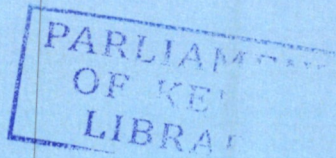


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA POST OFFICE SAVINGS BANK**

**FOR THE YEAR ENDED
31 DECEMBER 2015**



KENYA POST OFFICE SAVINGS BANK



My Bank, My Choice, My Future

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31ST DECEMBER 2015

ANNUAL REPORT AND FINANCIAL STATEMENTS 31ST DECEMBER 2015

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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 is made up of the Chairman and four Directors and the Managing Director. The Board provides guidance and direction to the Management. 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. The Board is made up of the following;

Chairman - Hon. Fred Kapondi



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 Bank on **10th January 2014**. Hon, Fred Kapondi is forty six (46) years old.

Board Member - Mr. Nzomo Mutuku



Nzomo Mutuku is 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 is forty seven (47) years.

Mr. Mutuku holds a Masters of Arts degree in Economics as well as a first class honors 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. He was appointed as the alternate representing the National Treasury on **24th September 2014**.

Board of Directors [Continued]

Ag. Managing Director - Anne Waiyego Karanja



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. Previously, Ms. Anne was Director Banking Services and Marketing before her appointment as Ag. Managing Director on **1st July 2014**. Ms. Ann Karanja is fifty eight (58) years old.

Board Member - 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 also 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. He is instrumental in mobilizing resources for the Health Economics Unit in the School of Economics. Dr. Kioko has vast experience in consultancy – Health Sector and has contributed towards research assignments where he has published academic publications in peer reviewed journals. He has also contributed towards books and book chapter especially in HIV/AIDS. He is also a lecturer at the University of Nairobi. Dr. Kioko is fifty (50) years old.

Board Member - Ms. Jane Moronge Marwa



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. Jane Moronge is forty eight (48) years old and is currently studying PhD in Education Foundation at the University of Nairobi.

Board of Directors [Continued]

Board Member - MR. Lawrence Tanui



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). Mr. Tanui is thirty nine (39) years old.

Company Secretary - Mrs. Mercy N. K. Mbijiwe



Mrs. Mbijiwe is an Advocate of the High Court of Kenya and holds a Master of Business Administration from African Nazarene University and a Bachelor of Law from the University of Nairobi. She also has a Diploma in Law from the Kenya School of Law. Mrs. Mbijiwe has vast experience in Management and is an Associate Member of the Chartered Institute of Arbitrators. She is also as a Certified Public Secretary of Kenya (CPS (K)) who has attended numerous seminars in the legal profession and other management courses. Other roles previously held include Chief Legal Officer at National and Cereals Board and Legal Associate at F.E. Jamal Advocates. Mrs Mercy Mbijiwe is fifty two (52) years old.

Senior Management

Governance of the bank is vested in the Board of Directors and the office of the Managing Director, supported by heads of departments. The bank has ten (10) departments reporting either to the Banking Directorate or directly to the office of the Managing Director.

Ag. Managing Director - Anne Waiyego Karanja



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. Previously, Ms. Anne was Director Banking Services and Marketing before her appointment as Ag. Managing Director on **1st July 2014**.

Ag. Director Banking Services & Marketing - Mr. Sylvester Obuon



Sylvester holds B.A and M.A degrees in Economics from the University of Nairobi. He is the Ag. Director Banking Services & Marketing with effect from **1st July 2014**. Prior to this appointment, Mr. Obuon was the Head, Retail Banking Services. Previously, he headed the 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 Information and Communication Technology Department – Mr. Henry Kenozwa Omumia



Henry Kenozwa Omumia joined the Bank in 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 Legal & Property Management/Company Secretary - Mrs. Mercy N. K. Mbiyiwe



Mrs. Mbiyiwe is an Advocate of the High Court of Kenya and holds a Master of Business Administration from African Nazarene University and a Bachelor of Law from the University of Nairobi. She also has a Diploma in Law from the Kenya School of Law. Mrs. Mbiyiwe has vast experience in Management and is an Associate Member of the Chartered Institute of Arbitrators. She is also a Notary Public Commissioner of Oaths as well as a Certified Public Secretary of Kenya (CPS (K) who has attended numerous seminars in the legal profession and other management courses. Other roles previously held include Chief Legal Officer at National and Cereals Board and Legal Associate at F.E. Jamal Advocates.

Head Corporate Banking - Mr. Edward Kiyo



Edward Kiyo, who joined the bank 2011, is the Head of Corporate Banking with effect from **1st December 2014**. He is a HR specialist with experience as a Senior Human Resource Management Consultant at Manpower Services prior to joining the bank. Kiyo has a Masters degree of Business Administration in Strategic Management, Bachelor of Arts in International Relations and Higher National Diploma in Human Resource Management. He is also a member of Institute of Human Resource Management.

Head Marketing and Business Development - Mr. David Gatwa



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 ACCA 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.

Senior Management [Continued]

Ag. Head of Finance - Mr. Sammy Muriu



Sammy Muriu is the Ag. Head of Finance with effect from **1st December 2014**. He holds a Master of Business Administration degree (Finance) from University of Nairobi and a Bachelor of Science (International Business Administration) from United International University. Mr. Muriu has vast experience in banking as he joined the bank in 1998. 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) and a Certified Credit Professional (CCP). In addition he is a holder of a Certificate in International 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. He holds a Bachelors of Commerce Finance option degree from KCA University and 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 implementing 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 Ag. Head of Audit, Risk & Compliance on **1st April 2014**.

Ag. Head of Retail Banking - Ms. Margaret Rugut Kibogy



Margaret Rugut Kibogy is the Ag. Head of Retail Banking with effect from **1st April 2014**. She holds an MBA degree in Marketing from University of Nairobi and a Bachelor's Degree. Ms. Kibogy has served the bank in various capacities in Marketing, Corporate and Retail Banking where she was the Business Growth Manager in charge of Nairobi South Region among many other roles. Ms. Kibogy has championed various projects including CBS upgrade. She is also an astute member of the Institute of Customer Service Kenya and has served as Operations Chairperson of the Kenya Credit & Debit Card Association and sits in the Board of Eldoret Water Services Board. Ms. Kibogy is also a committee member of the Balloting Committee, Nairobi Club.

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
Office of Auditor General
Anniversary Towers, University Way
P.O.Box 30084-00100

NAIROBI

CORPORATE INFORMATION [Continued]

Principal Legal Advisers

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

NAIROBI

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

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

I am pleased to present the Annual Report and Financial Statements of Kenya Post Office Savings Bank (Postbank) for the year ended 31st December 2015.

REVIEW OF ECONOMIC PERFORMANCE

Global economy

The global economy remains on a gradual recovery path, although the growth momentum weakened in the fourth quarter of 2015 as a result of an uneven recovery path in world economies. In advanced economies, growth improved while in emerging economies it slowed down. Global inflation declined owing to the fall in oil prices. The International Monetary Fund (IMF) reports that the global economy grew at 3.1 per cent in 2015, 0.3 percentage points lower than in 2014.

The global economy registered a growth of 3.3 percent in 2014, a similar rate to 2013. Various major economies and regions however, reported divergent levels of economic growth. Global growth was supported by a fall in crude oil prices, lower inflation rates and increased internal demands in individual economies.

World trade expanded by 3.0 percent in 2014 compared to a 3.3 percent growth recorded in 2013. The reasons for this slow growth is attributed to persistent weak import demand from advanced economies, slower expansion of global supply chains and shifts in demand towards less import intensive products.

Regional economy

Real GDP growth in Sub-Saharan Africa (SSA) and East Africa Community (EAC) expanded by 5.1 percent and 5.8 percent respectively. The increases were supported by improved agricultural production and natural resource discoveries coupled with strong domestic demand as well as infrastructural investments.

Growth in Sub-Saharan Africa is projected to remain strong at 5.8 percent in 2015. Real GDP growth in the EAC countries is projected at 6.2 per cent in 2015. This is mainly due to continued investment in infrastructural development. The Sub-Saharan economy is projected to record growths of 6.7 percent in 2015.

Kenyan Economy

The Kenyan economy expanded by 5.8 per cent in the third quarter of 2015 compared to 5.2 per cent in a similar period the previous year. Data released by the Kenya National Bureau of Statistics indicates that the growth was mainly supported by strong expansion of activities in among others, construction, agriculture, financial and insurance, wholesale and retail trade sectors. The growth was dragged by the hospitality sector whose activity recorded a 2.3 percent decline. However, this is an improvement compared to a contraction of 20.5 percent during the same quarter in 2014. The Kenya National Bureau of Statistics estimates that the Kenyan economy grew at 5.4 percent in 2015.

This sluggish growth was influenced by a number of factors:

- a) Increased consumption of government and private sectors by 2.7 percent and 5.5 per cent respectively.
- b) A robust investment and growth in fixed assets on account of a vibrant growth in real estate sector, the on-going mega infrastructure projects and increased investments in air transport equipment.

CHAIRMAN'S STATEMENT [Continued]

- c) Increased contributions of various sectors such as agriculture, forestry & construction; wholesale and retail trade; education; finance and insurance also overall economy.

Kenya's economy is now larger and growing faster than previously estimated. Rebasin revealed that Kenya's economy is the ninth largest in Africa and fifth largest in Sub-Saharan Africa (after Nigeria, South Africa, Angola, and Sudan). GDP is estimated at US\$55.2 billion (US\$44.1 billion before rebasing), with GDP per capita standing at US\$1,246 (up from US\$1,000). Kenya is now a lower- middle-income country, according to the World Bank classification. The national income (GNI) per capita of US\$1,160 in 2014. The economy is poised to be one of the fastest-growing economies in the region in the next three years.

Inflation

Kenya's inflation rate is on an upward trend. In December 2015, it stood at 8.01 percent, up from 7.5 percent in November and 6.7 percent recorded in October. The inflation rate has been edging up slowly following the gradual increase in the prices of food, fuel, water, and electricity among others. Similarly, the introduction of excise duty led to increases in the prices of beer and cigarettes, pushing up the inflation rate further.

Year 2015 Results

During the year, Postbank's gross income decreased by 25.88% from Kshs.1.926 billion in 2014 to Kshs.1.428 billion in 2015. The net income increased by 17.28% from a loss of Kshs.1.5 billion in 2014 to a loss of Kshs.1.256 billion in 2015. On customer's deposit, the bank achieved 18.98 billion against a target of 18.98 billion which translates to 84.25% achievement. The market has become very competitive with many new players entering the market and offering credit products which are more attractive to customers.

Corporate Governance

The Board continued to play its role within the tenets of good governance principles. However, for a big part of the year 2015, the Board was not fully constituted, hence posing a big challenge in business policy formulation and corporate oversight. As a matter of fact the advisory committees namely: Audit and Risk, and Human Resources only met once whereas Strategy and Investment committee did not meet.

