

REPUBLIC OF KENYA




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**REPORT**

**OF**

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: 22 JUL 2025	DAY: TUESDAY
TABLED BY:	LEADER OF MAJORITY
CLERK-AT THE-TABLE:	INZOFU MWALE

**THE AUDITOR-GENERAL**

**ON**

**KENYA POST OFFICE  
SAVINGS BANK**

**FOR THE YEAR ENDED  
31 DECEMBER, 2024**

# KENYA POST OFFICE SAVINGS BANK

OFFICE OF THE AUDITOR GENERAL  
P.O. Box 30084 - 00100, NAIROBI  
REGISTRY  
27 JUN 2025  
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## My Bank, My Choice, My Future

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2024

Prepared in accordance with the Accrual Basis of Accounting Method  
under the International Financial Reporting Standards (IFRS)

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

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<b>Table of Contents</b>	<b>PAGE</b>
CORPORATE INFORMATION	1
BOARD OF DIRECTORS	3
SENIOR MANAGEMENT	7
CHAIRMAN'S STATEMENT	8
MANAGING DIRECTOR'S STATEMENT	10
CORPORATE GOVERNANCE STATEMENT	12
MANAGEMENT DISCUSSION AND ANALYSIS	15
CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT	17
REPORT OF THE DIRECTORS	19
STATEMENT OF DIRECTORS RESPONSIBILITIES	20
REPORT OF THE INDEPENDENT AUDITORS	21
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	22
STATEMENT OF FINANCIAL POSITION	23
STATEMENT OF CHANGES IN EQUITY	24
STATEMENT OF CASH FLOWS	25
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL	26
NOTES TO THE FINANCIAL STATEMENTS	27-66
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	

## **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  
16<sup>th</sup> Banda Street  
P. O. Box 30311 00100,  
Email: md@postbank.co.ke  
Website: www.postbank.co.ke  
Nairobi-Kenya

### **Principal Activities**

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.

### **Directors**

The members of the Board of Directors who served during the year are shown on page 3 to 6.



**Ms Grace N Maina**  
**Ag. Company Secretary**  
**P. O. Box 30311- 00100,**  
**Nairobi**

**CORPORATE INFORMATION (CONTINUED)**

**PRINCIPAL BANKERS**

Kenya Commercial Bank Ltd	National Bank of Kenya Ltd	Citibank, N.A.
Kencom House – 6 <sup>th</sup> Floor	Harambee Avenue branch	P.O Box 30711-00100
P.O Box 48400 - 00100	P.O Box 72866-00200	Upper Hill Road
Tel: +254-020-3270000	Tel: +254-020-2828000	Nairobi
Nairobi	Nairobi	

**INDEPENDENT AUDITOR**

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

**PRINCIPAL LEGAL ADVISORS**

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

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**CORPORATE INFORMATION (CONTINUED)**

**PRINCIPAL BANKERS**

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**INDEPENDENT AUDITOR**

Auditor- General  
Office of Auditor General  
Anniversary Towers, University Way  
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Nairobi

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P.O. BOX 10627-00100  
Nairobi

**BOARD OF DIRECTORS**

**Amb. Sarah Serem**

**Chairperson**



Amb. Sarah Serem is the current Chairperson of Postbank. She is a seasoned professional with over 35 years of experience in the public sector. Prior to her current role, she held the positions of ambassador of Kenya to China and Chairperson of the Salaries and Remuneration Commission. Amb. Serem holds a bachelor's degree in Sociology and Political Science from the University of Nairobi, and has extensive expertise in Human Resource Management, leadership, and management.

**Hon. CPA John Mbadi Ng'ongo, EGH**

**Cabinet Secretary, National Treasury & Planning**



Hon. John Mbadi is the Cabinet Secretary (CS) for The National Treasury and Economic Planning. Before his appointment, Hon. Mbadi had an extensive career in public service, most recently serving as a nominated Member of Parliament (MP) and the Chairperson of the Public Accounts Committee in the National Assembly.

The CS has a rich history in legislative leadership, having served as the elected MP for Suba South Constituency, Suba Constituency, and Gwassi Constituency. His experience extends to roles such as Assistant Minister in the Office of the Prime Minister and Leader of Minority in the National Assembly. Throughout his parliamentary tenure, he was a member of numerous key committees, including the House Business Committee, Liaison Committee, Budget and Appropriations Committee, Selection Committee, Appointments Committee, Public Accounts Committee, Public Investments Committee, Constitutional Implementation Committee, the Ad Hoc Committee on the Cost of Living, and the Defence and Foreign Relations Committee. Notably, he was also a member of the Legislative Taskforce responsible for drafting the Public Finance Management Act of 2012.

In addition to his political and legislative accomplishments, the CS is a seasoned finance professional with 28 years of experience. He has held the position of Accountant at the University of Nairobi and served as the Chair of Medair East Africa. Hon. Mbadi holds a Bachelor of Commerce degree with a specialization in Accounting from the University of Nairobi and is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK). His professional affiliations extend to the Architectural Association of Kenya (AAK), the Institute of Quantity Surveyors of Kenya, and the Chartered Institute of Arbitration.

Hon. Mbadi's contributions have been recognized with honours such as the Chief of the Order of the Burning Spear (CBS) and Elder of the Order of the Golden Heart of Kenya (EGH). His skills span planning, budgeting, financial analysis, accounting, economics, and community development, complemented by strong leadership, effective communication, and interpersonal skills. His areas of interest include politics, reading, and soccer.

**BOARD OF DIRECTORS (CONTINUED)**

**Henry Mutwiri**

**Alternate to Cabinet Secretary, The National Treasury**



Mr. Henry Mutwiri Riungu is a financial professional with over fifteen years of experience. Top on the list of his vast experience is a fourteen-year tenure at the National Treasury in various capacities as Senior Finance Officer, Deputy Head of the World Bank Division and the most recent roles being Chief Investment Officer and Chief Intergovernmental Fiscal Relations Officer. During his tenure at the National Treasury, he was instrumental in ensuring that the resource mobilization function was performed by the Ministry of Finance for the benefit of Kenyans, specifically by reviewing financing and credit agreements for mobilisation grants and donations; facilitating and monitoring the implementation of donor-funded projects and undertaking research on external resources mobilization to inform policy development.

Prior to joining the National Treasury, Mr. Mutwiri served as a Prices and Monopolies Officer at the Ministry of Finance, a Procurement Officer at the Office of the President and a Lecturer at Nyeri Technical Training Institute. He currently serves as a Board Member at Postbank. Mr. Mutwiri holds an MBA in Finance from Maseno University, a Post Graduate Diploma in Finance from KCA

**Jacinta Kamemba**



Jacinta Kamemba has over 20 years' experience in Information Communication and Technology (ICT) and Project Management.

Having worked both locally and globally, Jacinta has acquired a great wealth of knowledge and experience in the Information Communication and Technology field, where she has overseen implementation of many digital transformation projects. She has held leadership positions in several institutions which include Global Director of Digitization at World Vision (formally Vision Fund International), Digital finance Expert and IT Advisor at CDR-PAMIGA, Project Manager and IT Change Management Champion at Grameen Foundation and Head of Information Systems (MIS) at Vision Fund Kenya (formally KADET Microfinance) in Tanzania and Kenya.

Jacinta is a Digital Finance Consultant and holds a Bachelor's of Education Arts from Kenyatta University, Nairobi and a Master in Business Administration – MIS major, from the university of Eastern and Southern Africa Management Institute (ESAMI), Arusha Tanzania. She has undertaken various trainings and attained certification in other areas of the Information Technology field namely, Certified Digital Finance Practitioner, Certification in Product Management for Fintechs, Certification in Leading Money Markets, Certification in Acceleration of Agent Network Management – Core ANA Innovative Product Development in Digital Finance and Risk Management in Digital Finance. Ms Kamemba brings to Postbank a lot of knowledge in governance, having served as a member of several boards, such as Inuka Microfinance Ltd, Association of Microfinance Professionals of Kenya (AMPK), The Centre International de Développement et de Recherche (CIDR) a French based research institute and has been a Leader of the European Microfinance Platform's digital finance action group – Digital Innovation for Financial Empowerment (DIFE).

**BOARD OF DIRECTORS (CONTINUED)**

**Professor Allan Kihara**



Professor Kihara is a professional Trainer, Author, Researcher, A Peer Reviewer and a Mentor. Skilled and enthusiastic lecturer with professional background in strategic management, adept at supervising students' research (projects/ thesis/ dissertations) at the undergraduate and postgraduate levels, as well as developing curriculum while maintaining a steadfast focus on incorporating various methodologies and new technologies into the classroom. He has passion for fostering collaborative and exciting educational environments that have developed productive, thoughtful, and accomplished college students. Demonstrated record of research and publishing excellence, with numerous research articles indexed in Google scholar, Academia.edu among others, indexed under Allan Kihara.

He holds a Ph.D in Strategic Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Master in Business Administration – Strategic Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Education (Arts) – Mathematics and Business Studies from Kenyatta University.

Professor Kihara's career in education and strategic management spans for more the 15 years. He is currently an Associate Professor of Strategic Management at the United States International University-Africa. He has held similar positions in various learning institutions such as, Senior Lecturer in Strategic Management at The Catholic University of Eastern Africa (CUEA), Senior Lecturer and Academic Leader- Business Administration at Kiriri Women's University of Science and Technology (KWUST) and Jomo Kenyatta University of Science and Technology (JKUAT).

His expertise spreads across managing sales and customer experience having worked at Safaricom as a Customer Experience Executive and at Kenya Commercial Bank Ltd as a Sales Executive

Professor Kihara is a Chairman and Board member of several boards and committees among them, committee for Chandaria School of Business (USIU-A) accreditation with AACSB, Chairman of Board of Management of Don Orieno Special School in Murang'a County, Board member of St. Paul High School Gathuke-ini in Murang'a County, Chairman- Academic and Quality Assurance Committee, Kirogo Boys Secondary School in Murang'a County, Chairman-Academic and Quality Assurance Committee. He is a member of several professional bodies among them, Curriculum Evaluation and Reviewing Expert at Commission for University Education (C.U.E) in Kenya, Strategic Management Society (S.M.S)-Chicago U.S.A., Science Publishing Group-USA.

**Samir Abdalla**



Samir Abdallah Omar currently serves as a member, Board of Directors, and Chairman of the Audit Committee. He is a transformative leader and experienced businessman with demonstrated dynamic professionalism. In his leadership capacities, Omar has not only exemplified astute financial stewardship but also a deep-seated dedication to community engagement, and corporate social responsibility (CSR). He has been at the forefront of advancing women causes, in community settings at the coastal region and beyond where his contributions have been transformative, serving as a testament to his unwavering commitment to equity and social justice. He has also been instrumental advocating for inclusivity. Omar has a background in accounting that spans over 10 years.

**BOARD OF DIRECTORS (CONTINUED)**

**Mr. Raphael M Lekoolool  
Managing Director**



Mr. Raphael Mingisian Lekoolool (FCCA, CPA) holds a Master's degree in Business Administration (MBA) from Cardiff Business School, U.K., a Bachelor of Science degree in Financial Services (Hons) from the University Of Manchester, Institute Of Science and Technology (UMIST) and a Bachelor of Arts (Hons.) degree from the University of Nairobi. Raphael qualified as an Associate of the Chartered Institute of Bankers (ACIB), the U.K. in 2001 and is a Fellow of the Chartered Certified Accountants (ACCA) and member of ICPAK.

Raphael served as a member of the ACCA (Kenya) Members committee and the Senior Members Advisory Committee. He has also served as the Chair of Nairobi Chapel Finance Committee for six years. In a career spanning more than two decades in Banking and Insurance. Raphael has gained vast management and leadership experience. He has served in different capacities both in the private and public service. Prior to assuming the role of Managing Director at Postbank, he was the Chairperson of the Risk and Audit Committee at the Ethics & Anti-Corruption Commission. He has also served as the Chair of the Interim Management Committee (Board) at the Agriculture Food Authority (AFA) between 2016 and 2017.

At the UAP-Old Mutual Group, Raphael worked as the Enterprise Risk Officer tasked with the key responsibilities of formulation, review and implementation of the Group Risk Strategy programs for businesses in the region. His appointment at the Group preceded his serving at Faulu Microfinance Bank Ltd. where he worked in various capacities and led various teams as the Head of Risk and Compliance, Credit and Internal Audit and served as a member of the Executive Committee (EXCO) whose primary mandate is to oversee implementation of strategy and sustainable business growth. In these capacities, Raphael served as a Secretary to various Board Committees.

Raphael has also served as the Head of Quality Assurance Audit at KCB Bank (K) Ltd. and was instrumental in implementing a Risk-based audit methodology in response to the bank's rapid growth arising from the adoption of technology.

**SENIOR MANAGEMENT**



**Mr. Raphael M Lekolool**  
**Managing Director**

Mr. Raphael Mingisian Lekolool (FCCA, CPA) holds a Master's degree in Business Administration (MBA) from Cardiff Business School, U.K., a Bachelor of Science degree in Financial Services (Hons) from the University of Manchester Institute of Science and Technology (UMIST) and a Bachelor of Arts (Hons.) degree from the University of Nairobi. Raphael qualified as an Associate of the Chartered Institute of Bankers (ACIB), the U.K. in 2001 and is a Fellow of the Chartered Certified Accountants (ACCA) and member of ICPAK.



**Isaac Mumina Mutua**  
**Head of ICT & Alternative Channels**

Mr. Isaac Mutua is an experienced Technologist with over 20-year track record of managing and implementing innovative technical solutions in diverse industries. He holds a Bachelor of Science in Mathematics and Computer Science, Masters in Business Administration MIS/Strategic Management. He holds a number of ICT professional Certifications. He is a member of Kenya Institute of Management (KIM), Fellow of the Computer Society of Kenya (CSK) and sits in several Boards. Prior Experience includes EAPCC Kenya Ltd (Head of ICT), ICEALION Kenya Ltd (Group Head of ICT), Barclays Bank Kenya Ltd (Manager, Technical Support) and KIM (Lecturer, MIS and Management)



**Dr. CPA Calistus Wekesa (PhD)**  
**Head Audit**

Dr. Calistus Wekesa is the Head of Audit at Postbank. In this role, he focuses on assurance on internal control and promoting good corporate governance. Dr. Wekesa has over sixteen years experience, with particular emphasis on financial and revenue accounting, auditing, enterprise risk management, supply chain management, financial regulations, donor-funded project management, business strategies and human capital management. Prior to his appointment, he served in several organizations amongst them Maseno University (Head Audit, Risk and Compliance) and Agro-Chemical and Food Company Ltd (Chief Audit, Risk and Compliance). Dr. Wekesa has hands-on experience with ERP system (SAP), Navision Dynamics and TeamMade audit software. He holds PhD (Finance), MSc (Finance) and B.Ed (Accounting and Economics). He also holds a Diploma in HRM (KIM), Financial Risk Certification Programme (UK) and is a member of ICPAK. He sits on various audit committees among them The Bungoma County Assembly Audit & Risk Committee.

## **CHAIRMAN'S STATEMENT**

On behalf of the Board of Directors, I am honored to present the Annual Report and Financial Statements of Kenya Post Office Savings Bank for the financial year ended 31st December 2024. This report highlights our financial performance, strategic progress, and unwavering commitment to delivering value to our stakeholders and comes against the highlighted business background.

### **Review of Economic Performance**

The global economy continued to rebound from the adverse effects of the ongoing Ukraine-Russia war and the effects of high interest rates experienced in major world economies, leading to low levels of growth. Economic growth was projected to stabilize at 2.6 percent in year 2024, marginally down from a growth of 3.0 percent recorded in year 2023.

The low growth was expected to be driven mainly by the ongoing conflicts in Eastern Europe, Middle East, and other emerging geopolitical tensions. The increased tightening in global financial conditions continued to hamper economic recovery. As a result, many economies were expected to continue experiencing slower growth in 2024 and beyond.

### **Kenya Economy Outlook for 2025**

Kenya's economic outlook remains stable, with growth projected at 5.2% in 2024 and 5.4% in 2025. This positive trajectory is underpinned by strong agricultural productivity, a resilient services sector and improving global commodity prices.

Agricultural output is expected to benefit significantly from targeted policy interventions, including seed and fertilizer subsidies, particularly in light of favorable weather conditions. Furthermore, the country's growth prospects will be reinforced by the ongoing implementation of strategic priorities under the Bottom Empowerment Transformation Agenda (BETA) framework, which continues to drive economic resilience and long-term sustainability.

As we navigate the evolving economic landscape, we remain confident in Kenya's ability to sustain growth, foster innovation, and create new opportunities for prosperity.

### **Strategic Plan 2021-2025**

The Bank developed a Strategic Action Plan for the year 2025 based on the long term five-year Strategic Plan 2021-2025. The Bank reviewed its performance and developed a workplan for the year 2024. The plan formed the basis of performance contracting negotiations with the Government of Kenya for the year 2024 and the financial budget for the year 2024.

### **Performance Contracting**

The Bank's Performance Contract for year 2024 with the Government of Kenya was evaluated and the Bank attained an overall rating score of 2.6470 or "Very Good". This score was an improvement from the year 2023 score where the Bank's overall rating score was 3.5682 or "Good".

### **Compliance with Statutory Requirements**

During the period under review, the Bank honored all of its statutory obligations by remitting all required deductions within the statutory time lines.

**CHAIRMAN'S STATEMENT (CONTINUED)**

**Cost Management**

In line with our commitment to operational efficiency and sustainable growth, management has implemented strategic cost optimization measures. These include renegotiation of branch lease agreements; comprehensive review of service contracts; deferring non-essential spend to future periods; outsourcing some business operational functions that include ATMS management; review of ICT equipment and licensing costs among others.

**Revenue Generation**

During the period under review, the Bank continued to strengthen our business partnerships with both the Government and the private sector. Notably, our collaboration in facilitating the disbursement of Government social funds, stipends, salaries, and wages has positioned us as a key player in supporting financial inclusion and economic empowerment

At the same time our partnerships with other financial sector players that use our channels (branches, agents) to extend financial services to their clients in areas they are not represented continue to boost our revenues.

