

REPUBLIC OF KENYA



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OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA POST OFFICE SAVINGS BANK

FOR THE YEAR ENDED
31 DECEMBER 2013

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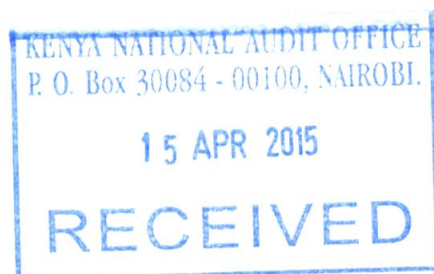
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KENYA POST OFFICE SAVINGS BANK



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31ST DECEMBER 2013

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Board of Directors

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

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

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 on **10th January 2014**.

Board Member- Kennedy Ogendi Ondieki



Mr Kennedy Ogendi Ondieki is Director, Investment Office of the Deputy Prime Minister and Ministry of Finance. Mr. Ondieki is an economist and holds a Bachelor of Arts degree (BA Hons), Economics and Geography from the University of Nairobi (UON) and Master of Business Administration (MBA), Strategic Management from Jomo Kenyatta University of Agriculture & Technology (JKUAT). Mr. Ondieki is a qualified Certified Public Accountant (CPAK), a Member of the Institute of Certified Public Accountant (ICPAK), and a qualified Certified Public Secretary (CPSK). Mr. Ondieki has undertaken several work improvement skills development training/short courses, workshops and seminars on management and governance.

Board Member - Mr. Gordon Jallango Anyango



Mr Gordon J. Anyango is an economist and holds a Bsc degree in aviation Administration from Indiana State University USA. He also holds an Msc in Transport Economics from Cranfield University UK and an MBA in management from Cranfield University UK. He is also a member Kenya Institute of Management, Member of the Royal Aeronautical Society and Member of the Chartered Institute of Transport. He has worked as a Senior Economic Affairs Officer/Deputy Director

Board of Directors [Continued]

of the Eastern Africa Sub-regional Office (EASRO) of the United Nations Economic Commission for Africa (UNECA) which is based in Kigali Rwanda. He has vast experience in project management and transport.

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**.

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 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.

Senior Management

Governance of the bank is vested in the Board of Directors and the office of the Managing Director, supported by one Directorate (Banking Services). The bank is structured into ten (10) departments reporting either to the 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 year 2001 and has helped the bank implement customer centric solutions. He is an ICT executive with extensive experience and track record in the field having started his career in Ernest and Young an international professional audit firm. He also worked for Cirio Del Monte a large International Pineapple growing and Canning Company prior to joining the bank. Kenozwa has a Bachelor of Science degree from the University of Nairobi and is a Fellow of the Computer Society of Kenya (FCSK). He has also attended Project Management, Change Management and General Management courses and workshops both in Kenya and abroad.

Senior Management [Continued]

Head Legal & Property Management/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 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 in the year 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 Gatawa



A First Class Honours graduate of Civil Engineering with an MBA from Leicester University UK, David is an internationally experienced senior management professional with over 19 years of Corporate, retail and microfinance banking and project management experience in the banking industry. He has also previously been a Lead Business Consultant with the World Savings Bank Institute (WSBI) implementing a Bill & Melinda Gates funded project in Lesotho Postbank. Prior to joining Postbank, he worked for the Global UK Bank and Barclays Bank for 12 years. David is also an 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**. Muriu holds a Master of Business Administration degree (Finance) from University of Nairobi and a Bachelor of Science (International Business Administration) from United States International University. Mr. Muriu has vast experience in banking as he joined the bank in 1991. Prior to this appointment, he was the Business Growth Manager in charge of Nairobi South Region which has 22 branches. Mr Muriu is both a qualified Certified Public Accountant (CPA-K) and Certified Credit Professional (CCP). In addition he is a holder of a Certificate in Bank Card Management from the Chartered Institute of Banking/Visa International. He has also served as Chairman of the Institute of Credit Management Kenya (ICM-K) from 2007 to 2013.

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



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

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



Margaret Rugut Kibogy is the Ag. Head of Retail Banking with effect from **1st December 2014**. She holds an MBA degree in Marketing from University of Nairobi and Bachelor Degree. Ms. Kibogy has served the bank in various capacities in Marketing, Card Services and Retail Banking where she was the Business Growth Manager in charge of Nairobi North Region among many other roles. Ms. Kibogy has championed various projects including UAT in CBS upgrade. She is also an astute member of the Institute of Customer Service Kenya (ICS). She has served as Operations Chairperson of the Kenya Credit & Debit Card Association and currently 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
Kenya National Audit Office
Anniversary Towers, University Way
P.O.Box 30084-00100
NAIROBI

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

OPERATING ENVIRONMENT 2013

The year 2013 started on a positive note on the backdrop of improving macro-economic indicators compared to 2012. Inflation was contained to single digit levels and the exchange rates stabilized. Interest rates were also on a downward trend as Government continued easing its monetary stance. However, the General Election period saw a slowdown in business climate as the uncertainty in the economy forced investors to adopt a 'wait and see' attitude before making any commitment. This constrained the level of business activity and led to a 4.7% growth in GDP in the first quarter 2013. The extended period up to the formation of the Cabinet caused uncertainty in the economy and resulted in a spike in interest rates. The global effect of all these developments was a slow-down in the GDP growth to 4.2% in the second quarter 2013. For the Bank, the upward spike in interest rates in quarter 4 meant a reduced bond trading and demand for higher rates for deposits.

The second half of the year was characterized by tight liquidity in the financial markets as the new Government looked to raise funds to finance the new devolved structure. Inflation went on an upward trajectory with introduction of a new VAT law which increased the number of items under VAT. The enhanced Government borrowing kept interest rates elevated for the better part of the 2nd half of 2013. This slowed down bond trading, a key revenue stream for the Bank. However, some respite was witnessed towards the end of the year as the inflation rate began easing after the clarification on the items affected by the VAT law and a decline in food prices. Inflation for the year averaged 5.7% compared to 9.6% in 2012.

YEAR 2013 RESULTS

During the year, Postbank's gross income decreased by 2.32% from Kshs.3.109 billion in 2012 to Kshs.3.037 billion in 2013. The net income increased by 76.47% from a loss of Kshs.4.35 billion in 2012 to a loss of Kshs.1.023 billion in 2013.

FUTURE

Based on the foregoing, the year 2014 does hold some promise for the Bank as the improvements witnessed in the macro-economic environment at the tail end of 2013 are expected to continue. Interest rates are expected to decline in 2014. Tax revenues have improved in the first half of year 2013/2014 and the Sovereign Bond is expected in 2014. The bond market is expected to be stirred by the declining interest rates. Inflation is expected to continue easing off due to low commodity prices, stable global oil prices and lower energy costs. Exchange rate is expected to be stable supported by strong inflows from the traditional export markets which have shown signs of economic recovery. Improved distribution of liquidity is expected as County Governments build their capacities to absorb developments funds disbursed from the National Government.

CHAIRMAN'S STATEMENT [Continued]

However, some risks to the Bank's business in 2014 are expected to persist. Underlying pressure due to Government expansionary policy on development expenditure and possibility of a supplementary budget could put some pressure on interest rates. Improvements in the developed economies such as the envisaged economic recovery in Europe could spur export flows leading to appreciation in exchange rate. The Bank's cost structures especially in fixed costs such as employee and rental costs are likely to pose a challenge with respect to the targeted revenue lines. The Bank has had significant corporate deposits in 2013 but will have to significantly grow retail deposits due to high interest cost associated with corporate deposits.