Outlook for 2016

Global growth for 2015 is estimated at 3.1 percent, a slowdown from a growth of 3.4 percent in 2014, rising marginally to 3.4 percent and 3.6 percent in 2016 and 2017, respectively. This projected growth is due to recovery in advanced economies. However, with the declining commodity prices, depreciating currencies in some emerging markets, and increasing financial market volatility, the risks to the outlook have risen, particularly for emerging markets and developing economies.

These global developments have both direct and indirect effects on the economies of Africa. Sub-Saharan Africa is expected to slow down to 3.5 percent in 2015, from 5.0 percent in 2014, due mainly to declining commodity prices, particularly oil as well as lower demand from

CHAIRMAN'S STATEMENT [Continued]

Largest single trade partner of Sub-Saharan Africa), and the tightening of global financial conditions for the region's frontier market economies.

The economic growth for the region is projected to pick up in 2016 to 4.0 percent and 4.7 percent in 2017.

On the domestic front, Kenya's economy remains strong, despite headwinds from the global economic slowdown. The economy grew by 5.3 percent in 2014, higher than average growth for Sub-Saharan Africa, and it is projected to expand by 5.6 percent in 2015, rising to 6.0 percent and 6.5 percent in 2016 and over the medium term, respectively. This level of growth is supported by continued investment in quality infrastructure, construction, mining, lower energy prices and improved agricultural productivity. Inflation is expected to remain within target over the medium term. Interest rates are expected to remain low and stable and the exchange rate competitive, underpinned by prudent fiscal management and appropriate monetary policy.

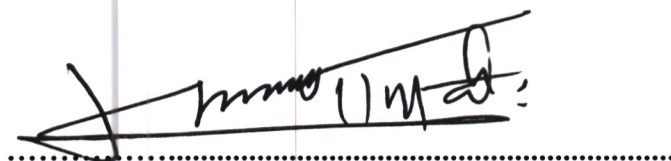
Appreciation

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. Also the Bank's ability to carry out its mandate in the long run is dependent on restructuring and continued government support.

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.



DIRECTOR

29 MARCH, 2016

MANAGING DIRECTOR'S STATEMENT

I wish to present the Bank's Annual Report and the Financial Statements for the year ended 31st December 2015.

Financial Performance

The financial performance for the period ended 31st December, 2015 improved to Kshs 15.989 billion recording a positive growth of 17.28% from 2014 levels. Total assets and customer deposits stood at Kshs 12.945 billion and Kshs 15.989 billion respectively. The decline in performance was due to the following factors:

- Lack of credit which has resulted to accounts falling into dormancy. A total of 10,000 accounts were closed in the year due to lack of activity for over seven years and had zero balance.
- Reduced revenues due to reduced active accounts.
- Reduces investment due to declining deposits.

Affiliations

During the Year 2015, the Bank maintained its affiliations with various organisations including but not limited to the World Savings and Retail Banking Institute (WSBI), Association of Savings and Credit Co-operatives of East Africa (ASBEA) and the Association of Micro Finance Institutions (AMFI) Kenya Bankers Association (KBA) and The Kenya Banking Institute (KBI).

In all these affiliations, the Bank continued to participate in the Organisations' organised meetings, seminars and other activities. Specifically the WSBI supported the Bank in the following activities;

- Customer centricity training
- Research on causes of dormancy of accounts with youth accounts
- Strategies to handle dormancy
- Global money week
- Development of the Mchama platform for group savings
- Research on enhancing the potential of the Postbank Mashinani agency

For ASBEA, the Bank participated in the annual general meetings in which the ASBEA Strategy 2016-2020 was discussed and the ASBEA payment systems Interconnectivity project among member countries. AMFI provided capacity training opportunities for the Bank while KBA sensitized the Bank on the various advocacy assignments that the institution is undertaking.

Strategic plan

In the year 2015, the bank developed a five year Strategic Plan (2016 – 2020) and Action Plan. The Strategic Plan whose theme is “**Repositioning Kenya Post Office Savings Bank for Sustainability**” is a turnaround strategy for the Bank.

MANAGING DIRECTOR'S STATEMENT [Continued]

A number of strategies and activities have been identified in this turnaround strategy focus on improving business growth, profitability, customer service, capital base and building of institutional capacity.

The future

The Bank will continue issuing EMV compliant Visa debit and credit cards to its customers in line with the international market recommendation. It will also focus on implementation of the key salient features adopted in the strategic action plan of 2016-2020 as a way of reposition the Bank in the banking industry.

ANNE W. KARANJA
AG. MANAGING DIRECTOR



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29 MARCH, 2016

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2015

The Directors have pleasure in presenting their report and accounts for the year ended 31 December 2015.

Results

The results for the year are as set out on pages 25 to 54

Directors

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

Name	Title	Appointment Date	Retirement Date
Hon. Fred Chesebe Kapondi	Chairman	10-01-2014	In Service
Dr. Kamau Thugge	PS, National Treasury	15-05-2013	In Service
Mr. Nzomo Mutuku	Alt. Representing P.S The National Treasury	24-09-2014	In Service
Dr. Urbanus Kioko	Director	19-01-2015	In Service
Ms Jane Moronge	Director	02-10-2015	In Service
Mr. Lawrence Tanui	Director	02-10-2015	In Service
Ms Anne W. Karanja	Ag. Managing Director	01-07-2014	In Service

By order of the Board.



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COMPANY SECRETARY

29 MARCH, 2016

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 by ensuring that Postbank complies with the laws 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. During the early part of the year, there were a total of four (4) Directors in service. However on 2nd October 2015, two Directors were appointed. 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 facilitates recruitment of the Managing Director.

The Bank is complying with the Mwongozo “the code of governance for state corporations” and all the Directors have undergone training on the code organised by the State Corporation Advisory Commission.

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 four (4) Meetings during the year under review.

Board Committees

The Board has three Principal Committees which are expected to meet regularly under a well-defined and materially delegated terms of reference set by the Board. However, during the year, Audit and Risk, and Human Resources committees only met once due to lack of appointment of some of the Directors.

CORPORATE GOVERNANCE STATEMENT [Continued]

Strategy and Development Board Committee

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

The Committee did not hold any meeting during the year under review.

Audit and Risk Board Committee

The Audit and Risk Committee meets quarterly, or as required. In accordance with requirement, the Committee comprises non-executive members of the Board who are not involved in the day-to-day management of the Bank's operations. The Head of Internal Audit reports to the Committee functionally. The Committee deals with all matters relating to the financial internal control and risk management.

The Committee held only (1) meeting during the year under review.

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 only one (1) meeting 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 2015 is disclosed in Note 19 to the Financial Statements. There were no loans given to sitting Directors at any time during the year.

CORPORATE GOVERNANCE STATEMENT [Continued]

Board and Board Committees Attendance

The following table gives the record of Postbank's Board and Committee Meetings for the year ended December 31st 2015.

BOARD ATTENDANCE REGISTER 2015

Type of Meeting	No. of Meetings	Hon. Fred Kapondi	Dr. Urbanus Kioko	Mr. Nzomo Mutuku	Ms. Jane Moronge	Mr. Lawrence Tanui	Mr. Edward Ngige	Ms. Anne Karanja
Main Board Meeting	4	4	4	4	1	1	3	4
Special Board Meeting	1	1	1	1	1		N/A	N/A
Audit and Risk Board Committee	1	N/A	1	1	N/A	N/A	N/A	N/A
Staff Board Committee	1	N/A	1	1	N/A	N/A	N/A	1
Strategy and Development Board Committee	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Attendance %	100%	100%	100%	100%	100%	100%	100%	100%

Note:

The number of meetings held during the year were few since the term for some board members expired in 2014 and were not replaced within the year under review. Some Directors were appointed on 2nd October 2015.

DIRECTOR.....



AG. MANAGING DIRECTOR



29 MARCH, 2016

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

INTRODUCTION

Postbank is committed to providing banking and other financial services, through innovations that build sustainable customer relationship and stakeholder value. In order to achieve our objectives, the Bank has a Corporate Social Responsibility (CSR) policy that guides on the areas to support thereby sustaining strong engagements with our communities.

SOCIAL IMPACT

In the year 2015, the Bank engaged in Corporate Social Responsibility initiatives aimed at positively impacting the lives of the respective communities where it operates.

The Bank's core Corporate Social Responsibility activities focused on;

- Health
- Education
- Environment
- Women and Youth empowerment
- Emergency Response
- Road Safety

The Bank is present in 43 counties comprising of 104 branches and over 1,100 Postbank Mashinani Agents, and the CSR initiatives were guided by the unique community needs.

1. EDUCATION

The Bank continues to support schools in their efforts to achieve academic excellence through provision of funds for their activities. Key highlights include;

a) Construction of a girls dormitory

In our endeavor to support education of the girl child and enable her to access education without interference and exposure to societal vices like early marriages and pregnancies that are prone in Mt. Elgon, the Bank supported the construction of a girl's dormitory in Chepkurkur S A Primary School.

b) Job shadow Programme

The Bank hosted students from Mama Fatuma Secondary School in Kariobangi in a job shadow program. The students were taken through in-depth insights and discussions on the real world work scenarios and responsibilities to motivate and enable them to recognize the importance of education in the corporate world. This innovative educational initiative was hosted at Postbank Headquarters, seeking to prepare young people, educate them on the needs of sustainability in the banking and corporate world and equip them with the necessary knowledge required to help them understand and develop their careers as well as the society.

CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT [Continued]

c) Support towards young entrepreneurs

As part of the Bank's efforts to empower the youth, the Bank partnered with the Kenya College of Accountancy University to recognize and reward youthful entrepreneurs under the age of 25 years through an event dubbed "25 UNDER 25".

d) Other Donations

The Bank also supported Our Lady of Peace Secondary School in Nandi Hills and Blessed Virgin School in Kisumu County with donations to ensure that orphans and vulnerable children are in school.

2. HEALTH

a) Postbank supports Beyond Zero Campaign

Postbank participated during the First Lady's Beyond Zero marathon. The Bank sponsored the marathon which was a collective effort to stamp out unwarranted deaths of mothers and children suffered at child birth and eliminate new HIV infections.

b) Cancer awareness Month

In solidarity with cancer victims, Postbank staff donned pink outfits as a tribute. This was in an effort to raise awareness for cancer victims and profess support.

3. FINANCIAL INCLUSION

Boda Boda Road Safety Campaign

The influx of motorcycles into the Kenyan roads has also contributed to road accidents. Statistics from the National Transport and Safety Authority (NTSA) showed that 280 riders died by October 2014 compared to 243 riders registered in the same period in 2013.

Against this background, Postbank launched a road safety campaign targeting boda boda operators with the aim of reducing road carnage. The campaign which has already been rolled out in Meru will be replicated to other Regions within the year.