**Digitization**

We continued to implement our digital innovation initiatives during the year. This will lead to the Bank offering more digital products, increase revenue streams and also improve customer experience.

We remain focused on driving operational excellence while deepening our market presence through strategic alliances and innovation.

**Appreciation**

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

**AMB. SARAH J.C SEREM, CBS  
CHAIRPERSON, BOARD OF DIRECTORS, POSTBANK**



\_\_\_\_\_ March 2025

*Kenya Post Office Savings Bank  
Annual report and financial statements  
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**MANAGING DIRECTOR'S STATEMENT**

I wish to present the Bank's Annual Report and the Financial Statements for the year ended 31st December 2024 against the ensuing backdrop.

The Kenyan economy is gradually recovering from prolonged global and domestic shocks that had significantly slowed economic activity by disrupting supply chains and driving up the cost of essential commodities. Consequently, fuel prices surged, the Kenya Shilling depreciated rapidly, and pressure on public debt intensified.

Nonetheless, the Kenyan economy demonstrated remarkable resilience throughout the first three quarters of 2024, achieving an average growth rate of 4.5 percent, compared with The National Treasury's projections of 5.5 percent in 2024. This performance was largely driven by a revitalized agricultural sector, a steady recovery in manufacturing, and sustained momentum in the services industry.

The country's diversified economic structure continues to be a vital pillar of stability, enabling it to navigate both domestic and external challenges with confidence.

**Financial Performance**

Postbank's financial performance for the period ended 31st December 2024 was a loss of Kshs 623 million. This was an improvement of 12 % compared to a loss of Kshs 709 million in FY 2023

Total incomes in FY 2024 were Kshs 1.791 billion compared to Kshs. 1.907 billion in 2023 representing 7 % decline in total income due to declining income from MTS and Forex income lines

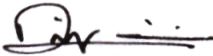
Interest expense increased by 3 % to Kshs 520 million in FY 2024 from Kshs 490 million in FY 2023 this was driven by interest rate on government securities witnessed during the year. Similarly this expense increased due to growth of customer deposit portfolio during the period.

The Bank's Customer Deposits increased by 5 % to stand at Kshs 26.1 billion as at 31st December 2024, from Kshs 24.88 billion for the same period in year 2023.

The Bank's financial performance was affected by a number of issues. These include an increase in cost of living which affected the propensity to save by Kenyans, hence affecting the Bank's deposit mobilization efforts and related investment incomes earned on these deposits. As a result, a significant proportion of the accounts did transact hence affecting transactional income. A delay in the implementation of our digital innovation project affected the roll out of new products and realization of additional revenues.

**MANAGING DIRECTOR'S STATEMENT (CONTINUED)**

During the year, the Bank undertook a number of initiatives to grow business. These included financial literacy activities with the disciplined services; target product campaigns; popularizing the Bank's Mobile and Internet Banking platform given the growing popularity of digital banking particularly mobile banking; reactivation of inactive accounts; driving the implementation and full roll-out of the digital innovation project "Jumuisha"; growing new and maintaining new business partnerships among others.



**RAPHAEL LEKOLOOL**  
**MANAGING DIRECTOR**

\_\_\_\_\_ March 2025

## **CORPORATE GOVERNANCE STATEMENT**

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

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

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

### **Board of Directors**

The Board is made up of Seven (7) Directors of whom Six(6) are non-executive including the Chairman. The appointment dates for the respective directors are as show in the table below:

	<b>Name</b>	<b>Position Held</b>	<b>Date Of Appointment</b>
1	Amb Sarah Serem	Chairman	Appointed on 13th January 2023
2	Jacinta Kamemba	Director	Appointed on 8th September 2023
3	Samir Abdalla	Director	Appointed on 8th September 2023
4	Dr Allan Kihara	Director	Appointed on 8th September 2023
5	Henry Mutwiri Rjungu	Alternate Director – CS National Treasury	Appointed on 30th September 2019
6	Raphael Lekolool	Managing Director	Appointed on 1st June 2020

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

The Board is complying with the Mwongozo “the code of governance for state corporations” and all the Directors have undergone Board Induction training on the code organised by the State Corporation Advisory Committee (SCAC).

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**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 The National Treasury 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 by the Government.

**Directors' Emoluments and Loans**

The aggregate amount of emoluments paid to Directors for services rendered during the Year 2024 is disclosed in Note 12 to the Financial Statements. There were no loans given to sitting Directors at any time during the year.

**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.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Board and Board Committees Attendance**

Type of Meeting	No. of Meetings	Amb. Sarah Serem	Mr. Samir A. Omar	Dr. Allan Kihara	Mr. Raphael Lekoolool	Mr. Gerald Mwangi	Mr. Henry Mutwiri	Ms. Jacinta Kamemba
Main Board Meeting	4	4	4	4	4	4	4	4
Special Board Meeting	2	2	2	2	2	2	2	2
Review of presentation to the National Treasury on the Bank's Strategy	1	-	-	1	1	-	-	1
Review of proposed Implementation of the Bank's newly approved Human Resource Instruments	1	1	1	1	1	1	1	1
Staff Board Committee	4	-	-	4	4	4	4	4
ICT Operations and Credit Board Committee	4	-	4	-	4	3	4	4
Strategy and Finance Board Committee	4	-	-	4	4	3	4	4
Board Audit & Risk	4	-	4	-	-	3	4	-
<b>TOTALS</b>	<b>24</b>	<b>7</b>	<b>15</b>	<b>16</b>	<b>20</b>	<b>20</b>	<b>23</b>	<b>20</b>

  
DIRECTOR .....

\_\_\_\_\_ March 2025

## **MANAGEMENT DISCUSSION AND ANALYSIS**

2024 marked the third reporting year under our 2021-2025 strategy themed “Setting the Base for KPOSB’s Growth and Sustainability”. This plan broadly outlines the various strategies and initiatives the Bank will pursue over the next 5 years i.e. 2021-2025, that are crucial for the Bank’s long-term growth and sustainability.

The strategy is premised on five Key Result Areas (KRAs)/Pillars namely

- i) Market Focus.
- ii) Business Efficiencies.
- iii) Human Capital Development
- iv) Financial Sustainability.
- v) Governance and Leadership.

The Bank’s financial performance for period ended 31st December 2024 ended with a loss of Kshs 623 million, down from loss of Kshs 709 million reported in FY 2023.

Key drivers for the loss were.

- (i) Non-attainment of investment income due to low deposit mobilization levels witnessed in the period.
- (ii) Declines in fees and commission incomes especially from MTS commission income lines.
- (iii) Forex income lines during the year declined due to the strengthening of the KES against the USD.
- (iv) Realized loss of Kshs.36.6 million on sale of Treasury Bond in March 2024
- (v) In February the Bank incurred Kshs 32.9 million in a sale and buy back transaction that raised Kshs 514 million to bridge the Bank’s liquidity gap.

Total assets at the end of the year was Kshs 14 billion

The Bank’s Customer Deposits grew by 5 % to Kshs 26.1 billion as at 31st December 2024, from Kshs 24.88 billion for the same period in year 2023.

During the period under review, the Bank honored all its statutory obligations by remitting all required deductions within the statutory time line.

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

**Major Risk Facing Postbank**

The major risk facing Postbank is lack of one stop shop banking solution for customers compared to the competition. The Bank is a Savings Bank and not a lender, thus the customers find it easier to save where the Financial Institution can provide loans to assist them grow business, buy key assets and payment of school fees among others. This has led to shrinking of the customer deposit base, dormant accounts and as a result, led to depletion of the Bank's capital base and losses.

The Board and the management have been in consultation with the Government through the National Treasury with a view to injecting capital to defray the accumulated losses as provided in the Kenya Post Office Savings Bank Act, cap 493B, section 13(I).

The management is also addressing areas of cost management and through staff rationalization and closing unprofitable branches. Customers will still be served through the Mashinani Agency Network, Mobile Banking and Internet Banking. Management is enhancing business Partnership's with the Government and Private sector especially for disbursement of Government Social funds and stipend, salaries and wages.

## **CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT**

Postbank remains committed to operating in a socially responsible and sustainable manner, ensuring that our business practices create meaningful value for all stakeholders. Our Corporate Social Responsibility (CSR) efforts are aligned with our core values and strategic objectives, with a strong emphasis on Health, Environmental Conservation, Education, and Emergency Response

In 2024, we undertook various initiatives aimed at addressing both immediate community needs and fostering long-term development. A key focus was financial inclusion, as we recognize its critical role in driving economic growth and reducing poverty. To expand access to financial services, we collaborated with government agencies, local institutions, and educational organizations. Our financial literacy programs targeted diverse groups, including the disciplined forces, tertiary institutions, secondary schools, and community organizations, equipping them with essential financial management skills

With a footprint spanning 42 counties, 96 branches, and a network of over 500 Postbank Mashinani Agents, our initiatives were designed to meet the distinct needs of the communities we serve. This extensive reach underscores our dedication to community development and social impact.

During the review period, we also supported various initiatives aligned with our social and economic empowerment agenda. Notably, we donated a posho mill to Makamusi CBO Women's Group, benefiting over 150 members actively contributing to community well-being. This initiative aligns with our commitment to food security enabling the group to generate sustainable income while enhancing local food production and accessibility.

Additionally, in collaboration with the Kenya National Police Service, the Bank sponsored the Kikuyu Court Open Day held at the Kikuyu Bus Park. This public sensitization event aimed to educate the community on the roles of various stakeholders within the criminal justice system, recognizing the Police Service's vital role in maintaining security, which directly impacts our operations

Environmental sustainability remains a key priority for Postbank. In support of the national goal to plant 15 billion trees by 2032, we distributed 17,437 tree seedlings in partnership with organizations such as the National Youth Service and the National Treasury. These efforts extended to regions such as Mavoloni, Athi River, Yatta, Gilgil, Naivasha, and Machakos, demonstrating our commitment to environmental conservation and climate action

**CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT (CONTINUED)**

At Postbank, Corporate Social Responsibility is deeply embedded in our business philosophy. We recognize that the well-being of the communities we serve is directly linked to our success, and we continue to engage in initiatives that promote sustainable development. Our partnerships and sponsorships were strategically designed to build goodwill, strengthen stakeholder relationships, and contribute to long-term community resilience.

Looking ahead, we remain steadfast in our commitment to making a meaningful difference through impactful CSR initiatives. Social responsibility remains a crucial aspect of sustainable business growth, and we continue working towards creating lasting positive change in society.

**DIRECTOR** ..... 

\_\_\_\_\_ **March 2025**

## **REPORT OF THE DIRECTORS**

### **Principal activities**

The principal activities of the Bank during the year under review were primarily savings education and financial literacy, collection of funds from private and public enterprises and disbursement of funds for Government pensions and salaries in accordance with KPOSB ACT CAP 493B.

### **Results**

The results for the year are as set out on pages **22 to 66**

### **Directors**

The members of the Board of Directors who served during the year are shown on page 3 and 6

### **Auditors**

The Auditor General is responsible for the statutory audit of Postbank in accordance with the Article 229 of the Constitution of Kenya and Public Audit Act 2015 for the period ended 31st December 2024.

By order of the Board.



**Ms. Grace Maina**  
**Ag. Company Secretary**

          ? **March 2025**

## **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 that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on 31st December 2024

This responsibility includes:

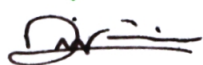
- i Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; safeguarding the assets of the entity;
- iv Selecting and applying appropriate accounting policies; and
- v Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment's and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act).

The Directors are of the opinion that the Postbank's financial statements give a true and fair view of the state of Postbank's transactions during the financial year ended December 31st, 2024, and of the Bank's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Bank, which have been relied upon in the preparation of the Bank's financial statements as well as the adequacy of the systems of internal financial control.

### **Approval of the financial statements**

The Bank's financial statements were discussed and approved by the Board on  
\_\_\_\_\_ 2025 and signed on its behalf by:



**Managing Director**  
**Raphael Lekoolool**  
ICPAK Member No. 5481



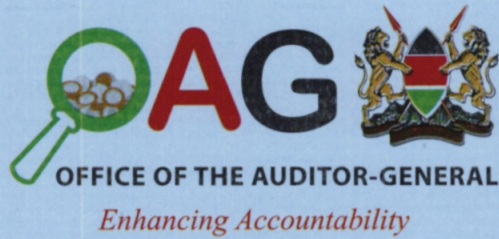
**Head of Finance**  
**Benard Musyoki**  
ICPAK Member No .2881



**Director**  
**Dr Allan Kihara**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KENYA POST OFFICE SAVINGS BANK FOR THE YEAR ENDED 31 DECEMBER, 2024

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Kenya Post Office Savings Bank set out on pages 22 to 89, which comprise the statement of financial position as at

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*Report of the Auditor-General on Kenya Post Office Savings Bank for the year ended 31 December, 2024*

31 December, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kenya Post Office Savings Bank as at 31 December, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and do not comply with the Kenya Post Office Savings Bank Act Cap 493B and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Inaccuracies in the Financial Statements**

Review of the financial statements revealed the following inaccuracies:

- (i) Note 36(iii) to the financial statements reflects comparative balance of Kshs.699,682,242 and Kshs.52,059,658 in respect of welfare loans and personal development loans, respectively. However, the balances differ with the previous year audited financial statements balance of Kshs.753,228,708 and Kshs.68,515,277 resulting to unexplained and unreconciled variance of Kshs.53,546,466 and Kshs.16,455,619, respectively.
- (ii) The statement of changes in equity reflects a balance of Kshs.22,718,407 in respect of prior year adjustment. However, this differs with the balance of Kshs.75,394,315 reflected in the statement of cash flows by an unexplained and unreconciled balance of Kshs.52,675,908.
- (iii) The statement of cash flows reflects a cash inflow of Kshs.550,112,539 in respect of changes in fair value reserve. However, changes in fair value are non-cash movements and therefore do not represent actual cash inflows or outflows. The inclusion of this amount as a cash inflow is inappropriate and misrepresents the entity's true financial position.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

### **2. Unexplained Variance in Employee Expenses**

The statement of profit or loss and other comprehensive income reflects employee expenses of Kshs.960,314,308 which, as disclosed in Note 11 to the financial statements, includes expenditure on salaries and wages amounting to Kshs.703,747,822. However, the payroll data provided revealed an expenditure of Kshs.704,022,815 on salaries and

wages (Gross Pay) resulting to an unexplained and unreconciled variance of Kshs.274,993.

In the circumstances, the accuracy and completeness of the employee expenses could not be confirmed.

### **3. Anomalies in the Cash and Cash Equivalents Balance**

The statement of financial position reflects a balance of Kshs.406,720,941 in respect of cash which, as disclosed in Note 19 to the financial statements, includes balances of Kshs.316,228,941 and Kshs.90,491,316 in respect of cash in hand and cash at bank, respectively. However, review of the bank reconciliation statements as at December, 2024 revealed cash on hand and cash at bank of Kshs.314,578,634 and Kshs.105,250,470 respectively, resulting to unexplained variances of Kshs.1,650,306 and Kshs.14,759,154, respectively.

Further, review of the December, 2024 bank reconciliation statements revealed long-outstanding reconciling items, some persisting for over ten years, that lacked any corresponding investigation reports. These significant discrepancies included: debits in the bank statements not in the cash books amounting to Kshs.2,991,641; debits in the cash books not in the bank statements totalling Kshs.5,756,852; credits in the bank statements not recorded in the cash books amounting to Kshs.11,276,045; and credits in the cash books not reflected in the bank statements totalling Kshs.2,306,458.

In the circumstances, the accuracy and completeness of the cash balance amounting to Kshs.406,720,257 could not be confirmed.

### **4. Variance Between Prepayments and Other Assets Balance and the Supporting Schedules**

The statement of financial position reflects a balance of Kshs.2,149,609,034 in respect of prepayments and other assets as disclosed in Note 26 to the financial statements. However, review of the supporting schedule provided and recomputation of balances revealed a balance of Kshs.2,149,757,379 resulting in a variance of Kshs.148,345 that was not explained or reconciled.

In the circumstances, the accuracy and completeness of the prepayments and other assets balance of Kshs.2,149,609,034 could not be confirmed.

### **5. Variances in the Stock Balance**

The statement of financial position reflects a stocks balance of Kshs.14,238,367 which, as disclosed in Note 23 to the financial statements, includes balances of Kshs.12,880,149 and Kshs.1,358,218 in respect of stationery and drugs, respectively. However, review of the stock take reports provided revealed balances of Kshs.43,833,726 and Kshs.1,262,327 in respect of stationery and drugs thus resulting to unexplained and unreconciled variances of Kshs.30,953,578 and Kshs.95,890, respectively.

In the circumstances, the accuracy and completeness of the stocks balance of Kshs.14,238,367 could not be confirmed.

## 6. Anomalies in Outstanding Accounts Receivable

The statement of financial position reflects accounts receivable balance of Kshs.2,093,768,536 as disclosed in Note 25 to the financial statements which is net of provision for bad and doubtful debts of Kshs.1,334,647,805. Review of records revealed the following unsatisfactory matters;

- (i) Included in the balance are accounts receivable from various institutions amounting to Kshs.2,782,124,864 as listed below that have been outstanding for long period with some balances dating back to the year 2005.

<b>Account Receivable</b>	<b>Balances (Kshs.)</b>
PCK - Excess Deposits from 01 July, 1999	94,809,872
GOK-Kenya Posts and Telecommunications Corporation	405,231,629
GoK Pension Cheques Receivable from PCK	260,877,695
Prepaid GoK pension (Payroll)-PCK	323,011,643
PCK Overdrawn claimable	44,953,868
Restitution (PCK)	72,596,922
Directors' Loans	3,327,044
Fixed Deposits in ailing Institutions	404,924,920
<b>TOTAL</b>	<b>1,609,733,593</b>

Although Management cited commitment from the concerned parties including the National Treasury to settle the debts, as at the time of audit, the balances were still outstanding and their recoverability remains doubtful. Further the balance was originally reported as Kshs.2,513,571,706. The movement of Kshs.903,838,113 was not supported.