To improve on the Bank's performance, various initiatives will be put in place in 2014. This will target revenue generation through new partnerships especially with Government; deposit mobilization specifically on the retail front in order to manage cost of funds; cost rationalization and technological advancement through enhancement of mobile banking.

APPRECIATION

I take this opportunity to thank the Government and fellow Directors for continued support and also our esteemed customers and business partners for their invaluable patronage.

The Board acknowledges with deep appreciation the staff and management of the Bank under the leadership of the Managing Director.

HON. FRED KAPONDI CHESEBE.....
CHAIRMAN



15 APRIL, 2015

MANAGING DIRECTOR'S STATEMENT

It is with great pleasure I present the Bank's Annual Report and the Financial Statements for the year ended 31st December 2013. This was a challenging year for the Kenyan economy, as the country was dealing with the first elections under the Constitution 2010 and implementation of devolved Government. The bank's profitability declined due to challenges brought about by tight liquidity, inflationary pressures and interest rates movements after the elections.

Financial Performance

The financial performance for the period ended 31st December, 2013 improved to Kshs.1.023 billion loss recording a positive growth of 76.47% from 2012 levels. Total assets and customer deposits were Kshs 18.973 billion and Kshs 19.239 billion respectively.

Strategic Planning

During the year, the Bank carried out a midterm review of its Strategic plan 2011-2015 and also developed the Action Plan for the year 2014. This formed the basis of performance contracting with the Government of Kenya for the year 2014.

Performance Contracting

In December 2012, the Bank signed its annual performance contract with the Government of Kenya for the financial year 2013. The contract was then cascaded to all levels within the Bank. Quarterly performance monitoring and evaluation was carried out to ensure attainment of the set targets. An evaluation of the Bank's performance for 2013 was carried out by the independent Government assessors and the Bank attained an overall rating under the "FAIR" category.

Strategic Partnerships

Association of Savings Banks in East Africa (ASBEA)

The Bank continued its strategic partnership with the Association of Savings Banks in East Africa. The partnership allows the member savings banks share their business experiences and challenges and offer to support each other. During the year 2013, the Association held joint capacity building programmes for their staff and continued to pursue joint ICT switch integration initiatives to allow customers experience seamless transaction service across Kenya, Tanzania and Uganda. This service is planned to be launched in June 2014.

World Savings Banks Institute (WSBI)

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

During the year, WSBI also continued to support the set-up of the Postbank Mashinani agents. The Managing Director continued to be a member of the WSBI Board representing the African Savings Banks.

MANAGING DIRECTOR'S STATEMENT [Continued]

Financial Sector Deepening (FSD)

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

Association of the Micro Finance Institutions (AMFI)

In the year 2013, the Bank also maintained its membership in the Association of the Micro Finance Institutions (AMFI). Membership to this Association saw the Bank's staff engage in exchange programmes that covered capacity building in various operational aspects.

Kenya Bankers Association (KBA)

During the year, Postbank was admitted as an Associate Member of the Kenya Bankers Association, becoming the 44th member of the Association. This membership is strategic as the Bank will enjoy a host of benefits that improve on our service delivery. The membership also provides a platform to share experiences with other banks especially in the area of risk management and technology convergence. This was a major milestone for the Bank.

Benchmarking activities

The Bank carried out various benchmarking activities with various organizations. These included participation in the Company of the Year Awards (COYA) under the Kenya Institute of Management using their excellence model known as Organisation Performance Index (OPI) and the Champions of Corporate Governance (COG) by the Institute of Certified Public Secretaries of Kenya. These benchmarks allow the Bank to learn, share experiences and benchmark with industry best practices.

In the KPMG's 2013 Africa Banking Industry Customer Satisfaction Survey, Postbank was ranked among the top five most Customer-Focused banks in Kenya with a Customer Satisfaction Index (CSI) of 74%. This is a culmination of the Bank's efforts in improving customers experience.

Recognition

2013 CIO 100 East Africa Awards and Other Customer Awards

The Bank was ranked fourth in the 2013 CIO 100 East Africa Awards that were held in Kigali, Rwanda. CIO 100 recognizes the top 100 firms that have used technology to give customers more value. This award is a true reflection of the investments the Bank has made over the years in appropriate technology to improve customer service.

Postbank was also named among the 5 top Banks in customer service in the "Banking, Africa Banking Industry Customer Satisfaction Survey, April 2013" done by KPMG. Postbank is a customer centric organization.

MANAGING DIRECTOR'S STATEMENT [Continued]

Project YouthSave

Youth continue being an important market segment for Postbank and this is the reason that the Bank in conjunction with Save the Children International developed and launched a product specifically for the youth, the SMATA account. The Bank won the Child and Youth Finance International Pioneer Award 2013 for her efforts in providing financial access to children and youth through the SMATA account, developed with the input of the youth.

A Glimpse into 2014

According to the Central Bank of Kenya, the Kenyan economy is projected to grow by 6 percent in 2014, supported by improved supply side conditions which are expected to spill over to 2014, and sustained low inflation.

It is expected that the Bank will experience business growth supported by a stable macroeconomic environment, domestic and regional expansion and the increased economic activities occasioned by the devolved system of Government.

Postbank will continue to leverage on technology to grow business particularly through an enhanced PataCash mobile phone banking system that the Bank already has in place. We will improve and expand the Postbank Mashinani Agency banking model so that we reach more unbanked and under-banked Kenyans. By June 30th, 2014 when the World Savings Bank Institute and Bill and Melinda Gates Foundation partially funded Mashinani Agency project winds up, the Bank plans to have 1,000 agents across the country.

The Bank will continue to leverage on its large branch and ATM network to become the “Bank of Choice” for other financial institutions by offering agency or branchless banking services to the customers of other financial institutions. While we project 10% growth of business, we note that the cost structure is bound to be a challenge due to increased rents and other infrastructure costs notably the rental costs in all the Counties.

The Bank will also focus on restructuring with the aim of being a fully-fledged commercial bank that will offer a diversified range of products that include credit.

We look forward to a productive 2014.

ANNE W. KARANJA
AG. MANAGING DIRECTOR



15 APRIL, 2015

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2013

The Directors have pleasure in presenting their report and accounts for the year ended 31st December 2013.

Results

The results for the year are as set out on pages 23 to 50

Directors

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

Name	Title	Appointment Date	Retirement Date
Wilson Kinyua	Chairman	04-01-2010 (Re-appointment)	04-01-2013
Titus J. K. Gateere, CBS	Chairman	15-02-2013	22-01-2014
Hon. Fred Chesebe Kapondi	Chairman	10-01-2014	In service
Mr. Gordon Jallango Anyango	Director	01-04-2011	30-03-2014
Dr. Kamau Thugge	PS, National Treasury	15-05-2013	In service
Kennedy O. Ondieki	Alt. Representing National Treasury	07-03-2011	24-09-2014
Dr. Nyambura Koigi	Managing Director	01-07-2011 (Re-appointment)	30-06-2014
Anne W. Karanja	Ag. Managing Director	01-07-2014	In service

By order of the Board.