4. ENVIRONMENT

CleanUp Exercises

Postbank is committed to ensuring that our operations contribute to sustainable development. To this end, the Bank partnered with the County governments during clean-up exercises in Embu, Kenyatta Market and Ukunda aimed at contributing towards a sustainable environment. The aim was to expose members of the community to the importance of maintaining a clean environment through frequent clean-up exercises.

5. WOMEN & YOUTH EMPOWERMENT

Postbank donated plastic seats to Osiepe Women Group in Oyugis and Nyamagongio Mariwa youth Group in Kisumu. These donations target to ensure that the groups sustain their economic activities. The Bank also supported Yatta Combined FC, a soccer team representing YATTA in Machakos County through kitting the team and conducting financial literacy. We acknowledge that today's youth represent our dreams and hopes for the future, and that's why we seek to help them develop to their full potential through supporting such projects.

DIRECTOR  AG. MANAGING DIRECTOR 

29 MARCH, 2016

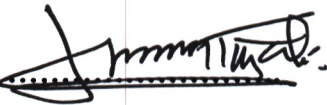
STATEMENT OF DIRECTORS RESPONSIBILITIES

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.

DIRECTOR



AG. MANAGING DIRECTOR



29 MARCH, 2016

**REPORT OF THE AUDITOR GENERAL ON KENYA POST OFFICE SAVINGS BANK FOR
THE YEAR ENDED 31ST DECEMBER 2015**

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.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 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Post Office Savings Bank set out on pages 25 to 64, which comprise the statement of financial position as at 31 December 2015, 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 the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Directors' 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 47 of the Public Audit Act, 2015.

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 provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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 judgment, including the assessment of the risks of material misstatement 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

Report of the Auditor-General on the Financial Statements of Kenya Post Office Savings Bank for the year ended 31 December 2015

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. Going Concern

During the year under review as disclosed by the statement of comprehensive income and statement in changes in equity on pages 25 and 27 respectively, the bank reported a loss of Kshs.1,255,609,767 (year 2014 a loss of Kshs.1,517,839,500) and an increase in accumulated losses from Kshs.7,089,451,153 as at 31 December 2014 to Kshs.8,342,815,180 as at 31 December 2015. The bank had also a negative total shareholders' equity of Kshs.5,923,993,905 as at the same date. In view of the above circumstances, the bank's ability to continue with its mandate in the short and long run is dependent on the support of the depositors and the Government.

2.0. Cash and Bank

The cash and bank balances of Kshs.662,922,538 reflected in the statement of financial position as at 31 December 2015 as disclosed in Note 28 includes cash on hand of Kshs.370,456,515 that was not fully supported by cash count certificates. Further, the Cash on hand balance of Kshs.370,456,515 as reflected in the financial statements differs with the cashbook balance of Kshs.569,294,125 and thus the two balances were not reconciled. Therefore the cash and bank balances of Kshs.662,922,538 cannot be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects, the financial position of Kenya Post Office Savings Bank as at 31 December 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Post Office Savings Bank Act 493B of the Laws of Kenya.

Other Matter

1.0. Accounts Receivables and Prepayments

1.1. Long Outstanding Balances

The statement of financial position reflects accounts receivables and prepayments totalling Kshs.24,349,660,894 as at 31 December 2015 as disclosed in Note 34. The

amount includes long outstanding balances totalling Kshs.1,471,005,856 (Excess deposits Kshs.780,397,908; GOK pension (KP&TC) Kshs.405,231,629 prepaid GOK pension (payroll) Kshs.16,823,161 and GOK pension cheques receivable Kshs.268,553,158) owed over the years by Postal Corporation of Kenya and the defunct Kenya Posts and Telecommunications Corporations. The accounts receivables and prepayments balances also includes loan advances to two former directors totalling Kshs.3,327,044 that has similarly been outstanding over the years. It has not been possible therefore to ascertain the recoverability of these long outstanding balances and directors loans of Kshs.1,474,332,900 and Kshs.3,327,044 respectively.

1.2. Staff Loans

Note 34 to the financial statements reflects staff loan balance of Kshs.994,598,182 out of which, an amount of Kshs.156,713,226 (as reported in the previous year) was due from deceased and former employees of the bank as at 31 December 2015. The recoverability of the amounts is highly doubtful.

1.3. Trade Debtors

The 2015 financial statements under note 34 reflects trade debtors balance of Kshs.138,481,371. As reported in the year 2014, the opening balance of Kshs.172,623,647 was taken into consideration in arriving at the 2015 account balance of Kshs.138,481,371. The balances of Kshs.172,623,647 as at 31 December 2014 is not yet reconciled to the 2014 debtors schedules reflecting a total of Kshs.213,134,700 and thus the resultant difference of Kshs.40,511,053 remained unexplained by the end of 2015.

2.0. Accrued Expenses

The statement of financial position reflects accounts payables and accrual balances of Kshs.2,285,589,054 as disclosed in Note 39. Included in accounts payable is accrued expenses of Kshs.174,086,862. The accrued expenses, however, includes an amount of Kshs.39,012,668 accrued on the basis of local purchase orders only in the year 2014 which has not been supported by invoices. It has not been possible to ascertain the accuracy of the accrued expenses balance of Kshs.174,086,862 as at December 2015.

3.0. Misstatement of Customers' Savings and Deposits

The statement of financial position reflects customers' savings and deposits balance of Kshs.15,989,249,677 as at 31 December 2015. As reported in the year 2014, the opening balance of Kshs.17,503,279,455 on customers savings and deposits was yet to be agreed with the ledger balance as at 31 December 2014. Also in the year 2014, the balance of Kshs.17,503,279,455 differed with the Core Banking System (CBS) balance of Kshs.17,515,289,299 by Kshs.12,009,845 as at 31 December 2014. The difference of Kshs.12,009,845 remained unexplained as at 31 December 2015.

4.0. G.O.K Pension Reserve Fund

The statement of financial position and as disclosed in Note 40 reflects GOK Pension Reserve Fund balance of Kshs.204,348,685 (Kshs.506,050,407 in 2014). As reported in the previous year, the records maintained by the bank reflected GOK pension receipts from the National Treasury totaling Kshs.3,625,655,243 for the year 2014 out of which Kshs.3,400,016,206 was directly uploaded to Post-Bank 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. However, the Postal Corporation of Kenya pensions payroll reflected Kshs.168,396,463 as receipts resulting to an unexplained difference of Kshs.5,415,584. In view of the forgoing differences, the accuracy of the GOK Pension Reserve Fund balance of Kshs.506,050,407 as reflected in the statements financial position could not be ascertained.

5.0. Interest Expense

The statement of comprehensive income and disclosure in Note 15 reflect interest expense of Kshs.459,833,282. As reported in the previous year, the interest expense for the year 2014 of Kshs.1,086,132,043 excluded CBS interest from money market of Kshs.656,264,332 and the manual interest adjustments of Kshs.31,897,660.50. So far, there is no demonstration on the comparative figures as to how management dealt with this omission since the interest expense comparative value of Kshs.1,086,132,043 has not been restated. The correctness of the comparative value of Kshs.1,086,132,043 could therefore not be ascertained.



**FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL**

Nairobi

26 September 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2015

	Notes	2015 December	2014 December
		Kshs	Kshs
Interest Income	14	726,117,981	1,185,341,448
Interest Expense	15	(459,833,282)	(1,086,132,043)
Net Interest Income		<u>266,284,699</u>	<u>99,209,405</u>
Fees and Commissions Income	16	517,167,880	612,003,308
Fees and Commissions Expense	17	(34,964,814)	(51,218,674)
Net Fees and Commissions Income		<u>482,203,066</u>	<u>560,784,634</u>
Net Trading Income		<u>748,487,765</u>	<u>659,994,039</u>
Foreign Exchange Income	18	85,951,687	49,243,104
Other Operating Income	19	98,604,039	79,814,420
Net Operating Income		933,043,491	789,051,563
Impairment loss on loans and advances	20	25,000,000	24,647,452
Employee Expenses	21	1,156,081,790	1,189,846,265
Board Expenses	22	3,404,896	2,217,253
Operating Expenses	23	406,963,242	411,077,156
Depreciation	34(b)	112,794,295	*113,714,455
Amortization Intangible Assets	35	21,508,191	*32,386,262
Amortization for Bonds Trading Cost	24	86,402,632	49,422,381
Other Expenses	25	376,498,212	483,579,839
Total Operating Costs		<u>2,188,653,257</u>	<u>2,306,891,063</u>
Profit/(Loss) before income tax		(1,255,609,767)	(1,517,839,500)
Income tax expense *		-	-
Profit/(Loss) for the Period	26	(1,255,609,767)	(1,517,839,500)

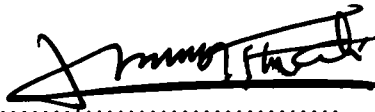
* The figure for depreciation in year 2014 has been restated to allow for separation of Amortization of Intangible Assets.


*The Bank is exempted from paying corporate taxes as per the Income Tax Act Cap 470 First schedule Part 1.

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2015

ASSETS	NOTE	2015 Kshs	2014 Kshs
Cash and Bank	28	662,922,538	*943,344,467
Funds on Call and Short Notice	29	32,466,482	31,563,466
Investment in Treasury Bills and Bonds	30	4,205,931,262	7,009,626,281
Investment Property	31	896,790,225	896,790,225
Stocks	36	17,346,696	18,913,264
Other Investments	33	3,959,501	3,135,501
Accounts Receivables	34	2,349,660,894	*2,823,523,386
Prepayments & Other Assets	35	2,497,082,084	*2,177,229,226
Property and Equipment	36(b)	1,847,334,222	1,888,005,824
Intangible Assets	37	41,699,607	60,296,198
Total Assets		<u>12,555,193,511</u>	<u>15,852,427,838</u>
LIABILITIES			
Customer Savings and Deposits	38	15,989,249,677	17,503,279,455
Accounts Payables & Accruals	39	2,285,589,054	2,513,485,192
GoK Pension Reserve Fund	40	204,348,685	506,050,407
Total Liabilities		<u>18,479,187,416</u>	<u>20,522,815,054</u>
SHAREHOLDERS' EQUITY			
Capital Grants	41	30,570,479	30,813,139
Revaluation Reserves	42	2,388,250,796	2,388,250,796
Revenue Reserves	43	-8,342,815,180	-7,089,451,153
Total Shareholders' Equity		<u>-5,923,993,905</u>	<u>-4,670,387,218</u>
Total Liabilities and Shareholders' Equity		<u>12,555,193,511</u>	<u>15,852,427,838</u>

Figures marked * are restated to allow reclassification of non-cash items to other assets and also separation of account receivables and prepayment to account receivable, prepayments and other assets. The Financial statements on pages 25 to 28 were approved by the Directors on 26th January 2016 as a draft and signed on its behalf by:


.....
DIRECTOR


.....
DIRECTOR

29 MARCH, 2016

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2015

	Capital Grants Kshs	Revaluation Reserves Kshs	Revenue Reserves Kshs	TOTALS Kshs
At 1 st 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	25,093,200	-	-	25,093,200
Prior year adjustment	-	-	(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>
At 1 st January 2015	30,813,139	2,388,250,796	(7,089,451,153)	(4,670,387,218)
Profit/(Loss) for the year	-	-	(1,255,609,767)	(1,255,609,767)
Payment made during the year (Note i)	(242,660)	-	-	(242,660)
Prior year adjustment (Note ii)	-	-	2,245,740	2,245,740
At 31st December 2015	<u>30,570,479</u>	<u>2,388,250,796</u>	<u>(8,342,815,180)</u>	<u>(5,923,993,905)</u>

Notes

(i) Adjustment to capital grant of Ksh242,660 relates to capital grant refunded by Visa International and World Savings Bank Institute now expensed.