- (ii) The accounts receivable balance includes rent receivable of Kshs.136,132,932 out of which an amount of Kshs.132,850,830 had been outstanding for over one year and the respective tenants had vacated the premises. Although Management has outlined various measures it has taken to recover the outstanding rent from defaulting tenants, evidence of recoveries was not provided.
- (iii) The accounts receivable balance includes Kshs.44,953,868 for PCK overdrawn by customers. However, the 170<sup>th</sup> Board meeting minutes dated 21 August, 2024 confirmed that 24,074 accounts had been overdrawn to an amount of Kshs.46,891,342. The variance in amount reported of Kshs.1,937,474 had not been reconciled or explained.

In the circumstances, the accuracy and recoverability of the accounts receivable balance of Kshs.2,093,768,536 could not be confirmed.

## **7. Anomalies in Outstanding Payables**

The statement of financial position reflects accounts payable and accruals balance of Kshs.2,100,046,810 and as disclosed in Note 31 to the financial statements. Review of the payables ageing analysis revealed the following unsatisfactory matters:

- (i) The balance include Postal Corporation of Kenya (PCK) services rendered-GoK pension, PCK encashed warrants payable, PCK pension warrants, and GoK Pension Payroll (unapplied amount to pensioners held by PCK) of Kshs.43,028,725, Kshs.59,146,203, Kshs.170,953,266 and Kshs.1,015,919,183 respectively, totalling Kshs.1,289,047,377 that have been outstanding since 2007.
- (ii) The includes other creditors balance of Kshs.450,345,698 which was supported by an analysis that included stale cheques amounting to Kshs.66,075,486. Review of the stale cheques ageing analysis indicated stale cheques amounting to Kshs.59,817,940 that had been outstanding for more than two (2) years.
- (iii) The balance includes PCK and GOK pension accounts totalling to Kshs.1,289,047,377 which was originally reported as Kshs.2,183,298,956. The movement of Kshs.894,251,579 was not supported.

In the circumstances, the accuracy and completeness of the accounts payable and accruals balance of Kshs.2,100,046,810 could not be confirmed.

## **8. Inconsistency and variance in GoK Pension Reserve Fund Balance**

The statement of financial position reflects a nil balance in respect of GoK pension reserve fund. However, Note 32 to the financial statements reflects a debit balance of Kshs.259,417,121 resulting to unexplained difference of Kshs.259,417,121.

In the circumstances, the accuracy and completeness of the of GOK pension reserve fund nil balance could not be confirmed.

## **9. Inaccuracy and Variance in Other Expenses**

The statement of profit or loss and other comprehensive income reflects other expenses of Kshs.318,610,908 as disclosed in Note 16 to the financial statements. However, a re-computation of Note 16 revealed a total of Kshs.317,917,466 resulting to unreconciled variance of Kshs.693,442.

In the circumstances, the accuracy of other expenses of Kshs.318,610,908 could not be confirmed.

## **10. Failure to Revalue Assets**

The statement of financial position reflects property and equipment balance of Kshs.1,831,464,647 as reflected under Note 27 to the financial statements. However, the Bank had not revalued its assets since 2017 contrary to the provisions of Paragraph 34

of the International Accounting Standard (IAS) 16 which recommends revaluation of assets every 3 or 5 years so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date.

In the circumstances, the fair value of property and equipment balance of Kshs.1,831,464,647 could not be confirmed.

## **11. Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a net loss for the period of Kshs.623,287,512 (2023-Loss Kshs.709,279,028) Further, the statement of financial position reflects total assets of Kshs.14,071,854,038 against total liabilities of Kshs.28,319,102,552 an indication that the Bank may not be able to meet its financial obligations as and when they fall due. Although Management has stated that the Bank's future performance is dependent on restructuring and government support in defraying the incurred losses from the year 2012 to 2024, in its sitting on 21 January, 2025, the Cabinet approved Kenya Post Office Savings Bank as one of the sixteen (16) state corporations proposed for divestiture/dissolution.

In the circumstances, the Cabinet approval and the financial performance introduce a material uncertainty related to the Bank's going concern, as the proposed divestiture or dissolution would imply a fundamental change or cessation of its current operational structure and business model, potentially leading to its inability to realize assets and discharge liabilities in the normal course of business.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Post Office Savings Bank Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.1,956,988,708 and Kshs.1,205,368,657, respectively resulting in an under-collection of Kshs.751,620,051 or 38% of the budget. However, the statement reflects actual receipts of Kshs.1,205,368,657 compared to actual expenditure of Kshs.1,828,656,169 resulting to an overutilization of Kshs.623,287,512 or 52% of receipts.

The under-funding and overutilization affected implementation of the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the previous years' audit reports, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which remained unresolved as at 31 December, 2024. The relevant Committee of the National Assembly had also not discussed the issues.

## **Other Information**

The Directors are responsible for the other information set out on page 1 to 20 which comprise of Corporate Information, Board of Directors, Senior Management, Chairperson's Statement, Managing Director's Statement, Corporate Governance Statement, Management Discussion and Analysis, Corporate Social Responsibility, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Bank's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is materially inconsistent with the financial statements.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of

Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Lack of Gender, Ethnicity and Disability Diversity Balance**

Analysis of the Bank's human resource records revealed a gender imbalance within top management. Only six (6) out of twenty-six (26) staff (23%) in top management positions were one gender, with the highest cadre in that gender being grade PB4. This fell short of the constitutional provisions of Article 232(1)(h)(i) to (iii) of the Constitution of Kenya, which mandates adequate and equal opportunities for appointment, training, and advancement for both men and women. Further, the Bank did not achieve the required ethnic diversity within its workforce of the 492 staff members, 195 were from one ethnic group which constituted 40% of the total staff, against the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one-third ( $\frac{1}{3}$ ) of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law.

#### **2. Staff Earning Net Salaries Below the Statutory Minimum**

Review the Bank's payroll revealed that staff continued to earn less than a third ( $\frac{1}{3}$ ) of their basic pay. In December 2024, three hundred and sixty-one (361) members of staff out of four hundred and eighty-one (481) or 66% received salaries below a third of their basic pay with sixteen (16) members of staff taking home less than Kshs.1,000 against the provisions of Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds ( $\frac{2}{3}$ ) of such wages.

In the circumstances, Management was in breach of the law.

#### **3. Operation of a Staff Clinic without a License**

Review of minutes of a Staff Board meeting held on 05 August, 2024 noted that the Bank operated a clinic which was inspected by the County Government of Nairobi and found to meet the requisite requirements and was recommended for licensing. However, as at the close of the financial year 2024, the clinic had not been licensed by the Kenya Medical Practitioners and Dentists Council (KMPDC) against the provisions of Section 15 of the Kenya Medical Practitioners and Dentists Act, Cap 253, which states that clinics and other health facilities must register with the Kenya Medical Practitioners and Dentists Council (KMPDC) before they may start operating.

In the circumstances, Management was in breach of the law.

#### **4. Non-Compliance with Law on Preferential Procurement**

During the financial year under review, the Bank's consolidated procurement plan had a total planned expenditure of Kshs.564,052,148. The amount reserved for women, youth, persons with disabilities and other disadvantaged groups was Kshs.71,625,970 representing 12.7% only against the required minimum of 30% or Kshs.169,215,644. This was contrary to the provisions of Section 53(6) of the Public Procurement and Asset Disposal Act, 2015 which states that all procurement and asset disposal planning shall reserve a minimum of 30% of the budgetary allocations for enterprises owned by women, youth, persons with disabilities and other disadvantaged groups.

In the circumstances, Management was in breach of the law.

#### **5. Discrepancies Between Amounts in the Procurement Plan and Amounts in the Budget**

Comparison of the approved budget and the approved procurement plan revealed that the procurement plan exceeded the budget with Kshs.206,222,705.

This was contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which state that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

In the circumstances, management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

##### **1. Understaffing at the Bank**

Review of the Bank's approved organizational structure and staffing establishment, last updated in 2017, identified a considerable disparity between authorized and occupied

positions. Specifically, the December, 2024 payroll data showed 484 filled positions against an approved establishment of 610, representing a shortfall of 126 staff or 20.7%. This shortfall is likely to adversely affect the Bank's operational efficiency and its competitiveness in matching market standards within the banking industry.

In the circumstances, the significant under establishment could negatively impact the overall Bank's performance.

## **2. Bank's High Staff Turnover and an Aging Workforce**

Review of the Staff Board Committee reports indicated a high staff turnover within the Bank. Over the past seven years, the Bank experienced 246 exits, averaging 35 departures annually. In 2024 alone, 49 staff members left the organization. Further, there was no comprehensive human resource report detailing expected exits, projecting resultant challenges, or outlining mitigation measures for the foreseeable future.

Further, an age analysis of the in-post staff indicated that 63% (292) of the Bank's staff were over 50 years old and nearing retirement. Specifically, 36% (169) were aged 51-55 years, and 26% (119) were aged 56-60 years.

In the circumstances, this demographic trend poses a substantial risk to the Bank's operational continuity and institutional knowledge retention.

## **3. Weaknesses in the ICT Control Environment**

As previously reported, the Bank ran on various ICT systems which include the Core Banking System (CBS) that centrally manages customers' accounts, Great Plain, an accounting system that is used to prepare financial reports, PERPAY, a human resource management system and finally Clinic Management System for management of the clinic stock. However, the systems were not fully integrated, resulting to manual interventions when capturing key data such as revenue from the Banking system and payment of salaries and its deductions.

In the circumstances, the Bank faces an elevated risk of irrecoverable data loss and compromised transaction integrity which may further lead to potential financial misstatements.

## **4. Failure to Tag Moveable Assets**

Audit verification of movable assets revealed that there were no unique identifiers or tags on the assets as required by Guideline 77(2) & (8) of the Guidelines on Asset and Liability Management in the Public Sector which states that movable assets will be identified using a barcode system or by attaching a tag to each item.

In the circumstances, existence of effective internal control over assets could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Bank's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

30 June, 2025

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December

	Notes	2024 Kshs	2023 Kshs
Interest income	4	1,150,553,551	1,139,023,006
Interest expense	5	(519,631,130)	(489,926,074)
<b>Net interest income</b>		<b>630,922,421</b>	<b>649,096,932</b>
Fees and commission income	6	558,061,855	560,502,925
Fees and commission expense	7	(65,913,835)	(48,906,818)
<b>Net Fees and commission income</b>		<b>492,148,020</b>	<b>511,596,107</b>
<b>Net trading income</b>		<b>1,123,070,441</b>	<b>1,160,693,039</b>
Foreign exchange income	8	56,814,987	144,774,636
Other Operating income	9	25,483,229	63,045,963
<b>Net Operating Income</b>		<b>1,205,368,657</b>	<b>1,368,513,638</b>
Operating Costs			
Impairment loss on loans and advances	10	(30,000,000)	(50,000,000)
Employee expenses	11	(960,314,308)	(1,149,154,291)
Board expenses	12	(7,563,174)	(10,945,791)
Operating expenses	13	(335,103,847)	(338,395,823)
Depreciation and Amortization	14	(174,727,695)	(190,994,033)
Amortization cost- Treasury Bonds	15	(2,336,237)	(2,777,314)
Other expenses	16	(318,610,908)	(335,525,414)
<b>Total Operating Costs</b>		<b>(1,828,656,169)</b>	<b>(2,077,792,666)</b>
<b>Loss before income tax</b>		<b>(623,287,512)</b>	<b>(709,279,028)</b>
Income tax expense*	17	-	-
<b>Loss for the period</b>		<b>(623,287,512)</b>	<b>(709,279,028)</b>
<b>Other Comprehensive Income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Financial assets at fair value through other comprehensive income			
Loss from fair value re-measurement		550,112,539	(458,874,450)
<b>Total other comprehensive income for the year</b>		<b>550,112,539</b>	<b>(458,874,450)</b>
<b>Total comprehensive income for the year</b>		<b>(73,174,973)</b>	<b>(1,168,153,478)</b>

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

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**REPORT OF THE AUDITOR GENERAL ON KENYA POST OFFICE SAVINGS  
BANK FOR THE YEAR ENDED 31ST DECEMBER 2024**

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**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**


**STATEMENT OF FINANCIAL POSITION**

As at 31 December		2024	2023
ASSETS	Notes	Kshs	Kshs
Cash	19	406,720,257	527,290,619
Funds on Call and Short Notice	20	352,533,825	90,980,520
Investment in Treasury Bonds	21	6,833,415,806	6,199,845,764
Investment Property	22	32,390,225	32,390,225
Stocks	23	14,238,367	13,573,993
Other Investments	24	4,241,750	4,182,067
Accounts Receivables	25	2,093,768,536	2,978,816,497
Prepayments & Other Assets	26	2,149,609,034	2,073,983,906
GOK Pension Reserve Fund	32	259,417,121	0
Property and Equipment	27	1,831,464,647	1,965,627,418
Right of use Assets	28	88,346,277	176,752,553
Intangible Assets	29	5,708,193	10,542,750
<b>Total Assets</b>		<b>14,071,854,038</b>	<b>14,073,986,312</b>
<b>LIABILITIES</b>			
Customer Savings and Deposits	30	26,086,779,282	24,883,903,954
Accounts Payables & Accruals	31	2,100,046,810	3,152,716,170
Borrowings	19	46,460,994	
GOK Pension Reserve Fund	32	0	54,470,982
Lease Liabilities	33	85,815,467	179,835,254
<b>Total Liabilities</b>		<b>28,319,102,552</b>	<b>28,270,926,360</b>
<b>SHAREHOLDERS' EQUITY</b>			
Deferred Revenue	34	8,441,934	8,293,834
Revaluation Reserves		3,165,760,210	3,165,760,210
Fair Value Reserve	21 (b)	(30,109,397)	(580,221,936)
Revenue Reserves		(17,391,341,261)	(16,790,772,156)
<b>Total Shareholders' Equity</b>		<b>(14,247,248,514)</b>	<b>(14,196,940,048)</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>14,071,854,038</b>	<b>14,073,986,312</b>

The financial statements on pages 22 to 66 were approved and authorized for issue by the Board of Directors on \_\_\_\_\_ 2025 and were signed on its behalf by:

  
**Managing Director**  
**Raphael Lekoolool**  
**ICPAK Member No. 5481**

  
**Head of Finance**  
**Benard Musyoki**  
**ICPAK Member No 2881**

  
**Director**  
**Dr. Allan Kihara**

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2024**

	Deferred Revenue	Revaluation Reserves	Fair value Reserve	Revenue Reserves	TOTALS
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At 1st January 2024</b>	<b>8,293,834</b>	<b>3,165,760,210</b>	<b>(580,221,936)</b>	<b>(16,790,772,156)</b>	<b>(14,196,940,048)</b>
Loss for the year				(623,287,512)	(623,287,512)
Loss on revaluation of financial assets at FVOCI			550,112,539		550,112,539
Charge during the year	148,100				148,100
Prior year adjustments				22,718,407	22,718,407
<b>At 31st December 2024</b>	<b>8,441,934</b>	<b>3,165,760,210</b>	<b>(30,109,397)</b>	<b>(17,391,341,261)</b>	<b>(14,247,248,514)</b>
<b>At 1st January 2023</b>	<b>11,952,959</b>	<b>3,165,760,210</b>	<b>(121,347,486)</b>	<b>(16,081,263,325)</b>	<b>(13,024,897,643)</b>
Loss for the year				(709,279,028)	(709,279,028)
Loss on revaluation of financial assets at FVOCI			(458,874,450)		(458,874,450)
Charge during the year	(3,659,125)				(3,659,125)
Prior year adjustments				(229,802)	(229,802)
<b>At 31st December 2023</b>	<b>8,293,834</b>	<b>3,165,760,210</b>	<b>(580,221,936)</b>	<b>(16,790,772,156)</b>	<b>(14,196,940,048)</b>

**Prior year adjustment of Kshs 22,718,407 in year 2024 arose from;**

	Kshs
1) Rent Arrears paid in 2024	2,763,594
2) Security - Radio alarms	70,402
3) Repair & maintenance of computers	447,889
4) Service Charges	(14,043,406)
5) Medical expenses	214,356
6) Insurance claim -wiba	(737,625)
7) MTS - Commission	(15,730,009)
8) Interest receivable on bonds	1,345,351
8) Fixed Asset Clearing account	2,951,041
<b>Total</b>	<b>(22,718,407)</b>

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

**STATEMENT OF CASH FLOWS**

**For the year ended 31 December**

	Note	2024 Kshs	2023 Kshs
<b>Profit/(Loss) for the year</b>		(623,287,512)	(709,279,028)
Adjustments for:-			
Depreciation of property and equipment		81,516,862	94,225,181
Amortization of right of use assets-Leased		88,376,276	88,376,276
Amortization of intangible assets		4,834,557	8,392,576
Appreciation/Diminution in value of quoted investments	9	(59,683)	81,008
Prior year adjustments		75,394,315	(229,802)
<b>Operating profit/(loss) before working capital changes</b>		<b>(373,225,185)</b>	<b>(518,433,789)</b>
(Increase)/ Decrease in Accounts Receivables & Prepayments	25 & 26	809,422,834	(79,873,663)
(Increase)/Decrease in stocks		(664,376)	1,876,621
Increase/(Decrease) in Accounts Payables & Accruals		(1,052,669,361)	336,620,671
Increase/(Decrease) Customer Savings and deposits		1,202,875,328	(398,495,308)
Increase/(Decrease) GOK Pension Reserve fund account		(313,888,103)	(18,940,152)
Increase/(Decrease) Lease Liabilities		(94,019,787)	(85,517,199)
<b>Net cash flows from operating activities</b>		<b>177,831,350</b>	<b>(762,762,819)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property and Equipment	27 & 29	-	(20,144,374)
Borrowings	19	46,460,994	
Change in Fair Value Reserve	21b	550,112,539	(458,874,450)
<b>Net cash flows from investing activities</b>		<b>596,573,533</b>	<b>(479,018,824)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts from WSBI	34	148,100	(3,659,125)
<b>Net cash flows from financing activities</b>		<b>148,100</b>	<b>(3,659,125)</b>
Net increase in cash and cash equivalents		774,552,984	(1,245,440,768)
Cash and cash equivalents at the beginning of the year	35	6,818,116,903	8,063,557,671
<b>Cash and cash equivalent at the end of the year</b>	<b>35</b>	<b>7,592,669,888</b>	<b>6,818,116,903</b>

*The notes on pages 27 to 66 form an integral part of these financial statements.*

*Note : the Bank does not have any overdraft facility with any Bank, recoded over draft amount represnts uncleared items in the cash books ( this is a cashbook overdraft)*

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL**  
**For the year ended 31 December 2024**

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Interest income	1,150,553,551	1,305,312,965	(154,759,414)	-12%
Interest expense	(519,631,130)	(344,500,000)	(175,131,130)	51%
<b>Net interest income</b>	<b>630,922,421</b>	<b>960,812,965</b>	<b>(329,890,544)</b>	<b>-34%</b>
Fees and commission income	558,061,855	757,431,102	(199,369,248)	-26%
Fees and commission expense	(65,913,835)	(33,406,818)	(32,507,017)	97%
<b>Net Fees and commission income</b>	<b>492,148,020</b>	<b>724,024,284</b>	<b>(231,876,265)</b>	<b>-32%</b>
<b>Net trading income</b>	<b>1,123,070,441</b>	<b>1,684,837,249</b>	<b>(561,766,808)</b>	<b>-33%</b>
Foreign exchange income	56,814,987	161,546,324	(104,731,337)	-65%
Other Operating income	25,483,229	110,605,135	(85,121,906)	-77%
<b>Net Operating Income</b>	<b>1,205,368,657</b>	<b>1,956,988,708</b>	<b>(751,620,051)</b>	<b>-38%</b>
<b>Operating Costs</b>				
Impairment loss on loans and advances	(30,000,000)	(30,000,000)	-	0%
Employee expenses	(960,314,308)	(1,181,639,749)	221,325,441	-19%
Board expenses	(7,563,174)	(7,870,165)	306,991	-4%
Operating expenses	(335,103,847)	(355,422,159)	20,318,312	-6%
Depreciation and Amortization	(174,727,695)		(174,727,695)	-
Amortization cost- Treasury Bonds	(2,336,237)		(2,336,237)	-
Other expenses	(318,610,908)	(188,333,878)	(130,277,030)	69%
<b>Total Operating Costs</b>	<b>(1,828,656,169)</b>	<b>(1,763,265,952)</b>	<b>(65,390,217)</b>	<b>4%</b>
<b>Loss before income tax</b>	<b>(623,287,512)</b>	<b>193,722,756</b>	<b>(817,010,268)</b>	<b>&lt;100%</b>
Income tax expense*	-	-	-	-
<b>Loss for the period</b>	<b>(623,287,512)</b>	<b>193,722,756</b>	<b>(817,010,268)</b>	<b>&lt;100%</b>

## **1 GENERAL 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 and is wholly owned by the Government of 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.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a) Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS). The financial statements were authorized for issue by the Board on 17th March 2025.

