performance for 2014 was carried out by the independent Government assessors and the Bank attained an overall rating under the "FAIR" category.

STRATEGIC PARTNERSHIPS

Association of Savings Banks in East Africa (ASBEA)

The Bank continued its strategic partnership with the Association of Savings Banks in East Africa. The partnership allows the member savings banks share their business experiences and challenges and offer to support each other. During the year 2014, the Association held joint capacity building programmes for their staff and continued to pursue joint ICT switch integration initiatives to allow customers experience seamless transaction service across Kenya, Tanzania and Uganda. The Cross Border ATM services that allows customers across the borders access money through the member bank ATM networks was launched in June 2014. The Bank also hosted the Annual General and Board of Trustees Meetings for ASBEA in June 2014 in Nairobi.

World Savings Banks Institute (WSBI)

The Bank also continued to maintain relationship with the World Savings Banking Institute. WSBI is the largest association of Savings and Retail banks in the world. It gives the savings banks a platform to network with each other.

During the year, WSBI also continued to support the set-up of the Postbank Mashinani agents. An evaluation on the progress made in enhancing financial inclusion by the Bank through the Postbank Mashinani agents was also done.

MANAGING DIRECTOR'S STATEMENT (Continued)

The Bank attended various activities / fora organized by WSBI in the course of the year. During the course of the year, WSBI provided financial support towards the enhancement of and development of an integrated mobile and internet banking platform .

Financial Sector Deepening (FSD)

The Bank has continued to partner with Financial Sector Deepening (FSD) in several projects with an objective to expand access to financial services among lower income household and smaller enterprises. FSD has partnered with the Bank on the dormant accounts project which aimed to understand causes and reactivate dormant accounts. FSD is also currently partnering with the Bank in developing a linkage solution for savings groups/Chamas with a view to encouraging them to save with the Bank.

In the year 2014, through the National Treasury, FSD also supported the financial and legal consultancy that is aimed at restructuring the Bank to offer credit and other commercial banking services.

Association of the Micro Finance Institutions (AMFI)

In the year 2014, the Bank also maintained its membership in the Association of the Micro Finance Institutions (AMFI). Membership to this Association saw the Bank's staff engage in exchange programmes that covered capacity building in various operational aspects.

Kenya Bankers Association (KBA)

During the year, Postbank maintained its Associate Membership with the Kenya Bankers Association, as the 44th member of the Association. This membership is strategic as the Bank will enjoy a host of benefits that improve on our service delivery. The membership also provides a platform to share experiences with other banks especially in the area of risk management and technology convergence. The Bank also held exchange programme meetings with the KBA during the year.

Study/Exchange programmes

During the year 2014, the bank hosted various organisations who visited the Bank on exchange study programmes. These included a team from the National Savings and Credit Bank of Zambia; A team that constituted of members from World Women Banking (WWB), Diamond Bank of Nigeria & NBS Bank of Malawi; and staff from Tanzania who attended various training programmes in the Bank.

The Bank also hoisted a team from the Kenya Ports Authority who visited the Bank for a benchmarking study in Human Resources.

A Glimpse into 2015

The year will see the Bank issuing EMV cards to its customers in line with the international market recommendation. Also mobile banking platform will be enhanced to handle cashless payment among other functionalities.



ANNE W. KARANJA

AG. MANAGING DIRECTOR

22 MAY, 2015

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2014

The Directors have pleasure in presenting their report and accounts for the year ended 31st December 2014.

Results

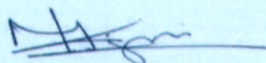
The results for the year are as set out on pages 26 to 53

Directors

The Directors who served during the year to the date of this report were:-

Name	Title	Appointment Date	Retirement Date
Titus J.K Gateere, CBS	Chairman	15-02-2013	22-01-2014
Hon. Fred Chesebe Kapondi	Chairman	10-01-2014	In Service
Mr.Gordon Jallango Anyango	Director	01-04-2011	30-03-2014
Dr. Kamau Thugge	PS, National Treasury	15-05-2013	In Service
Kennedy O. Ondieki	Alt. Representing National Treasury	07-03-2011	06-03-2014
Mr. Nzomo Mutuku	Alt. Representing P.S The National Treasury	24-09-2014	In Service
Dr. Nyambura Koigi	Managing Director	01-07-2011 (Re-appointment)	30-06-2014
Anne W. Karanja	Ag. Managing Director	01-07-2014	In service

By order of the Board.



M. N. KAGIRI - MBIJIWE (MRS)

COMPANY SECRETARY

22 MAY, 2015

CORPORATE GOVERNANCE STATEMENT

Postbank is committed to the standards of corporate governance as set by the Government for the public sector from time to time and the Central Bank of Kenya on specific services offered by Postbank.

The Board of Directors is responsible for the long term strategic direction for profitable growth of the Bank while being accountable to the shareholder for ensuring that Postbank complies with the law and the highest standards of corporate governance and business ethics.

The Directors attach great importance to the need to conduct the business and operations of Postbank with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Board of Directors

The Board is made up of six (6) Directors of whom 5 are non-executive including the Chairman. However, during the year under review, there were a total of four (4) Directors in service. Directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance requirements. The day-to-day running of Postbank has been delegated to the Managing Director. The Board retains responsibility for establishing and maintaining the internal control over the strategic, financial, operational and compliance issues. The Board is responsible of ensuring succession planning and commencement of the recruitment of the Managing Director.

Board Meetings

The Board of Directors meet on quarterly basis or as required. The Board is responsible for monitoring the implementation of Postbank's

planned strategy and reviewing it in conjunction with its financial performance. Specific reviews are also undertaken on operational issues and future planning. At the end of each financial year, the Board evaluates itself, the Managing Director and Senior Management Staff against targets that have been agreed at the beginning of the year.

The Board held two (2) Meetings during the year under review.

Board Committees

The Board has created three Principal Committees which meet regularly under a well-defined and materially delegated terms of reference set by the Board.

Strategy and Development Board Committee

This Committee meets quarterly and it is responsible for the formulation of the Bank's revised strategy and reviews and approves product offering and strategic alliances.

The Committee held no meeting during the year under review.

Audit and Risk Board Committee

The Audit and Risk Committee meets quarterly, or as required. In accordance with regulatory requirement, the Committee comprises non-executive members of the Board who are independent of the day-to-day management of the Bank's operations. The Head of Internal Audit reports to the Audit Committee functionally. The Committee deals with all matters relating to the financial statements, internal control and risk management.

The Committee held no Meetings during the year under review.

CORPORATE GOVERNANCE STATEMENT (Continued)

Staff Board Committee

This Committee meets quarterly to review human resource policies, approval of all matters that relate to staff and to make suitable recommendations to the Board on Senior Management appointments.

The Committee held no meetings during the year under review.

Code of Ethics

Postbank is committed to the Public Officers Integrity and Ethics Act 2003, Leadership and Integrity Act 2012 and Kenya Anti-Corruption and Economic Crimes Act 2003.

Communication with Shareholder

Postbank is committed to ensuring that the shareholder and the Parliament are provided with full and timely information about its performance. This is usually done through the distribution of the Bank's quarterly reports to the Inspectorate of

State Corporations and Ministry of Finance and specifically the Annual reports to the Clerk of the Parliament for distribution to the Members of Parliament. Postbank is in compliance with its obligations under the KPOSB Act, State Corporations Act and Central Bank of Kenya guidelines relating to remittance services together with other Guidelines issued there-under by the government.

Directors' Emoluments and Loans

The aggregate amount of emoluments paid to Directors for services rendered during the Year 2014 is disclosed in Note 19 to the Financial Statements. There were no loans to sitting Directors at any time during the year.

Board and Board Committees Attendance

The following table gives the record of Postbank's Board and Committee Meetings for the year ended December 31st 2014.

BOARD ATTENDANCE REGISTER 2014

Type of Meeting	No. of Meetings	Hon. Fred Kapondi	Gordon Anyango	Kennedy Ondieki	Dr. Nyambura Koigi
Main Board Meeting	1	1	1	1	1
Special Board Meeting	1	1	1	1	1
Audit and Risk Board Committee	0	N/A	0	0	N/A
Staff Board Committee	0	N/A	0	0	0
Strategy and Development Board Committee	0	N/A	0	0	0
Attendance %	20%	20%	20%	20%	20%

Note: The number of meetings held during the year were few since the term for some board members expired and hence there was no quorum.



CHAIRMAN

22 MAY, 2015



AG. MANAGING DIRECTOR

CORPORATE SOCIAL RESPONSIBILITY

Postbank is committed towards economic development while at the same time enhancing quality of life of the community they operate in. Our objective is to create and maintain credibility by working in partnership with the people in addressing problems perceived by the society as crucial.

SOCIAL IMPACT

The Bank engaged in activities that engaged local communities in our efforts to improve access to financial services and our philanthropic investments. Ultimately, our aim is to bring the breadth of the bank's capabilities to the community and amplify their impact on the social, environmental and economic challenges.

With the Bank's vast network of 102 branches and over 990 Postbank Mashinani Agents, our focus was based on the different unique community needs. This footprint is reflected in how we focus our community development and philanthropic efforts.

CSR PRIORITY AREAS

Our long term vision is to contribute to the sustainable development in the country. This is achieved through giving back to society through our four key pillars which are:

- Education
- Financial Literacy
- Environment
- Health
- Water & Sanitation
- Emergency Response

The key highlights and achievements during the period under review included investment in communities through various projects aimed at enriching and empowering people through basic education, health and poverty reduction.

Provision of adequate and satisfactory health services remains a challenge especially in the rural areas.

HEALTH

Blood Donation

One of the Bank's key CSR pillars is to promote primary health care. Early this year, the Bank organized an opportunity for staff to donate blood to increase the government's blood bank and hence help to save lives of the people in need. The exercise was facilitated by a non-governmental organization Bloodlink Foundation who provided a truck along Banda Street as a blood donation Centre.