M. N. KAGIRI - MBIJIWE (MRS).....
COMPANY SECRETARY

15 APRIL, 2015

CORPORATE GOVERNANCE STATEMENT

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

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

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

Board of Directors

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

Board Meetings

The Board of Directors meet on quarterly basis or as required. The Board is responsible for monitoring the implementation of Postbank's planned strategy and reviewing it in conjunction with its financial performance. Specific reviews are also undertaken on operational issues and future planning. At the end of each financial year, the Board evaluates itself, the Managing Director and Senior Management Staff against targets that have been agreed at the beginning of the year.

The Board held four (4) Meetings during the year under review.

Board Committees

The Board has created three Principal Committees which meet regularly under a well-defined and materially delegated terms of reference set by the Board. As there were only four Board Directors in the year, all matters were taken to the main Board meetings as there were no enough members to constitute Board Committees.

Strategy and Development Board Committee

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

The Committee held no meeting during the year under review.

CORPORATE GOVERNANCE STATEMENT [Continued]

Audit and Risk Board Committee

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

The Committee held no Meetings during the year under review.

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 One (1) interview 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 2013 is disclosed in Note 19 to the Financial Statements. There were no loans 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 2013.

BOARD ATTENDANCE REGISTER 2013

Type of Meeting	No. of Meetings	Titus J.K Gateere	Gordon Anyango	Kennedy Ondieki	Dr. Nyambura Koigi
Main Board Meeting	4	4	4	4	4
Special Board Meeting	0	0	0	0	0
Audit and Risk Board Committee	0	0	0	0	0
Staff Board Committee	1	1	1	1	1
Strategy and Development Board Committee	0	0	0	0	0
Attendance %	100%	100%	100%	100%	100%

CHAIRMAN 

AG. MANAGING DIRECTOR 

15 APRIL, 2015

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Postbank is committed to creating business growth while ensuring that delivery of services is done in an ethical and socially responsible manner. The Bank considers the interests of the community and strives to maintain the highest standards of ethical conduct and corporate responsibility in service delivery.

The Bank acknowledges that Corporate Social Responsibility (CSR) is fundamental to the culture and core values of the organization. We encourage staff to recognize those responsibilities and behave in a responsible manner towards the society in which we function. We regard the setting of good example as an important practice in this regard.

The key focus areas of the Bank's Corporate Social Responsibility are:

- Environment
- Health
- Education
- Emergencies

During the year under review, Postbank supported and participated in a range of different causes and community activities aligned to the focus areas.

ENVIRONMENT

We acknowledge our responsibility to the environment and to our local communities with whom we conduct business. To this end, through concerted efforts, the Bank planted trees in a bid to increase forest cover for the sake of future generations. We believe that every tree planted contributes to positive change within the environment. We acknowledge the impact of tree planting as an opportunity for people to interact with one another and leave a change within everyone's heart - surpassing language and cultural distinctions and sharing a sense of accomplishment and oneness. Through our greening efforts, Postbank took every opportunity to plant trees to mark special events for the Bank.

Postbank also actively encourages staff in various locations to recycle and conduct environmentally friendly activities. In this regard, through partnership with the Autism Society of Kenya, the Bank donated old newspapers and magazines to City Primary School - Autism Unit who recycle them for creative use.

SAVINGS EDUCATION/FINANCIAL LITERACY

Charged with the responsibility of encouraging thrift and mobilizing savings, the Bank strives to increase knowledge and understanding of the importance of saving. This in turn contributes to sustainable economic growth. We constantly work towards creating and improving financial literacy programs.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT [Continued]

In 2013 the Bank also arranged and participated in the dissemination of financial literacy during several road safety campaigns and also during the Child and Youth Finance week. These initiatives have enabled the Bank to successfully discharge her mandate through targeting boda boda operators and students aged between 11-18 years.

During the Child and Youth Finance week, the Bank carried out intense savings education with the aim of acquainting children with the importance of savings through financial savings education. As a precursor to the international event, the intra-regional celebration was marked by essay competition where winners were awarded based on their understanding of savings aspects.

The road safety campaign has been a unique initiative by the Bank with the aim of enhancing road safety while at the same time empowering riders with financial education. During the year 2013, the Bank distributed six hundred reflector jackets to riders.

EDUCATION

The Bank recognizes that supporting education is critical to the success of the future generations. Our commitment to education projects remains a priority in our endeavour to make a difference to our community. This is in sync with the Bank's CSR focus on education where we seek to enhance literacy levels through sustainable development in the Education sector.

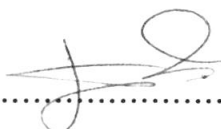
During the year under review, Postbank supported the Jomo Kenyatta Foundation through a sponsorship of Kshs.100,000 that will benefit bright but needy secondary students in Kenya. We believe this investment will drive the development of the next generation of youth who are financially handicapped. The Bank also funded a Science congress at Hospital Hill among other educational projects.

DONATIONS

The Bank's CSR policy is aligned to ensure that the needs of different members of society are met through empowering the community. The Bank invests in viable projects for the community to fully realize their potential. As such, the Bank donated to the SOS Children's home, Huruma Children's home and also towards the *old and cold campaign* where the Bank donated blankets to the elderly.

During the year under review, Postbank also supported Zabibu Centre through the purchase of roofing materials for the rehabilitation Centre. This support was to ensure sustainable community development by supporting the needs of the physically challenged children.

CHAIRMAN



AG. MANAGING DIRECTOR



15 APRIL, 2015

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

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

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

CHAIRMAN 

AG. MANAGING DIRECTOR 

15 APRIL, 2015

REPORT OF THE AUDITOR GENERAL ON KENYA POST OFFICE SAVINGS BANK FOR THE YEAR ENDED 31ST DECEMBER 2013

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA POST OFFICE SAVINGS BANK FOR THE YEAR ENDED 31 DECEMBER 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Post Office Savings Bank set out on pages 23 to 50, which comprise the statement of financial position as at 31 December 2013, 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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 management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of 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 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

Accounts Receivable and Prepayments

As similarly reported in 2012, the accounts receivables' and prepayments' gross balance of Kshs.5,291,867,519 as at 31 December 2013 that is disclosed under Note 30 includes amounts that have been long outstanding and doubtful debts amounting to Kshs.1,974,094,502 as follows:

- (i) Kshs.759,900,574 and Kshs.405,231,629 owed by Postal Corporation of Kenya and the defunct Kenya Posts and Telecommunications Corporation, respectively. These debts have been outstanding since 1998.
- (ii) Long outstanding Government of Kenya pension cheques receivables of Kshs.268,553,158 and fixed deposits receipts of Kshs.540,409,141 held in ailing financial institutions.

It has not been possible under the circumstances to ascertain the recoverability of these long outstanding debts totalling Kshs.1,974,094,502 or the accuracy of the accounts receivables and prepayments balance.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the bank as at 31 December 2013, 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, Cap 493B of the Laws of Kenya.

Emphasis of Matter

I draw attention to pages 23, 24 and 25 of the financial statements:

(i) Financial Performance

During the year under review, the bank reported a loss of Kshs.1,023,630,800 (Year 2012 restated- loss of Kshs.4,350,792,454) and an increase in the revenue reserves deficit from Kshs.4,169,565,224 (Year 2012 restated) to Kshs.5,176,196,029. The bank also reported a negative owner's equity of Kshs.2,782,225,295 as reflected in the statement of financial position as at 31 December 2013. The bank's ability to carry out its mandate in the long run is, therefore, dependent on restructuring and continued government support.