(ii) Prior year adjustment of Ksh2,245,740.00 relates to Visa incomes which had initially been omitted for period 2012-2014.

Prior year adjustments have been adjusted in accordance with IAS 8 which requires that material errors be corrected by restating the comparative amounts for periods presented in which the error occurred.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st DECEMBER 2015

	2015	2014
	Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) for the year	(1,255,609,767)	(1,517,839,500)
Adjustments for:-		
Depreciation	134,302,486	146,100,717
Rental Income	(67,378,284)	(57,961,472)
Dividend income	(50,801)	(197,794)
Gain/ (Loss) on Disposal of Property and Equipment	222,320	-
Appreciation/Diminution in value of quoted investments	(824,000)	(463,500)
Prior year adjustments	2,245,740	(395,415,623)
Operating profit/(loss) before working capital changes	(1,187,092,306)	(1,825,777,172)
(Increase)/ Decrease in Accounts Receivables & Prepayments	154,009,634	*(887,445,549)
(Increase)/Decrease in stocks	1,566,568	(8,533,365)
Increase/(Decrease) in Accounts Payables & Accruals	(227,896,138)	457,967,246
Increase/(Decrease) Customer Savings and deposits	(1,514,029,778)	(1,736,114,199)
Increase/(Decrease) GoK Pension Reserve fund account	(301,701,722)	46,046,491
Net cash flows from operating activities	(3,075,143,742)	(3,953,856,548)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase/Sale of Property and Equipment	(75,034,293)	(86,101,722)
Proceeds from sale of assets	-	-
Gain/ (Loss) on Disposal of Property and Equipment	(222,320)	-
Rental income	67,378,284	57,961,472
Dividend Income	50,801	197,794
Net cash flows from investing activities	(7,827,528)	(27,942,456)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from WSBI	(242,660)	25,093,200
Net cash flows from financing activities	(242,660)	25,093,200
Net increase in cash and cash equivalents	(3,083,213,930)	*(3,956,705,804)
Cash and cash equivalents at the beginning of the year	7,984,534,212	11,941,240,016
Cash and cash equivalent at the end of the year (Note 42)	4,901,320,282	*7,984,534,212

Figures marked * are restated.

The notes set out on pages 29 to 65 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

1. BASIS OF PREPARATION

a) **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS). The financial statements were authorised for issue by the Board of Directors on 26th January 2016.

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. The bank has not revalued any property and it does not have available for sale financial assets.

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 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses.

The estimates and assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively:

i) Assumptions and estimation of uncertainties

Going concern

The Bank operates with the intention of being in business in the next 12 months and in the foreseeable future. The management runs the day to day activities by ensuring that assets are realized and liabilities honoured in the normal course of business. However, the Bank's future performance is dependent on restructuring and government support in defraying the incurred losses from the year 2012 to 2015 amounting to Kshs. (8,342,815,180) in accordance with KPOSB Act cap 493B section 13 (1).

Note 20- Impairment loss on deposits, loans and advances

Note 13- Recognitions and measurement of contingencies: Key assumption about the likelihood and magnitude of an outflow of resources.

- ii) Critical judgement in applying the entity's accounting policies
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

In accessing the need for collective loss allowances, management considers factors such as:

- Credit quality
- Portfolio size
- Concentrations
- Economic factors

Note 5- Depreciation of equipment and intangible assets

The Bank reviews the useful life of its property and equipment and intangible assets at the end of each financial period

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements have been applied consistently over the years.

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 2015

(ii) Fees and commission income

Fees and commission income and expense are recognised on an accrual basis when the service has been provided. 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.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a bank of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3

The directors of the Bank do not anticipate that the application of these amendments will have a significant impact on the Bank's financial statements.

Changes in accounting policies and disclosures

Defined benefit plans – Employee contributions (Amendments to IAS 19)

IAS 19 Employee Benefits mandates that an entity has to consider contributions from employees (or third parties) when accounting for defined benefit plans. Contributions that are linked to service must be attributed to periods of service as a reduction of service cost the amendments introduced reliefs' complexity of contributions from employees or third parties set out in the formal terms of the plan of service cost. Such contribution that are eligible if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service

The amendments are effective for annual periods beginning on or after 1 July 2014

The adoption of these changes did not affect the amounts and disclosures of the bank's defined benefits obligations.

Annual Improvements 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below:

The amendment to IFRS 2 is to clarify the definition of vesting condition and market condition to ensure the consistent classification of conditions attached to a share-based payment. It also adds definitions for 'performance condition' and 'service condition' which were previously included as part of the definition of 'vesting condition'. The amendment requires prospective application.

The amendment to IFRS 3 clarifies that contingent consideration should be measured at fair value at each reporting date, irrespective of whether or not the contingent consideration falls within the scope of IFRS 9 or IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognized in profit and loss. The amendment to IFRS 3 requires prospective application.

The amendment to IFRS 8(i) requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments share similar economic characteristics; and (ii) clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if information about the amount of segment assets are regularly provided to the chief operating decision-maker.

The amendment to IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.

The amendment to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses

The amendment to IAS 24 clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

Annual Improvements 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarized below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3

The directors of the Bank do not anticipate that the application of these amendments will have a significant impact on the Bank's financial statements.

New and revised standards and interpretations not yet adopted by the bank

New standard or amendments	Effective for annual periods beginning on or after
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
Equity Method in Separate Financial Statements Amendments to IAS 27)	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments (2014)	1 January 2018
IFRS 16 Leases	1 January 2019

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the bank).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require an investor to apply the principles of business combination accounting under IFRS 3 when it acquires an interest in a JO that constitutes a 'business' (as defined in IFRS 3) Specifically measure identifiable assets and liabilities at fair value expense acquisition-related costs; recognize deferred tax; and recognize the residual as goodwill. Conflict of IAS 31 and IFRS 11.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of these changes is not expected to have a significant impact on the Bank's financial statements

Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.

The new requirements are effective from 1 January 2016, with earlier adoption permitted.

The bank does not have bearer plants therefore the amendment will not have an impact on the bank's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

IAS board decided to amend IAS 16 to explicitly prohibit revenue based depreciation for Property, Plant and Equipment. Depreciation should reflect the expected pattern of consumption of future economic benefits of the asset.

The IASB on IAS 38 noted that even though the selection of an amortization methodology involves the use of judgement, a revenue-based method is not considered to be an appropriate manifestation of consumption.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of these changes will not affect the amounts and disclosures of the bank's property, plant and equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2015

IFRS 15 Revenue from Contracts with Customers

The amendments in Clarifications to IFRS 15 'Revenue from Contracts with Customers' address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.

Identifying performance obligations. To clarify the concept of 'distinct', the IASB has added the clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.

Principal versus agent considerations. an entity determines whether it is a principal or an agent for each specified good or service promised to the customer and could be a principal for some specified goods or services and an agent for others;

Licensing. When an entity grants a licence to a customer that is distinct from other promised goods or services, the entity has to determine whether the licence is transferred at a point in time or over time on the basis of whether the contract requires the entity to undertake activities that significantly affect the intellectual property to which the customer has rights.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption is permitted.

The bank is assessing the potential impact on its financial statements resulting from the application of IFRS 15

IFRS 9: Financial Instruments (2014).

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

The bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

IFRS 16: Leases

IFRS 16 includes detailed guidance to help companies assess whether a contract contains a lease or service or both. Under current standard the distinction is not clear.

The analysis starts by determining if a contract meets the definition of a lease. This means the customer has a right to control the use of identifiable asset for a period of time in exchange of a consideration.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance lease

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied)

The bank is assessing the potential impact on its financial statements resulting from the application of IFRS 16

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 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.

As per IAS 39, financial instruments are supposed to be classified as Held-to-maturity and Available-for-sale. However, the Bank has classified all its financial instruments as Held-to-maturity since the Bank has no intention of selling the instruments.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(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;

FINANCIAL RISK MANAGEMENT (Continued)

- 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.
- 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 example is default on credit facilities.

(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. Credit risk ratings are assigned to customers to enable the bank to establish the risk and enable credit decisions to be undertaken within acceptable risk appetite threshold through its credit policy. At the management level there, is a credit risk department staffed with highly skilled personnel who ensure credit risk are identified and mitigated. Within this department there are debt collecting officers who follow up on bad loans.

FINANCIAL RISK MANAGEMENT (Continued)

(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.

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 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.

The board has approved a policy to effectively manage liquidity at all times to meet depositors demand, and unexpected outflow. The investment undertakes statement of financial position liquidity and scenario analysis as per the policy on bi-monthly basis. The bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with range maturities, in addition the bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) 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 optimizing the return on risk.

(i) Management of market risk

Overall responsibility for management of market risk rests with a management committee of the Bank, the Asset and Liability Committee (ALCO). The risk department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

Regular monitoring of Postbank's risk profile against risk appetite limits e.g. foreign exposure and risk limits, liquidity and solvency ratios which are contained in the market risk framework incorporating market and country risk policies approved by the board.

FINANCIAL RISK MANAGEMENT (Continued)

(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 Operational risk is a risk of losses resulting from inadequate or failed internal processes, people, and systems or from external events

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The responsibility is supported by the development of overall Bank standards for the management of operational risks. Compliance with these standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Risk Committee and senior management of the Bank.

Risk measurement and control

Interest rate, credit, liquidity, operational risk and other risks are actively managed by independent risk control groups to ensure compliance with the Bank's risk policy. The Bank's risk exposure limits are assessed regularly to ensure their appropriateness given the Bank's objectives and strategies and current market conditions.

(5) PROPERTY AND EQUIPMENT

(a) *Investment Property*

The Bank has classified some of its Properties according to IAS 40 –Investment Properties. The standard recognizes properties which are solely held for rental purposes or capital appreciation in the long term or both. For mixed use property, those partly occupied by the owner and partly rented out, the percentage of occupation determines its classification as per the IAS 40.10. If the percentage is significant then it falls under Plant, Properties and Equipment (PPE) but where insignificant it falls under Investment Properties.