Postbank staff and the general public responded in large numbers to an appeal for blood donation in an effort towards reducing the current blood deficit in the country.



Postbank staff donates blood during the drive.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (Continued)

Postbank Supports Beyond Zero Campaign

A team from Postbank zealously participated during the first ladies half marathon at Uhuru Gardens in a bid to stamp out unwarranted deaths of mothers and children suffered at child birth and eliminate new HIV infections. As part of our CSR initiative, the vibrant team set out to complete the races, and finished in admirable time.

Spearheaded by the first lady of Kenya, Her Excellency Margaret Kenyatta, the Beyond Zero campaign seeks to improve maternal and child health outcomes in the country and accelerate the implementation of the national plan towards the elimination of new HIV infections among children.

The event sought to raise funds to purchase fully equipped mobile clinics for the 47 counties in Kenya.



Postbank staff (In Postbank branded T-Shirt and cap) during the 1st Lady's marathon.

FINANCIAL INCLUSION

Celebrating Global Money Week

Global Money Week brings together the efforts which focus on financial education, financial access, and entrepreneurship for youth.

In the spirit of Global Money Week, Postbank, through all her 99 branches conducted savings education in schools. The Bank organized fun activities which were climaxed by an essay competition.

By the end of Global Money Week, branches had conducted savings education to schools which were climaxed by essay competitions that gauged their understanding of financial management.

Participating students were awarded with assorted prizes; from branded merchandise to a funded bank account. The interactive sessions emphasized on the need to save and plan for expenses.

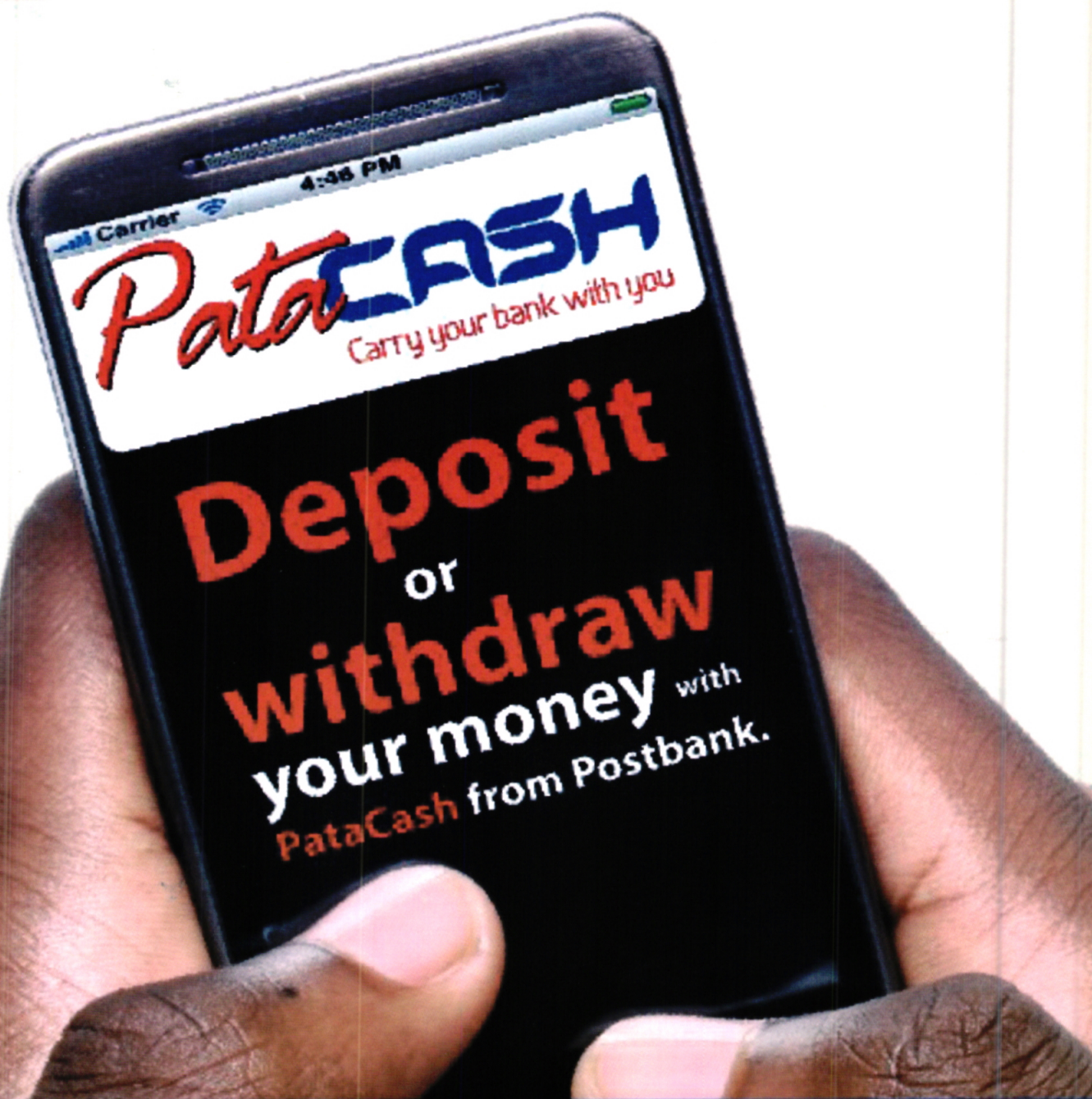


Staff member during a savings education forum in celebration of global money week.

CHAIRMAN

22 MAY, 2015

AG. MANAGING DIRECTOR



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STATEMENT OF DIRECTORS RESPONSIBILITIES

The State Corporations' Act requires the Directors to prepare financial statements for each financial year, which gives a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results for that year. It also requires the Directors to ensure the Bank keeps proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the State Corporations' Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results.

The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate internal control systems.



CHAIRMAN

22 MAY, 2015



AG. MANAGING DIRECTOR

REPUBLIC OF KENYA

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Email: oag@oagkenya.go.ke

P.O.Box 30084 -00100

NAIROBI



OFFICE OF THE AUDITOR - GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA POST OFFICE SAVINGS BANK FOR THE YEAR ENDED 31 DECEMBER 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Post Office Bank set out on page 26 to 54, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Director's Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provision of Section 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The Audit was conducted in accordance with international Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of the material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion**1.0 Accounts Receivable and Prepayments****1.1 Long Outstanding Balances**

The financial statement reflects net accounts receivable and prepayments totalling Kshs. 4,785,040,125 as at December 2014 as detailed under Note 30. This amount includes long outstanding balances totalling Kshs. 1,878,688,430, which have been

owed over the years by Postal Corporation of Kenya and the defunct Kenya Posts and Telecommunications Corporations. The accounts receivables and prepayments balances also include fixed deposits in ailing financial institutions and loan advances to two former directors totalling Kshs. 488,973,075 and Kshs. 3,327,044 respectively. These amounts have similarly been outstanding over the years. It has not been possible therefore to ascertain the recoverability of these long outstanding debts totalling Kshs. 2,370,998,549.

1.2 Staff Loans

Note 30 to the financial statements also reflects staff loan balance of Kshs. 935,430,679 out of which an amount of Kshs. 156,713,226 was due from deceased and former employees of the bank as at December 2014. The recoverability of the amount is highly doubtful.

1.3 Trade debtors

The financial statements under Note 30 reflect trade debtors balance of Kshs. 172,623,647. This balance differs with the respective account balance of Kshs. 213,134,700 reflected in the debtors schedules by Kshs. 40,511,053. The resultant difference has not been satisfactorily explained or reconciled.

2.0 Accounts Payable and Accruals

2.1 Long outstanding balances

The accounts payables' and accruals' balance of Kshs. 2,513,485,192 as at 31 December 2014 that is disclosed under Note 34 includes amounts that have been long outstanding since 1998 totalling Kshs. 1,612,297,166 as summarized below;

	Amounts (Kshs.)
PCK Services rendered (GOK Pensions)	530,423,857
PCK Encashed Warrants Payable	462,078,751
Transitorial Accounts—Pension Warrants (PCK)	170,953
Transitorial Accounts—GOK Payroll (PCK)	448,841,292
Total	1,612,297,166

It has not been explained clearly when these liabilities will be settled.

2.2 Accrued Expenses

Note 34 also discloses under accounts payables and accruals, accrued expenses totalling Kshs. 226,388,200. The accrued expenses, however, includes an amount of Kshs. 39,012,668 which has not been supported by any documentation except for Local Purchase Orders (LPOs). It has not been possible to ascertain the accuracy expenses balance of Kshs. 226,388,200.

3.0 Customer Savings and Deposits

3.1 Misstatement of customers' savings and deposits

The financial statements reflect customers' savings and deposits balance of Kshs. 17,503,279,445. The balance, however, differs with the balances of Kshs. 17,166,254,119 and Kshs. 15,018,884 reflected respectively in the customers' ledger accounts maintained in the main financial system and the core banking system which the bank uses to interface customers to the bank over the counter. These differences have not been satisfactorily explained and therefore the accuracy of customers' savings and deposits cannot be confirmed.

3.2 Overdrawn savings and deposit accounts

Customers' savings and deposits accounts balance of Kshs. 17,503,279,455 was arrived at after offsetting overdrawn customers' balances amounting Kshs. 67,948,969. It has not been clearly explained why the overdrawn balances were not classified under accounts receivables and prepayments. The customers' savings and deposits balance has therefore been apparently understated by Kshs. 67,948,969.

4.0 GOK Pension Reserve Fund

The financial statements reflects GOK pension Reserve Fund balance of Kshs. 506,050,407 as at December 2014. The records maintained by the bank reflects GOK pension receipts from the National Treasury totalling Kshs. 3,625,655,243 during the year out of which Kshs. 3,400,016,206 was directly uploaded for the Postbank account holders and an amount of Kshs. 173,812,047 paid in cheques to Postal Corporation of Kenya to fund pensions payroll leaving a balance of Kshs. 51,826,990 only resulting to unexplained difference of Kshs. 5,415,584. In view of the foregoing differences, the accuracy of GOK Pension Reserve Fund balance of Kshs. 506,050,407 reflected in the financial statements cannot be ascertained.