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

### **b) Basis of Measurement**

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) based on the historical cost convention. The bank revalued its property and equipment in December 2017.

### **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 Judgment's**

The preparation of financial statements requires management to make judgment's, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses.

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

*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) Assumptions and Estimation of Uncertainties**

**(i) Going concern**

The Bank operates with the intention of being in business in the next 12 months and in the foreseeable future. The management runs the day to day activities by ensuring that assets are realized and liabilities honored in the normal course of business.

However, the Bank's future performance is dependent on restructuring and government support in defraying the incurred losses from the year 2012 to 2024 amounting to Kshs. (17,391,341,261) in accordance with KPOSB Act cap 493B section 13 (1).

Note 10- Impairment loss on deposits, loans and advances

Note 2.2 (s)- Recognitions and measurement of contingencies: Key assumption about the likelihood and magnitude of an outflow of resources

**(ii) Critical judgment in applying the entity's accounting policies**

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

- . Credit quality
- . Portfolio size
- . Concentrations
- . Economic factors

Note 27- Depreciation of equipment and intangible assets. The Bank reviews the useful life of its property and equipment and intangible assets at the end of each financial period

*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Changes in accounting policies and disclosures**

**New standards and interpretations not yet adopted**

***IFRS 16: Leases***

The standard, which was issued in January 2016, will upon implementation result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The accounting for lessors will not significantly change.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Bank has assessed the estimated impact that the initial application of IFRS 16 will have on its consolidated financial statements, as described below

**a) Leases in which the Bank is a lessee**

- i) the final reconciliation of the of the Bank's leases' portfolio
- ii) the Bank's assessment of whether it will exercise any lease renewal options; and
- iii) the extent to which the Bank chooses to utilize practical expedients and recognition exemptions available under the standard.

The Bank will recognise new assets and liabilities for its operating leases of Group premises and equipment. The nature of expenses related to these leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Bank recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

As at 31 December 2024, the Bank's future minimum lease payments under non-cancellable operating leases amounted to Kshs 98 million

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

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*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Changes in accounting policies and disclosures (continued)**

**New standards and interpretations not yet adopted**

**b) Transition**

The transition provisions of IFRS 16 allow an entity not to restate comparatives. The Bank will elect not to restate comparatives but instead adopt IFRS 16 on 1 January 2019 using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Bank has assumed an average incremental rate of 10% on all its operating leases.

**New and amended standards adopted by the Bank**

- i) IFRS 15 Revenue from Contracts with Customers
- ii) Transfers of investment property – amendments to IAS 40

*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Changes in accounting policies and disclosures (continued)**

**New and amended standards adopted by the Bank (Continued)**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). It replaced the existing revenue standards and their related interpretations

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.

Because the standard does not apply to revenue associated with financial instruments, it does not impact the majority of the Bank's revenue streams. The Bank has reviewed the contracts with customers within the scope of IFRS 15 and concluded that the adoption of IFRS 15 did not have a material impact on the Bank's revenue recognition criteria and there were therefore no transition adjustments required.

***IFRS 9 - Financial Instruments***

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition will be recognized in the opening retained earnings and other reserves of the current period.

The Bank is still assessing the impact of IFRS 9 on its financial statements

*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.2-Principal accounting policies**

The principal accounting policies adopted in the preparation of these financial statements have

**Revenue Recognition**

Income is recognized on an accrual basis

***i) Interest***

Interest income and expense are recognized 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 amortized 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 and expense are recognized on an accrual basis when the service has been provided. Fees and commission income that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate

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

*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Foreign currency transactions**

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Monetary assets and liabilities at the reporting date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions if any. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined if there is any.

**c) Employee benefits**

The Bank operates a defined contribution scheme whose funds are held in a separate trustee administered and guaranteed scheme managed by an approved investment company. The pension plan is funded by contributions from the employees and the Bank. The bank's contributions are charged to profit or loss in the year to which they relate.

**d) Property, plant and equipment**

**(i) Investment Property**

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

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

*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Property, plant and equipment**

**(ii) Revaluation and Cost Model**

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.

**(iii) 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:

<b>Category</b>	<b>Rate p.a.</b>
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%

**(e) Intangible assets**

Software license 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.

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated using the straight line method to write down the cost of each license or item of software to its residual value over its estimated useful life using annual rate of 20%.

**g) Stocks**

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

**h) 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.

*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value

**k) Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**l) Taxation**

The Bank was exempted from paying corporate taxes as per the Income Tax Act Cap 470 First schedule Part 1, however this was lifted by The Tax Laws (Amendment) Act, 2020 (meaning the Bank is now subject to corporate tax)

**m) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**n) Retirement benefit obligations**

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

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

*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**o) Short term employee benefits**

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

**p) 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.

**q) Revaluation Reserve**

The revaluation reserve relates to property and equipment. The reserve is non-distributable.

Revaluation reserves are made up of periodic adjustments arising from fair valuations of Property and equipment. Movement in the revaluation reserve are shown in the statement of changes in equity is Kshs 3,165,760,210

The Bank revalued Land, Buildings, Motor Vehicles, Furniture & Fittings, Electronic Office Equipment's, Non Electronic Office Equipment's and Computer Hardware on an open market basis by professional valuers, Realty Valuers East Africa Limited as at 29th December 2017. The book values of the properties were adjusted to the revaluations, and the resulting surplus, was credited to the revaluation reserve.

**r) Revenue Reserve**

This represents undistributed accumulated losses from current and previous years including prior year adjustments. The accumulated loss as at 31st December 2024 is Kshs (17,391,341,261).

**s) Contingent Liabilities**

Contingent liabilities are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote.

Litigation is a common occurrence in the banking industry due to the nature of the business. Although there may be no assurance, the Directors believe based on the information available and advice from the legal experts that the claims will be defended successfully and therefore no provision has been made in the financial statement. As at end of December 2024 the Bank had 18 on going litigation cases with estimated contingent liability of kshs 160 million .The significant claims are described below:

*Notes to the Financial Statements*

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**s) Contingent Liabilities (Continued)**

(i) PostBank - vs - Simiyu Wasike: The land in dispute involves Postbank and Simiyu Wasike. It is in Upper Hill. (The value of the property was Kshs. 550 million as per revaluation done in December 2017 ) but carried at book value of Kshs 27,390,225 .The Bank lost the matter at the High Court and filed an Appeal.

Civil Appeal No 264 of 2019 was delivered in the bank's favor on 25th October, 2024 and the bank was granted: -

a) Vacant possession and delivery up of the said suit land and premises known as L.R No. 209/11908 Nairobi House No. HG 34 Mara Road;

b) Damages or mesne profits at the rate of 50,000 shillings per month from the day of September 1995.

Execution of the favourable judgement is ongoing.

(ii) A statutory actuarial valuation of the KPOSB Staff Retirement Benefits Scheme (Defined Benefits - DB Scheme) as of 31st December 2018 revealed an actuarial deficit of Kshs. 625,089,000/=, with a funding level of 73.6%. According to the Retirement Benefits Authority (RBA) Minimum Funding Level and Winding Up of Schemes Regulations, 2000, the required minimum funding level is 100%. To address the deficit, the bank and the Scheme agreed on a remedial plan, which was approved by the RBA. The bank committed to making monthly payments of Kshs. 8,682,000/= for six (6) years to restore the Scheme to the required minimum solvency level of 100%.

RBA regulations require an actuarial valuation of DB Schemes every three (3) years, the Scheme conducted another statutory actuarial valuation as of 31st December 2021. This valuation revealed an actuarial deficit of Kshs. 202,871,000/= and a funding level of 91.2%. Consequently, the Scheme and the bank reviewed the remedial payment period and agreed to maintain the payment schedule of Kshs. 8,682,000/= per month for 26 months, starting in January 2022. The bank (sponsor) completed the remedial payments in May 2024. By the end of 2024, the total payments amounted to Kshs. 416,735,000/=, including Kshs. 43,410,000/= for 2024 alone.

iii) The former heads of department sued the bank under the Employment and labour relations court for unfair termination when the Bank failed to renew their contracts. Amount claimed is Kshs 106,826,167. The matter was referred for arbitration and Cases terminated as at 28th February, 2023. However vide an application dated 24th April, 2023, the Claimants sought to have the decision of the arbitrator overturned.

The Claimants filed an application seeking to reinstate the suit that had been struck out on the basis that the Court lacked jurisdiction.

The Bank opposed that applicatio Vide a Ruling dated 14th June, 2024, the application was dismissed. The Claimants filed a notice of appeal but are yet to file the record of appeal.

**t) Budget**

The Budget for FY 2024 was approved by the National Treasury on 28th June 2024 , CAPEX budget was deferred.

The bank uses Zero-based budgeting (ZBB). All expenses must be justified for each new period. The budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period. This allows top-level strategic goals to be implemented into the budgeting process by tying them to specific functional areas of the organization, where costs can be first grouped and then measured against previous results and current expectations. At the end of every month actual and budgeted amount is compared to obtain variances. The presentation of budget information in Financial Statements is done as per International Public Sector Accounting Standard (IPSAS) 24.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under the section of Statement of Comparison of Budget and Actual of these financial statements.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in Kenya shillings, which is the Bank's presentation currency

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except for differences arising on translation of non-monetary financial assets carried at fair value through other comprehensive income, which are recognized in other comprehensive income

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the statement of profit or loss for the year within "other gains/losses-net".

**2.4 Financial instruments**

**a) Recognition**

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

Purchases and sales of financial assets are recognized 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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Financial instruments (Continued)**

*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 amortized 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 recognized on trade-date, the date on which the Bank commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognized 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.

**Notes to the Financial Statements**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.4 Financial instruments (Continued)**

**iv) Available-for-sale (continued)**

Available-for-sale financial assets and financial assets are carried at fair value through profit or loss. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets 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 recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in the statement of comprehensive income.

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

**v) Identification and Measurement of Impairment of Financial Assets**

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

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

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.4 Financial instruments (Continued)**

#### ***v) Identification and Measurement of Impairment of Financial Assets (Continued)***

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 judgment 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 amortized 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 recognized in the statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized 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 recognized by transferring the difference between the amortized 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 recognized directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

#### ***vi) Derecognition***

The Bank derecognizes 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 derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognized 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 derecognized 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.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.4 Financial instruments (Continued)**

#### ***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 recognized 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 recognized in the statement of comprehensive income. Impairment losses recognized 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.

#### ***viii) Budget Accounting Policy***

The bank uses Zero-based budgeting (ZBB). All expenses must be justified for each new period. The budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period. This allows top-level strategic goals to be implemented into the budgeting process by tying them to specific functional areas of the organization, where costs can be first grouped and then measured against previous results and current expectations. At the end of every month actual and budgeted amount is compared to obtain variances. The presentation of budget information in Financial Statements is done as per International Public Sector Accounting Standard (IPSAS) 24.

## **3 FINANCIAL RISK MANAGEMENT**

### **a) Principles**

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

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

**3 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**a) Principles (Continued)**

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.

**(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

**3 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Credit risk (Continued)**

*(i) Management of Credit Risk*

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

The Bank's primary exposure to credit risk arises through its advances to employee and Visa credit to customers. Credit risk ratings are assigned to customers to enable the bank to establish the risk and enable credit decisions to be undertaken within acceptable risk appetite threshold through its credit policy.

At the management level there is a credit risk department staffed with highly skilled personnel who ensure credit risk are identified and mitigated. Within this department there are debt collecting officers who follow up on bad loans.

*(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.

### **3 FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **(c) Liquidity Risk (continued)**

##### ***Exposure to liquidity Risk***

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month.

The board has approved a policy to effectively manage liquidity at all times to meet depositors demand, and unexpected outflow. The investment undertakes statement of financial position liquidity and scenario analysis as per the policy on bi-monthly basis.

The bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with range maturities, in addition the bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

#### **(d) Market Risk**

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

##### ***(i) Management of market Risk***

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

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

##### ***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.

### **3 FINANCIAL RISK MANAGEMENT(CONTINUED)**

#### **(e) Operational Risk**

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

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

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

#### ***Risk measurement and control***

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

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**

**Notes to the Financial Statements**

	<b>2024</b>	<b>2023</b>
<b>4 Interest Income</b>	<b>Kshs</b>	<b>Kshs</b>
Government securities		
Amortized cost	481,925,878	490,801,225
Fair value through OCI	409,458,998	399,976,386
Interest on Term deposits	48,247,959	44,697,311
Interest on Staff Loans	30,465,615	28,758,398
Interest on Visa Balances	2,035,283	3,055,302
Credit Partners -Shared Interest Income	178,419,818	171,734,384
	<u>1,150,553,551</u>	<u>1,139,023,006</u>
<b>5 Interest expense</b>	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on deposits	516,195,418	484,556,400
Interest on lease liabilities	3,435,712	5,369,674
	<u>519,631,130</u>	<u>489,926,074</u>
<b>6 Fees &amp; Commissions Income</b>	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Inactivity Fees	21,107,100	22,249,325
Salary Crediting Fees	47,668,482	62,238,089
Premature withdrawal Fees	44,219,127	47,422,000
Withdrawal Fees	69,123,060	70,545,321
Visa Fees	2,042,636	2,731,555
Card Fees	21,229,275	39,444,677
Western Union - MTS Commission	20,374,992	25,145,672
Citibank Commission	6,948	75,554
Pension Commission	54,250,400	55,992,100
Inua Jamii Commission	98,648,920	61,197,779
Money Transfer Commission (Others)	10,371,172	12,038,458
ATM withdrawal Fees	47,265,884	48,131,813
Bills Commission-Water & Electricity	7,881,123	8,768,802
Forfeited Interest & Bonus-SAYE Income	13,319,226	13,933,895
Miscellaneous Fees & Commission (others)	100,553,510	90,587,885
	<u>558,061,855</u>	<u>560,502,925</u>
<b>7 Fees and Commissions Expense</b>	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Shared Costs Adjustments	3,450,211	4,520,015
Commission Expense-MoneyGram	1,251,861	3,248,974
Premium Paid Commission on Purchase of	33,343,282	15,514,922
Bonus Paid-SAYE Expense	5,508,519	4,919,519
Commissions & Agency Fee	16,171,009	13,102,099
Mobile banking Expenses	4,710,000	4,531,000
Commission paid on deposit mobilization	1,478,953	3,070,289
	<u>65,913,835</u>	<u>48,906,818</u>

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

*Notes to the Financial Statements*

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>8 Foreign Exchange Income</b>		
Realized Gain/Loss On Sale Of Forex From MTS	(3,165,682)	69,901,842
Forex Gain On Money Transfer Transactions -WU	50,337,582	64,503,671
Forex Gain On Transactions -Money Gram	9,643,087	10,369,123
	<u>56,814,987</u>	<u>144,774,636</u>
<b>9 Other Operating Income</b>		
	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Rental Income	49,536,913	51,060,951
Dividend income	-	1,104
Interest on Bank accounts	1,219,660	1,776,122
Tender fees	3,000	24,800
Appreciation/Diminution in value of quoted	59,683	(81,008)
Capital Gain on Sale of Investments	(36,631,466)	0
Commission Income on Foreign Visa	-	96,500
Sundry income	11,295,439	10,167,494
	<u>25,483,229</u>	<u>63,045,963</u>
<b>10 Impairment Loss on Deposits, Loans and Advances</b>		
	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
General Provisions-Including Staff loans	30,000,000	50,000,000
	<u>30,000,000</u>	<u>50,000,000</u>

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**  
**Notes to the Financial Statements**