Though the standard is silent on definition of significant, the assumption of materiality will guide while determining the threshold. Anything greater than 10% will greatly influence the decision maker. In the case of the Bank, the percentage of usage for Karura Training centre, Upper Hill properties and Dandora Plot is insignificant, hence classified under Investment Properties contrary to owner occupation at Postbank House Nairobi (49%); Postbank Mombasa (25%); Postbank Nakuru (50%); and Postbank Eldoret (100%) which is significant, and falls under Plant Property and Equipment (PPE).

PROPERTY AND EQUIPMENT (Continued)

Equally the International Accounting Standard (**IAS 16**) - consider Plant, Properties and Equipment (PPE) as tangible assets held for use in production or supply of goods or services, for rentals to others, or for administrative purposes and are expected to be used for more than one period. The standard also allows a choice of accounting model to use either cost model or revaluation model. In our case we opted for revaluation model.

(b) 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.

(c) 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 %

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(7) 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 a Fund Manager. 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.

(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.

(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) REVALUATION RESERVE

The revaluation reserve relates to property and equipment. The reserve is non-distributable. Revaluation reserves are made up of periodic adjustments arising from fair valuations of property and equipment. Movement in the revaluation reserve are shown in the statement of changes in equity.

(12) REVENUE RESERVE

This represents undistributed profits from current and previous years including prior year adjustments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(13) CONTINGENT LIABILITIES

Litigation is a common occurrence in the banking industry due to the nature of the business. Although there may be no assurance, the Directors believe based on the information available and advice from the legal experts that the claims will be defended successfully and therefore no provision has been made in the financial statement. The significant claims are described below:

- (i) Banking Insurance and Finance Union (BIFU) –vs-PostBank: Estimated to be Kshs. 37,074,833.35 based on the Board approval of 10% increment which the Union has accepted pending Salaries and Remuneration Commission (SRC) and National Treasury approval.
- (ii) Adella Kavisa & 73 others –vs- PostBank: Kshs. 166,084,453/= pension claim from retirees. It is not expected to be finalized next year.
- (iii) PostBank –vs – Simiyu Wasike: The land in dispute involves PostBank and Simiyu Wasike. It is in Upper Hill.
- (iv) The value of the property was Kshs. 319,200,000 in the year 2011.
 - (i) Other contingent liabilities
A total sum of Ksh23,149,176.86 would have been incurred as at 31.12.2015 in respect of other staff related matters not determined by the court.

(14) INTEREST INCOME

	2015	2014
	Kshs	Kshs
Interest on Treasury Bills/Bonds	612,512,614	1,095,901,405
Interest on PCK balances	0	1,805,407
Interest on Staff Loans	102,076,668	65,248,110
Interest on Visa balances	<u>11,528,699</u>	<u>22,386,526</u>
	<u>726,117,981</u>	<u>1,185,341,448</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER
2015**

(15) INTEREST EXPENSE

	2015	2014
	Kshs	Kshs
Interest on:-		
Postbank Savings Accounts	209,211	46,743,517
Bidii Savings Account	134,739,415	33,018,302
Step Account	8,609,370	4,232,319
Pension Account	38,188,764	23,409,422
Premium Savings Account	31,797,166	32,049,094
Premium Plus Account	233,862,094	939,543,804
Fixed Deposit Account	1,848,242	2,083,193
Save As You Earn Account	1,194,628	660,262
Staff Salary Account	860,605	558,089
		1,840,872
Salary Account	2,958,701	
Postbank Junior Account	3,231	1,001,585
Pamoja Account	1,007,098	527,607
Bidii Junior Trustee Account	113,649	49,720
Smata Youth Save	2,406,154	82,929
Waridi Account	2,002,495	331,269
M-Chama Account	15,943	11
Mobile Savings Account	4,834	47
Cheque Account	1,403	0
Akiba Account	10,279	0
	<u>459,833,282</u>	<u>1,086,132,043</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(16) FEES & COMMISSIONS INCOME

	2015	2014
	Kshs	Kshs
Inactivity Fees	81,235,852	119,161,748
Salary crediting fees	14,094,460	13,961,696
Premature withdrawal fees	23,847,280	24,038,089
Withdrawal fees	51,605,683	59,069,527
Visa fees	23,779,249	18,271,269
Card fees	12,310,332	12,732,032
Western Union - MTS commission	54,825,951	57,936,535
Citibank commission	1,633,919	1,842,104
Pension commission	69,428,900	71,492,900
Money Transfer commission (Others)	37,753,450	67,594,093
ATM withdrawal fees	50,521,326	55,269,966
Bills commission-Water & Electricity	39,770,338	44,133,476
AAR Loan commission	36,779,869	38,889,461
Encashment fee	2,396,658	4,675,198
Miscellaneous fees & commission (others)	<u>17,184,613</u>	<u>22,935,214</u>
	<u>517,167,880</u>	<u>612,003,308</u>

(17) FEES AND COMMISSIONS EXPENSE

	2015	2014
	Kshs	Kshs
Processing Fees	-	1,459,866
Settlement Transaction Fees	-	19,169
Transaction Authorisation	-	2,010,518
Shared Costs Adjustments	3,080,983	2,862,356
Commission Expense-Money gram	2,967,149	2,724,325
Premium Paid Commission on Purchase of T/Bonds	7,911,978	34,964,753
Commission-Independent Agent	645,610	4,907,367
Mobile banking Expenses	3,415,028	2,270,320
Commission paid on deposit mobilisation	<u>16,944,066</u>	-
	<u>34,964,814</u>	<u>51,218,674</u>

(18) FOREIGN EXCHANGE INCOME

	2015	2014
	Kshs	Kshs
Forex gain on MTS Transactions	62,423,481	49,243,104
Forex gain on MoneyGram Transactions	23,528,206	0
	<u>85,951,687</u>	<u>49,243,104</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(19) OTHER OPERATING INCOME

	2015	2014
	Kshs	Kshs
Rental Income	67,378,284	57,961,472
Dividend income	50,801	197,794
Interest on bank accounts	20,821	17,999
Tender fees	530,120	32,500
Development Levy	6,000,000	-
Appreciation/Diminution in value of quoted investments	824,000	463,500
Gain/(Loss) on sale of Property & Equipment	222,320	-
Mobile Banking Fee	8,893,185	8,615,990
Capital Gain on Sale of Investments	5,334,750	2,640,474
Commission Income on Foreign Visa	3,409,950	4,384,050
Sundry income	<u>5,939,808</u>	<u>5,500,641</u>
	<u>98,604,039</u>	<u>79,814,420</u>

(20) IMPAIRMENT LOSS ON DEPOSITS, LOANS AND ADVANCES

	2015	2014
	Kshs	Kshs
Customers deposit	15,000,000	20,000,000
Visa card debtors	8,000,000	3,000,000
General Provisions-Including Staff loans	<u>2,000,000</u>	<u>1,647,452</u>
	<u>25,000,000</u>	<u>24,647,452</u>

(21) EMPLOYEE EXPENSES

	2015	2014
	Kshs	Kshs
Salaries and Wages	769,071,179	773,274,859
Pensions and Provident Fund contr.	94,538,016	93,464,665
Medical expenses	48,312,713	61,261,083
Staff training	9,608,672	9,726,894
Other staff expenses	<u>234,551,210</u>	<u>252,118,765</u>
	<u>1,156,081,790</u>	<u>1,189,846,265</u>

(22) BOARD EXPENSES

	2015	2014
	Kshs	Kshs
Directors Honoraria	960,000	960,000
Directors Allowances	<u>2,444,896</u>	<u>1,257,253</u>
	<u>3,404,896</u>	<u>2,217,253</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2015

(23) OPERATING EXPENSES

	2015	2014
	Kshs	Kshs
Security expenses	96,797,486	89,363,761
Insurances	12,115,675	9,218,873
Office rent	107,090,717	106,821,251
Land rent and rates	1,526,689	738,020
Repairs and maintenance	94,348,003	101,815,465
Service charge	6,691,710	7,997,400
Agency fees – MTS	11,839,563	18,945,150
Licences	75,509,448	83,392,094
Grounds maintenance	606,999	940,019
Agency Expansion Project (WSBI)	<u>436,952</u>	<u>(8,154,877)</u>
	<u>406,963,242</u>	<u>411,077,156</u>

(24) AMORTISATION FOR BONDS TRADING COST

The amount of Ksh.86,402,632 relates to Treasury Bonds Premiums amortised during the year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st
DECEMBER 2015**

(25) OTHER EXPENSES

	2015	2014
	Kshs	Kshs
Travel and Subsistence allowances	16,857,389	17,797,345
Printing and stationery	12,255,229	14,060,252
Debt collection	866,098	599,311
Postage & telephone	90,863,791	110,680,673
Computer expenses	7,547,442	5,799,896
Motor Vehicle Expenses	2,910,857	5,972,877
Audit fees	2,232,824	3,150,000
Donations and subscriptions	4,950,142	4,947,258
Legal and professional fees	11,393,342	19,140,091
Electricity and water	31,772,559	34,757,275
Cleaning, Sanitation & Messengerial	18,162,392	14,959,185
Special Projects Launching	6,246,198	1,286,115
Newspapers and Periodicals	586,651	602,405
Transportation Costs	440,800	180,400
Procurement Costs	627,630	822,426
Excise Duty	12,627,106	13,705,298
Financial expenses	16,285,352	12,975,093
Selling expenses	76,800,041	154,458,963
Operating Stationery	1,984,526	3,130,409
Write offs & Charge offs	0	53,152
ATM processing charges	5,222,709	3,808,552
Hire of Motor Vehicles	11,786,407	12,475,006
ATM Card Cost	44,020,768	48,000,000
Research & Development	30,000	164,400
Miscellaneous expenses	<u>27,959</u>	<u>53,457</u>
	<u>376,498,212</u>	<u>483,579,839</u>

(26) PROFIT (LOSS) FOR THE YEAR

	2015	2014
	Kshs	Kshs
The profit (loss) for the year is stated after charging:		
Directors emoluments	3,404,896	2,217,253
Audit fees	2,232,824	3,150,000
Depreciation expense	134,302,486	146,100,717
Bonds amortisation cost	86,402,632	49,422,381
Provident fund contribution	0	1,632,173
Pension scheme contribution	94,538,016	91,832,492
and after crediting: -		
Dividends	50,801	197,794
Appreciation in value of quoted investment	824,000	463,500

Note. Audit fees is based on budgeted amount during the year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER
2015**