5.0 Interest Expense

The financial statements reflects interests' expense of Kshs. 1,086,132,043 as disclosed under Note 12. However, the core banking system reflects an amount of Kshs. 362,622,355 resulting to a difference of Kshs. 723,509,688 which has not been satisfactorily explained. Consequently the accuracy of the interests' expense of Kshs. 1,086,132,043 cannot be confirmed.

6.0 Other Expenses

Other expenses totalling Kshs. 483,579,839 reflected in the statement of comprehensive income and disclosed under Note 22 include an amount of Kshs. 7,433,883 paid in March 2015 through voucher No. 7281 and charged to selling expenses. This was done contrary to the matching principle in accrual accounting. The other expenses and total operating costs have consequently been overstated in the financial statements by Kshs. 7,433,883.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial position of Kenya Post Office Savings Bank as at 31 December 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and does not comply with the Kenya Post Office Savings Bank Act, Cap 493B of the laws of Kenya.

Emphasis of Matter

I draw attention to the statement of financial position as at 31 December 2014 on page 27 which reflects total assets of Kshs. 15,852,427,836 against a total liabilities of Kshs. 20,522,815,054. The bank therefore appear to be insolvent.

I further draw attention to pages 26 and 27 of the financial statements. During the year under review, the bank reported a loss of Kshs. 1,517,839,500 (Year 2013 a loss of Kshs.1,023,630,800) and an increase in revenue reserves deficit from Kshs. 5,176,196,030 (Year 2013) to Kshs. 7,089,451,153. The bank also reported a negative total shareholders' equity of Kshs. 4,670,387,218 as at December 2014.

In view of the above circumstances, the bank's ability to continue with its mandate in the long run is dependant on restructuring of the bank and continued government's support.



Edward R. O. Ouko, CBS

AUDITOR - GENERAL

Nairobi

31 March 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2014

		2014	2013
	NOTES	December	December
		Kshs	Kshs
Interest Income	11	1,185,341,448	2,438,374,113
Interest Expense	12	(1,086,132,043)	(934,594,687)
Net Interest Income		<u>99,209,405</u>	<u>1,503,779,426</u>
Fees and Commissions Income	13	612,003,308	467,145,438
Fees and Commissions Expense	14	(51,218,674)	(45,227,856)
Net Fees and Commissions Income		<u>560,784,634</u>	<u>421,917,582</u>
Net Trading Income		<u>659,994,039</u>	<u>1,925,697,008</u>
Foreign Exchange Income	15	49,243,104	42,522,512
Other Operating Income	16	79,814,420	88,814,125
Operating Income		<u>789,051,563</u>	<u>2,057,033,645</u>
Impairment loss on loans and advances	17	24,647,452	308,475,832
Employee Expenses	18	1,189,846,265	1,225,008,361
Board Expenses	19	2,217,253	4,306,652
Operating Expenses	20	411,077,156	341,900,623
Depreciation	31(b)	146,100,717	157,261,709
Amortization for Bonds Trading Cost	21	49,422,381	685,422,034
Other Expenses	22	483,579,839	358,289,234
Total Operating Costs		<u>2,306,891,063</u>	<u>3,080,664,445</u>
Profit/(Loss) before income tax		<u>(1,517,839,500)</u>	<u>(1,023,630,800)</u>
Income tax expense		-	-
Profit/(Loss) for the Period	23	<u>(1,517,839,500)</u>	<u>(1,023,630,800)</u>

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31st DECEMBER 2014

ASSETS	NOTE	2014 KSHS	2013 KSHS
Bank and Cash	24	1,159,056,952	1,162,899,579
Investment in Treasury and Bonds	25	7,009,626,281	10,447,778,800
Funds on Call and Short Notice	26	31,563,466	331,448,898
Investment Property	27	896,790,225	896,790,225
Stocks	28	18,913,264	10,379,899
Other Investments	29	3,135,501	2,672,001
Accounts Receivables & Prepayments	30	4,785,040,125	4,113,307,064
Property & Equipment	31	1,888,005,824	1,920,751,811*
Intangible Assets	32	60,296,198	87,549,205*
Total Assets		<u>15,852,427,836</u>	<u>18,973,577,482</u>
LIABILITIES			
Customer Savings and Deposits	33	17,503,279,455	19,239,393,654
Accounts Payable & Accruals	34	2,513,485,192	2,055,517,946
GoK Pension Reserve Fund	35	506,050,407	460,003,916
Bank Overdraft	36	-	<u>887,261</u>
Total Liabilities		<u>20,522,815,054</u>	<u>21,755,802,777</u>
SHAREHOLDERS' EQUITY			
Capital Grants	37	30,813,139	5,719,939
Revaluation Reserves	38	2,388,250,796	2,388,250,796
Revenue Reserves	39	<u>(7,089,451,153)</u>	<u>(5,176,196,030)</u>
Total Shareholders' Equity		<u>(4,670,387,218)</u>	<u>(2,782,225,295)</u>
Total Liabilities and Shareholders' Equity		<u>15,852,427,836</u>	<u>18,973,577,482</u>

* The figure for property and Equipment for year 2013 was restated to allow for separation of Property and Equipment and Intangible Assets.

* The Financial statements on pages 26 to 54 were approved by the Directors on 22nd May 2015 as a draft and signed on its behalf by:



DIRECTOR

22 MAY, 2015



DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2014

	Capital Grants Kshs	Revaluation Reserves Kshs	Revenue Reserves Kshs	TOTALS Kshs
At January 2013	5,719,939	1,377,800,796	(4,169,565,230)	(2,786,044,495)
Profit (Loss) for the year	-	-	(1,023,630,800)	(1,023,630,800)
Revaluation of Land and Buildings	-	1,010,450,000		1,010,450,000
Prior year adjustments	-	-	17,000,000	17,000,000
At 31st December 2013	<u>5,719,939</u>	<u>2,388,250,796</u>	<u>(5,176,196,030)</u>	<u>(2,782,225,295)</u>
At 1st January 2014	5,719,939	2,388,250,796	(5,176,196,030)	(2,782,225,295)
Profit (Loss) for the year	-	-	(1,517,839,500)	(1,517,839,500)
Additions during the year (Note i)	25,093,200	-	-	25,093,200
Prior year adjustment (ii)	-	-	(395,415,623)	(395,415,623)
At 31st December 2014	<u>30,813,139</u>	<u>2,388,250,796</u>	<u>(7,089,451,153)</u>	<u>(4,670,387,218)</u>

(i) The additions relates to capital grant received from Visa International and World Savings Bank Institute.

(ii) Prior year adjustment relates to;

- a) Penalty on NSSF contributions of Ksh 297,490,025.15 for years prior to 2010.
- b) Overstated commission receivable from GOK Pension services of Ksh 18,908,200.00 in year 2013.
- c) Receipt of Ksh 1,436,065.60 from Central Bank of Kenya (Deposit Protection Fund) on behalf of Rural Urban & Credit finance Limited under liquidation.
- d) Overstated Staff loan interest of Ksh 2,668,691.20
- e) Unused staff bonus provision of Ksh 2,533,125.00
- f) Loss on disposal of assets of Ksh 1,185,020 relating to year 2013.
- g) Excess billing on rental income of Ksh.3,697,503.63
- h) Unexpensed prepayments for year 2011 to 2013 of Ksh.88,296,105.71
- i) Unutilised accrued expenses of Ksh.12,860,732.45 on advertisement and computer expenses.

The notes set out on pages 30 to 54 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st DECEMBER 2014

CASH FLOWS FROM OPERATING ACTIVITIES	2014 KSHS	2013 KSHS
Profit (Loss) for the year	(1,517,839,500)	(1,023,630,800)
Adjustments for :-		
Depreciation	146,100,717	157,261,709
Rental Income	(57,961,472)	(36,752,009)
Dividend income	(197,794)	(39,834)
Gain/ (Loss) on Disposal of Property and Equipment	-	(609,859)
Appreciation/Diminution in value of quoted investments	(463,500)	(373,500)
Prior year adjustments	(395,415,623)	0
Operating profit/(loss) before working capital changes	(1,825,777,172)	(904,144,293)
(Increase)/ Decrease in Accounts Receivables & Prepayments	(671,733,062)	765,139,458
(Increase)/Decrease in stocks	(8,533,365)	24,569,810
Increase/(Decrease) in Accounts Payables & Accruals	457,967,246	(511,668,914)
Increase/(Decrease) Customer Savings and deposits	(1,736,114,199)	(669,900,113)
Increase/(Decrease) GoK Pension Reserve fund account	46,046,491	56,644,951
Net cash flows from operating activities	(3,738,144,061)	(1,239,359,101)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase/Sale of Property and Equipment	(86,101,722)	(170,901,571)
Proceeds from sale of assets	-	609,859
Rental income	57,961,472	36,752,009
Dividend Income	197,794	39,834
Net cash flows from investing activities	(27,942,456)	(133,499,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from WSBI	25,093,200	0
Net cash flows from financing activities	25,093,200	0
Net increase in cash and cash equivalents	(3,740,993,317)	(1,372,858,970)
Cash and cash equivalents at the beginning of the year	11,941,240,016	13,314,098,991
Cash and cash equivalent at the end of the year (Note 40)	8,200,246,699	11,941,240,016

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

1. BASIS OF PREPARATION

A) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements were authorised for issue by the Board of Directors on 22 May 2015.

The financial statements comprise of statement of comprehensive income, statement of financial position, statement of changes in reserves, statement of cash flows, and notes.

B) Basis of measurement

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) based on the historical cost convention as modified by the revaluation of property, available-for sale financial assets and held-for-trading instruments.

C) Functional and presentation currency

These financial statements are presented in Kenya

shillings (Kshs), which is the company's functional currency.