(ii) Prior Year Adjustment

The bank made adjustment for prior period errors relating to unamortized premium on treasury bonds for the years 2011 and 2012. This resulted in a prior period loss of Kshs.1,008,617,302 which has been adjusted against the revenue reserves as at 31 December 2012 in the statement of changes in equity.

My opinion is not qualified in respect of these matters.



Edward R.O. Ouko, CBS
AUDITOR- GENERAL

Nairobi

30 July 2015

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2013

	Notes	2013 December	2012 December Restated
		Kshs	Kshs
Interest Income	11	2,438,374,113	1,801,120,118*
Interest Expense	12	(934,594,687)	(882,912,898)
Net Interest Income		<u>1,503,779,426</u>	<u>918,207,220</u>
Fees and Commissions Income	13	467,145,438	450,008,206
Fees and Commissions Expense	14	(45,227,856)	(46,413,623)
Net Fees and Commissions Income		<u>421,917,582</u>	<u>403,594,583</u>
Net Trading Income		<u>1,925,697,008</u>	<u>1,321,801,803</u>
Foreign Exchange Income	15	42,522,512	70,139,074
Other Operating Income	16	88,814,125	787,689,026
Operating Income		2,057,033,645	2,179,629,902
Impairment loss on loans and advances	17	308,475,832	3,250,001
Employee Expenses	18	1,225,008,361	1,035,330,443
Board Expenses	19	4,306,652	6,040,652
Operating Expenses	20	341,900,623	333,251,509
Depreciation	31(b)	157,261,709	158,234,555
Amortization for Bonds Trading Cost	21	685,422,034	3,992,182,892*
Other Expenses	22	358,289,234	1,002,132,304
Total Operating Costs		<u>3,080,664,445</u>	<u>6,530,422,356</u>
Profit/(Loss) before income tax		(1,023,630,800)	(4,350,792,454)
Income tax expense		-	-
Profit/(Loss) for the Period	23	(1,023,630,800)	(4,350,792,454)*

* Interest income and Amortization for Bonds trading costs for year 2012 have been restated for comparison purpose.

STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2013

		2013	2012 Restated
ASSETS	NOTE	Kshs	Kshs
Bank and Cash	24	1,162,899,579	1,630,175,253
Investment in Treasury Bills and Bonds	25	10,447,778,800	11,653,469,286*
Funds on Call and Short Notice	26	331,448,898	30,454,452
Investment Property	27	896,790,225	27,390,225*
Other Assets	28	10,379,899	34,949,709
Other Investments	29	2,672,001	2,298,500*
Accounts Receivables & Prepayments	30	4,113,307,064	4,878,446,522*
Property and Equipment	31(b)	<u>2,008,301,016</u>	<u>1,836,611,156</u>
Total Assets		<u>18,973,577,482</u>	<u>20,093,795,103</u>
 LIABILITIES			
Customer Savings and Deposits	32	19,239,393,654	19,909,293,767
Accounts Payables & Accruals	33	2,055,517,946	2,567,186,860
GoK Pension Reserve Fund	34	460,003,916	403,358,965
Bank Overdraft	35	<u>887,261</u>	<u>0</u>
Total Liabilities		<u>21,755,802,777</u>	<u>22,879,839,592</u>
 SHAREHOLDERS' EQUITY			
Capital Grants	36	5,719,939	5,719,939*
Revaluation Reserves	37	2,388,250,796	1,377,800,796*
Revenue Reserves	38	<u>(5,176,196,030)</u>	<u>(4,169,565,224)*</u>
Total Shareholders' Equity		<u>(2,782,225,295)</u>	<u>(2,786,044,489)</u>
 Total Liabilities and Shareholders' Equity		 <u>18,973,577,482</u>	 <u>20,093,795,103</u>

*The figure of other investments for year 2012 was restated to allow for separation of Investment property and Investment in shares in note 28 (Other Investment). Adjustments have also been made to separate Capital grants, Revaluation reserves and Revenue reserves.

The Financial statements on pages 23 to 50 were approved by the Board of Directors on 29th January 2014 as a draft and subsequent revised version signed on its behalf by:


.....
DIRECTOR


.....
DIRECTOR

15 APRIL, 2015

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2013

Restated	Capital Grants Kshs	Revaluation Reserves Kshs	Revenue Reserves Kshs	TOTALS Kshs
At 1 st January 2012	5,719,939*	1,377,800,796*	1,189,844,527*	2,883,860,756*
Profit for the year	-	-	(4,350,792,454)	(4,350,792,454)
Prior year adjustments (Note i)	-	-	(1,008,617,302)	(1,008,617,302)
At 31st December 2012	<u>5,719,939</u>	<u>1,377,800,796</u>	<u>(4,169,565,229)</u>	<u>(2,786,044,494)</u>
At 1 st January 2013	5,719,939	1,377,800,796	(4,169,565,229)	(2,786,044,494)
Profit/(Loss) for the year	-	-	(1,023,630,800)	(1,023,630,800)
Revaluation of land and buildings (Note ii)	-	1,010,450,000	-	1,010,450,000
Prior year adjustment (Note iii)	-	-	17,000,000	17,000,000
At 31st December 2013	<u>5,719,939</u>	<u>2,388,250,796</u>	<u>(5,176,196,029)</u>	<u>(2,782,225,294)</u>

(i) Prior year adjustment relating to unamortised premium on Treasury Bonds for the year 2011.

(ii) The change in revaluation reserves is as a result of valuation on Land and Buildings done in September 2013 by Transcountry Valuers Limited.

Valuation Amount	2,777,450,000
Book value	<u>(1,767,000,000)</u>
Revaluation Reserve	<u>1,010,450,000</u>

(iii) Prior year adjustment relating to accumulated depreciation for Karura property converted to investment Property.

* The figures for year 2012 have been adjusted to separate Capital grants, Revaluation reserves and Revenue reserves.

The notes set out on pages 27 to 50 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st DECEMBER 2013

	2013	1
	Kshs	Ksh
		Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) for the year	(1,023,630,800)	(4,350,792,454)
Adjustments for:-		
Depreciation	157,261,709	138,233,95
Rental Income	(36,752,009)	(16,953,85
Dividend income	(39,834)	(39,100)
Gain/ (Loss) on Disposal of Property and Equipment	(609,859)	(720,219)
Appreciation/Diminution in value of quoted investments	(373,500)	(91,156)
Prior year adjustments	0	(1,008,617,302)*
Operating profit/(loss) before working capital changes	(904,144,293)	(5,238,980,124)
(Increase)/ Decrease in Accounts Receivables & Prepayments	765,139,458	2,211,003,851
(Increase)/Decrease in stocks	24,569,810	10,229,028
Increase/(Decrease) in Accounts Payables & Accruals	(511,668,914)	(480,091,322)
Increase/(Decrease) Customer Savings and deposits	(669,900,113)	1,935,221,89
Increase/(Decrease) GoK Pension Reserve fund account	56,644,951	133,408,113
Net cash flows from operating activities	(1,239,359,101)	(1,429,208,564)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase/Sale of Property and Equipment	(170,901,571)	(121,267,596)
Proceeds from sale of assets	609,859	720,219
Rental income	36,752,009	16,953,85
Dividend Income	39,834	39,100
Net cash flows from investing activities	(133,499,869)	(103,554,422)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash flows from financing activities	0	0
Net increase in cash and cash equivalents	(1,372,858,970)	(1,532,762,987)*
Cash and cash equivalents at the beginning of the year	13,314,098,991	14,846,861,97
Cash and cash equivalent at the end of the year (Note 39)	11,941,240,016	13,314,098,99

1. BASIS OF PREPARATION

a) **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements were authorized for issue by the Board of Directors on 15th April 2015.