**(27) Statement of Comparison of Budget and Actual For the Twelve Months Ending 31
December 2015**

	ACTUAL	BUDGET	VARIANCE	
INCOME	DEC 2015	DEC 2015	KSHS	%
Interest on Placement with Banks	18,752,203	40,000,000	(21,247,797)	-53.12
Interest on Government Securities	593,760,411	855,942,960	(262,182,549)	-30.63
Fees and Commissions	517,167,880	885,591,868	(368,423,988)	-41.60
Interest on Staff Loans	68,617,905	49,658,805	18,959,100	38.18
Interest on Personal Development Loans - Staff Loans	33,458,763	30,196,809	3,261,955	10.80
Rental Income	67,378,284	87,517,465	(20,139,181)	-23.01
Interest on Visa balances - Local & International	11,528,699	0	11,528,699	
Forex Gain on Money Transfer	85,951,687	68,034,022	17,917,665	26.34
Other Income	31,225,755	100,223,253	(68,997,499)	-68.84
TOTAL INCOME	1,427,841,586	2,117,165,181	(689,323,595)	-32.56
DIRECT EXPENSES				
Interest Expense	459,833,282	314,103,140	(145,730,142)	-46.40
Operating Stationery	1,984,526	2,000,000	15,474	0.77
Bad and Doubtful Debts	25,000,000	25,000,000	0	0.00
Bonus & Prizes	0	469,591	469,591	100.00
Mobile Banking Expenses	3,415,028	2,425,117	(989,911)	-40.82
Visa Charges	0	5,204,562	5,204,562	100.00
Excise Duty	12,627,106	5,444,496	(7,182,610)	131.92
Shared Cost	3,080,983	3,618,834	537,851	14.86
Commission expense-Moneygram	2,967,149	1,689,162	(1,277,987)	-75.66
Commission Paid - Deposit Mobilisation	16,944,066	0	(16,944,066)	
Premium Paid - Comm on Investments	7,911,978	30,063,274	22,151,296	73.68
Write offs & Charge offs	0	95,036	95,036	100.00
ATM Processing Charges	5,222,709	5,280,000	57,291	1.09
ATM Card Cost	44,020,768	47,000,000	2,979,232	6.34
Card Management Fees	0	7,500,000	7,500,000	100.00
TOTAL DIRECT EXPENSES	583,007,594	449,893,213	(133,114,382)	-29.59
GROSS PROFIT	844,833,992	1,667,271,968	(822,437,976)	-49.33
OTHER EXPENSES				
Adminstration Expenses	1,379,014,396	1,490,194,651	111,180,254	7.46
Establishment Expenses	407,608,852	402,144,177	(5,464,676)	-1.36
Selling Expenses	76,800,041	80,650,000	3,849,959	4.77
Depreciation	134,302,486	127,116,868	(7,185,618)	-5.65
Amortisation - Premium on T/Bonds	86,402,632	0	(86,402,632)	
Research & Development	30,000	3,500,000	3,470,000	99.14
Bank Charges & Commissions	16,285,352	10,937,001	(5,348,351)	-48.90
TOTAL OTHER EXPENSES	2,100,443,758	2,114,542,696	14,098,938	0.67
NET PROFIT(LOSS) FROM NORMAL OPERATIONS	(1,255,609,766)	(447,270,728)	(808,339,038)	180.73
NET PROFIT(LOSS)-OPERATING/SPECIAL PROJECTS	(1,255,609,766)	(447,270,728)	(808,339,038)	180.73

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(28) CASH AND BANK

	2015	2014
	Kshs	Kshs
Cash on Hand	370,456,515	456,232,187
Cash at Bank	<u>292,466,023</u>	<u>487,112,280</u>
	<u>662,922,538</u>	<u>943,344,467</u>

The bulk of the cash at bank was held at Kenya Commercial Bank of Kenya and National Bank of Kenya who are the Bank's main bankers.

(29) FUNDS ON CALL AND SHORT NOTICE

	2015	2014
	Kshs	Kshs
Commercial Bank of Africa	12,452,788	11,751,501
Citibank	10,000,000	10,000,000
National Bank of Kenya	9,470,177	9,310,784
Kenya Commercial Bank of Kenya	<u>543,517</u>	<u>501,181</u>
	<u>32,466,482</u>	<u>31,563,466</u>

The Bank has placed some of its funds in call accounts with commercial banks as listed above.

For the year under review, the funds were invested at the following interest rates;

BANK	RATE
Commercial Bank of Africa	4.03%
Citibank	4.50%
National Bank of Kenya	2.71%
Kenya Commercial Bank of Kenya	9.00%

(30) INVESTMENT IN TREASURY BILLS & BONDS

	2015	2014
	Kshs	Kshs
Barclays Bank of Kenya medium term note	0	38,100,000
Kengen Infrastructure Bond	238,850,000	298,562,500
Jamii Bora Bond	20,000,000	20,000,000
Funds under management (STANLIB)	290,753,762	3,831,258,981
Government of Kenya Treasury Bonds	<u>3,656,327,500</u>	<u>2,821,704,800</u>
	<u>4,205,931,262</u>	<u>7,009,626,281</u>

The Bank currently classifies all its financial assets as Held To Maturity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

INVESTMENT MOVEMENT SCHEDULE

ASSET	BALANCE ON 01.01.2015 - in Kshs	ADDITIONS IN THE YEAR - in Kshs	DISPOSAL/ REDEMPTION IN YEAR - in Kshs	BALANCE ON 31.12.2015 - In Kshs
Barclays Bank Note	38,100,000	-	(38,100,000)	-
KENGEN Infrastructure Bond	298,562,500	-	(59,712,500)	238,850,000
Jamii Bora Bond	20,000,000	-	-	20,000,000
Funds Under Management	3,831,258,981	-	(3,540,505,219)	290,753,762
GOK Treasury Bonds	2,821,704,800	3,870,000,000	(3,035,377,300)	3,656,327,500
Total	7,009,626,281	3,870,000,000	(6,673,695,019)	4,205,931,262

The effective rate of interest in respect of the investments above in the year 2015 was:

KENGEN Infrastructure Bond	- 12.89%
Jamii Bora Bond	- 13.74%
Funds Under Management	- 13.66%
Government of Kenya Treasury Bonds	- 13.20%

During the year, Barclays Bank of Kenya Medium term note was fully repaid and Kengen Infrastructure bond of Kshs 59,712,500 was partially redeemed.

(31) INVESTMENT PROPERTY

	2015 Kshs	2014 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(32) STOCKS

	2015	2014
	Kshs	Kshs
Stocks of Stationery & Drugs	<u>17,346,696</u>	<u>18,913,264</u>
	<u>17,346,696</u>	<u>18,913,264</u>

(33) OTHER INVESTMENTS

	2015	2014
Note	Kshs	Kshs
Quoted investments (i)	2,055,637	2,055,637
Unquoted investment (ii)	<u>13,540,000</u>	<u>13,540,000</u>
	<u>15,595,637</u>	<u>15,595,637</u>
Less: Provision for diminution in market value of quoted /unquoted investments	<u>11,636,136</u>	<u>12,460,136</u>
	<u>3,959,501</u>	<u>3,135,501</u>

Note

- (i) Quoted investments were valued at Kshs.2,605,500 (2014 Kshs.1,781,500) using the Nairobi Securities Exchange market price at the close of the year.

Quoted investments comprise of equity holdings in the following listed companies:

Company	No. of Shares	Market price	Value 31.12.2015	Value 31.12.2014
Kakuzi Ltd	6,500	317.00	2,060,500.00	1,170,000.00
Total Kenya Ltd	15,000	18.25	273,750.00	394,500.00
Bamburi Cement Ltd	1,550	175.00	271,250.00	217,000.00
			<u>2,605,500.00</u>	<u>1,781,500.00</u>

- (ii) Unquoted investment represents 80% of deposits in City Finance Bank (Jamii Bora Bank) converted into shares following their restructuring in year 2000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(34) ACCOUNTS RECEIVABLES

	Note	2015	2014
Postal Corporation of Kenya-Excess Deposits		780,397,908	780,271,708
GOK-(KP&TC)	(i)	405,231,629	405,231,629
Commission Receivable from GoK		34,967,100	89,511,500
Prepaid GoK Pension – PCK Payroll		16,823,161	424,632,565
GoK Pension Cheques Receivable – PCK (ii)		268,553,158	268,553,158
PCK Overdrawn Claimable		44,587,964	37,434,983
Restitution (PCK)		56,416,881	53,658,060
Directors Loans		3,327,044	3,327,044
Staff loans		994,598,182	935,430,679
Staff debtors – Personal Development Loan		176,289,022	213,547,228
Interest Receivable -PDL		63,854,741	27,507,098
Rent Receivables		54,500,447	67,197,150
Staff Imprest		3,610,571	6,873,027
Trade Debtors (iii)		138,481,371	172,623,647
		3,041,639,179	3,485,799,476
Provision for bad and doubtful debts: Trade Debtors		-691,978,285	-662,276,090
		<u>2,349,660,894</u>	<u>2,823,523,386</u>

Note

- (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.
- (iii) *Trade Debtors Ageing Analysis*
2014

2014	TOTALS	0 - 30 Days	31 - 60 Days	61-90 Days	91 and Over
MTS	50,983,452	(37,226,108)	28,533,548	(47,547,336)	107,223,348
RIA	603,254	(30,184)	(1,324,460)	1,632,791	325,107
VISA	143,041,675	(60,680,788)	(2,063,093)	(90,887,753)	296,673,309
MONEY GRAM	(22,004,735)	(13,247,868)	12,378,534	(14,262,919)	(6,872,481)
TOTALS	172,623,647	(111,184,947)	37,524,527	(151,065,216)	397,349,283

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(iii) Trade Debtors Ageing Analysis 2015

2015	TOTALS	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 and Over
MTS	10,637,267	(42,476,928)	11,240,703	(2,900,288)	44,773,781
RIA	58,105	(1,665,663)	(56,219)	665,533	1,114,455
VISA	158,547,454	1,115,219	502,833	(2,921,124)	159,850,527
MONEY GRAM	(30,761,456)	5,527,427	(4,105,132)	(5,155,556)	(27,028,195)
TOTALS	138,481,371	(37,499,945)	7,582,184	(10,311,436)	178,710,568

(35) PREPAYMENTS AND OTHER ASSETS

	Note	2015 Kshs	2014 Kshs
Accrued interest on Treasury Bonds		104,576,846	94,782,751
Discount on Treasury Bonds		31,383,030	0
Fixed deposits in ailing financial institutions		479,083,542	488,973,075
Transitorial Accounts - Postbank	(i)	1,110,740,856	808,946,539
Premium on Treasury Bonds (Prepaid)		363,830,518	405,873,816
Other Assets and Prepayments		886,550,834	867,626,119
		2,976,165,626	2,666,202,301
Provision for bad and doubtful debts:			
Amounts due from subsidiary and deposits in ailing financial institutions		<u>-479,083,542</u>	<u>-488,973,075</u>
		<u>2,497,082,084</u>	<u>2,177,229,226</u>

(i) The amount of Kshs. 1,110,740,856 under Transitorial accounts relates to balances held in accounts used by the Bank to process internal payments. Therefore the balance is not a realisable asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2015
36.(a) PROPERTY AND EQUIPMENT