Items included in the financial statements are measured using the currency of primary economic environment in which the entity operates i.e. Kenya shillings.

D) Use of estimates and judgements.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future periods affected.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Income is recognised on an accrual basis.

(i) Interest

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are

directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- ◆ interest on financial assets and liabilities at amortised cost on an effective interest rate basis;
- ◆ interest on available-for-sale investment securities on an effective interest basis; and
- ◆ Interest income and expense on all trading assets and liabilities are considered to be incidental to the bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

(ii) Fees and commission income

Fees and commission income that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, are recognised as the related services are performed.

(iii) Foreign currency transactions

Transactions in foreign currencies during the year are converted into Kenya Shillings at the rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Kenya shillings at rates ruling at the statement of financial position date. The resulting realised and unrealised differences from conversion and translations are recognised in the statement of comprehensive income.

3. FINANCIAL ASSETS AND LIABILITIES

(a) Recognition

The Bank initially recognises loans and advances, deposits and debt securities on the date at which they are originated.

Purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(b) Classification

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money directly to a debtor with no intention of trading the receivable. These include advances to staff, Visa credit to customers and placements with other banks. Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. These include Treasury Bills, Treasury Bonds and Government Stock.

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates. Purchases and sales of financial assets at fair value through profit or loss, held to maturity and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

available for sale are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the statement of comprehensive income in the year in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the statement of comprehensive income.

(v) Identification and measurement of impairment of financial assets

At each statement of financial position date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be

specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would otherwise not consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rate, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

difference between the amortised acquisition cost and current fair value out of equity to the statement of comprehensive income. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the statement of comprehensive income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

(vi) *Derecognition*

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or

substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

vii) **Impairment for non-financial assets**

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

4.) FINANCIAL RISK MANAGEMENT

(a) Principles

Postbank faces various types of risks which arise from its day to day operations as a financial institution. The Board of Directors and Management therefore devote a significant portion of their time to the management of these risks. The mainstay of effective risk management is the identification of significant risks, the quantification of the Banks's risk exposure, actions to limit risk and the constant monitoring of risk.

The overarching aim of risk management is to ensure that all risks assumed in the course of the Bank's business are recognized early on and mitigated by effective risk management. Successful

risk management is recognized as a pre-condition for the sustained growth and success of the Bank. Risk management and monitoring are implemented via the Bank's risk management and risk control process and the organization structure corresponds to prudent Risk Management Guidelines.

In order to ensure continuous improvement of risk management at all times the following key risk principles have been adopted and are applied;

- ◆ The Board of Directors assumes the ultimate responsibility for the level of risks taken by the Bank and is responsible to oversee the effective implementation of the risk strategies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

- ◆ The organizational risk structure and the functions, tasks and powers of the employees, committees and departments involved in the risk processes are continuously being reviewed to ensure clarity of their roles and responsibilities.
- ◆ Risk issues are taken into consideration in all business decisions. Measures are in place to develop risk-based performance measures and this is being supplemented by setting risk limits at the overall Bank and divisional levels, as well as by enforcing consistent operating limits for individual business activities.
- ◆ Risk management is increasingly being linked to management processes such as strategic planning, annual budgeting and performance measurement.
- ◆ Identified risks are reported in a transparent and timely manner and in full to the responsible senior management.
- ◆ Appropriate and effective controls exist for all processes entailing risks.

All these principles are enshrined in the Bank's risk management policy. The section below provides the various risks faced by the Bank and describes the methods used by management to control risk. The most important types of financial risks to which the Bank is exposed are credit risk, liquidity risk and market risk mainly interest risk and operational risk.

(b) **Credit risk**

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the bank or if an obligor otherwise fails to perform as agreed.

(i) **Management of credit risk**

The Bank is subject to credit risk through its lending and investing activities. Considerable resources, expertise and controls are devoted to managing it and comprehensive strategies, policies and procedures have been developed to effectively manage this risk.

The Bank's primary exposure to credit risk arises through its advances to employee and Visa credit to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The Bank is also exposed to credit risk on debt investments. The current credit exposure in respect of the instruments is equal to the carrying amount of these assets in the statement of financial position. The risk that counterparties to instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank deals with counterparties of good credit standings and obtain collateral.

(ii) **Write-off policy**

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when management determines that the advances / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

(c) **Liquidity risk**

Liquidity risk is the current or prospective risk to earnings and capital arising from the institution's failure to meet its maturing obligations when they fall due without incurring unacceptable losses.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank has access to a diverse funding base. Funds are raised mainly from deposits.

(i) **Exposure to liquidity risk**

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month.

Market risk

(i) Management of market risk

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(ii) Exposure to interest rate risk

The principal risk to which financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps.

(e) Operational risk

The Bank's objective is to manage operational risk

5. PROPERTY AND EQUIPMENT

(a) REVALUATION

The Bank has used the Revaluation and depreciating model for Land and Buildings while for all other classes of assets, Cost and depreciating model has been applied as per IAS 16.

(b) PROPERTY AND EQUIPMENT AND DEPRECIATION

Leasehold properties for which the lease has 99 years or more to run are stated at cost or valuation and are not depreciated.

Other assets are stated and depreciated at cost.

Depreciation is calculated on a straight-line basis, at rates estimated to write off the assets over their expected useful lives.

The following depreciation rates are used:

Category	Rate p.a.
Buildings	2.5 %
Show stands	20.0 %
Motor vehicles	25.0 %
Furniture and fittings	12.5 %
Electronic office equipment	20.0 %
Non-electronic office equipment	12.5 %
Computer hardware	20.0 %
Computer software	20.0 %

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

(c) INTANGIBLE ASSETS

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computers software products controlled by the bank are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using annual rate of 20%.

(6) STOCKS

Stocks comprise of stationery and drugs in the staff clinic which are valued at cost.

(7) CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purposes of the cash flow statement comprise cash and bank balances net of bank overdraft, deposits in commercial banks and financial institutions and Treasury bills, treasury and corporate bonds as at the balance sheet date.

(8) FOREIGN CURRENCY TRANSACTIONS

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the bank operates), which is Kenya Shillings.

Foreign currency transactions during the year are converted into Kenya shilling equivalent at rates ruling at the transaction date. Assets and liabilities at the statement of financial position date which are expressed in foreign currency are translated into Kenya shillings at the rates ruling at the transaction date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

(9) EMPLOYMENT BENEFIT

(a) POST-EMPLOYMENT BENEFIT OBLIGATIONS

The bank operates a retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by an insurance company. The contributions made by the Bank both to the Defined Benefit and Defined Contribution retirement scheme and to the Provident Fund are charged to the profit and loss account in the year of contribution.

From year 2011, the Bank and the employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate. Before year 2011, the Bank and employees were not making any contribution to the National Social Security Fund (NSSF). This resulted to a penalty, hence a liability to the Bank of Kshs.297,490,025, payable in three years from August 2014.

(b) SHORT TERM EMPLOYEE BENEFITS

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

(10) PROVISION FOR DOUBTFUL DEBTS

Provision is made on debtors that are considered to be doubtful. Bad debts are written off when all reasonable steps to recover them have been taken without success.

(11) INTEREST INCOME

	2014	2013
	Kshs	Kshs
Interest on Treasury Bills/Bonds	1,095,901,405	2,362,671,313
Interest on PCK balances	1,805,407	5,784,000
Interest on staff loans	65,248,110	55,033,685
Interest on Visa balances	22,386,526	14,885,685
	<u>1,185,341,448</u>	<u>2,438,374,113</u>

(12) INTEREST EXPENSE

	2014	2013
	Kshs	Kshs
Interest on :-		
Postbank Savings Accounts	46,743,517	17,330,125
Bidii Savings Accounts	33,018,302	31,583,103
Bidii Plus	0	102,226
Step Account	4,232,319	3,572,943
Pension Account	23,409,422	16,753,826
Premium Savings Account	32,049,094	31,943,501
Premium Plus Account	939,543,804	823,817,961
Fixed Deposit Account	2,083,193	2,043,046
Save As You Earn	660,262	3,917,211
Staff Salary Account	558,089	605,010
Salary Account	1,840,872	1,674,812
Postbank Junior Account	1,001,585	831,859
Pamoja Account	527,607	335,397
Bidii Junior Trustee Account	49,720	48,122
Smata Youth Save	82,929	35,364
Waridi Account	331,269	181
M-Chama Account	11	-
Mobile Savings Account	47	-
	<u>1,086,132,043</u>	<u>934,594,687</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2014

(13) FEES & COMMISSIONS INCOME

	2014	2013
	Kshs	Kshs
Inactivity Fees	119,161,748	-
Salary crediting fees	13,961,696	20,004,439
Premature withdrawal fees	24,038,089	24,558,390
Withdrawal fees	59,069,527	44,268,156
Visa fees	18,271,269	10,889,918
Card fees	12,732,032	12,900,954
Western Union - MTS commission	57,936,535	62,586,772
Citibank commission	1,842,104	3,065,373
Pension commission	71,492,900	75,922,400
Money Transfer commission (Others)	67,594,093	59,038,924
ATM withdrawal fees	55,269,966	51,211,535
Bills commission-Water & Electricity	44,133,476	38,905,034
AAR Loan commission	38,889,461	45,719,764
Encashment fee	4,675,198	5,727,452
Miscellaneous fees & commission (others)	<u>22,935,214</u>	<u>12,346,327</u>
	<u>612,003,308</u>	<u>467,145,438</u>

(14) FEES AND COMMISSIONS EXPENSE

	2014	2013
	Kshs	Kshs
Processing Fees	1,459,866	2,734,800
Settlement Transaction Fees	19,169	-
Stop-List Bulletin Charges	-	8,582
Transaction Authorisation	2,010,518	2,487,373
Shared Costs Adjustments	2,862,356	2,776,438
Commission Expense-Money gram	2,724,325	1,661,019
Premium Paid Commission on Purchase of T/Bonds	34,964,753	28,239,928
Commission-Independent Agent	4,907,367	6,144,744
Mobile banking Expenses	2,270,320	1,174,972
	<u>51,218,674</u>	<u>45,227,856</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