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

b) **Basis of measurement**

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

c) **Functional and presentation currency**

These financial statements are presented in Kenya shillings (Kshs), which is the company's functional currency.

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

d) **Use of estimates and judgements.**

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Income is recognised on an accrual basis.

(i) Interest

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

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

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

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

(ii) Fees and commission income

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

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

(iii) Foreign currency transactions

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

3. FINANCIAL ASSETS AND LIABILITIES

a) Recognition

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

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

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

b) Classification

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

i) Financial assets at fair value through profit or loss

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

ii) Loans and receivables

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

iii) Held-to-maturity

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

iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates. Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

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

(v) *Identification and measurement of impairment of financial assets*

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

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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

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

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

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

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

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

(vi) Derecognition

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

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

vii) Impairment for non-financial assets

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

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

4). FINANCIAL RISK MANAGEMENT

(a) Principles

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

limit risk and the constant monitoring of risk.

The overarching aim of risk management is to ensure that all risks assumed in the course of the Bank's business are recognized early on and mitigated by effective risk management. Successful risk management is recognized as a pre-condition for the sustained growth and success of the Bank. Risk management and monitoring are implemented via the Bank's risk management and risk control process and the organization structure corresponds to prudent Risk Management Guidelines.

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

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

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

(b) Credit risk

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

(i) Management of credit risk

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

The Bank's primary exposure to credit risk arises through its advances to employee and Visa credit to customers. The amount of credit exposure in this regard is represented by the carrying

amounts of the assets on the statement of financial position. The Bank is also exposed to credit risk on debt investments. The current credit exposure in respect of the instruments is equal to the carrying amount of these assets in the statement of financial position.

The risk that counterparties to instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank deals with counterparties of good credit standings and obtain collateral.

(ii) *Write-off policy*

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

(c) *Liquidity risk*

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

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

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.

(d) *Market risk*

(i) *Management of market risk*

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

(ii) *Exposure to interest rate risk*

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

(e) Operational risk

The Bank's objective is to manage operational risk 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) REVALUATION

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

(b) PROPERTY AND EQUIPMENT AND DEPRECIATION

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

Other assets are stated and depreciated at cost.

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

The following depreciation rates are used:

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

(c) INTANGIBLE ASSETS

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

(6) STOCKS

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

(7) CASH AND CASH EQUIVALENTS

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

(8) FOREIGN CURRENCY TRANSACTIONS

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the bank operates), which is Kenya Shillings. Foreign currency transactions during the year are converted into Kenya shilling equivalent at rates ruling at the transaction date. Assets and liabilities at the statement of financial position date which are expressed in foreign currency are translated into Kenya shillings at the rates ruling at the transaction date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

(9) EMPLOYMENT BENEFIT

(a) POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

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

(b) SHORT TERM EMPLOYEE BENEFITS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

(10) PROVISION FOR DOUBTFUL DEBTS

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

(11) INTEREST INCOME

	2013	2012
	Kshs.	Kshs.
Interest on Treasury Bills/Bonds	2,362,671,313	1,739,490,608*
Interest on PCK balances	5,784,000	5,784,000
Interest on Staff Loans	55,033,115	40,763,968
Interest on Visa balances	<u>14,885,685</u>	<u>15,081,542</u>
	<u>2,438,374,113</u>	<u>1,801,120,118</u>

* Interest on Treasury Bills/Bonds for year 2012 has been restated for comparison purpose.

(12) INTEREST EXPENSE

	2013	2012
	Kshs	Kshs
Interest on:-		
Postbank Savings Accounts	17,330,125	31,083,011
Bidii Savings Account	31,583,103	28,275,061
Bidii Plus	102,226	95,038
Step Account	3,572,943	2,701,981
Pension Account	16,753,826	12,262,124
Premium Savings Account	31,943,501	26,088,864
Premium Plus Account	823,817,961	770,451,130
Fixed Deposit Account	2,043,046	2,454,649
Save As You Earn Account	3,917,211	6,810,825
Staff Salary Account	605,010	438,316
Salary Account	1,674,812	1,317,692
Postbank Junior Account	831,859	667,927
Pamoja Account	335,397	204,470
Bidii Junior Trustee Account	48,122	55,688
Smata Youth Save	35,364	6,122
Waridi Account	<u>181</u>	=
	<u>934,594,687</u>	<u>882,912,898</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

(13) FEES & COMMISSIONS INCOME

	2013	2012
	Kshs	Kshs
Salary crediting fees	20,004,439	20,293,829
Premature withdrawal fees	24,558,390	20,665,560
Withdrawal fees	44,268,156	39,782,294
Visa fees	10,889,918	11,940,998
Card fees	12,900,954	8,315,093
MTS- Inbound & Intraound commission	62,586,772	85,242,616
Citibank commission	3,065,373	2,360,285
Pension commission	75,922,400	77,390,600
Money Transfer commission	59,038,924	36,740,868*
ATM withdrawal fees	51,211,535	48,004,549*
Bills commission-Water & Electricity	38,905,034	33,823,459*
AAR Loan commission	45,719,764	40,116,241*
Encashment fee	5,727,452	2,094,627*
Miscellaneous fees & commission (others)	<u>12,346,327</u>	<u>23,237,187*</u>
	<u>467,145,438</u>	<u>450,008,206</u>

*The figures for fees & commissions for 2012 were restated to allow for enhanced breakdown and comparison with 2013.

(14) FEES AND COMMISSIONS EXPENSE

	2013	2012
	Kshs	Kshs
Processing Fees	2,734,800	2,339,200
Settlement Transaction Fees	-	28,350
Stop-List Bulletin Charges	8,582	19,100
Transaction Authorisation	2,487,373	58,611
Shared Costs Adjustments	2,776,438	6,251,591
Commission Expense-Money gram	1,661,019	901,466
Premium Paid Commission on Purchase of T/Bonds	28,239,928	26,897,022
Commission-Independent Agent	6,144,744	8,420,599
Mobile banking Expenses	<u>1,174,972</u>	<u>1,497,684</u>
	<u>45,227,856</u>	<u>46,413,623</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2013

(15) FOREIGN EXCHANGE INCOME

	2013	2012
	Kshs	Kshs
Forex gain on MTS Transactions	41,018,418	51,799,755
Forex gain on MoneyGram Transactions	<u>1,504,094</u>	<u>18,339,319</u>
	<u>42,522,512</u>	<u>70,139,074</u>

(16) OTHER OPERATING INCOME

	2013	2012
	Kshs	Kshs
Rental Income	36,752,009	35,083,468
Dividend income	39,834	39,100
Write back of liabilities	8,240,941	705,905,336
Interest on bank accounts	167,869	36,283
Bonus from Western Union	24,622,493	33,471,938
Agency based commission	73,000	205,502
Tender fees	3,148,000	278,500
Development Levy	4,000,000	-
Appreciation/Diminution in value of quoted investments	373,500	91,750
Gain on sale of Property & Equipment	609,859	720,219
Sundry income	<u>10,786,620</u>	<u>11,856,929</u>
	<u>88,814,125</u>	<u>787,689,026</u>