	LAND	BUILDING	LEASEHOLD	MOTOR VEHICLES	FURNITURE & FITTINGS	ELECTRONIC OFFICE EQPMT	NON ELECTRONIC OFFICE EQPMT	COMPUTER HARDWARE	FIXED ASSET CLEARING ACCOUNT	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	25,682,789	-1,077,243	20,881,322	80,968,467
CAPITALISED WORKS	0	0	0	0	1,070,000	0	0			(1,070,000)	0
REVALUATION	0	0	0	0	0	0	0	0		0	0
DISPOSALS	0	0	0	0	0	0	0	0		0	0
COST	854,500,000	1,053,550,000	6,500,000	34,833,656	304,231,250	191,427,121	76,522,068	556,877,894		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	65,943,225	-1,077,243	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

Disclosure Note

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015
36.(b) PROPERTY AND EQUIPMENT

Cost or Valuation	LAND	BUILDING	LEASEHOLD	MOTOR VEHICLES	FURNITURE & FITTINGS	ELECTRONIC OFFICE EQPMT	NON ELECTRONIC OFFICE EQPMT	COMPUTER HARDWARE	FIXED ASSET CLEARING ACCOUNT	CAPITAL WORK IN PROGRESS	TOTAL
At 1 Jan. 2015	854,500,000	1,053,550,000	6,500,000	34,833,656	304,231,250	191,427,121	76,522,068	555,011,263	-1,077,243	20,881,322	3,096,379,437
ADDITIONS	0	0	0	0	15,766,676	39,233,209	2,109,040	58,022,636	-24,132,395	(18,361,240)	72,637,926
CAPITALISED WORKS	0	0	0	0	0	0	0	0	0	0	0
DISPOSALS ADJUSTMENT	0	0	0	(5,710,000)	(1,028,170)	0	(1,184,348)	(5,445,089)	0	0	(13,367,606)
COST 31.12.2015	854,500,000	1,053,550,000	6,500,000	29,123,656	318,969,756	230,660,330	77,446,760	607,588,811	-25,209,638	2,520,082	3,155,649,757
DEPRECIATION											
DEPRE.01.01.15	0	253,603,083	6,500,000	31,364,387	208,021,530	156,777,702	62,937,684	489,169,230	0	0	1,208,373,615
CHARGED 2015	0	26,338,750	0	2,087,563	19,264,663	22,162,071	2,926,789	40,014,559	0	0	112,794,295
WRITE BACK	0	0	0	0	0	0	0	0	0	0	0
DISPOSALS	0	0	0	(5,710,000)	(380,110)	-285,202	(1,076,637)	(5,400,426)	0	0	(12,852,375)
DEPRE.31.12.15	0	279,941,832	6,500,000	27,741,950	226,906,083	178,654,571	64,787,836	523,783,363	0	0	1,308,315,535
NBV 31.12.2015	854,500,000	773,608,168	0	1,381,707	92,063,674	52,005,759	12,659,024	83,805,447	-25,209,638	2,520,082	1,847,334,222
NBV 31.12.2014	854,500,000	799,946,918	0	3,469,270	96,209,720	34,649,419	13,584,384	65,842,033	-1,077,243	20,881,322	1,888,005,823

Disclosure Note

(i) Two (2) new branches were completed during the year i.e. Iten and Maralal branches

(ii) The value of assets fully depreciated and still in use during the year was Ksh 905,735,436

36. (c) LAND AND BUILDINGS

COST OR VALUATION	Land Kshs	Buildings Kshs	Show Stand Kshs	2015 Total Kshs	2014 Total 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.

37. INTANGIBLE ASSETS

	2015 Kshs	2014 Kshs
Cost		
At 1 January	511,122,935	505,989,680
Additions	2,911,600	5,133,255
At 31 December	514,034,535	511,122,935
Amortisation		
At 1 January	450,826,737	418,440,475
Amortization for the year	21,508,191	32,386,262
At 31 December	472,334,928	450,826,737
Carrying Amount		
At 31 December	<u>41,699,607</u>	<u>60,296,198</u>

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

(38) CUSTOMERS' SAVINGS AND DEPOSIT ACCOUNTS

	2015	2014
	Kshs	Kshs
Postbank Savings Account	0	4,672,168,231
Bidii Savings Account	7,970,571,319	3,355,239,117
Postbank Cheque Account	426,467	1,960,960
Junior Trust Account	10,623,187	9,429,096
Step Account	652,011,898	578,237,282
Pension accounts (BSG)	2,715,948,309	2,241,845,841
Premium Savings Scheme	881,205,823	974,125,593
Premium Plus Account	1,869,062,923	3,920,713,305
Fixed Deposit Account	104,010,291	115,094,829
Save-As-You-Earn	633,912,490	595,171,862
Staff Salary Account	61,830,227	76,021,268
Salary Account	196,484,556	195,234,573
Postbank Junior Account	6,858,393	134,319,328
Corporate Clients	435,146,911	465,330,945
Smata Youth Save Account	198,183,079	32,926,219
Pamoja Chama Account	56,682,866	49,955,429
Mzalendo Account	1,047,560	208,607
Waridi Account	179,182,885	70,752,060
Independent Agent Accounts	12,673,801	14,468,602
M-chama Savings Account	988,439	17,261
Mobile Savings Account	1,071,593	59,047
Akiba Account	<u>1,326,658</u>	<u>0</u>
	<u>15,989,249,677</u>	<u>17,503,279,455</u>

Note. Customers deposit balance is net of overdrawn amount of Ksh.67,948,969.

(39) ACCOUNTS PAYABLES AND ACCRUALS

	2015	2014
	Kshs	Kshs
Trade creditors	78,161,640	83,406,645
PCK Services rendered- GoK Pension/others (i)	531,789,218	530,423,857
PCK Encashed Warrants Payable (ii)	462,078,751	462,078,751
PCK- Pension Warrants (iii)	170,953,266	170,953,266
PCK- GoK Pension Payroll (iv)	408,815,513	448,841,292
Accrued Expenses	174,086,862	226,388,200
NSSF Liability	141,307,762	237,992,020
Other creditors	<u>318,396,042</u>	<u>353,401,161</u>
	<u>2,285,589,054</u>	<u>2,513,485,192</u>

(i) PCK Services rendered- GOK Pension/others refers to amount payable to Postal Corporation of Kenya for services offered to our pensioners/regular customers for normal banking services.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2015

- (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) of this report.
- (iii) PCK -GoK Warrant is the un-accounted amount to pensioners account held by PCK. 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) of this report.
- (iv) PCK -GoK Pension Payroll is the un-applied amount to pensioners account held by PCK.

(40) GOK PENSION RESERVE FUND

	2015	2014
	Kshs	Kshs
Amount	<u>204,348,685</u>	<u>506,050,407</u>

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.

(41) CAPITAL GRANTS

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

	2015	2014
	Kshs	Kshs
Western Union Product	2,013,211	2,013,211
Bidii Product	3,706,728	3,706,728
Visa EMV Project	17,854,000	17,854,000
Smata, Mchama & Agency Expansion Projects	<u>6,996,540</u>	<u>7,239,200</u>
	<u>30,570,479</u>	<u>30,813,139</u>

(42) CASH AND CASH EQUIVALENTS AND CASHFLOW

	2015	2014
	Kshs	Kshs
Bank and cash balances	662,922,538	943,344,467
Deposits in banks and Financial Institutions	32,466,482	31,563,466
Treasury Bills and Bonds	<u>4,205,931,262</u>	<u>7,009,626,281</u>
	<u>4,901,320,282</u>	<u>7,984,534,214</u>

(43) RELATED PARTY TRANSACTIONS

The Banks main related parties are the Board members, key management personnel and staff. The following transactions were carried out with related parties.

	2015	2014
	Kshs	Kshs
(i) Directors remuneration		
Directors Honoraria	960,000	960,000
Directors Allowances	<u>2,444,896</u>	<u>1,257,253</u>
	<u>3,404,896</u>	<u>2,217,253</u>
	2015	2014
	Kshs	Kshs
(ii) Key management remuneration		
Salaries and wages	3,317,109	3,270,479
(iii) Loans to staff		
Welfare loans	994,598,182	935,430,679
Personal development Loan	<u>176,289,022</u>	<u>213,547,228</u>
	<u>1,170,887,204</u>	<u>1,148,977,907</u>

Interest income on these loans was Ksh 102,076,668 (2014 - 65,248,110). The effective interest rate for welfare loans is 5% while for personal development loan is 14%. Staff mortgages and car loans are secured by charging the related property to the Bank.

(iv) Loans to Directors

No loan was issued to directors in the year under review. However, outstanding loan balance of Kshs 3,327,044 relates to loans advanced to former directors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015
(44) LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period as at 31 December 2015 to the contractual maturity date.

A. Assets	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	662,922,538	-	-	-	-	-	-	-	662,922,538
Investment in T/bills + Bonds	-	178,541,203	300,638,787	366,586,940	45,802,425	652,133,264	1,213,565,112	1,448,663,531	4,205,931,262
Funds on call and short notice	-	32,466,482	-	-	-	-	-	-	32,466,482
Investment Property	-	-	-	-	-	-	-	896,790,225	896,790,225
Other Investment	-	-	3,959,501	-	-	-	-	-	3,959,501
Other Assets	535,453,395	1,167,734,224	759,510,186	705,894,053	726,720,617	645,246,375	323,530,824	-	4,864,089,674
Property and Equipment	-	-	20,881,322	-	45,766,964	37,374,219	265,808,382	1,477,503,335	1,847,334,222
Intangible Assets	-	-	20,296,198	-	21,403,409	-	-	-	41,699,607
Total Assets	1,198,375,933	1,378,741,909	1,105,285,994	1,072,480,993	839,693,415	1,334,753,858	1,802,904,318	3,822,957,091	12,555,193,511
B. Liabilities and Reserves									
Other Liabilities	83,576,713	157,465,320	166,123,256	564,045,299	333,132,144	274,254,682	706,991,640	-	2,285,589,054
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	1,787,411,603	5,539,747,299	15,989,249,677
Gok Pension Reserve Fund Account	82,972,118	52,546,003	68,213,559	617,005	-	-	-	-	204,348,685
Bank Overdraft	-	-	-	-	-	-	-	-	-
Capital Grants	-	-	-	-	-	-	-	30,570,479	30,570,479
Revaluation Reserves	-	-	-	-	-	-	-	2,388,250,796	2,388,250,796
Revenue Reserves	-	-	-	-	-	-	-	-8,342,815,180	-8,342,815,180
Total Liabilities and Reserves	1,266,186,110	1,779,840,567	1,286,469,694	1,741,274,228	2,292,643,767	2,078,622,508	2,494,403,243	-384,246,606	12,555,193,511
A - B Liquidity GAP	-67,810,177	-401,098,658	-181,183,700	-668,793,235	-1,452,950,352	-743,868,650	-691,498,925	4,207,203,697	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.