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>11 Employee Expenses</b>		
Salaries and Wages	598,686,641	715,767,455
Pensions and Provident Fund contr.	139,634,887	220,619,307
Medical expenses	33,702,994	32,334,561
Staff training	3,495,621	5,966,809
Other staff expenses	184,794,165	174,466,159
	<u>960,314,308</u>	<u>1,149,154,291</u>
<b>12 Board Expenses</b>		
Directors Honoraria	960,000	929,973
Directors Allowances	6,562,314	9,973,158
Directors Allowances Telephone	40,860	42,660
	<u>7,563,174</u>	<u>10,945,791</u>
<b>13 Operating Expenses</b>		
Security expenses	94,640,257	97,472,065
Insurances	43,670,706	36,769,061
Land rent and rates	0	445,765
Repairs and maintenance	29,130,163	45,056,693
Service charge	13,752,360	13,752,360
Licenses	140,811,612	128,489,777
Agency Fees	13,089,549	15,995,082
Agency Expansion Project Expenses	9,200	405,020
	<u>335,103,847</u>	<u>338,395,823</u>
<b>14 Depreciation and Amortization</b>		
Depreciation of property and equipment (Note 27)	81,516,862	94,225,181
Amortization of right of use assets-Leased (Note 28)	88,376,276	88,376,276
Amortization of intangible assets (Note 29)	4,834,557	8,392,576
	<u>174,727,695</u>	<u>190,994,033</u>

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**

**Notes to the Financial Statements**

<b>15 Amortization for Bonds Trading Cost</b>	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Amortization	<u>2,336,237</u>	<u>2,777,314</u>
This relates to Treasury Bonds Premiums amortized during the period		
<b>16 Other Expenses</b>	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Operating Stationery	1,067,353	4,063,863
ATM Card Cost	47,867,064	61,256,595
Travel and Subsistence allowances	10,249,474	8,980,809
Newspapers and Periodicals	239,100	363,896
Printing and stationery	7,852,844	4,840,233
Staff Welfare Expenses	30,854,018	32,962,967
Debt collection	2,184,200	2,107,955
Postage & telephone	65,577,489	66,524,242
Computer expenses	4,914,113	3,276,749
Motor Vehicle Expenses	7,934,106	8,699,723
Audit fees	4,500,000	6,000,000
Donations and subscriptions	4,429,409	4,546,282
Legal and professional fees	4,747,269	8,366,793
Electricity and water	21,074,079	22,283,686
Cleaning, Sanitation & Messengerial	23,719,134	20,397,475
Special Projects Launching	4,807,889	1,543,643
Bank Charges	7,887,225	9,212,685
Selling & Marketing expenses	38,739,660	39,409,297
Hire of Motor Vehicles	1,682,262	2,411,475
Research & Development	0	39,840
Retail Banking-Search fee	2,600	5,900
Integrated Reimbursement fee	27,588,178	28,231,306
	<u>318,610,908</u>	<u>335,525,414</u>

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**

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**Notes to the Financial Statements**

<b>17 Profit (Loss) For The Year</b>	<b>Note</b>	<b>2024</b>	<b>2023</b>
		<b>Kshs</b>	<b>Kshs</b>
The loss for the year is stated after charging:			
Directors emoluments	12	7,563,174	10,945,791
Audit fees	16	4,500,000	6,000,000
Depreciation/amortization intangible asset expense	27	174,727,695	190,994,033
Bonds amortization cost	15	2,336,237	2,777,314
Pension scheme contribution	11	139,634,887	220,619,307
<b>and after crediting: -</b>			
Dividends	9	-	1,104
Appreciation/Diminution in value of quoted	9	59,683	(81,008)

18 Explanation of Material Variance on The Statement of Comparison of Budget and Actual for the twelve months ending 31 December 2024

Income	Actual Kshs	Budget Kshs	Variance Kshs	%
a) Interest income	1,150,553,551	1,305,312,965	(154,759,414)	-12%
b) Fees and commission income	558,061,855	757,431,102	(199,369,248)	-26%
c) Foreign exchange income	56,814,987	161,546,324	(104,731,337)	-65%
d) Other Operating income	25,483,229	110,605,135	(85,121,906)	-77%

a) Interest income for the period was Kshs 1.150 billion against budget of Kshs 1.305 billion giving unfavourable variance of Kshs 155 million (12%).

(i) The Bank earned Kshs. 891 million as Investment Income from TBs against a budget of Kshs. 1.029 billion, this was below budget by Kshs 138 million i.e., 13 %, this was due to non-attainment of budgeted customer deposit figures which were to drive investment values and consequently Investment Income, additionally first quarter of the year saw a major liquidity squeeze in the Bank which necessitated the liquidation of Treasury Bonds to fund operations.

(ii) The Bank earned Kshs. 48 million from placement in Commercial Banks against a budget of Kshs. 37 million

b) Fees and commission income for the period was Kshs 545 million, 28 % lower than the target of Kshs 757 million due to decline in GOK Pension Commission as a result of reducing number of pension accounts and decline in MTS revenue (Money Transfer Services).

c) Foreign Exchange Income was Kshs 57 million, this was below budget by Kshs 104 million i.e., 65 %. Foreign exchange income revenues are declining due to the strengthening of the KES against the USD. This poses a FX risk since buying dollars in a weakening currency environment will lead to significant FX realized losses. We try to mitigate the losses by ensuring we reduce the dollar holdings through frequent selling.

d) Other operating income for the period was Kshs 24 million against a budget of Kshs 111 million, giving an unfavorable variance of 86 million. This was due to the realized loss of Kshs.37 million incurred in March 2024 during the sale of the Treasury Bond necessitated by the liquidity challenges faced by the Bank

Note: Approved budget by The National Treasury classified some income lines that we report under other income to fees and commission income

Direct Expenses	Actual	Budget	Variance	%
d) Interest expense	(519,631,130)	(344,500,000)	(175,131,130)	51%
Direct Expenses	Actual	Budget	Variance	%
d) Interest expense	(519,631,130)	(344,500,000)	(175,131,130)	51%

Interest expense for the year was Kshs 520 million (made up of interest expense on depositors - Kshs 516 million and Interest on lease liabilities -Kshs 3.5 million), this was above budget by Kshs 175 million. During the year interest rates on the TB's rose to an average rate of 17% . Our customers are taking cue of this and asked for higher rates for their funds leading to increase in interest rates. (Going forward-FY 2025, this trend will be reversed on Product Categorization Implementation that is expected to reduce interest expense)

Recurrent Expenses	Actual	Budget	Variance	%
e) Board expenses	(7,563,174)	(7,870,165)	306,991	-4%
f) Operating expenses	(335,103,847)	(355,422,159)	20,318,312	-6%
g) Depreciation and Amortization	(174,727,695)	-	(174,727,695)	-

Cost control measures put in place contributed to low expenditures compared to budget. Depreciation and Amortization costs contain Amortization of right of use assets-Leased in compliance with IFRS 16.

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**  
**Notes to the Financial Statements**

<b>19</b>	<b>a) Cash and Cash Equivalents</b>	<b>2024</b>	<b>2023</b>
		<b>Kshs</b>	<b>Kshs</b>
	Cash on Hand	316,228,941	322,617,692
	Cash at Bank	90,491,316	204,672,927
		<u>406,720,257</u>	<u>527,290,619</u>

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

**b) Borrowings**

Current		
Bank overdraft	<u>46,460,994</u>	<u>0</u>

Note : the Bank does not have any overdraft facility with any Bank, recoded over draft amount represnts uncleared items in the cash books ( this is a cashbook overdraft)

<b>20</b>	<b>Funds on Call and Short Notice</b>	<b>2024</b>	<b>2023</b>
		<b>Kshs</b>	<b>Kshs</b>
	CitiBank	10,935,004	10,935,004
	Co-operative Bank	100,000,000	0
	NCBA	18,131,403	17,287,650
	National Bank of Kenya	13,467,418	12,757,866
	Kenya Commercial Bank of Kenya	150,000,000	50,000,000
	Stanbic Bank	60,000,000	0
		<u>352,533,825</u>	<u>90,980,520</u>

The Bank has placed some of its funds in call accounts with commercial banks as as listed above. The funds are lien for clearing settlements.

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

<b>BANK</b>	<b>RATE</b>
NCBA	3.35%
Citibank	4.0%
National Bank of Kenya	4.0%
Kenya Commercial Bank(K)	7.5%
Co-operative Bank	15.0%
Stanbic Bank	13.0%

<b>21</b>	<b>Investment in Treasury Bonds</b>	<b>2024</b>	<b>2023</b>
		<b>Kshs</b>	<b>Kshs</b>
	Fixed rate Treasury bonds - FVOCI	3,121,815,806	2,468,245,764
	Fixed rate Treasury bonds – amortized cost	3,711,600,000	3,731,600,000
		<u>6,833,415,806</u>	<u>6,199,845,764</u>
	Treasury bonds maturing after 91 days but within 360 days from date of acquisition	35,000,000	
	Treasury bonds maturing after 360 days	6,798,415,806	6,199,845,764
		<u>6,833,415,806</u>	<u>6,199,845,764</u>

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**  
**Notes to the Financial Statements**

**21 (a) Investment in Treasury Bonds/Others**

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>The movement in Treasury bonds – FVOCI was as</b>		
At start of year	2,468,245,764	2,927,265,565
Additions during the year	296,727,854	-
Maturities and disposals	(157,109,800)	-
Prior year adjustment	(148,351)	(145,351)
Changes in fair value	514,100,339	(458,874,450)
At end of year	<u>3,121,815,806</u>	<u>2,468,245,764</u>

**The movement in Treasury bonds at amortised cost was as**

At start of year	3,731,600,000	3,951,200,000
Additions during the year		
Maturities and disposals	(20,000,000)	(219,600,000)
At end of year	<u>3,711,600,000</u>	<u>3,731,600,000</u>

*\* Prior year adjustment relates to adjustments of overstatement of Capital gain from trading of Treasury Bond fxd1/2012/20 of Face value 450m on 20.12.2018*

**21 (b) (b) Fair Value Reserve**

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Changes in fair value of financial Instruments at FVOCI</b>		
At start of year	(580,221,936)	(121,347,486)
Changes in fair value of FVOCI financial instruments	550,112,539	(458,874,450)
	<u>(30,109,397)</u>	<u>(580,221,936)</u>

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**

**Notes to the Financial Statements**

	2024 Kshs	2023 Kshs
<b>22 Investment Property</b>		
Cost		
At 1 January	32,390,225	32,390,225
Disposal		
At 31 December	<u>32,390,225</u>	<u>32,390,225</u>

Included in the investment Property is

(i) Upper Hill Property whose market value is Ksh.550,000,000 ( as per revaluation done in December 2017) but carried at book value of Kshs 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 favorable 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) Dandora Plot with a value of Kshs 5,000,000.

The reclassification of Dandora Plot and upper hill property from Property and Equipment to Investment property has been done as per IAS 40.

	2024 Kshs	2023 Kshs
<b>23 Stocks &amp; Drugs</b>		
Stationery	12,880,149	12,743,583
Drugs	1,358,218	830,410
	<u>14,238,367</u>	<u>13,573,993</u>

	2024 Kshs	2023 Kshs
<b>24 Other Investments</b>		
Quoted investments (cost)	2,055,637	2,055,637
Unquoted investment	13,540,000	13,540,000
	<u>15,595,637</u>	<u>15,595,637</u>
Less: Provision for diminution in market value of quoted	<u>(11,353,887)</u>	<u>(11,413,570)</u>
	<u>4,241,750</u>	<u>4,182,067</u>

(i) Quoted investments were valued at Kshs.2,828,067.50 (2023 Ksh 2,828,068) using the Nairobi Securities Exchange market price at the close of the year.

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

Company	No.of Shares	Market price	Value as at	
			31.12.2024	31.12.2023
Kakuzi Ltd	6,500	385.00	2,502,500	2,502,500
Total Kenya Ltd	15,000	20.00	300,000	270,000
Bamburi Cement Ltd	1,550	55.00	85,250	55,568
			<b>2,887,750</b>	<b>2,828,068</b>

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

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**

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**Notes to the Financial Statements**

<b>25 Accounts Receivables</b>	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Postal Corporation of Kenya-Excess Deposits	94,809,872	780,394,108
GOK -KP&TC (i)	405,231,629	405,231,629
Commission Receivable from GOK for pension	163,220,526	108,970,126
Prepaid GOK Pension – PCK Payroll	323,011,643	634,463,707
GoK Pension Cheques Receivable – PCK (ii)	260,877,695	268,553,158
PCK Overdrawn Claimable	44,953,868	44,953,868
Restitution (PCK)	72,596,922	73,996,003
Directors Loans	3,327,044	3,327,044
Inua Jamii Commission Receivable	135,509,876	41,985,786
Staff Loans	786,671,132	753,228,708
Staff debtors – Personal Development Loan	60,915,050	68,515,277
Interest Receivable -PDL	22,053,280	62,803,545
Rent Receivables	136,132,932	119,514,710
Staff Imprest	78,520	56,321
Accrued interest on Treasury Bonds	258,317,276	251,463,965
Discount on Treasury Bonds	74,125,718	70,438,093
Fixed deposits in ailing financial institutions	404,924,920	404,924,920
Trade Debtors	181,658,438	190,643,335
	<u>3,428,416,341</u>	<u>4,283,464,302</u>
Provision for bad and doubtful debts	<u>(1,334,647,805)</u>	<u>(1,304,647,805)</u>
	<u>2,093,768,536</u>	<u>2,978,816,497</u>

(i) 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) Kshs 260,877,695 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.

*Kenya Post Office Savings Bank  
Annual report and financial statements  
For the year ended 31 December 2024  
Notes to the Financial Statements*

**25 Account Receivable**

<b>31st December 2023</b>	<b>TOTAL</b>	<b>0 to 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 and over Days</b>
PCK Excess Deposits	94,809,872	0	0	0	94,809,872
KP&TC Excess Deposits	405,231,629	0	0	0	405,231,629
GoK Pension Cheques Receivable from PCK	163,220,526	0	0	0	163,220,526
Prepaid GoK Pension (Payroll) – PCK	323,011,643	0	0	0	323,011,643
GoK Pension Cheques Receivable – PCK	260,877,695	0	0	0	260,877,695
PCK Overdrawn Claimable	44,953,868	0	0	0	44,953,868
Restitution (PCK)	72,596,922	0	0	0	72,596,922
Directors Loans	3,327,044	0	0	0	3,327,044
Inua Jamii Commission Receivable	135,509,876	6,500,000	6,500,000	6,500,000	116,009,876
Staff Loans	786,671,132	12,642,446	82,357,100	255,293,429	436,378,157
Staff Debtors PDL	60,915,050	458,642	861,779	2,680,059	56,914,569
Interest Receivable PDL	22,053,280	2,743,558			19,309,722
Rent Receivables	136,132,932	12,956,641	17,680,298	18,068,183	87,427,809
Staff Imprest	78,520	78,520	0	0	0
Accrued interest on Treasury Bonds	258,317,276	61,585,250	134,176,500	19,800,000	427,555,26
Discount on Treasury Bonds	74,125,718	0	0	0	74,125,718
Fixed deposits in ailing financial institutions	404,924,920	0	0	0	404,924,920
Trade Debtors	181,658,438	31,505,648	12,454,281	4,256,960	133,441,549
<b>TOTAL RECEIVABLES</b>	<b>3,428,416,341</b>	<b>128,470,705</b>	<b>254,029,959</b>	<b>306,598,632</b>	<b>2,739,317,046</b>
Provision for bad debts	(1,334,647,805)	(2,500,000)	(2,500,000)	(2,500,000)	(1,327,147,805)
<b>NET RECEIVABLES</b>	<b>2,093,768,536</b>	<b>125,970,705</b>	<b>251,529,959</b>	<b>304,098,632</b>	<b>1,412,169,241</b>

<b>31st December 2023</b>	<b>TOTAL</b>	<b>0 to 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 and over Days</b>
PCK Excess Deposits	780,394,108	0	0	0	780,394,108
KP&TC Excess Deposits	405,231,629	0	0	0	405,231,629
GoK Pension Cheques Receivable from PCK	108,970,126	4,088,200	4,542,637	30,092,300	70,246,989
Prepaid GoK Pension (Payroll) – PCK	634,463,707	5,358,709	5,849,352	6,209,845	617,045,801
GoK Pension Cheques Receivable – PCK	268,553,158	0	0	0	268,553,158
PCK Overdrawn Claimable	44,953,868	0	0	0	44,953,868
Restitution (PCK)	73,996,003	0	3,494,440	3,796,903	66,704,660
Directors Loans	3,327,044	0	0	0	3,327,044
Inua Jamii Commission Receivable	41,985,786	4,937,213	9,426,894	7,981,439	19,640,240
Staff Loans	753,228,708	12,485,114	81,332,189	252,116,372	407,295,033
Staff Debtors PDL	68,515,277	337,781	634,684	1,973,812	65,569,000
Interest Receivable PDL	62,803,545	14,339,895	0	0	48,463,650
Rent Receivables	119,514,710	10,643,129	14,523,340	14,841,965	79,506,276
Staff Imprest	56,321	56,321	0	0	0
Accrued interest on Treasury Bonds	251,463,965	205,433	205,433	205,433	250,847,666
Discount on Treasury Bonds	70,438,093	328,392	328,392	328,392	69,452,917
Fixed deposits in ailing financial institutions	404,924,920	0	0	0	404,924,920
Trade Debtors	190,643,335	70,689,580	31,203,916	85,369,439	3,380,400
<b>TOTAL RECEIVABLES</b>	<b>4,283,464,302</b>	<b>123,469,767</b>	<b>151,541,277</b>	<b>402,915,901</b>	<b>3,605,537,359</b>
Provision for bad debts	(1,255,548,644)	(2,416,667)	(49,416,667)	(53,203,207)	(1,150,512,104)
<b>NET RECEIVABLES</b>	<b>3,027,915,658</b>	<b>121,053,100</b>	<b>102,124,610</b>	<b>349,712,693</b>	<b>2,455,025,255</b>

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

---

*Notes to the Financial Statements*

<b>26 Prepayments and Other Assets</b>	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Transitorial Accounts - Postbank (i)	1,031,375,770	1,060,154,846
Premium on Treasury Bonds (Prepaid)	213,412,329	215,748,566
Other Assets and Prepayments	<u>904,820,935</u>	<u>798,080,494</u>
	<u><u>2,149,609,034</u></u>	<u><u>2,073,983,906</u></u>

(i) Kshs.1,031,375,770 under Transitorial accounts relates to balances held in accounts used by the Bank to process internal payments. Therefore, the balance is not a realizable asset.