(17) IMPAIRMENT LOSS ON LOANS AND ADVANCES

	2013	2012
	Kshs	Kshs
Ordinary Savings Scheme	15,000,000	-
Visa card debtors	2,000,000	2,000,001
General Provisions	15,000,000	1,250,000
Specific Provisions-Trade	<u>276,475,832</u>	-
	<u>308,475,832</u>	<u>3,250,001</u>

(18) EMPLOYEE EXPENSES

	2013	2012
	Kshs	Kshs
Salaries and Wages	774,260,586	699,752,557*
Pensions and Provident Fund contr.	92,694,103	11,359,082
Medical expenses	52,515,325	46,788,311
Staff training	12,591,936	21,223,775
Other staff expenses	<u>292,946,411</u>	<u>256,206,718</u>
	<u>1,225,008,361</u>	<u>1,035,330,443</u>

*The figure for Salaries and Wages for 2012 was restated to allow for separate disclosure of board allowances and expenses and hence proper comparison with 2013.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER
2013**

(19) BOARD EXPENSES

	2013	2012
	Kshs	Kshs
Directors Fees	960,000	960,000
Directors Allowances	<u>3,346,652</u>	<u>5,080,652</u>
	<u>4,306,652</u>	<u>6,040,652</u>

(20) OPERATING EXPENSES

	2013	2012
	Kshs	Kshs
Security expenses	86,774,691	81,442,769
Insurances	12,271,296	8,318,659
Office rent	87,009,916	81,169,158
Land rent and rates	192,001	895,485
Repairs and maintenance	88,905,368	86,054,098
Service charge	9,509,925	200,064
Agency fees – PCK/Others	18,019,916	35,381,423
Licences	32,939,415	18,586,061
Grounds maintenance	1,063,055	944,560
Agency Expansion Project (WSBI)	<u>5,215,040</u>	<u>20,259,232</u>
	<u>341,900,623</u>	<u>333,251,509</u>

(21) AMORTISATION FOR BONDS TRADING COST

The amount of Ksh.685,422,034 relates to Treasury Bonds amortised during the year.

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

2013

(22) OTHER EXPENSES

	2013	2012
	Kshs	Kshs
Travel and Subsistence allowances	34,426,323	26,724,213*
Printing and stationery	22,156,143	20,290,689
Debt collection	694,938	1,116,779
Postage & telephone	80,796,743	69,985,975
Computer expenses	5,996,347	9,993,141
Motor Vehicle Expenses	5,118,789	5,395,363
Audit fees	4,443,876	3,678,600
Donations and subscriptions	3,620,937	4,080,300
Legal and professional fees	6,614,336	4,167,292
Electricity and water	30,063,231	33,213,561
Cleaning and Sanitation	15,782,950	9,445,300
Special Projects Launching	2,616,051	170,270
Newspapers and Periodicals	493,279	470,270
Transportation Costs	198,280	99,860
Procurement Costs	920,205	291,370
Excise Duty	4,949,542	
Financial expenses	16,754,802	21,079,790
Selling expenses	100,485,982	95,305,210
Operating Stationery	3,410,517	1,375,481
Bonus & Prizes	391,326	652,190
Write offs & Charge offs	79,197	683,506,930
ATM processing charges	4,601,094	6,215,441
ATM card cost	-	3,401,140
Hire of Motor Vehicles	10,873,637	-
Research & Development	2,769,700	1,466,130
Miscellaneous expenses	<u>31,009</u>	<u>6,950</u>
	<u>358,289,234</u>	<u>1,002,132,304</u>

*The figure for Travel and Subsistence for 2012 was restated to allow for comparison with 2013.

(23) PROFIT (LOSS) FOR THE YEAR

	2013	2012
	Kshs	Ksh
The profit (loss) for the year is stated after charging:		
Directors emoluments	4,306,652	6,040,650
Audit fees	4,443,876	3,678,600
Depreciation expense	157,261,709	158,234,550
Bonds amortisation cost	685,422,034	3,992,182,890
Provident fund contribution	2,896,794	2,462,170
Pension scheme contribution	89,797,310	8,896,900
Diminution in value of quoted investments	-	-
and after crediting: -		
Dividends	39,834	39,100
Appreciation in value of quoted investment	373,500	91,750

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

(24) BANK AND CASH

	2013	2012
	Kshs	Kshs
Cash on Hand	471,398,595	447,563,259
Cash at Bank	<u>691,500,984</u>	<u>1,182,611,994</u>
	<u>1,162,899,579</u>	<u>1,630,175,253</u>

(25) INVESTMENT IN TREASURY BILLS & BONDS

	2013	2012
	Kshs	Kshs
Barclays Bank of Kenya medium term note	38,100,000	38,100,000
Kengen Infrastructure Bond	358,275,000	417,987,500
Shelter Afrique Bond	33,350,000	50,000,000
Funds under management (SIMS)	5,641,609,937	4,938,681,144
Government of Kenya Treasury Bonds	4,355,150,000	6,188,700,642
Government of Kenya Treasury Bills	<u>21,293,863</u>	<u>20,000,000</u>
	<u>10,447,778,800</u>	<u>11,653,469,286</u>

(26) FUNDS ON CALL AND SHORT NOTICE

	2013	2012
	Kshs	Kshs
Funds on call and short notice	331,448,898	30,454,452

(27) INVESTMENT PROPERTY

	2013	2012
	Kshs	Kshs
Investment property	896,790,225	27,390,225

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER
2013**

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

(28) OTHER ASSETS

	2013	2012
	Kshs	Kshs
Stocks of Stationery & Drugs	<u>10,379,899</u>	<u>34,949,709</u>
	<u>10,379,899</u>	<u>34,949,709</u>

(29) OTHER INVESTMENTS

	2013	2012
	Kshs	Kshs
Quoted investments	2,055,637	2,055,637
Unquoted investment	<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>12,923,636</u>	<u>13,297,137</u>
	<u>2,672,001</u>	<u>2,298,500</u>

- (i) Quoted investments were valued at Kshs.1,318,000 (2012 Kshs.944,500) using the stock market price for the same category.
- (ii) Unquoted investment represents 80% of deposits in City Finance Bank (Jamii Bora Bank) converted into shares following their restructuring in year 2000.