(45) CONSOLIDATION

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

(46) TAXATION

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

(47) COMPARATIVES

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

(48) EMPLOYEES

The average number of employees during the year was 763 (2014-780).

(49) NETWORK OF POSTBANK BRANCHES

The total number of branches during the year was 104.

WORK OF POSTBANK BRANCHES

HEAD OFFICE

Bank House
Street
P.O. Box 30311 – 00100
Tel: (020) 2229551-6 Ext. 155 Fax 341557
NAIROBI

NAIROBI NORTH REGION

Market Street Branch:
P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Ext. 237 Fax 341562
NAIROBI

Eastleigh Branch:
P.O. Box 30313 - 00100
Tel: (020) 6761892 Fax 6761892
NAIROBI

Kikuyu Branch:
P.O. Box 30311 - 00100
Tel: (066) 31630 Fax 31630
KIKUYU

Ruiru Branch:
P.O. Box 190
Tel: (067) 54320 Fax 55441
RUIRU

Karuri Branch
P.O. Box 30311 – 00100
Tel: (066) 51683 Fax 51685
NAIROBI

NAIROBI SOUTH REGION

Afya Centre Branch:
Tom Mboya Street
P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Ext. 322, 340-2, 330-1
NAIROBI

Jogoo Road Branch:
P.O. Box 30313 - 00100
Tel: (020) 2229551-6, 552027 Fax 552027
NAIROBI

Machakos Branch
P.O. Box 944
Tel: (044) 20261 Fax 24112
MACHAKOS

Tom Mboya Branch:
P.O. Box 30313 - 00100
Tel: (020) 2230428 Fax 230428
NAIROBI

Wote - Makueni Branch:
P.O. Box 944
Tel: (044) 33371, Fax 33388
MAKUENI
P.O. Box 944

Emali
P.O. Box 30313-00100
Tel: (020) 2445490
NAIROBI

Customer Service Centre:
P.O. Box 30311 – 00100
Tel: (020) 2229551-6 Ext. 359 Fax 210593
NAIROBI

Garissa Branch:
P.O. Box 745
Tel: (046) 2169 Fax 3194
GARISSA

Limuru Branch:
P.O. Box 170
Tel: (066) 71293 Fax 72278
LIMURU

Uthiru Branch:
P.O. Box 30313 - 00100
Tel: (020) 631927 Fax 631927
NAIROBI

Matuu Branch
P.O. Box 30311 - 00100
Tel: (067) 4355282 Fax 4355283
NAIROBI

Cannon House Branch:
Parliament Road
P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Ext. 239, 319
NAIROBI

Karen Branch:
P.O. Box 30313 - 00100
Tel: (020) 884547 Fax 884548
NAIROBI

Nacico Branch:
P.O. Box 30311 - 00100
Tel: (020) 344078
NAIROBI

Viwandani Sub Branch:
P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Fax 553356
NAIROBI

Ngong Branch:
P.O. Box 30311 – 00100
Tel: (045) 41047 Fax 41048
NAIROBI

Dandora
P.O. Box 30313-00100
Tel: (020) 2405489
NAIROBI

Githurai Branch:
P.O. Box 30311- 00100
Tel: (020) 811032 Fax 811032
NAIROBI

Mwingi Branch:
P.O. Box 510
Tel: (044) 22308 Fax 22308
MWINGI

Westland Branch:
P.O. Box 30313- 00100
Tel: (020) 4440581, 4450965
NAIROBI

Uchumi Ngong Road Branch
P.O. Box 30311 – 00100
Tel: (020) 2229551-6
NAIROBI

Enterprise Road Sub Branch:
P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Ext. 270
NAIROBI

Kenyatta Market Branch:
P.O. Box 30313 - 00100
Tel: (020) 2719582,
NAIROBI

Ngong Hills Sub Branch:
P.O. Box 41047
Tel: (045) 212876
NGONG

Wabera Street Branch:
P.O. Box 30311
Tel: (020) 2229551-6 Ext.320
NAIROBI

Ongata Rongai Branch
P.O. Box 30311 – 00100
Tel: (045) 24178 Fax 24179
NAIROBI

Mlolongo
P.O. Box 30313-00100
Tel: (045) 2445491
NAIROBI

Kiambu Branch:
P.O. Box 145
Tel: (066) 22913 Fax 22914
KIAMBU

Ngara Branch:
P.O. Box 30313 - 00100
Tel: (020) 3744837 Fax 3744837
NAIROBI

Thika Branch:
P.O. Box 1819
Tel: (067) 31193 Fax 30076
THIKA

EPZ - Athi River Branch:
P.O. Box 30311 - 00100
Tel: (045) 22526 Fax 22518
NAIROBI

Kitui Branch:
P.O. Box 668
Tel: (044) 22993 Fax 23046
KITUI

Ronald Ngara Branch:
P.O. Box 30313 - 00100
Tel: (020) 2229551-6 Ext. 269, 349
NAIROBI

Kangundo Branch:
P.O. Box 30311
Tel: (044) 621150, Fax 621148
KANGUNDO

Kibwezi Branch
P.O. Box 30311 - 00100
Tel: (044) 3500422 Fax 3500432
NAIROBI

Kajiado
P.O. Box 30313 - 0100
Tel: (020) 2455105
NAIROBI

NETWORK OF POSTBANK BRANCHES (continued)

MT. KENYA REGION

Chuka Branch:
P.O. Box 616
Tel: (064) 630443 Fax 630064
CHUKA

Embu Branch:
P.O. Box 1245
Tel: (068) 30740 Fax 30727
EMBU

Karatina Branch:
P.O. Box 246
Tel: (061) 72537 Fax 72977
NYERI

Kerugoya Branch:
P.O. Box 1020
Tel: (060) 21893 Fax 21833
KERUGOYA

Meru Branch:
P.O. Box 3270
Tel: (064) 30381 Fax 32573
MERU

Murang'a Sub- Branch:
P.O. Box 122
Tel: (060) 31083 Fax 31038
MURANG'A

Nanyuki Branch:
P.O. Box 416
Tel: (062) 32210 Fax 32820
NANYUKI

Nyeri Branch:
P.O. Box 246
Tel: (061) 2034348 Fax 2032189
NYERI

Waruguru Branch
P.O. Box 1245
Tel: (060) 48236 Fax 48081
EMBU

Maua Branch
P.O. Box 767
Tel: (064) 21150
MAUA

Isiolo Branch
P.O. Box 696
Tel: (064) 52355
ISIOLO

Marsabit Branch
Tel: 0775 475925
MARSABIT

COAST REGION

Chaani Branch:
P.O. Box 90563
Tel: (041) 3434077 Fax 3433485
MOMBASA

Likoni Branch:
P.O. Box 90563
Tel: (041) 2451070 Fax 2451017
MOMBASA

Kilifi Branch:
P.O. Box 90563
Tel: (041) 522399 Fax 522399
MOMBASA

Malindi Branch:
P.O. Box 5196
Tel: (042) 30599 Fax 20512
MALINDI

Moi Avenue, Mombasa, Branch:
P.O. Box 90563
Tel: (041) 2230969, Fax 2230945
MOMBASA

Mtwapa Branch:
P.O. Box 90563
Tel: (041) 5486939 Fax 5486470
MOMBASA

Kisauni Branch:
P.O. Box 90563
Tel: (041) 474000 Fax 474333
MOMBASA

Mariakani Branch:
P.O. Box 90563
Tel: (041) 33425, Fax 33430
MOMBASA

Voi Branch:
P.O. Box 452
Tel: (043) 30253 Fax 30253
VOI

Savani House, Mombasa, Branch:
Digo Road
P.O. Box 90563
Tel: (041) 2314424 Fax 2223771
MOMBASA

Ukunda Branch:
P.O. Box 90563
Tel: (040) 3203248 Fax 3203248
MOMBASA

Taita Taveta
Tel: (043) 5352228
Fax: (043) 5352124
MOMBASA

Watamu
P. O. Box 90563
Tel: (041) 200115
MOMBASA

RIFT VALLEY REGION

Bomet Branch:
P.O. Box 778
Tel: (051) 22439 Fax 22440
LITEIN

Gilgil Branch:
P.O. Box 30313
Tel: (050) 4002143, Fax 4002144
GILGIL

Eldoret Branch:
P.O. Box 2270
Tel: (053) 2062295 Fax 2063025
ELDORET

Kabarnet Branch:
P.O. Box 442
Tel: (053) 22354 Fax 21130
KABARNET

Kapsabet Branch:
P.O. Box 800
Tel: (053) 52535 Fax 62497
KAPSABET

Kericho Sub Branch:
P.O. Box 1031
Tel: (052) 30378 Fax 32115
KERICHO

Kitale Branch:
P.O. Box 821
Tel: (054) 30394 Fax 31297
KITALE

Molo Branch:
P.O. Box 4199
Tel: (051) 721561 Fax 721097
MOLO

Naivasha Branch
P.O. Box 675
Tel: (050) 2021335 Fax 2020200
NAIVASHA

Nakuru Branch:
P.O. Box 4199
Tel: (051) 2215710 Fax 2211400
NAKURU

Nandi Hills Branch:
P.O. Box 321
Tel: (053) 643146 Fax 643146
NANDI HILLS

Narok Branch:
P.O. Box 634
Tel: (050) 22030 Fax 222425
NAROK

Nyahururu Branch
P.O. Box 342
Tel: (065) 32251 Fax 32857
NYAHURURU

WESTERN REGION

Bungoma Branch:
P.O. Box 944
Tel: (055) 30418 Fax 30318
BUNGOMA

Busia Branch:
P.O. Box 183
Tel: (051) 22278 Fax 22157
BUSIA

Homa Bay Branch:
P.O. Box 203
Tel: (054) 22388 Fax 21466
HOMA BAY

Kakamega Branch:
P.O. Box 2444
Tel: (056) 30630 Fax 31069
KAKAMEGA

ORK OF POSTBANK BRANCHES (continued)

Branch:
ox 740
(058) 30800 Fax 30341
Tel:
K

Suna - Migori Branch:
P.O. Box 1059
Tel: (059) 20857 Fax 20034
MIGORI

Keroka
P.O. Box 138
Tel: (058) 520037 Fax 520037
KEROKA

Kisumu Branch:
P.O. Box 183
Tel: (057) 2023955 Fax 2021358
KISUMU

Luanda Branch:
P.O. Box 859
Tel: (057) 351230 Fax 351232
LUANDA

Mumias Branch:
P.O. Box 523
Tel: (056) 641410 Fax 641233
MUMIAS

Webuye Branch:
P.O. Box 1014
Tel: (055) 41027 Fax 41025
WEBUYE

Siaya Branch:
P.O. Box 203
Tel: (057) 321213 Fax 321213
SIAYA

Sare Awendo
P. O. Box 183
Tel: (059) 43417 Fax 43417
AWENDO