Kenya Post Office Savings Bank  
Annual report and financial statements  
For the year ended 31 December 2024  
Notes to the Financial Statements

27 a) Property & Equipment  
As at 31 December 2024

	Land	Building	Leasehold	Motor Vehicles	Furniture & Fittings	Electronic Office Equipment	Non Electronic Office Equipment	Computer Hardware	Fixed Asset Clearing Account	Capital Work In Progress	Total
<b>Cost or Valuation</b>											
At 1 Jan 2024	805,000,000	1,522,086,130	6,500,000	38,816,158	408,999,303	332,820,324	99,884,711	913,550,833	42,286,143	77,626,874	4,247,570,475
Additions		26,799,175							(1,818,210)	(26,799,175)	0
Prior year adjustment									40,467,934	(50,827,699)	(52,645,909)
<b>Cost 31.12.2024</b>	<b>805,000,000</b>	<b>1,548,885,305</b>	<b>6,500,000</b>	<b>38,816,158</b>	<b>408,999,303</b>	<b>332,820,324</b>	<b>99,884,711</b>	<b>913,550,833</b>	<b>40,467,934</b>	<b>-0</b>	<b>4,194,924,567</b>
Depreciation											
Depreciation 1.1.2024	0	569,264,373	6,500,000	38,774,921	372,148,086	315,222,738	94,324,740	885,708,199	0	0	2,281,943,057
Charge for the year	0	39,691,197	0	0	10,765,459	4,401,046	1,382,118	25,277,042	0	0	81,516,862
Disposals											
Prior year adjustment											
<b>Depreciation 31.12.24</b>	<b>0</b>	<b>608,955,570</b>	<b>6,500,000</b>	<b>38,774,921</b>	<b>382,913,545</b>	<b>319,623,784</b>	<b>95,706,858</b>	<b>910,985,241</b>	<b>0</b>	<b>0</b>	<b>2,363,459,919</b>
<b>NBV 31.12.2024</b>	<b>805,000,000</b>	<b>939,929,735</b>	<b>0</b>	<b>41,237</b>	<b>26,085,757</b>	<b>13,196,540</b>	<b>4,177,852</b>	<b>2,565,592</b>	<b>40,467,934</b>	<b>-0</b>	<b>1,831,464,647</b>
<b>NBV 31.12.2023</b>	<b>805,000,000</b>	<b>952,821,757</b>	<b>0</b>	<b>41,237</b>	<b>36,851,216</b>	<b>17,597,586</b>	<b>5,559,970</b>	<b>27,842,634</b>	<b>42,286,143</b>	<b>77,626,874</b>	<b>1,965,627,418</b>

Kenya Post Office Savings Bank  
Annual report and financial statements  
For the year ended 31 December 2024  
Notes to the Financial Statements

27 b) Property & Equipment  
As at 31 December 2023

	Land	Building	Leasehold	Motor Vehicles	Furniture & Fittings	Electronic Office Eqpt	Non Electronic Office Eqpt	Computer Hardware	Fixed Asset Clearing Account	Capital Work In Progress	Total
<b>Cost or Valuation</b>											
At 1 Jan 2023	805,000,000	1,522,086,130	6,500,000	38,816,158	408,999,303	331,966,384	99,884,711	908,670,341	27,876,201	77,626,874	4,227,426,101
Additions						853,940		4,880,492	14,409,942		20,144,374
<b>Cost 31.12.2023</b>	<b>805,000,000</b>	<b>1,522,086,130</b>	<b>6,500,000</b>	<b>38,816,158</b>	<b>408,999,303</b>	<b>332,820,324</b>	<b>99,884,711</b>	<b>913,550,833</b>	<b>42,286,143</b>	<b>77,626,874</b>	<b>4,247,570,475</b>
Depreciation											
Depreciation 1.1.2023	-	529,573,176	6,500,000	35,996,577	360,560,738	309,937,976	92,793,111	852,356,298	-	-	2,187,717,876
Charge for the year	-	39,691,197	-	2,778,344	11,587,348	5,284,762	1,531,629	33,351,901	-	-	94,225,181
<b>Depreciation 31.12.2023</b>	<b>-</b>	<b>569,264,373</b>	<b>6,500,000</b>	<b>38,774,921</b>	<b>372,148,086</b>	<b>315,222,738</b>	<b>94,324,740</b>	<b>885,708,199</b>	<b>-</b>	<b>-</b>	<b>2,281,943,057</b>
<b>NBV 31.12.2023</b>	<b>805,000,000</b>	<b>952,821,757</b>	<b>-</b>	<b>41,237</b>	<b>36,851,216</b>	<b>17,597,586</b>	<b>5,559,970</b>	<b>27,842,634</b>	<b>42,286,143</b>	<b>77,626,874</b>	<b>1,965,627,418</b>
<b>NBV 31.12.2022</b>	<b>805,000,000</b>	<b>992,512,954</b>	<b>-</b>	<b>2,819,581</b>	<b>48,438,564</b>	<b>22,028,408</b>	<b>7,091,599</b>	<b>56,314,043</b>	<b>27,876,201</b>	<b>77,626,874</b>	<b>2,039,708,225</b>

*Kenya Post Office Savings Bank  
Annual report and financial statements  
For the year ended 31 December 2024*

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*Notes to the Financial Statements*

27 (c) Land & Buildings

Cost / Valuation	Land	Buildings	Show Stand	2023	2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Long-term leasehold	760,000,000	1,090,000,000	0	1,850,000,000	1,850,000,000
Short-term leasehold	45,000,000	105,000,000	6,500,000	156,500,000	156,500,000
	<b>805,000,000</b>	<b>1,195,000,000</b>	<b>6,500,000</b>	<b>2,006,500,000</b>	<b>2,006,500,000</b>

Included in short-term leasehold land and buildings is a property purchased in Mombasa. It was revalued downwards in 2017 from Kshs 125 million to Kshs.50 million

28 Right of use Assets	2024 Kshs	2023 Kshs
At 1 January	176,752,553	265,128,828.9
Depreciation charge for the year	(88,406,276)	(88,376,276)
<b>Net book value</b>	<b>88,346,277</b>	<b>176,752,553</b>

Right of use assets relate to leased premises that are presented within Right of Use Assets.

29 Intangible Assets	2024 Kshs	2023 Kshs
Cost		
At 1 January	616,827,270	616,827,270
Additions	-	-
<b>At 31 December</b>	<b>616,827,270</b>	<b>616,827,270</b>
Amortization		
At 1 January	606,284,520	597,891,944
Amortization for the year	4,834,557	8,392,576
At 31 December	611,119,077	606,284,520
Carrying Amount		
At 31 December	<b>5,708,193</b>	<b>10,542,750</b>

The intangible assets are in respect of Internet and mobile banking software

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**  
**Notes to the Financial Statements**

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>30 Customers' Savings and Deposit Accounts</b>		
Retail customers	1,033,973,359	909,085,317
Term deposits	4,295,792,216	4,485,998,725
Savings and Current accounts	10,213,907,188	10,199,422,730
Corporate customers:	10,492,839,674	9,248,790,996
Others	50,266,843	40,606,186
	<u>26,086,779,282</u>	<u>24,883,903,954</u>

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>31 Accounts Payables and Accruals</b>		
Trade creditors	48,610,105	50,721,669
PCK Services Rendered - GoK Pension (i)	43,028,725	534,376,156
PCK Encashed Warrants Payable (ii)	59,146,203	462,050,351
PCK- Pension Warrants (iii)	170,953,266	170,953,266
GoK Pension Payroll (iv)	1,015,919,183	1,015,919,183
Accrued Expenses	312,043,630	449,908,798
Other creditors	450,345,698	468,786,747
	<u>2,100,046,810</u>	<u>3,152,716,170</u>

- (i) PCK Services rendered- GOK Pension/others refers to amount payable to Postal Corporation of Kenya for services offered to our pensioners/regular customers for normal banking services.
- (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 been outstanding since year 2007 will be settled once the reconciliations are agreed on.
- (iii) PCK -GoK Warrant is the un-accounted amount to pensioners account held by PCK. The amount of Kshs.170,953,266 which has been outstanding since year 2007 will be settled once we agree on reconciliations
- (iv) GoK Pension Payroll is the un-applied amount to pensioners account held by PCK

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>32 GOK Pension Reserve Fund</b>		
Amount	<u>(259,417,121)</u>	<u>54,470,982</u>

These are pension funds from the Government for distribution to pensioners .

**Kenya Post Office Savings Bank**  
**Annual report and financial statements**  
**For the year ended 31 December 2024**  
**Notes to the Financial Statements**

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>33 Lease Liabilities</b>		
At 1 January	179,835,254	265,352,453
Interest expense in the year	3,405,712	5,369,674
Lease Liability debits (Rent paid) in the year	(97,425,499)	(90,886,873)
	<u>85,815,467</u>	<u>179,835,254</u>
Comprised of:		
Current	88,376,276	88,376,276
Non-current	91,458,978	176,752,552
Net book value - 31 December	<u>179,835,254</u>	<u>265,128,828</u>

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>34 Deferred Revenue</b>		
Western Union Product	2,013,211	2,013,211
Bidii Product	3,706,728	3,706,728
Visa EMV Project	229,458	229,458
Smata, Mchama & Agency Expansion Projects	2,344,437	2,344,437
Old Mutual grant	148,100	0
	<u>8,441,934</u>	<u>8,293,834</u>

During the year the Bank received a grant of Kshs 399,000 from Old Mutual Insurance company and spent Kshs 250,900 on training Mchama groups on micro insurance

	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>35 CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances (note 19 )	360,259,263	527,290,619
Deposits in banks and Financial Institutions (note 20)	352,533,825	90,980,520
Treasury Bills and Bonds (note 21 -a)	6,833,415,806	6,199,845,764
	<u>7,546,208,894</u>	<u>6,818,116,903</u>

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

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*Notes to the Financial Statements*

<b>36 RELATED PARTY TRANSACTIONS</b>	<b>2024</b>	<b>2023</b>
	<b>Kshs</b>	<b>Kshs</b>
i) Directors Remuneration		
Directors Honoraria	960,000	929,973
Directors Allowances	6,603,174	10,015,818
	<u>7,563,174</u>	<u>10,945,791</u>
(ii) Key management remuneration		
Salaries and wages	<u>9,367,534</u>	<u>9,350,490</u>
(iii) Loans to staff		
Welfare loans	786,671,132	699,682,242
Personal development Loan	60,915,050	52,059,658
	<u>847,586,182</u>	<u>751,741,900</u>

Interest income on staff loans was Kshs 30,465,615 (2023-28,758,398). The effective interest rate for welfare loans is 5% while for personal development loan is 10%. Staff mortgages and car loans are secured by charging the related property to the Bank.

(iv) Loans to Directors

balance of Kshs 3,327,044 relates to loans advanced to former directors that have fully been provided for write-off

37 LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period as at 31 December 2024 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	360,259,263	0	0	0	20,000,000	35,000,000	678,882,500	6,099,533,306	360,259,263
Investment in T Bonds		352,533,825							6,833,415,806
Funds on call and short notice								32,390,225	352,533,825
Investment Property									32,390,225
Other Investment			4,241,750						4,241,750
Other Assets	458,699,418	707,528,153	632,356,163	805,772,130	445,319,078	645,049,609	450,659,374	200,578,289	4,345,962,214
GOK Pension Reserve Fund Account			259,417,120						259,417,120
Property and Equipment	0	0	11,406,542	0	29,502,315	580,564,985	321,862,445	888,128,360	1,831,464,647
Intangible Assets							5,708,193		5,708,193
<b>Total Assets</b>	<b>818,958,681</b>	<b>1,060,061,978</b>	<b>907,421,575</b>	<b>805,772,130</b>	<b>494,821,394</b>	<b>1,260,614,594</b>	<b>1,457,112,512</b>	<b>7,220,630,180</b>	<b>14,025,393,043</b>
Other Liabilities	435,354,219	288,778,402	524,271,941	503,487,465	62,703,573	18,984,153	242,081,829	110,200,694	2,185,862,277
Customers' Savings and Deposit accounts	821,401,742	2,853,669,952	2,623,156,120	2,413,117,136	2,829,398,228	2,441,590,743	3,331,111,333	7,568,538,495	24,881,983,749
Deferred Revenue					148,100	6,164,732	2,129,102		8,441,934
Revaluation Reserves								3,165,760,210	3,165,760,210
Changes in fair value of financial Instruments at FVOCI									(30,109,397)
Revenue Reserves			(30,109,397)						(30,109,397)
<b>Total Liabilities and Reserves</b>	<b>1,256,755,961</b>	<b>3,142,448,355</b>	<b>2,494,031,151</b>	<b>2,916,604,601</b>	<b>2,892,249,901</b>	<b>(1,721,052,842)</b>	<b>(2,501,265,807)</b>	<b>(12,545,061,011)</b>	<b>(17,390,667,173)</b>
<b>A - B Liquidity G.A.P</b>	<b>(437,797,280)</b>	<b>(2,082,386,377)</b>	<b>(1,586,609,576)</b>	<b>(2,110,832,471)</b>	<b>(2,397,428,508)</b>	<b>514,927,808</b>	<b>383,056,055</b>	<b>8,921,191,791</b>	<b>12,821,271,600</b>

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

*Kenya Post Office Savings Bank*  
*Annual report and financial statements*  
*For the year ended 31 December 2024*

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*Notes to the Financial Statements*

**38 CONSOLIDATION**

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

**39 COMPARATIVES**

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

**40 EMPLOYEES**

The average number of employees during the year was 482 (2023-526).

**41 SUBSEQUENT EVENTS**

There have been no events subsequent to the financial year end with significant impact on the financial statements for the year ended December 31, 2024

**42 NETWORK OF POSTBANK BRANCHES**

The total number of branches during the year was 97.

## Appendix I:

### PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is a summary of issues raised by the external auditor and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe																				
1	<b>Inaccuracies in Property and Equipment Balance</b>																								
	<p>As previously reported, the statement of financial position reflects property and equipment balance of Kshs.1,965,627,418 as disclosed in Note 27(a) to the financial statements. Review of the asset register and ledgers for the assets revealed the following anomalies</p> <p>i)The netbook values reflected in the financial statements were at variance with the balances in the asset register as listed below.</p> <table border="1"> <thead> <tr> <th>Asset Class</th> <th>Financial Statements (Kshs)</th> <th>Asset Register (Kshs)</th> <th>Variance (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Computer Hardware</td> <td>27,842,634</td> <td>30,676,048</td> <td>(2,833,414)</td> </tr> <tr> <td>Electronic Office Equipment</td> <td>17,597,586</td> <td>16,482,646</td> <td>1,114,940</td> </tr> <tr> <td>Furniture and Fittings</td> <td>36,851,216</td> <td>36,789,125</td> <td>62,091</td> </tr> <tr> <td>Non-Electronic Office Equipment</td> <td>5,559,970</td> <td>5,568,155</td> <td>(8,185)</td> </tr> </tbody> </table>	Asset Class	Financial Statements (Kshs)	Asset Register (Kshs)	Variance (Kshs)	Computer Hardware	27,842,634	30,676,048	(2,833,414)	Electronic Office Equipment	17,597,586	16,482,646	1,114,940	Furniture and Fittings	36,851,216	36,789,125	62,091	Non-Electronic Office Equipment	5,559,970	5,568,155	(8,185)	<p>Reconciliation of the Fixed Assets register, and the GL is at an advanced stage to clear the variances noted.</p>	<p>Head of Finance &amp; Accounts</p>	<p>Ongoing</p>	<p>August 2025</p>
Asset Class	Financial Statements (Kshs)	Asset Register (Kshs)	Variance (Kshs)																						
Computer Hardware	27,842,634	30,676,048	(2,833,414)																						
Electronic Office Equipment	17,597,586	16,482,646	1,114,940																						
Furniture and Fittings	36,851,216	36,789,125	62,091																						
Non-Electronic Office Equipment	5,559,970	5,568,155	(8,185)																						
	<p>ii) Further, the cost or valuation of the various asset classes disclosed in Note 27(a) were at variance with the asset register as shown below.</p>	<p>For Capital Work-in-Progress adjustments of Kshs 76,494,041.62 were passed via J.E number 1340 to correct the errors and to reclassify some assets from WIP to the</p>		<p>Closed</p>																					