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 2013

(30) ACCOUNTS RECEIVABLES AND PREPAYMENTS

	Notes	2013 Kshs	2012 Kshs
Postal Corporation of Kenya		759,900,574	759,707,807
GOK-(KP&TC)	(i)	405,231,629	405,231,629
Commission Receivable from GoK		73,464,700	80,133,100
Prepaid GoK Pension – PCK Payroll		401,201,270	606,137,911
GoK Pension Cheques Receivable – PCK	(ii)	268,553,158	268,553,158
PCK Overdrawn Claimable		21,666,543	0
Accrued interest on Treasury Bonds		244,269,282	279,124,901
Directors Loans		3,327,044	3,327,044*
Staff loans	(iii)	809,197,890	797,832,102*
Staff debtors – Personal Development Loan		202,543,767	171,279,166
Staff Imprest		2,560,613	4,758,773
Trade Debtors		295,752,506	328,280,619
Fixed deposits in ailing financial institutions		540,409,141	540,409,141
Transitorial Accounts - Postbank		110,702,000	110,747,630
Premium on Treasury Bonds (Prepaid)		308,720,192	99,946,576
Refunds due from Bill and Mellida Gates Foundation		34,712,125	17,735,349
Other Receivables and Prepayments		<u>809,655,085</u>	<u>1,301,401,650</u>
		5,291,867,519	5,774,606,556
Provision for bad and doubtful debts:			
Trade Debtors	(iv)	(638,151,314)	(355,750,894)
Amounts due from subsidiary and deposits in ailing financial institutions		<u>(540,409,141)</u>	<u>(540,409,141)</u>
		<u>4,113,307,064</u>	<u>4,878,446,522</u>

- (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)The Staff loans figure for year 2012 has been restated to allow for separation of directors loan balance of Ksh 3,327,044.
- (iv)Bad debts worth Ksh.26,075,412 were written off during the year.

31.(a) COMPARATIVE PROPERTY AND EQUIPMENT

	LAND	BUILDING	LEASEHOLD	MOTOR VEHICLES	FURNITURE & FITTINGS	ELECTRONIC OFFICE EQPMT	NON ELECTRO NIC OFFICE EQPMT	COMPUTER HARDWARE	COMPUTER SOFTWARE	CAPITAL WORK IN PROGRESS	TOTAL
Cost or Valuation											
at 1 Jan. 2012	675,000,000	1,092,000,000	6,500,000	30,441,296	195,599,115	148,588,615	60,555,691	408,395,773	469,836,329	16,009,525	3,102,926,344
ADDITIONS	0	0	0	0	33,527,593	15,340,923	2,929,440	25,455,883	0	44,013,757	121,267,596
CAPITALISED WORKS	0	0	0	0	44,607,419	0	0	0	0	(44,607,419)	0
DISPOSALS	0	0	0	(2,607,640)	(1,080,876)	0	0	0	0	0	(3,688,516)
COST 31.12.2012	675,000,000	1,092,000,000	6,500,000	27,833,656	272,653,251	163,929,538	63,485,131	433,851,656	469,836,329	15,415,864	3,220,505,425
DEPRECIATION											
DEPRE.01.01.12	0	189,664,332	4,460,000	28,435,595	144,992,275	120,497,071	51,374,758	352,037,395	357,886,806	0	1,249,348,232
CHARGED 2012	0	27,300,000	740,000	998,758	23,958,896	13,000,000	4,868,863	49,023,631	18,344,406	0	138,234,554
DISPOSALS	0	0	0	(2,607,640)	(1,080,876)	0	0	0	0	0	(3,688,516)
DEPRE.31.12.12	0	216,964,332	5,200,000	26,826,713	167,870,295	133,497,071	56,243,621	401,061,026	376,231,212	0	1,383,894,270
BV 31.12.2012	675,000,000	875,035,668	1,300,000	1,006,943	104,782,956	30,432,467	7,241,510	32,790,630	93,605,117	15,415,864	1,836,611,155
BV 31.12.2011	675,000,000	902,335,668	2,040,000	2,005,701	50,606,840	28,091,544	9,180,933	56,358,378	111,949,523	16,009,525	1,853,578,112

Disclosure Note

During the year, one motor vehicle and items of furniture and fittings with nil book value were disposed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

31. (b) COMPARATIVE PROPERTY AND EQUIPMENT

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

Disclosure Note

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

1.(b) LAND AND BUILDINGS

COST OR VALUATION	Land Kshs	Buildings Kshs	Show Stand Kshs	2013 Total Kshs	2012 Total Kshs
Long-term leasehold	732,000,000	977,750,000	-	1,709,750,000	1,667,000,000
Short-term leasehold	<u>122,500,000</u>	<u>75,800,000</u>	<u>6,500,000</u>	<u>204,800,000</u>	<u>106,500,000</u>
	<u>854,500,000</u>	<u>1,053,550,000</u>	<u>6,500,000</u>	<u>1,914,550,000</u>	<u>1,773,500,000</u>

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

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

32) CUSTOMERS' SAVINGS AND DEPOSIT ACCOUNTS

	2013 Kshs	2012 Kshs
Postbank Savings Account	4,813,078,543	4,807,658,458
Bidii Savings Account	3,372,713,746	1,002,650,394
Bidii Plus Account	1,917,940	3,597,439
Junior Trust Account	9,050,921	8,756,969
Step Account	521,696,962	418,559,458
Pension accounts (BSG)	1,883,223,452	2,689,710,923
Premium Savings Scheme	952,606,632	578,670,249
Premium Plus Account	6,109,141,265	8,112,300,581
Fixed Deposit Account	100,199,334	198,271,807
Save-As-You-Earn	557,316,296	488,984,679
Staff Salary Account	62,463,105	59,369,792
Salary Account	194,796,861	180,127,798
Postbank Junior Account	115,229,388	65,333,152
Corporate Clients	489,068,515	540,284,411
Smata Youth Save Account	21,772,649	5,448,396
Premium Plus Term Deposit	-	730,233,611
Pamoja Chama Account	34,344,914	19,335,650
Mzalendo Account	146,730	-
Waridi Account	<u>626,401</u>	-
	<u>19,239,393,654</u>	<u>19,909,293,767</u>

(33) ACCOUNTS PAYABLES AND ACCRUALS

	2013	2012
	Kshs	Kshs
Trade creditors	67,749,620	95,931,121
PCK Services rendered- GOK Pension (i)	528,243,388	521,870,064
PCK Encashed Warrants Payable (ii)	462,078,751	462,078,751
Transitorial Accounts- Pension Warrants (PCK) (iii)	170,953,266	170,953,266
Transitorial Accounts - GoK Payroll (PCK)	454,169,125	625,348,605
Other creditors and accrued charges	<u>372,323,796</u>	<u>691,005,053</u>
	<u>2,055,517,946</u>	<u>2,567,186,860</u>

- (i) PCK Services rendered- OSS refers to amount payable to Postal Corporation of Kenya for services offered to our regular customers for normal banking services.
- (ii) PCK Encashed warrant payable refers to amount claimable by Postal Corporation of Kenya on disbursement of pension to pensioners. The amount of Kshs.462,078,751 which has been outstanding since year 2007 will be settled along with expected amounts from PCK (refer to note 30) in the next financial year.
- (iii) Transitorial account is a holding account for money held by the Bank and PCK on behalf of third party pending disbursement. The amount of Kshs.170,953,266 which has been outstanding since year 2007 will be settled along with expected amounts from PCK (refer to note 30) in the next financial year.

(34) GOK PENSION RESERVE FUND

	2013	2012
	Kshs	Kshs
Amount	460,003,916	403,358,965

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.

(35) BANK OVERDRAFT

	2013	2012
	Kshs	Kshs
Cash at Bank	<u>887,261</u>	<u>0</u>
	<u>887,261</u>	<u>0</u>

(36) CAPITAL GRANTS

Capital grants were given to the Bank to support Western union product (Ksh.2,013,211 in April 2003) and Bidii product (Ksh.3,706,728 between year 2000 and 2003).

37) **REVALUATION RESERVES**

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

38) **REVENUE RESERVES**

This represents undistributed profits from current and previous years.