(15) FOREIGN EXCHANGE INCOME

	2014	2013
	Kshs	Kshs
Forex gain on MTS Transactions	49,243,104	41,018,418
Forex gain on MoneyGram Transactions	<u>0</u>	<u>1,504,094</u>
	<u>49,243,104</u>	<u>42,522,512</u>

(16) OTHER OPERATING INCOME

	2014	2013
	Kshs	Kshs
Rental Income	57,961,472	36,752,009
Dividend income	197,794	39,834
Write back of liabilities	-	8,240,941
Interest on bank accounts	17,999	167,869
Bonus from Western Union	-	24,622,493
Agency based commission	-	73,000
Tender fees	32,500	3,148,000
Development Levy	-	4,000,000
Appreciation/Diminution in value of quoted investments	463,500	373,500
Gain/(Loss) on sale of Property & Equipment	-	609,859
Mobile Banking Fee	8,615,990	4,407,045
Capital Gain on Sale of Investments	2,640,474	-
Commission Income on Foreign Visa	4,384,050	2,880,275
Sundry income	<u>5,500,641</u>	<u>3,499,300</u>
	<u>79,814,420</u>	<u>88,814,125</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

(17) IMPAIRMENT LOSS ON LOANS AND ADVANCES

	2014	2013
	Kshs	Kshs
Ordinary Savings Scheme	20,000,000	15,000,000
Visa card debtors	3,000,000	2,000,000
General Provisions	1,647,452	15,000,000
Specific Provisions-Trade	<u>0</u>	<u>276,475,832</u>
	<u>24,647,452</u>	<u>308,475,832</u>

The provision for write-off of Ksh 276,475,832 is yet to be approved by the Board.

(18) EMPLOYEE EXPENSES

	2014	2013
	Kshs	Kshs
Salaries and Wages	773,274,859	774,260,586
Pensions and Provident Fund contr.	93,464,665	92,694,103
Medical expenses	61,261,083	52,515,325
Staff training	9,726,894	12,591,936
Other staff expenses	<u>252,118,765</u>	<u>292,946,411</u>
	<u>1,189,846,265</u>	<u>1,225,008,361</u>

(19) BOARD EXPENSES

	2014	2013
	Kshs	Kshs
Directors Fees	960,000	960,000
Directors Allowances	<u>1,257,253</u>	<u>3,346,652</u>
	<u>2,217,253</u>	<u>4,306,652</u>

(20) OPERATING EXPENSES

	2014	2013
	Kshs	Kshs
Security expenses	89,363,761	86,774,691
Insurances	9,218,873	12,271,296
Office rent	106,821,251	87,009,916
Land rent and rates	738,020	192,001
Repairs and maintenance	101,815,465	88,905,368
Service charge	7,997,400	9,509,925
Agency fees – MTS	18,945,150	18,019,916
Licences	83,392,094	32,939,415
Grounds maintenance	940,019	1,063,055
Agency Expansion Project (WSBI)	<u>(8,154,877)</u>	<u>5,215,040</u>
	<u>411,077,156</u>	<u>341,900,623</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014**(21) AMORTISATION FOR BONDS TRADING COST**

The amount of Ksh.49,422,381 relates to Treasury Bonds amortised during the year.

(22) OTHER EXPENSES

	2014	2013
	Kshs	Kshs
Travel and Subsistence allowances	17,797,345	34,426,323
Printing and stationery	14,060,252	22,156,143
Debt collection	599,311	694,938
Postage & telephone	110,680,673	80,796,743
Computer expenses	5,799,896	5,996,347
Motor Vehicle Expenses	5,972,877	5,118,789
Audit fees	3,150,000	4,443,876
Donations and subscriptions	4,947,258	3,620,937
Legal and professional fees	19,140,091	6,614,336
Electricity and water	34,757,275	30,063,231
Cleaning and Sanitation	14,959,185	15,782,950
Special Projects Launching	1,286,115	2,616,051
Newspapers and Periodicals	602,405	493,279
Transportation Costs	180,400	198,280
Procurement Costs	822,426	920,205
Excise Duty	13,705,298	4,949,542
Financial expenses	12,975,093	16,754,802
Selling expenses	154,458,963	100,485,982
Operating Stationery	3,130,409	3,410,517
Bonus & Prizes	0	391,326
Write offs & Charge offs	53,152	79,197
ATM processing charges	3,808,552	4,601,094
Hire of Motor Vehicles	12,475,006	10,873,637
ATM Card Cost	48,000,000	-
Research & Development	164,400	2,769,700
Miscellaneous expenses	<u>53,457</u>	<u>31,009</u>
	<u>483,579,839</u>	<u>358,289,234</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

(23) PROFIT (LOSS) FOR THE YEAR

	2014	2013
	Kshs	Kshs
The profit (loss) for the year is stated after charging:		
Directors emoluments	2,217,253	4,306,652
Audit fees	3,150,000	4,443,876
Depreciation expense	146,092,982	157,261,709
Bonds amortisation cost	49,422,381	685,422,034
Provident fund contribution	1,632,173	2,896,794
Pension scheme contribution	91,832,492	89,797,310
Diminution in value of quoted investments and after crediting: -	-	-
Dividends	197,794	39,834
Appreciation in value of quoted investment	463,500	373,500

(24) BANK AND CASH

	2014	2013
	Kshs	
Cash on Hand	671,944,672	471,398,595
Cash at Bank	<u>487,112,280</u>	<u>691,500,984</u>
	<u>1,159,056,952</u>	<u>1,162,899,579</u>

(25) INVESTMENT IN TREASURY BILLS & BONDS

	2014	2013
	Kshs	Kshs
Barclays Bank of Kenya medium term note	38,100,000	38,100,000
Kengen Infrastructure Bond	298,562,500	358,275,000
Shelter Afrique Bond	0	33,350,000
Jamii Bora Bond	20,000,000	0
Funds under management (SIMS)	3,831,258,981	5,641,609,937
Government of Kenya Treasury Bonds	2,821,704,800	4,355,150,000
Government of Kenya Treasury Bills	<u>0</u>	<u>21,293,863</u>
	<u>7,009,626,281</u>	<u>10,447,778,800</u>

During the year, Shelter Afrique Bond was fully repaid and Kengen Infrastructure bond of Ksh 59,712,500 was partially redeemed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014**(26) FUNDS ON CALL AND SHORT NOTICE**

	2014	2013
	Kshs	Kshs
Funds on call and short notice	31,563,466	331,448,898

(27) INVESTMENT PROPERTY

	2014	2013
	Kshs	Kshs
Investment property	896,790,225	896,790,225

Included in the investment Property is-

- i) Upper Hill Property whose market value is Ksh.319,200,000 but carried at book value of Ksh 27,390,225. Title to the Upper Hill property is in dispute with the current occupant of the premises claiming allottees interest absolutely. The matter is in court and the Bank expects a favourable outcome since it has a vesting right in the property and is holding it with an intention of selling or reinvesting.

The property is a piece of land with a building taken over from Thabiti Finance Ltd in lieu of deposits held for the Bank.

- ii) Karura Training & Sports Complex valued at Ksh 864,400,000 as per the latest valuation report undertaken by Transcountry Valuers Limited in October 2013.
- iii) Dandora Plot with a value of Ksh 5,000,000.

The reclassification of Dandora Plot and Karura Training centre from Property and equipment to Investment property has been done as per IAS 40.

(28) STOCKS

	2014	2013
	Kshs	Kshs
Stocks of Stationery & Drugs	<u>18,913,264</u>	<u>10,379,899</u>
	18,913,264	10,379,899

(29) OTHER INVESTMENTS

	2014	2013
	Kshs	Kshs
Quoted investments	2,055,637	2,055,637
Unquoted investment	<u>13,540,000</u>	<u>13,540,000</u>
	15,595,637	15,595,637
Less: Provision for diminution in market value of quoted /unquoted	<u>12,460,136</u>	<u>12,923,636</u>
	3,135,501	2,672,001

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

- (i) Quoted investments were valued at Kshs.1,781,500 (2013 Kshs.1,318,000) using the stock market price for the same category.
- (ii) Unquoted investment represents 80% of deposits in City Finance Bank (Jamii Bora Bank) converted into shares following their restructuring in year 2000.

(30) ACCOUNTS RECEIVABLES AND PREPAYMENTS

Notes	2014	2013
	Kshs	Kshs
Postal Corporation of Kenya-Excess Deposits	780,271,708	759,900,574
GOK-(KP&TC) (i)	405,231,629	405,231,629
Commission Receivable from GoK	89,511,500	73,464,700
Prepaid GoK Pension – PCK Payroll	424,632,565	401,201,270
GoK Pension Cheques Receivable – PCK (ii)	268,553,158	268,553,158
PCK Overdrawn Claimable	37,434,983	21,666,543
Accrued interest on Treasury Bonds	94,782,751	244,269,282
Directors Loans	3,327,044	3,327,044
Staff loans	935,430,679	809,197,890
Staff debtors – Personal Development Loan	213,547,228	202,543,767
Staff Imprest	6,873,027	2,560,613
Trade Debtors	172,623,647	295,752,506
Fixed deposits in ailing financial institutions	488,973,075	540,409,141
Transitorial Accounts - Postbank	808,946,539	110,702,000
Premium on Treasury Bonds (Prepaid)	405,873,816	308,720,192
Refunds due from Bill and Melinda Gates Foundation	0	34,712,125
Other Receivables and Prepayments	<u>800,275,941</u>	<u>809,655,085</u>
	5,936,289,290	5,291,867,519
Provision for bad and doubtful debts:		
Trade Debtors	(662,276,090)	(638,151,314)
Amounts due from subsidiary and deposits in ailing financial institutions	<u>(488,973,075)</u>	<u>(540,409,141)</u>
	4,785,040,125	4,113,307,064

i) The Kshs. 405,231,629 relates to amount owing from the defunct KP&TC and has been outstanding since year 2005. The Government of Kenya has since given assurance of settlement of the amount, in effect through PCK.