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe																								
	<table border="1"> <thead> <tr> <th>Asset Class</th> <th>Financial Statement (Kshs)</th> <th>Asset Register (Kshs)</th> <th>Variance (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Capital Work in Progress</td> <td>77,626,874</td> <td>-</td> <td>77,626,874</td> </tr> <tr> <td>Computer Hardware</td> <td>913,550,833</td> <td>913,553,412</td> <td>(2,579)</td> </tr> <tr> <td>Fixed Asset Clearing Account</td> <td>42,286,143</td> <td>-</td> <td>42,286,143</td> </tr> <tr> <td>Furniture and Fittings</td> <td>408,999,303</td> <td>408,934,799</td> <td>64,504</td> </tr> <tr> <td>Non-Electronic Office Equipment</td> <td>99,884,711</td> <td>99,884,398</td> <td>313</td> </tr> </tbody> </table>	Asset Class	Financial Statement (Kshs)	Asset Register (Kshs)	Variance (Kshs)	Capital Work in Progress	77,626,874	-	77,626,874	Computer Hardware	913,550,833	913,553,412	(2,579)	Fixed Asset Clearing Account	42,286,143	-	42,286,143	Furniture and Fittings	408,999,303	408,934,799	64,504	Non-Electronic Office Equipment	99,884,711	99,884,398	313	<p>respective asset class in FY 2024.</p> <p>Make up of Kshs 42,286,143 in Fixed assets clearing account is available adjusting entries have been made to post the items to the correct asset category</p>			
Asset Class	Financial Statement (Kshs)	Asset Register (Kshs)	Variance (Kshs)																										
Capital Work in Progress	77,626,874	-	77,626,874																										
Computer Hardware	913,550,833	913,553,412	(2,579)																										
Fixed Asset Clearing Account	42,286,143	-	42,286,143																										
Furniture and Fittings	408,999,303	408,934,799	64,504																										
Non-Electronic Office Equipment	99,884,711	99,884,398	313																										
	<p>iii) In addition, the statement of profit or loss and other comprehensive income reflects depreciation and amortization charges balance of Kshs.190,994,033 as disclosed in Note 14 to the financial statements. Included in the charge is depreciation of property and equipment and amortization of intangible assets balances of Kshs.94,225,181 and Kshs.8,392,576</p>	<p>The Bank revalued its assets in FY 2017, assets that were affected had the values and lifespan amended in the system, but the date was not amended to reflect the revaluation date.</p> <p>This will impact the way depreciation, accumulated depreciation and netbook value hence the variance noted in how you computed these values.</p>																											
	<p>iv) Review of the fixed assets register revealed that motor vehicles, furniture and fittings, computer hardware, electronic equipment and non-electronic equipment with a total historical cost of Kshs.1,923,414,106 were fully depreciated and still in use but had not been revalued as per IAS 16.31 which states that revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.</p>	<p>The Bank has been operating on a stringent budget with very little room for additional costs. We will seek budget approval for fixed assets revaluation within -FY 2025.</p> <p>Our capex budget has not been approved for the last couple of years, forcing us to extra costs to repair and</p>		Ongoing	Dec-2025																								

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	In the circumstances, the accuracy of property and equipment balance of Kshs.1,965,627,418 could not be confirmed.	maintain current assets in place.  We dispose of our assets when they can longer be used according to the PPDA			
2	<b>Inaccuracies in Cash and Cash Equivalents Balance</b>				
	As previously reported, the statement of financial position reflects a cash and cash equivalents balance of Kshs.527,290,619 which, as disclosed in Note 19 to the financial statements includes cash in hand and cash at bank balances of Kshs.322,617,692 and Kshs.204,672,927, respectively. However, review of the cash books and bank reconciliation statements revealed the following anomalies:		Head of Finance & Accounts		
	i) The bank reconciliation statements reflect a combined cash in bank balance of Kshs.183,726,644 compared to the balance in Note 19 to the financial statements of Kshs.204, 672,927, resulting in an unexplained variance of Kshs.20, 946,283.	On 13 December 2022 an amount of Kshs 16,129,105.20 was received from CBK as interest (Investment MR number 575862& 575863). The amount was received but not captured. The above has been corrected. We also received ksh1,722,927 from First Assurance (payment MR 538295). The money has been captured. The balance of 3.1M are unrepresented cheques. Which cleared the consecutive year (January 2024).		Closed	
	ii) The bank balance of Kshs.204,672,927 includes balances amounting to Kshs.104,923,142 in respect to twenty-two (22) accounts that had been overdrawn (cash book	14 have regularized, 8 are still ongoing		Ongoing	August - 2025

Appendix I:

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	<p>overdrafts). No authority from the Board and The National Treasury for the overdraft was provided.</p> <p>Further, the overdrafts were offsets against other bank balances in contrast to IAS 1.32 which requires that assets and liabilities, and income and expenses, may not be offset unless required or permitted by the International Accounting Standards.</p>				
	<p>iii) Bank reconciliation statements for the month of December 2023 reflected payments in cash books not in the bank that included payments through twenty-two (22) cheques totaling Kshs.3,468,304 which had become stale. Further, the statements reflected total payments in cash books not in the bank for seventy-one (71) bank accounts which were made through bank transfers totaling Kshs.16,568,445,563 that had been outstanding for more than one month, with some dating back to 2014. No reason was provided for the failure to reverse these payments in the cashbooks</p>	<p>The stale cheques worth 5.4M have been posted to stale cheque account. Moving forward, the bank is planning to stop issuance of cheques and use Pesa link, this will reduce issues with stale cheques. Pesa link can pay up to a maximum of ksh300,000. Any payment above that we shall use RTGS So far, the Bank has remitted Kshs6,603,972.40 to UFAA in relation to stale cheques.</p>		Ongoing	June -2025
	<p>iv) Further, bank reconciliation statements for the month of December 2023 reflected total receipts in the bank statements not in the cash books for eighty-seven (87) bank accounts all amounting to Kshs.376,510,181 that were more than one month old with some dating back to 2011. No reason was provided for not updating the cash books.</p>	<p>The receipts and payments are majorly as result of legacy issues dating back to 2011. The receipts of Kshs376,510,181 so far adjustments worth ksh42million has been passed to correct the status. Reconciliation is ongoing with the aim of clearing the outstanding balance</p>		Ongoing	June -2025

**Appendix I:**

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	<p>i) In addition, bank reconciliation statements reflected total payments in the bank statements not in the cash books for fifty-four (54) bank accounts all amounting to Kshs.15,664,313,909 with some dating back to 2011. No reason was provided for not updating the cash books. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.527,290,619 could not be confirmed</p>	<p>The cash book balances reported of Kshs 15,664,313,909 are payments in cash book which represents both Kenswitch terminal transactions (POS &amp; ATMs). settlement for all participants is done on a net position on a 4pm to 4pm basis, whereas our cash book transactions runs between 12am to 12pm. Settlements for these transactions are done through NCBA Atm accounts on a next working day basis. The NCBA account reconciliation is ongoing.</p>		Ongoing	June -2025
<b>3</b>	<b>Investment Property in Dispute</b>				
	<p>i) As previously reported, the statement of financial position reflects an investment property balance of Kshs.32,390,225 which as disclosed in Note 22 to the financial statements includes a parcel of land valued at Kshs.5,000,000 located within Nairobi which was allotted to the Bank in 1993. However, site visit during the month of June 2024 revealed that the property is encroached by informal settlers and is not secured with a perimeter fence.</p>		Legal		
	<p>ii) Further, the balance includes a value of another parcel of land located within Nairobi Region and registered in the name of the Bank with a market value at Kshs.550,000,000 as at December 2017 but carried at a book value of Kshs.27,390,225 though its title deed is encumbered. The encumbrance was registered vide a caveat dated 15 August 2014 claiming interest absolutely.</p>	<p>Civil Appeal No 264 of 2019 was delivered in the bank's favor on 25th October 2024 and the bank was granted: -</p>			

Appendix I:

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	<p>Available information indicates that the encumbrance relates to an ongoing court case between the Bank and another party after the bank lost its claim in the High Court. Management appealed the ruling in the Court of Appeal and the outcome of the case had not been determined at the time of the audit.</p> <p>In the circumstances, the ownership, accuracy and completeness of the investment property balance of Kshs.32,390,225 could not be confirmed.</p>	<ol style="list-style-type: none"> <li>1. Vacant possession and delivery up of the said suit land and premises known as L.R No. 209/11908 Nairobi House No. HG 34 Mara Road.</li> <li>2. Damages or mesne profits at the rate of 50,000 shillings per month from the day of September 1995.</li> <li>3. Execution of the favorable judgement pending due to a notice of appeal to the supreme Court that was filed by the Respondent.</li> </ol>			
4	<b>Doubtful Long Outstanding Accounts Receivables</b>				
	<p>As previously reported, the statement of financial position reflects accounts receivables balance of Kshs.2,978,816,497 as disclosed in Note 25 to the financial statements. However, review of records revealed the following unsatisfactory matters;</p>		Head of Finance & Accounts		
	<p>i) The balance includes accounts receivables due from Government Institutions amounting to Kshs.2,549,191,720. Review of the ageing analysis revealed that amounts totaling Kshs.2,432,830,407 had been outstanding for over one year with some balances dating back to the year 2005 as listed below.</p>	<p>Amount owing from Postal Corporation of Kenya (PCK) Reconciliations towards settlement have been ongoing between Postbank and PCK. The technical teams of the two organizations reached an agreement and a second sign-off was done on 5th August 2021</p>		Ongoing	Dec-2025

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe																																	
	<table border="1"> <thead> <tr> <th>Item</th> <th>Amount Owed (Kshs)</th> <th>Outstanding Amounts Over 1 year (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Postal Corporation of Kenya - Excess Deposits</td> <td>780,394,108</td> <td>780,394,108</td> </tr> <tr> <td>GOK- KP &amp;TC</td> <td>405,231,629</td> <td>405,231,629</td> </tr> <tr> <td>Prepaid GOK Pension - Postal Corporation of Kenya (PCK) Payroll</td> <td>634,463,707</td> <td>617,045,801</td> </tr> <tr> <td>GOK Pension Cheques Receivable -PCK</td> <td>268,553,158</td> <td>268,553,158</td> </tr> <tr> <td>PCK Overdrawn Claimable</td> <td>44,953,868</td> <td>44,953,868</td> </tr> <tr> <td>Postal Corporations of Kenya (PCK)</td> <td>73,996,003</td> <td>64,075,618</td> </tr> <tr> <td>Inua Jamii Commission Receivables</td> <td>41,985,786</td> <td>19,640,240</td> </tr> <tr> <td>Commission Receivable from GOK Pension</td> <td>108,970,126</td> <td>67,076,225</td> </tr> <tr> <td>Trade Debtors</td> <td>190,643,335</td> <td>165,859,760</td> </tr> <tr> <td><b>Total</b></td> <td><b>2,549,191,720</b></td> <td><b>2,432,830,407</b></td> </tr> </tbody> </table> <p>Although Management cited commitment from the concerned parties including The National Treasury to settle the debts, the balances were still outstanding, and their recoverability remains doubtful</p>	Item	Amount Owed (Kshs)	Outstanding Amounts Over 1 year (Kshs)	Postal Corporation of Kenya - Excess Deposits	780,394,108	780,394,108	GOK- KP &TC	405,231,629	405,231,629	Prepaid GOK Pension - Postal Corporation of Kenya (PCK) Payroll	634,463,707	617,045,801	GOK Pension Cheques Receivable -PCK	268,553,158	268,553,158	PCK Overdrawn Claimable	44,953,868	44,953,868	Postal Corporations of Kenya (PCK)	73,996,003	64,075,618	Inua Jamii Commission Receivables	41,985,786	19,640,240	Commission Receivable from GOK Pension	108,970,126	67,076,225	Trade Debtors	190,643,335	165,859,760	<b>Total</b>	<b>2,549,191,720</b>	<b>2,432,830,407</b>	<p>Reconciliations are ongoing to clear up the outstanding issues.</p> <p>Amount owing from KP&amp;TC - Kshs. 405,231,629 - A Cabinet decision on Strategy to reform KPOSB (Ref ZZ.27/71/01-Dated 2nd November 2011 was approved and among the issues approved decision was that the Government settles the debt owned by the defunct KP&amp; TC (Kshs 405.2 million) to KPOSB. The Bank has been following up with The National Treasury to facilitate recovery</p> <p>Journal Entry no 1187 correct PCK receivables was passed in the revised Financial Statements considering the signoff that was done between PCK and KPOSB, reconciliations are still ongoing to clear the pending items.</p>			
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<b>Total</b>	<b>2,549,191,720</b>	<b>2,432,830,407</b>																																				
	<p>ii)The accounts receivables balance includes rent receivable balance of Kshs.119,514,710, out of which an amount of Kshs.77,844,868 had been outstanding for over one year and the respective tenants had vacated the premises. Although Management has outlined various measures it has taken to recover the outstanding rent from defaulting tenants, evidence of recovery was not provided.</p>	<p>The bank employs various strategies to recover the unpaid rent, including court cases, instructions to auctioneers, reconciliation of paid amounts and Alternative Dispute Resolution mechanisms.</p>		Ongoing																																		

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe																												
	<p>iii) The balance also includes trade debtors' balance of Kshs.190,643,335 which include debtors with credit balances totaling Kshs.37,880,712 which have been offset against the receivables balance, contrary to IAS 1.32 which states that assets and liabilities, and income and expenses, may not be offset unless required or permitted by the International Accounting Standard.</p>	<p>Reconciliations are ongoing to clean up the debtor's ledger and have correct balances in place</p> <p>Below is the list of Trade Debtors indicating a balance of Kshs. 190,643,335 as per financial statements.</p> <table border="1"> <thead> <tr> <th>Trade debtors</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>MTS/VISA Debtors</td> <td>184,908,527</td> </tr> <tr> <td>Kenswitch POS Commission receivable</td> <td>74,293</td> </tr> <tr> <td>First Community Bank Receivable</td> <td>240,000</td> </tr> <tr> <td>ABSA Bank Commission Receivable</td> <td>1,214,209</td> </tr> <tr> <td>NIC Bank Commission Receivable</td> <td>3,284,502</td> </tr> <tr> <td>I &amp; M Bank Commission Receivable</td> <td>15,264</td> </tr> <tr> <td>NBK Commission Receivable</td> <td>109,296</td> </tr> <tr> <td>Jamii Bora Bank Commission Receivable</td> <td>5,328</td> </tr> <tr> <td>ABC Bank Commission Receivable</td> <td>52,560</td> </tr> <tr> <td>SBMK Bank Commission Receivable</td> <td>33,696</td> </tr> <tr> <td>Stanbic Bank Commission Receivable</td> <td>629,118</td> </tr> <tr> <td>Credit Bank Commission Receivable</td> <td>76,543</td> </tr> <tr> <td></td> <td><b>190,643,335</b></td> </tr> </tbody> </table>	Trade debtors	Amount	MTS/VISA Debtors	184,908,527	Kenswitch POS Commission receivable	74,293	First Community Bank Receivable	240,000	ABSA Bank Commission Receivable	1,214,209	NIC Bank Commission Receivable	3,284,502	I & M Bank Commission Receivable	15,264	NBK Commission Receivable	109,296	Jamii Bora Bank Commission Receivable	5,328	ABC Bank Commission Receivable	52,560	SBMK Bank Commission Receivable	33,696	Stanbic Bank Commission Receivable	629,118	Credit Bank Commission Receivable	76,543		<b>190,643,335</b>		Ongoing	
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	<p>iv) The balance includes fixed deposits held in ailing financial institutions balance of Kshs.404,924,920. Although the balance has been fully provided for as some of the institutions have since been placed under statutory</p>	<p>The institutions have since been liquidated and the amount of Kshs. 404,924,920 is what remains unrecovered, these amounts have been fully</p>		ongoing	Dec-2025																												

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe																								
	management, no certificates of confirmation of the deposits were provided. In the circumstances, the valuation of the accounts receivables balance of Kshs.2,978,816,497 could not be confirmed	provided for in Financial Statements. We have so far received Kshs 135,484,221 (between 2013 and 2023) from these institutions  We will seek relevant approval to write off these amounts to remove them from the books in FY 2025																											
<b>5</b>	<b>Unsupported Prepayments and Other Assets</b>																												
	i) The statement of financial position reflects prepayments and other assets net balance of Kshs.2,073,983,906 as disclosed in Note 26 to the financial statements. The balance includes other assets and prepayments balance of Kshs.798,080,494, out of which balances totaling Kshs.591,592,577 were not supported with respective ledgers. The balance included refundable deposits balance of Kshs.37,305,318 whose details were not provided.	Listing of refundable deposits as at 31 <sup>st</sup> December 2023 is available for auditor's review.	Head of Finance & Accounts																										
	ii) Further, included in the balance of Kshs.798,080,494 is an amount totaling Kshs.146,140,366(2022 - Kshs.148,592,998) relating to losses of money through fraud and cash shortages that had not been recovered by the end of the year. This was despite the provisions of the Bank's Human Resource Policy that cash shortages were made good within forty-eight (48) hours by the staff concerned. No evidence of the Bank's effort to recover the losses was provided  In the circumstances, the accuracy, completeness and recoverability of the prepayments and other assets' net balance of Kshs.2,073,983,906 could not be confirmed.	Frauds and Shortages In this amount Kshs 112,356,829 relates to prior periods before 2012, a provision of Kshs 22,013,431 has been done so far. We will seek Board approval to write these amounts off. <table border="1"> <thead> <tr> <th></th> <th>Amount</th> <th>Provision</th> <th>Net</th> </tr> </thead> <tbody> <tr> <td>Frauds - Customers</td> <td>42,339,948</td> <td>(20,661,409)</td> <td>21,678,539</td> </tr> <tr> <td>Staff Surcharge -</td> <td>1,643,350</td> <td></td> <td>1,643,350</td> </tr> <tr> <td>Shortages</td> <td>43,710,088</td> <td></td> <td>43,710,088</td> </tr> <tr> <td>Frauds - Others</td> <td>40,703,450</td> <td>(1,352,022)</td> <td>39,351,428</td> </tr> <tr> <td><b>Total</b></td> <td><b>128,396,836</b></td> <td><b>(22,013,431)</b></td> <td><b>106,383,405</b></td> </tr> </tbody> </table> Currently all shortages are being recovered promptly as per policy.		Amount	Provision	Net	Frauds - Customers	42,339,948	(20,661,409)	21,678,539	Staff Surcharge -	1,643,350		1,643,350	Shortages	43,710,088		43,710,088	Frauds - Others	40,703,450	(1,352,022)	39,351,428	<b>Total</b>	<b>128,396,836</b>	<b>(22,013,431)</b>	<b>106,383,405</b>		Ongoing	
	Amount	Provision	Net																										
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Frauds - Others	40,703,450	(1,352,022)	39,351,428																										
<b>Total</b>	<b>128,396,836</b>	<b>(22,013,431)</b>	<b>106,383,405</b>																										

Appendix I:

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		The Bank is following reported fraud cases with insurance and other relevant organizations for recovery			
<b>6</b>	<b>Unsupported Impairment on Loans and Advances</b>				
	<p>The statement of profit or loss and other comprehensive income reflects impairment loss on loans and advances totaling Kshs.50,000,000 as disclosed in Note 10 to the financial statements. However, Note 25 to the financial statements reflects provisions for bad and doubtful debts amounting to Kshs.1,304,647,805 which represents an increase of Kshs.49,099,161 from the previous year's provision balance of Kshs.1,255,548,644, resulting in unreconciled variance with the amount reflected in the statement of profit or loss and other comprehensive income balance of Kshs.900,839.</p> <p>Further, the basis for the provisions was not provided and there was no evidence to indicate that the provisions or expected credit losses were measured in accordance with requirements of Paragraph 5.5.17 of the International Financial Reporting Standards (IFRS) 9 which states that an entity shall measure expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.</p> <p>In the circumstances, the of impairment loss on loans and advances balance of Kshs.50,000,000 could not be confirmed.</p>	<p>This was due to lack of capex budget to buy impairment model. On approval of our capex budget for FY 2025 the Bank will acquire IFRS 9 software to recompute the provisions.</p> <p>Currently the Bank has developed an excel model to calculate impairments in compliance with IFRS 9.</p>	Head of Finance & Accounts	Closed	
<b>7</b>	<b>Anomalies in Loans to Staff and Directors</b>				

**Appendix I:**

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	As previously reported, the statement of financial position reflects accounts receivable balance of Kshs.2,978,816,497 as disclosed in Note 25 to the financial statements. Included in the balance are staff loans, staff debtors-personal development loans and Directors' loans balances of Kshs.753,228,708, Kshs.68,515,277 and Kshs.3,327,044 respectively totaling Kshs.825,071,029. Review of the loan register and related records revealed the following anomalies		Manager - Credit and Card Services		
	i)The loan portfolio includes outstanding loan balances totaling Kshs.125,108,205 whose maturity had lapsed, out of which loan balances amounting to Kshs.94,246,308 had been outstanding for over two years with some dating back to 2015. Evidence of Management's effort to recover the loans from either sale of collateral or legal action on borrowers was not provided.	The Bank continues to undertake debt collections efforts through. <ul style="list-style-type: none"> <li>• Sending monthly SMS reminders.</li> <li>• Sending monthly loan E-statements.</li> <li>• Calling/emailing debtors with the aim of agreeing on repayment plans.</li> <li>• CRB listing.</li> <li>• Sending demand letters.</li> <li>• Issuing statutory notices for loan facilities with collateral.</li> </ul>		Continuous follow up.	Continuous.
	ii) The portfolio includes fifty-one (51) defaulted loans totaling Kshs.11,697,002 that had been issued to members of staff who have since exited the Bank. However, the loans had not been secured with any collateral and their recoverability is doubtful. No explanation was provided on how the loanees were cleared by the Bank upon exit without settling the loans against their benefits	<ul style="list-style-type: none"> <li>• These are legacy accounts.</li> </ul> The Bank no longer clears any Staff exiting its employ who has an outstanding unsecured loan.		Continuous.	Continuous.
	iii) The loan schedules on Directors' loans comprised of loans to two Directors balances of Kshs.2,024,403 and Kshs.1,302,641 which had been defaulted on and had been in arrears since the year 2012. However, no explanation was	On directors' loan, a loan balance of Ksh.1,302,640.60 is owed by one director who is deceased, and we shall write off			

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	given on whether the loans were charged on the asset bought and if so, why the collaterals were not sold or taken as lien to recover the outstanding loan balance or how the bank intends to recover the outstanding amounts.	the same once approved by the Board. The other loan balance of Ksh.2,024,403.08 owed by former director, the matter is in court where the bank is pursuing recovery through legal process vide case number HCCC NO 124 of 2001 in Eldoret. These Loans have been fully provided for in the Financial Statements.			
	iv) The balance also includes an amount of Kshs.115,266,988 in respect of interest receivable on personal development loans. However, an aging analysis with details of the debtors was not provided for audit review.  In the circumstances, the accuracy, fair measurement and recoverability of the loans to staff and directors totaling Kshs.825,071,029 could not be confirmed	The Bank has automated the generation of the Staff Loans ageing report which is done monthly.		Staff Loans Ageing report done monthly.	Continuous.
<b>8</b>	<b>Long Outstanding and Unsupported Accounts Payable and Accruals</b>				
	As previously reported, the statement of financial position reflects accounts payable and accruals balance of Kshs.3,152,716,175 as disclosed under Note 31 to the financial statements. Review of the aging analysis of the balances revealed the following anomalies:		Head of Finance & Accounts		
	i) The balance includes Postal Corporation of Kenya (PCK) services rendered-GoK pension, PCK encashed warrants payable, PCK pension warrants, and GoK Pension Payroll (unapplied amount to pensioners held by PCK) balances of Kshs.534,376,156, Kshs.462,050,351, Kshs.170,953,266 and Kshs.1,015,919,183 respectively, all totaling Kshs.2,183,298,956 which have been outstanding since 2007. However, the financial statements of PCK for the year ended 30 June 2023 reflect a balance receivable from	PCK debtors constitute the bulk of the Bank's Receivables at 62%. This is due to the shared heritage of the two institutions and the extensive business relationships which existed. The amount Due from PCK is 1.7 billion while Postbank owes PCK Kshs 1.1 billion for various		Ongoing	Dec - 2025

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	the Post Office Savings Bank balance of Kshs.369,211,938, resulting in an un-reconciled variance of Kshs.1,814,087,018. Although Management has indicated that the balances will be settled once reconciliations with PCK are complete, no progress reports on the reconciliation were provided.	services, net position is Kshs 600 million in favor of KPOSB.  The technical teams of the two organizations reached an agreement and a second sign-off was done on 5th August 2021 (as per attached annex). Reconciliations are ongoing to clear up the outstanding issues.			
	ii) Further, the balance includes trade creditors balance of Kshs.50,721,669 out of which invoices amounting to Kshs.22,644,150 had been outstanding for more than one year while supplier accounts with debit balances totaling Kshs.6,191,754 have been offset against other supplier accounts with credit balances, contrary to IAS 1.32 which requires that assets and liabilities, and income and expenses, may not be offset unless required or permitted by the International Accounting Standard	This was a system error that occurred while applying payment to a few creditors, reconciliations are in progress to separate the Debit Balances from the Creditors' balances and corrective action taken.		Ongoing	June-2025
	iii) In addition, the payables balance also includes other creditors' balance of Kshs.468,786,751 whose list includes stale cheques balance of Kshs.58,418,826 and excess cash balance of Kshs.34,581,070. No explanation was provided why the cheques were not deposited when they were written, and the excess cash may be an indicator of failure to reconcile and follow up with cashiers where there are cash differences occurring in the various branches. Further, the amount includes interest payable on customer liability balance of Kshs.82,910,249 whose details and ageing analysis were not provided.  In the circumstances, the accuracy of the payables and accruals balance of Kshs.3,152,719,175 could not be confirmed	Reconciliations on going to close this matter Going forward the bank is planning to stop issuance of cheques and use Pesa link, this will reduce issues with stale cheques. Pesa link can pay up to a maximum of ksh300,000. Any payment above that we shall use RTGS		Ongoing	June-2025

Appendix I:

**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	<b>Emphasis of Matter</b>				
9	<p><b>Material Uncertainty Relating to Going Concern</b>            As previously reported, the bank reported a loss of Kshs.709,279,028 (2022 - Kshs.701,006,236), increasing the accumulated loss to Kshs.16,790,772,156 as of 31 December 2023. Further, the bank’s current liabilities balance of Kshs.28,179,467,382 exceeded the current assets balance of Kshs.11,921,063,591, resulting to a negative working capital of Kshs.16,258,403,791 (2022 - Kshs.15,171,693,846). The Bank was therefore unable to meet its financial obligation as and when they fell due. As disclosed under Note 2(e)(i) to the financial statements, the Bank was technically insolvent and its continued operation as a going concern will depend on continued support from the Government and creditors</p>	<p>The Bank operates with the intention of being in business in the next 12 months and in the foreseeable future. The management runs the day-to-day activities by ensuring that assets are realized, and liabilities honored in the normal course of business.</p> <p>However, the Bank’s future performance is dependent on restructuring and government support in defraying the losses incurred from the year 2012 to 2023 amounting to (Kshs. 16,790,772,156) in accordance with KPOSB Act cap 493B section 13 (1).</p> <p>In addition to above</p> <p>Several turn- around strategies aimed at returning the bank to profitability are in the various stages of implementation.</p> <p>KPMG Business review is done and report with recommendations finalized and submitted to The National</p>	MD	Ongoing	Continuous

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		<p>Treasury for approval /adoption for turnaround of Postbank. The review will address the following.</p> <ul style="list-style-type: none"> <li>• optimization of the ICT infrastructure</li> <li>• human capital</li> <li>• current product offerings with a view of recommending a sustainable business model.</li> </ul> <p>2. Human Resources instruments have been done and submitted to The National Treasury for approval /adoption to ensure the Bank is strategically structured.</p> <p>3. Several turns around strategies aimed at returning the bank to profitability are in the various stages of implementation, key among them,</p> <p>a) Reduction of interest rates paid to Customer Savings and Deposits this led to a drop in Interest expense by 19%.</p>			

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		<p>b) Tariff review on fees and commissions charges by the bank in FY 2019 which led to 20% increase in fees and commission from Kshs 361 million in FY 2018 to Kshs 561 million in FY 2023.</p> <p>c) Various cost cutting measures are being implemented</p> <p>d) Branch rationalization and merger of loss-making branches.</p> <p>e) Migration of branches into nearby Postal Corporation of Kenya premises whose rental cost are cheaper (this will cut down on rental costs)</p> <p>f) Product rationalization and greater focus on clients and products as well as streamlining existing products to meet customers' requirements/demand.</p> <p>g) Enhanced Partnership with Government institutions to offer financial services</p>			

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		<p>h) Working on staff rationalization which will lead to reduction of staff cost</p> <p>i) Enhance alternate banking channels to target more customers in rural Kenya</p> <p>As per Kenya Post Office Savings Bank Act Cap 493B, Section 13(A) Surplus and deficits- Without prejudice to paragraph (f) of section 4, if in any year the revenue of the Bank is insufficient to defray the interest due to depositors and all expenses under this Act, such deficiency shall be charged upon and paid out of the Consolidated Fund.</p> <p>The bank has made several applications for losses incurred to the National Treasury for Government support /in defraying the losses incurred from the year 2012 to 2018.</p> <p>Defrayment of losses to close the gaping hole in the balance sheet is one of the sure ways of returning the Bank to profitability.</p>			

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		<p>Over the years banks' performance has been improving Restructuring processes are bearing fruit, the loss for the Bank has declined from Kshs 1.589 billion in FY 2018 to Kshs 709 million in FY 2023.</p>			
10	<p><b>Budgetary Control and Performance</b> The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.1,626,051,945 and Kshs.1,368,513,638 respectively, resulting to an under-funding of Kshs.257,538,307 or 16% of the budget. However, the Bank expended an amount of Kshs.2,077,792,666 against actual receipts of Kshs.1,368,513,638 resulting in an over-expenditure of Kshs.709,279,028, representing approximately 52% of the actual receipts.</p> <p>The under-funding and over-utilization affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>The Bank missed its income targets for the year because of</p> <p>The Bank earned Kshs. 890 million as Investment Income from TBs against a budget of Kshs. 922 million, this was below budget by Kshs 102 million i.e.,10 %, this was due to non-attainment of budgeted customer deposit figures which were to drive investment values and consequently Investment Income. Deposit mobilization was hindered by the high interest rates on Government papers during FY 2023, several of our customers opted to invest in Treasury Bonds that had high yields.</p> <p>Fees and commission income for the period was below budget because of non-attainment of</p>	Head of Finance & Accounts	Ongoing	Continuous

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		<p>key revenue lines e.g. GOK Pension Commission due to declining number of pension accounts, decline in MTS revenue (Money Transfer Services).</p> <p>On Expenses</p> <p>The Bank implemented cost-cutting measures that contributed to savings in expenses recorded in FY 2023.</p> <p>It was through these cost cutting measures that helped the bank improve its performance from a loss of Kshs 1.1 billion in FY 2020 to a loss of Kshs.709 million in FY 2023. The Bank does not get funding from the Government. Hence the need to save costs without negatively impacting the operations of the Bank</p>			
	<p><b>Key Audit Matters</b></p>				
11	<p><b>Unresolved Prior Year Audit Matters</b>                      In the previous year's audit reports, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which remained unresolved as at 31 December, 2023</p>	<p>The Bank is working on attaining zero fault audit going save for legacy issues that might take long to close due to related party approvals and closure.</p>	<p>Head of Finance &amp; Accounts</p>	<p>Ongoing</p>	<p>Continuous</p>

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	<b>Basis for Conclusion</b>				
12	<b>Non-Compliance with Human Resources Regulations</b>				
	<p>i) The statement of profit or loss and other comprehensive income reflects employee costs of Kshs.1,149,154,291 which as disclosed in Note 11 to the financial statements includes an amount of Kshs.715,767,455 in respect to salaries and wages. However, review of staff payroll for the period revealed that an average of three hundred and seventy three (373) members of staff were paid net salaries that were below one-third of their basic salaries contrary to Section 19(3) of the Employment Act, 2007 which states, inter alia, that, without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages</p>	<p>Staff are earning below the 1/3 due to high tax regime which has pushed staff to go below. Some are below due to SAYE deductions which is savings to the Bank. The Bank has never given a salary increase from 2013 due to the loss-making position of the Bank and the cost of living is high.</p>	Head - Human Resource & Admin		
	<p>ii) Further, an amount of Kshs.15,933,601 was paid to staff as Acting Allowances. However, most of them had acted for more than six months in contravention of Section C.14 of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that inter alia acting allowance will not be payable to an officer for more than six (6) months. In the circumstances, Management was in breach of the law.</p>	<p>Staff have acted for more than 6 months as per policy due to the delay in approval of the HR instruments and the same will be sorted in the implementation of the HR instruments since the Bank has obtained approval.</p>		Closed in January 2025	
13	<b>Non-Compliance with the National Cohesion and Integration Act, 2008</b>				
	<p>Review of the staff biodata revealed that out of five hundred and seventy-two (572) staff members employed by the Bank, two hundred and twenty-one (221) staff members were from one ethnic community, accounting for 39% of the total staff. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public</p>	<p>This has been historical and will be dealt with at recruitment of new employees. The Bank has not recruited for some time.</p>	Head - Human Resource & Admin	On going	

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
	establishment shall have more than one-third of its staff from the same ethnic community. In the circumstances, Management was in breach of the law.				
14	<b>Irregular and Unapproved Variation of Insurance Contract</b>		Legal		
	<p>Included in operating expenses and as disclosed in Note 13 to the financial statements, is insurance expenses balance of Kshs.36,769,061. However, review of payment and procurement records revealed that the Bank procured and awarded a two-year banker's blanket bond insurance contract at an annual premium balance of Kshs.12,088,523 from January 2021 to December 2023.</p> <p>However, during the year, the Bank renewed the cover at an annual premium balance of Kshs.15,423,973, an increase of 28% of the previously awarded amount. The variation was above the maximum allowable threshold of 25% as required by Section 139(4) of the Public Procurement and Asset Disposal Act, 2015 which states that the cumulative value of professional services does not result in an increase of the total contract price by more than 25% of the original contract price.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>During the process of renewal of the bank's bankers blanket cover for the year 2023, the insurance company (First Assurance Co. Ltd) that had been awarded the tender for provision of the said cover indicated their unwillingness to renew the cover at the awarded amount of Ksh.11,214,680/= sighting the following reasons:</p> <ul style="list-style-type: none"> <li>i) Increase in dollar exchange by a high margin of upto Ksh.15 due to inflation as the Reinsurers would be paid in dollars.</li> <li>ii) The policy had an adverse loss ratio due to already reported losses/claims by the bank among other reasons.</li> <li>iii) In view of the above, First Assurance Co. Ltd increased</li> </ul>			

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		<p>the premium payable to Ksh.14,500,001</p> <p>The bank therefore requested the 2nd lowest bidder to confirm if they could provide the cover at their previous quoted cost of Kshs 12,355,390 but they declined and gave another quotation of USD 161,976 equivalent to Kshs 19,923,048 which was higher than what First Assurance Co. Ltd had quoted.</p> <p>It is noteworthy that only First Assurance Co Ltd and the 2nd lowest bidder had submitted quotes for the subject cover.</p> <p>Approval was sought before the payment of Ksh.14,500,001 and not Kshs.15,423,973 was made to First Assurance Co.Ltd.</p>			
15	<p><b>Under Staffing</b></p>				
	<p>As previously reported, review of the human resources records revealed that the Bank's approved establishment provided for six hundred and ten (610) members of staff while four hundred and eighty-six (486) were in place resulting to an understaffing of one hundred and twenty-four (124) members of staff.</p> <p>In the circumstances, the understaffing may have impacted on efficient service delivery by the bank.</p>	<p>This was due to the delay of approval of HR Instruments. The approval to recruit is being awaited and once obtained staff will be recruited to cover the shortage. Casuals have been recruited to cover the shortages</p>	<p>Head - Human Resource &amp; Admin</p>		

Appendix I:

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No.	Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		in branches and other departments. The current approved establishment as per the HR instruments is 567.			
16	<b>Failure to Integrate Information Communication Technology (ICT) Systems and Weaknesses in Filing and Archiving System</b>				
	As previously reported, the Bank runs on various ICT systems to support its daily operations. However, the core banking system and the payroll system are not integrated to the main accounting management system, resulting to manual interventions when capturing key data such as revenue from the banking system and payment of salaries and its deductions. This exposes the Bank to risks of data loss and lack of proper audit trail of transactions. Further, the Bank has been utilizing one of the regional offices as offsite archive station. However, physical verification of the archives revealed that there was no filing system in place and document retrieval was cumbersome. This may affect the efficiency of operations and risk of backed up records. In addition, the Document Retention Policy for the bank was not provided for audit review. In this circumstance, the Bank risks loss of data and this may affect its ability to offer services in case of disruptions.	On Systems' integration, the Bank is upgraded both HRMIS, Perpay and Great Plains Systems for HR and Finance respectively. The upgrade will ensure seamless integration with the Core Business System.  On Document Archiving, the Bank is keen to implement Electronic Document Management System (eDMS). This is a Budget item which is awaiting approval by the National Treasury.	Head - ICT & Alternate Channels	Ongoing	Continuo us