39) **CASH AND CASH EQUIVALENTS AND CASHFLOW**

	2013	2012
	Kshs	Kshs
Bank and cash balances (net)	1,162,012,318	1,630,175,253
Deposits in banks and Financial Institutions	331,448,898	30,454,452
Treasury Bills and Bonds	<u>10,447,778,800</u>	<u>11,653,469,286</u>
	<u>11,941,240,016</u>	<u>13,314,098,991</u>

The bank and cash figure is net of the bank overdraft.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

(40) LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period as at 31 December 2013 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	1,162,899,579	-	-	-	-	-	-	-	1,162,899,579
Investment in T/bills + Bonds	-	178,541,203	300,638,787	758,060,131	3,458,024,253	1,021,230,233	1,213,565,112	3,517,719,081	10,447,778,800
Funds on call and short notice	-	331,448,898	-	-	-	-	-	-	331,448,898
Investment Property	-	-	-	-	-	-	-	896,790,225	896,790,225
Other Investment	-	-	2,672,001	-	-	-	-	-	2,672,001
Other Assets	58,070,731	1,334,817,222	772,163,490	640,894,053	648,720,617	658,640,952	10,379,898	-	4,123,686,963
Property and Equipment	-	-	1,070,000	-	24,885,642	35,751,325	265,808,382	1,680,785,667	2,008,301,016
Total Assets	1,220,970,310	1,844,807,323	1,076,544,278	1,398,954,184	4,131,630,512	1,715,622,510	1,489,753,392	6,095,294,973	18,973,577,482
B. Liabilities and Reserves									
Other Liabilities	83,576,713	232,561,566	366,123,256	664,045,299	461,028,282	307,615,646	-	-	2,055,517,946
Customers' Savings and Deposit accounts	1,099,637,279	1,569,829,244	1,052,132,879	1,176,611,924	3,839,905,423	1,467,342,489	3,286,972,780	5,746,961,635	19,239,393,654
Gok Pension Reserve Fund Account	36,925,627	42,546,003	58,213,559	81,417,968	240,900,759	-	-	-	460,003,916
Bank Overdraft	887,261	-	-	-	-	-	-	-	887,261
Capital Grants	-	-	-	-	-	-	-	5,719,939	5,719,939
Revaluation Reserves	-	-	-	-	-	-	-	2,388,250,796	2,388,250,796
Revenue Reserves	-	-	-	-	-	-	-	-5,176,196,030	-5,176,196,030
Total Liabilities and Reserves	1,221,026,880	1,844,936,813	1,476,469,694	1,922,075,191	4,541,834,464	1,715,525,319	3,286,972,780	2,964,736,340	18,973,577,482
A - B Liquidity GAP	(56,570)	(129,490)	(399,925,416)	(523,121,007)	(410,203,952)	97,190	-1,797,219,387	3,130,558,633	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.

41) CONSOLIDATION

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

42) TAXATION

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

43) COMPARATIVES

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

44) EMPLOYEES

The average number of employees during the year was 793 (2012-799).

45) NETWORK OF POSTBANK BRANCHES

The total number of branches during the year was 99.

NETWORK OF POSTBANK BRANCHES

HEAD OFFICE

Postbank House
Baker 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

Customer Service Centre:

P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Ext. 359 Fax 210593

NAIROBI

Eastleigh Branch:

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

NAIROBI

Garissa Branch:

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

GARISSA

Githurai Branch:

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

NAIROBI

Kiambu Branch:

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

KIAMBU

Kikuyu Branch:

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

KIKUYU

Limuru Branch:

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

LIMURU

Mwingi Branch:

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

MWINGI

Ngara Branch:

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

NAIROBI

Ruiru Branch:

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

RUIRU

Uthiru Branch:

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

NAIROBI

Westland Branch:

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

NAIROBI

Thika Branch:

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

THIKA

Karuri Branch

P.O. Box 30311 - 00100
Tel: (066) 51683 Fax 51685

NAIROBI

Matuu Branch

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

NAIROBI

Uchumi Ngong Road Branch

P.O. Box 30311 - 00100
Tel: (020) 2229551-6

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

Cannon House Branch:

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

NAIROBI

Enterprise Road Sub Branch:

P.O. Box 30311 - 00100
Tel: (020) 2229551-6 Ext. 270

NAIROBI

EPZ - Athi River Branch:

P.O. Box 30311 - 00100
Tel: (045) 22526 Fax 22518

NAIROBI

Ngong Road Branch:

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

NAIROBI

Karen Branch:

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

NAIROBI

Kenyatta Market Branch:

P.O. Box 30313 - 00100
Tel: (020) 2719582,

NAIROBI

Kitui Branch:

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

KITUI

Machakos Branch

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

MACHAKOS

Nacico Branch:

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

NAIROBI

Ngong Hills Sub Branch:

P.O. Box 41047
Tel: (045) 212876

NGONG

Ronald Ngara Branch:

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

NAIROBI

Tom Mboya Branch:

P.O. Box 30313 - 00100
Tel: (020) 2230428 Fax 230428

NAIROBI

Viwandani Sub Branch:

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

NAIROBI

Wabera Street Branch:

P.O. Box 30311
Tel: (020) 2229551-6 Ext.320

NAIROBI

Kangundo Branch:

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

KANGUNDO

Vote - Makeni Branch:

P.O. Box 944
Tel: (044) 33371, Fax 33388

MAKUENI

Ngong Branch:

P.O. Box 30311 - 00100
Tel: (045) 41047 Fax 41048

NAIROBI

Ongata Rongai Branch

P.O. Box 30311 - 00100
Tel: (045) 24178 Fax 24179

NAIROBI

Kibwezi Branch

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

NAIROBI

Emali

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

NAIROBI

Dandora

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

NAIROBI

Mlolongo

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

NAIROBI

Kajiado

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

NAIROBI

II. KENYA REGION

Huka Branch:
P.O. Box 616
Tel: (064) 630443 Fax 630064
HUKA

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

Varuguru Branch:
P.O. Box 1245
Tel: (060) 48236 Fax 48081
MBU

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

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

COAST REGION

Mombasa 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

Moi Branch:
P.O. Box 452
Tel: (043) 30253 Fax 30253
MOI

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

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

HIGHT VALLEY REGION

Wajir Branch:
P.O. Box 778
Tel: (051) 22439 Fax 22440
WAJIR

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

Uasindegish Branch:
P.O. Box 800
Tel: (053) 52535 Fax 62497
UASINDEGISH

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

Wajir Branch:
P.O. Box 675
Tel: (050) 2021335 Fax 2020200
WAJIR

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

Wajir Branch:
P.O. Box 342
Tel: (065) 32251 Fax 32857
WAJIR

WESTERN REGION

Wajir Branch:
P.O. Box 944
Tel: (055) 30418 Fax 30318
WAJIR

Busia Branch:
P.O. Box 183
Tel: (055) 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

NETWORK OF POSTBANK BRANCHES (continued)

Kisumu Branch:

P.O. Box 740
Tel: (058) 30800 Fax 30341

Kisumu Branch:

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

Mumias Branch:

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

Siaya Branch:

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

Suna - Migori Branch:

P.O. Box 1059
Tel: (059) 20857 Fax 20034
MIGORI

Luanda Branch:

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

Webuye Branch:

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

Sare Awendo

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

Keroka

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