ii) The amount of Kshs.268,553,158 relates to amount owed to Postbank by PCK in respect to pension's cheques and warrants handled by PCK on an agency agreement. This amount has been outstanding since year 2007 and the two organizations have made commitments to offset these amounts in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

31.(a) PROPERTY AND EQUIPMENT

	LAND	BUILDING	LEASEHOLD	MOTOR VEHICLES	FURNITURE & FITTINGS	ELECTRONIC OFFICE EQPMT	NON ELECTRONIC OFFICE EQPMT	COMPUTER HARDWARE	COMPUTER SOFTWARE	CAPITAL WORK IN PROGRESS	TOTAL
Cost or Valuation											
At 1 Jan. 2013	675,000,000	1,092,000,000	6,500,000	27,833,656	272,653,251	163,929,538	63,485,131	433,851,656	469,836,329	15,415,864	3,220,505,425
ADDITIONS	0	0	0	7,000,000	1,343,359	15,382,744	7,208,248	103,813,869	36,153,351		170,901,571
CAPITALISED WORKS	0	0	0	0	14,345,864	0	0		0	(14,345,864)	0
TRANSFER TO INVESTMENT PROPERTY	(780,000,000)	(89,400,000)									(869,400,000)
REVALUATIONS	959,500,000	50,950,000	0	0	0	0	0	0	0		1,010,450,000
DISPOSALS	0	0	0	0	(2,719,295)	0	0	(6,470,420)	0		(9,189,715)
COST 31.12.2013	854,500,000	1,053,550,000	6,500,000	34,833,656	285,623,179	179,312,282	70,693,379	531,195,105	505,989,680	1,070,000	3,523,267,281
DEPRECIATION											
DEPRE.01.01.13	0	216,964,332	5,200,000	26,826,713	167,870,295	133,497,071	56,243,621	401,061,026	376,231,212	0	1,383,894,270
CHARGED 2013	0	27,300,000	740,000	2,441,901	21,769,820	11,601,643	3,278,879	47,920,204	42,209,263	0	157,261,710
WRITE BACK	0	(17,000,000)	0	0	0	0	0	0	0	0	(17,000,000)
DISPOSALS					(2,719,295)			(6,470,420)			(9,189,715)
DEPRE.31.12.13	0	227,264,332	5,940,000	29,268,614	186,920,820	145,098,714	59,522,500	442,510,810	418,440,475	0	1,514,966,265
NBV 31.12.2013	854,500,000	826,285,668	560,000	5,565,042	98,702,359	34,213,568	11,170,879	88,684,295	87,549,205	1,070,000	2,008,301,016
NBV 31.12.2012	675,000,000	875,035,668	1,300,000	1,006,943	104,782,956	30,432,467	7,241,510	32,790,630	93,605,117	15,415,864	1,836,611,155

Disclosure Note

During the year, furniture & fittings and computer hardware items with nil book value were disposed. 16 ATM sites were completed during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

31. (b) PROPERTY AND EQUIPMENT

	LAND	BUILDING	LEASEHOLD	MOTOR VEHICLES	FURNITURE & FITTINGS	ELECTRONIC OFFICE EQPMT	NON OFFICE EQPMT	COMPUTER HARDWARE	CAPITAL WORK IN PROGRESS	TOTAL
Cost or Valuation										
At 1 Jan. 2014	854,500,000	1,053,550,000	6,500,000	34,833,656	285,623,179	179,312,282	70,693,379	531,195,105	1,070,000	3,017,277,601
ADDITIONS	0	0	0	0	17,538,071	12,114,839	5,828,689	24,605,546	20,881,322	80,968,467
CAPITALISED	0	0	0	0	1,070,000	0	0		(1,070,000)	0
REVALUATIONS	0	0	0	0	0	0	0	0	0	0
DISPOSALS	0	0	0	0	0	0	0	0	0	0
COST 31.12.2014	854,500,000	1,053,550,000	6,500,000	34,833,656	304,231,250	191,427,121	76,522,068	555,800,651	20,881,322	3,098,246,068
DEPRECIATION										
DEPRE.01.01.14	0	227,264,332	5,940,000	29,268,614	186,920,820	145,098,714	59,522,500	442,510,810	0	1,096,525,790
CHARGED 2014	0	26,338,750	560,000	2,095,772	21,182,775	11,691,864	3,421,435	48,423,859	0	113,714,455
WRITE BACK	0	0	0	0	0	0	0	0	0	0
DISPOSALS	0	0	0	0	0	0	0	0	0	0
DEPRE.31.12.14	0	253,603,082	6,500,000	31,364,386	208,103,595	156,790,578	62,943,935	490,934,669	0	1,210,240,245
NBV 31.12.2014	854,500,000	799,946,918	0	3,469,270	96,127,655	34,636,543	13,578,133	64,865,983	20,881,322	1,888,005,824
NBV 31.12.2013	854,500,000	826,285,668	560,000	5,565,042	98,702,359	34,213,568	11,170,879	88,684,295	1,070,000	1,920,751,811

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Disclosure Note

Four (4) new branches were completed during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

31.(b) LAND AND BUILDINGS

COST OR VALUATION	Land	Buildings	Show Stand	2014	2013
	Kshs	Kshs	Kshs	Kshs	Kshs
Long-term leasehold	732,000,000	977,750,000	-	1,709,750,000	1,709,750,000
Short-term leasehold	<u>122,500,000</u>	<u>75,800,000</u>	<u>6,500,000</u>	<u>204,800,000</u>	<u>204,800,000</u>
	<u>854,500,000</u>	<u>1,053,550,000</u>	<u>6,500,000</u>	<u>1,914,550,000</u>	<u>1,914,550,000</u>

Included in short-term leasehold land and buildings is a property purchased in Mombasa. It was valued at Kshs.198.30 million subject to extension of lease period by another 45 years from the current 10 years. Initiative towards extension of the lease is in progress.

The figures used in the fixed assets schedule relate to 2013 valuation report carried out by Transcountry Valuers Limited and approved by the Board in October 2013.

(32) INTANGIBLE ASSETS

	2014	2013
	Kshs	Kshs
Cost		
At 1 January	505,989,680	469,836,329
Additions	5,133,255	36,153,351
At 31 December	511,122,935	505,989,680
Amortisation		
At 1 January	418,440,475	376,231,212
Amortization for the year	32,386,262	42,209,263
At 31 December	450,826,737	418,440,475
Carrying Amount		
At 31 December	<u>60,296,198</u>	<u>87,549,205</u>

The intangible assets are in respect of computer software purchase costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

(33) CUSTOMERS' SAVINGS AND DEPOSIT ACCOUNTS

	2014	2013
	Kshs	Kshs
Postbank Savings Account	4,672,168,231	4,813,078,543
Bidii Savings Account	3,355,239,117	3,372,713,746
Bidii Plus Account	1,960,960	1,917,940
Junior Trust Account	9,429,096	9,050,921
Step Account	578,237,282	521,696,962
Pension accounts (BSG)	2,241,845,841	1,883,223,452
Premium Savings Scheme	974,125,593	952,606,632
Premium Plus Account	3,920,713,305	6,109,141,265
Fixed Deposit Account	115,094,829	100,199,334
Save-As-You-Earn	595,171,862	557,316,296
Staff Salary Account	76,021,268	62,463,105
Salary Account	195,234,573	194,796,861
Postbank Junior Account	134,319,328	115,229,388
Corporate Clients	465,330,945	489,068,515
Smata Youth Save Account	32,926,219	21,772,649
Pamoja Chama Account	49,955,429	34,344,914
Mzalendo Account	208,607	146,730
Waridi Account	70,752,060	626,401
Independent Agent Accounts	14,468,602	-
M-chama Savings Account	17,261	-
Mobile Savings Account	59,047	-
	<u>17,503,279,455</u>	<u>19,239,393,654</u>

(34) ACCOUNTS PAYABLES AND ACCRUALS

		2014	2013
		Kshs	Kshs
Trade creditors		83,406,645	67,749,620
PCK Services rendered- GOK Pension	(i)	530,423,857	528,243,388
PCK Encashed Warrants Payable	(ii)	462,078,751	462,078,751
Transitorial Accounts- Pension Warrants (PCK)	(iii)	170,953,266	170,953,266
Transitorial Accounts - GoK Payroll (PCK)		448,841,292	454,169,125
Accrued Expenses		226,388,200	123,756,608
NSSF Liability		237,992,020	0
Other creditors		<u>353,401,161</u>	<u>248,567,188</u>
		<u>2,513,485,192</u>	<u>2,055,517,946</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

i) PCK Services rendered- OSS refers to amount payable to Postal Corporation of Kenya for services offered to our regular customers for normal banking services.

(ii) PCK Encashed warrant payable refers to amount claimable by Postal Corporation of Kenya on disbursement of pension to pensioners. The amount of Kshs.462,078,751 which has been outstanding since year 2007 will be settled along with expected amounts from PCK (refer to note 30) in the next financial year.

(iii) Transitorial account is a holding account for money held by the Bank and PCK on behalf of third party pending disbursement. The amount of Kshs.170,953,266 which has been outstanding since year 2007 will be settled along with expected amounts from PCK (refer to note 30) in the next financial year.

(35) GOK PENSION RESERVE FUND

Amount	2014	2013
	Kshs	Kshs
	506,050,407	460,003,916

These are pension funds from the Government for distribution into the Paying agent accounts i.e. PCK and the Bank. Un-applied funds from PCK are also held there.

(36) BANK OVERDRAFT

	2014	2013
Cash at Bank	<u>0</u>	<u>887,261</u>
	<u>0</u>	<u>887,261</u>

(37) CAPITAL GRANTS

Capital grants were given to the Bank to support the following projects;

	2014	2013
	Kshs	Kshs
Western Union Product	<u>2,013,211</u>	<u>2,013,211</u>
Bidii Product	3,706,728	3,706,728
Visa EMV project	17,854,000	-
Smata, Mchama& Agency Expansion Projects	7,239,200	-
	<u>30,813,139</u>	<u>5,719,939</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014**(38) REVALUATION RESERVES**

Revaluation reserves are made up of periodic adjustments arising from fair valuations of Properties.

(39) REVENUE RESERVES

This represents undistributed profits from current and previous years.

(40) CASH AND CASH EQUIVALENTS AND CASHFLOW

	2014 Kshs.	2013 Kshs.
Bank and cash balances (net)	1,159,056,952	1,162,012,318
Deposits in banks and Financial Institutions	31,563,466	331,448,898
Treasury Bills and Bonds	<u>7,009,626,281</u>	<u>10,447,778,800</u>
	<u>8,200,246,699</u>	<u>11,941,240,016</u>

The bank and cash figure is net of bank overdraft.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014

(41) LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period as at 31 December 2014 to the contractual maturity date.

	Matured	Matured in less than a month	1 months less than 3 months	3 months less than 6 months	6 months less than 1 year	1 year less than 3 years	3 years less than 5 years	over 5 years	Totals
Bank and Cash Balances	1,159,056,952	-	-	-	-	-	-	-	1,159,056,952
Investment in T/bills + Bonds	-	178,541,203	300,638,787	758,060,131	458,024,253	652,133,264	1,213,565,112	3,448,663,531	7,009,626,281
Funds on call and short notice	-	31,563,466	-	-	-	-	-	-	31,563,466
Investment Property	-	-	-	-	-	-	-	896,790,225	896,790,225
Other Investment	-	-	3,135,501	-	-	-	-	-	3,135,501
Other Assets	336,615,785	1,147,734,224	772,163,490	665,894,053	673,720,617	595,246,375	662,578,845	-	4,803,953,389
Property and Equipment	-	-	20,881,322	-	45,766,964	36,234,547	265,808,382	1,519,314,609	1,888,005,824
Intangible Assets	-	-	20,296,198	-	40,000,000	-	-	-	60,296,198
Total Assets	1,495,672,737	1,357,838,893	1,067,115,298	1,423,954,184	1,217,511,834	1,283,614,186	2,141,952,339	5,864,768,365	15,852,427,836
B. Liabilities and Reserves									
Other Liabilities	83,576,713	157,465,320	166,123,256	664,045,299	461,028,282	274,254,682	706,991,640	-	2,513,485,192
Customers' Savings and Deposit accounts	1,099,637,279	1,569,829,244	1,052,132,879	1,176,611,924	1,959,511,623	1,804,367,826	3,301,441,381	5,539,747,299	17,503,279,455
Gok Pension Reserve Fund Account	82,972,118	42,546,003	58,213,559	81,417,968	240,900,759	-	-	-	506,050,407
Bank Overdraft	-	-	-	-	-	-	-	-	-
Capital Grants	-	-	-	-	-	-	-	30,813,139	30,813,139
Revaluation Reserves	-	-	-	-	-	-	-	2,388,250,796	2,388,250,796
Revenue Reserves	-	-	-	-	-	-	-	-	-7,089,451,153
								7,089,451,153	
Total Liabilities and Reserves	1,266,186,110	1,769,840,567	1,276,469,694	1,922,075,191	2,661,440,664	2,078,622,508	4,008,433,022	869,360,081	15,852,427,836
A - B Liquidity GAP	229,486,627	-412,001,674	-209,354,396	-498,121,007	-1,443,928,830	-795,008,322	-1,866,480,683	4,995,408,284	0

Customers' Savings and deposits accounts relate to Savings and fixed account balances. Although classified under this band, previous experience has shown these to be stable and of long term in nature.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2014**(41) CONSOLIDATION**

Consolidated Accounts are not prepared as the Bank's wholly owned subsidiary, Postbank Credit Limited, is under liquidation.

(42) TAXATION

Kenya Post Office Savings Bank is exempt from Corporation Tax under Income Tax Act Cap 470 of the laws of Kenya.

(43) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to reporting under IFRS.

(44) EMPLOYEES

The average number of employees during the year was 780 (2013-793).

(45) NETWORK OF POSTBANK BRANCHES

The total number of branches during the year was 102.

NETWORK OF POSTBANK BRANCHES

NAIROBI NORTH REGION

Ruiru Branch

Finance House, Ruiru
P. O. Box 190,
Thika
Tel: 254 067 54320
Fax: 254 067 55441

Thika Branch

Nduriri House,
P. O. Box 1819
Thika
Tel: 254 067 31193
Fax: 254 067 30076

Kiambu Branch

St. James Cathedral, Kiambu
P. O. Box 145
Kiambu
Tel: 254 066 22913
Fax: 254 066 22914

Garissa Branch

Garissa Shopping Center
P. O. Box 745,
Garissa
Tel: 254 046 2169
Fax: 254 046 3194

Enterprise Branch

Enterprise Road Post Office,
Industrial Area
P. O. Box 30311 00100,
Nairobi
Tel: 254 20 229551
Fax: 254 20 550870
Fax: 254 20 552027

Githurai Branch

Winma Plaza, Githurai
P. O. Box 30311 00100,
Nairobi
Tel: 254 20 813868
Fax: 254 20 811032

Mwingi Branch

Mwingi / Garissa Road
P. O. Box 510
Mwingi
Tel: 254 44 822308
Fax: 254 44 822308

Eastleigh Branch

2nd Avenue Eastleigh
P. O. Box 30311 00100,
Nairobi
Tel: 254 20 6763843
Fax: 254 20 6761892

Ronald Ngala Branch

Ronald Ngala Post Office,
Ronald Ngala Street
P. O. Box 30311 00100,
Nairobi
Tel: 254 20 229551
Fax: 254 20 2250140

Kangundo Branch

Kangundo Town
P. O. Box 30311 00100
Nairobi
Tel: 254 044 621150
Fax: 254 044 621148

Matuu Branch

Main Street, Matuu
P. O. Box 30311 00100,
Nairobi
Tel: 254 067 4355282
Fax: 254 067 4355283

Dandora Branch

Dandora Phase Three
P. O. Box 30311 00100,
Nairobi
Tel: 254 20 2803527; 254 20
2405489
Fax: 254 20 2405489

Kariobangi Branch

Waka House,
Juja Rd.- Outer Ring Rounda-
bout
P.O Box 30311-00100, Nairobi
Tel; 254 20 2627317
Tel: 0722 854881

Viwandani Branch

Viwandani Post Office,
Likoni Road, Industrial Area
P. O. Box 30311 00100,
Nairobi
Tel: 254 20 229551
Fax: 254 20 553356

Jogoo Road Branch

Trafalga Plaza, Jogoo Road
P. O. Box 30311 0010,
Nairobi
Tel: 254 20 551441

Canon House Branch

Canon House Haile Selassie Ave
P. O. Box 30311 00100 Nairobi
Tel: 254 20 229551
Fax: 254 20 342662

Afya Center Branch

Afya Center House,
Tom Mboya Street,
P. O. Box 30311 00100 Nairobi
Tel: 254 20 229551
Fax: 254 20 311735

Nacico Branch

Nacico Plaza, Landhies Rd
P.O.Box 30311 00100 Nairobi
Tel: (+254) 020-2345134
ISDN: 020 2803155

Kawangware Branch

Monicah House
Naivasha Road
Tel. 0775242122

Kitui Branch

Hospital Road,
P. O. Box 668
Kitui
Tel: 254 044 4422993
Fax: 254 044 4423046

MT. KENYA REGION

Kerugoya Branch

Kibetu Plaza Building
P. O. Box 1020,
Kerugoya
Tel: 254 060 21893
Fax: 254 060 21833

Embu Branch

Waumini House, Ngara Road
P. O. Box 1245,
Embu
Tel: 254 068 30740
Fax: 254 068 30727

Meru Branch

Lucy Plaza,
P. O. Box 3270,
Meru
Tel: 254 064 30381
Fax: 254 064 20575

Nanyuki Branch

Kiangina Distributors Building
P. O. Box 416,
Nanyuki
Tel: 254 062 32210
Fax: 254 062 32820

Muranga Branch

Para Singh Building
P. O. Box 122
Muranga
Tel: 254 060 31083
Fax: 254 060 31084

Nyeri Branch

Kangaru Corner House
P. O. Box 246,
Nyeri
Tel: 254 061 2034348
Fax: 254 061 2032189

Chuka Branch

Rhea Plaza, Chuka
P. O. Box 616,
Chuka
Tel: 254 064 630443
Fax: 254 064 630063

Wanguru Branch

Jasper Plaza, Wanguru
P. O. Box 153-10303
Wanguru
Tel: 020 352 4329

Maua Branch

Maua Town,
Tel: +254-064-21150

Isiolo Branch

Mashalla House,
Isiolo Town
Tel: +254 -064-52402

Karatina Branch

Karatina Town
P. O. Box 246
Nyeri
Tel: 254 061 72537
Fax: 254 061 72977

NETWORK OF POSTBANK BRANCHES

NAIROBI SOUTH REGION

Head Office Branch

Postbank House
Market Lane, Off Banda Street,
P. O. Box 30311 00100
Nairobi
Tel: 254 20 2229551
Fax: 254 20 229816

Kenyatta Avenue Branch

Standard House, Ground Floor
Kenyatta Ave.,
P. O. Box 30311 00100
Nairobi
Tel: 254 20 251696/7
Fax: 254 20 210593

Kenyatta Market Branch

Phigaco Building, Kenyatta Market
P. O. Box 30311, Nairobi
Tel: 254 20 2719582
Fax: 254 20 2731760

Karen Branch

Karen Shopping Center
P. O. Box 30311 00100, Nairobi
Tel: 254 20 884547
Fax: 254 20 884548

Wote - Makueni Branch

Koli Building,
P. O. Box 944, Wote
Tel: 254 044 33371
Fax: 254 044 33388

Machakos Branch

Stone Kathuli,
P. O. Box 30311 00100
Machakos
Tel: 254 044 20261
Fax: 254 044 24112

Ongata Rongai Branch

Kins Arcade, Ongata Rongai
P. O. Box 30311 00100,
Nairobi
Tel: 254 045 24178
Fax: 254 045 24178

Kibwezi Branch

Mbinda Building, Kibwezi
P. O. Box 30311 - 00100, Nairobi
Tel: 254 044 3500422
Fax: 254 044 3500432

Athi River Branch

Old Town Athi River
P. O. Box 30311 00100
Nairobi
Tel: 254 045 22526
Fax: 254 045 22518

Mlolongo Branch

Ndile House, Mlolongo
P. O. Box 30311 00100, Nairobi
Tel: 254 20 2445491
Fax: 254 20 2445491

Kitengela Branch

Kitengela Plaza, Namanga
Road
Tel : 0773-382817

Ngara Branch

Pioneer House, Ngara Road
P. O. Box 30311 00100, Nairobi
Tel: 254 20 3744837
Fax: 254 20 3744837

Westlands Branch

Soin Arcade, Westlands
P. O. Box 30311 00100, Nairobi
Tel: 254 20 4440581
Fax: 254 20 4450965

Emali Branch

Mombasa Highway,
P. O. Box 30311 00100, Nairobi
Tel: 254 20 2445490
Fax: 254 20 2445490

Kajiado Branch

Opp. Municipal Market
P. O. Box 30311 00100, Nairobi
Tel: 254 20 2455105

Kikuyu Branch

Sisters Building, Kikuyu
P. O. Box 30311 00100 Nairobi
Tel: 254 060 31630
Fax: 254 06033712

Adams Arcade Branch

Uchumi Supermarket, Ngong
Road
Tel: 254 20 2103547

Uthiru Branch

Uthiru PostOffice,
Nairobi- Naivasha Road
P. O. Box 30311 00100,
Nairobi
Tel: 254 20 631927
Fax: 254 20 63119

Karuri Branch

Spikes House
P. O. Box 30311 00100,
Nairobi
Tel: 254 066 51683
Fax: 254 066 51685

Limuru Branch

Ushirika Center
P. O. Box 170 Limuru
Tel: 254 066 71293
Fax: 254 066 72278

Tom Mboya Branch

Emperor Building, Tom Mboya
Street
P. O. Box 30311 00100,
Nairobi
Tel: 254 20 229551
Fax: 254 20 230428

Ngong Branch

Ngong Branch, Masaai Springs
P. O. Box 30311 00100
Nairobi
Tel: 254 045 41047
Fax: 254 045 41048

COAST REGION

Chaani Branch

Chaani Post Office Building,
P. O. Box 90563, Mombasa
Tel: 254 041 434077
Fax: 254 041 434077

Ukunda Branch

Siku Njema Plaza, LungaLunga
P. O. Box 90563, Mombasa
Tel: 254 040 3203248
Fax: 254 040 3203248

Voi Branch

Sagalla Investment Building, Voi
P. O. Box 452 Voi.
Tel: 254 043 30253
Fax: 254 043 30253

Kilifi Branch

Kilifi Shopping Arcade, Kilifi
P. O. Box 90563, Mombasa
Tel: 254 041 522399 /254 041
522399

Likoni Branch

King Fisher Building, Likoni
town
P. O. Box 90563, Mombasa
Tel: 254 041 2451070
Fax: 254 041 2451071

Mombasa Branch

Savani House, Mombasa
P. O. Box 90563, Mombasa
Tel: 254 041 2314424
Fax: 254 041 2223771

Moi Avenue Branch

Postbank House, Moi Avenue,
Mombasa
P. O. Box 90563, Mombasa
Tel: 254 041 2230969
Fax: 254 041 2230945

Malindi Branch

Malindi Business Complex
P. O. Box 5196, Malindi
Tel: 254 042 30599
Fax: 254 042 30600

Mtwapa Branch

Mombasa - Malindi Road
P. O. Box 90563, Mombasa
Tel 254 041 5486939
Fax: 254 041 5486470

Taveta Branch

P. O. Box 90563, Mombasa
Tel: 254 043 5352228 Fax:
254 041 5352124

Mariakani Branch

Mrs. Shariif Building, Mariakani
P. O. Box 90563, Mombasa
Tel: 254 041 33425
Fax: 254 041 33430

Watamu Branch

Watamu Richland at the Junction
of Jacaranda Bay Resort/ Watamu
Beach Hotel Rd
P. O. Box 90563, Mombasa
Tel: 254 041 200 1115
Fax: 254 041 5352124

Kisauni Branch

Burhanyia Bohra Building
P. O. Box 90563, Mombasa
Tel: 254 041 474333
Fax: 254 041 474333

NETWORK OF POSTBANK BRANCHES

WESTERN REGION

Kisumu Branch

Tivoli Center, Kenyatta Street
P. O. Box 183 Kisumu
Tel: 254 057 2023955
Fax: 254 057 2021358

Kakamega Branch

Kakamoni House
P. O. Box 2444, Kakamega
Tel: 254 056 30630
Fax: 254 056 31069

Bungoma Branch

Beadon House, Moi Ave.
P. O. Box 2200, Bungoma
Tel: 254 055 30419
Fax: 254 055 30319

HomaBay Branch

Luore Plaza, Homabay Town
P. O. Box 203 Homabay
Tel: 254 059 21466
Fax: 254 05922389

Mbale Branch

Tel: 0726822238

Mumias Branch

Mumias Town
P. O. Box 183, Kisumu
Tel: 254 056 641410
Fax: 254 056 641410

Siaya Branch

Siaya Shopping Mall
P. O. Box 375 Siaya
Tel: 254 057 321211
Fax: 254 057 321213

Kisii Branch

Onchoke Hse, Hospital Road
P. O. Box 740 Kisii
Tel: 254 058 30800
Fax: 254 058 30341

Webuye Branch

Jakatha House
P. O. Box 1041, Webuye
Tel: 254 055 41027
Fax: 254 055 14026

Mbita Branch

TEMA NYANG HOUSE
next to KCB. Mbita Town
Telephone No. 0775
096441/0771 787830

Suna Migori

Cool Plaza, Migori
P. O. Box 1059 Isebania
Tel: 254 059 20034
Fax: 254 059 20036

Sare Awendo Branch

Gango House, Awendo
Tel: 254 059 43419
Fax: 254 059 43429

Luanda Branch

Equator Building, Luanda Town
P. O. Box 859, Luanda
Tel: 254 057 351231
Fax: 254 057 351231

Keroka Branch

Keroka Town
P. O. Box 138 Keroka
Tel: 254 058 520037
Fax: 254 058 520037

Kehancha Branch

Kehancha Town
P. O. Box 138 Keroka
Tel: 254 726 278100

Busia Branch

Amukura House, Busia Town
P. O. Box 183, Kisumu
Tel: 254 055 22278
Fax: 254 055 22157

Bondo Branch

Bondo Town, Usenge Rd, Next to Total Petrol Station
Telephone No. 0775-509446/0722-354641

Bomet Branch

Main Street, Bomet
P. O. Box 778 Litein
Tel: 254 052 22439
Fax: 254 052 22440

Nyamira Branch

Nyamira Branch
Kisii - Nyamira Highway
P.O Box 364-40500 Nyamira
Tel : 057-2511213

RIFT VALLEY REGION

Nakuru Branch

Postbank House, Kenyatta Ave.,
P. O. Box 4199 Nakuru
Tel: 254 051 2215165
Fax: 254 051 2216687

Naivasha Branch

Secheki House, Naivasha Road
P. O. Box 675 Naivasha
Tel: 254 050 2021335

Narok Branch

Olerorat House, Narok Town
P. O. Box 634 Narok
Tel: 254 050 22030
Fax: 254 050 22425

Eldoret Branch

Postbank House,
P. O. Box 2770, Eldoret
Tel: 254 053 2062295
Fax: 254 053 2063025

Kabarnet Branch

Mwalimu Plaza,
P. O. Box 442 Kabarnet
Tel: 254 053 2354
Fax: 254 053 21130

Kericho Branch

Bethany House on Temple Road
Ground Floor
Opposite Family Bank

Nandi Hills Branch

Market Street, Nandi Town
P. O. Box 321 Nandi Hills
Tel: 254 053 643146
Fax: 254 053 643225

Kitale Branch

Gian Singh Biashal House,
P. O. Box 82, Kitale
Tel: 254 054 31297
Fax: 254 54 30394

Narok Branch

Narok - Nairobi Road, Rorati Building
P. O. Box 22030 Narok
Tel: 254 050 22030
Fax 254 050 22050

Kapenguria Branch

Menyon Center
Tel: +254-054-2611886
Kapenguria

Nyahururu Branch

Hekima House,
Tel: +254-065-32251
Nyahururu.

Lodwar Branch

Tel No: 020 - 2149541
Lodwar.

Eldama Ravine Branch

Tel: 020-2149767

Kapsabet Branch

Koita, Kapsabet
P. O. Box 800 Bomet
Tel: 254 053 52583
Fax: 254 053 52535

Molo Branch

Maziwa House, Molo
P. O. Box 4191 Molo
Tel: 254 051 721561
Fax: 254 051 721097

Gilgil Branch

Disney Computers House,
Tel: 254 050 4002143
Fax 254 050 4002144

Maralal Branch

P.O Box 337
Tel: 0714265471
Maralal

Iten Branch

Tel: 0771 021645

PAMOJA TUTAFAULU

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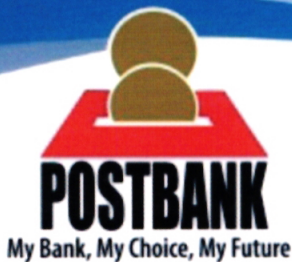
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