



LSK SACCO LTD

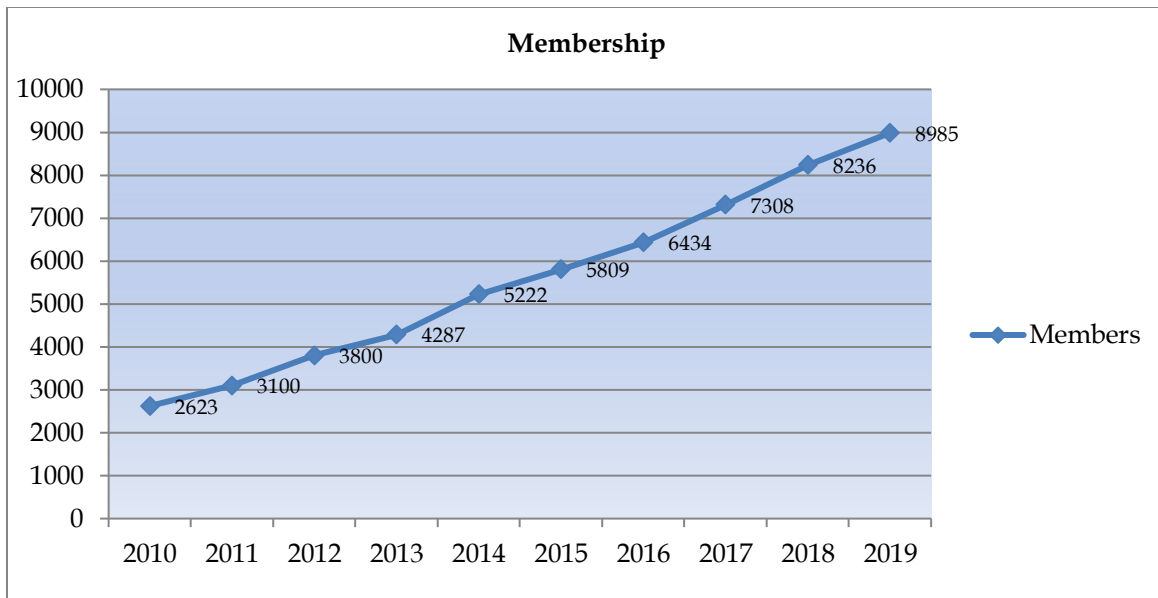
CHAIRMAN’S REPORT FOR SGM 2019.

On behalf of the LSK Sacco Management Committee, it is my great pleasure to welcome you all to our Special General Meeting 2019. Thank you for attending this special meeting and for having interest in your Sacco. We have converged here on this day in order to address an important agenda item that could not wait for our next AGM due to the urgency of the matter. I wish to thank my fellow Management Committee members, the Supervisory Committee members, staff, you members, the Ministry of Industry, Trade & Co-operatives and everyone else for the support in making LSK Sacco what it is today. Let me take this opportunity to make some remarks and overview observations regarding our society’s performance in the last 10 months of year 2019.

1. MEMBERSHIP

Our membership grew to 8,985 members as at 25th October 2019; up from 8,236 members in 2018 a total of 749 new members. The Management Committee is continuing to invest resources in recruitment of new members to meet our annual target of 1,500 members.

Figure 1-Membership growth



2. SHARE CAPITAL

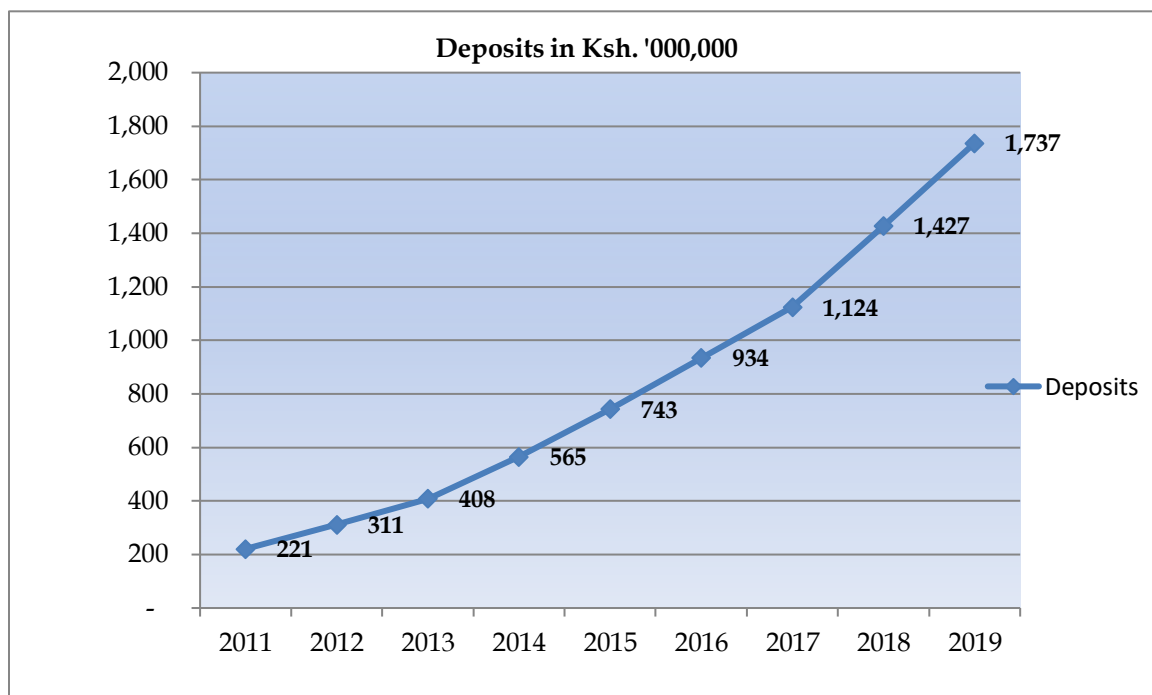
Every society member is required to own the society by holding a certain number of shares as prescribed by the Sacco by-laws. It is a long term source of finance and represents a unit of ownership Minimum shareholding per member is 1,500 shares and each share is worth Kes 20. Shares are not refundable but are transferable and they can NOT be used as collateral for loans. All SACCO's are required by law to have minimum share capital.

The Minimum share capital per member is Kshs. 30,000. Shares earn dividends depending on the society's performance. Members passed a resolution in last year's AGM to have share capital per member at a minimum of 1,500 shares each valued at Ksh. 20 having a total value of Ksh. 30,000. The management Committee continues to implement this resolution in parts such that by the year 2022, each member will have met the minimum required share capital. This will ensure that LSK Sacco is well capitalized and meets the minimum capital adequacy ratios.

3. MEMBER DEPOSITS

Total member deposits increased by **309,188,966** an increment of 22% from Ksh. **Kshs 1,427,809,438** in 2019 to **Kshs 1,736,998,404 in 2019**. We continue to appeal all members to make regular monthly savings and enhance their monthly deposits. This way they can qualify for higher loans and earn more interest from their deposits.

Figure 2- Members Deposits



4. LOANS TO MEMBERS

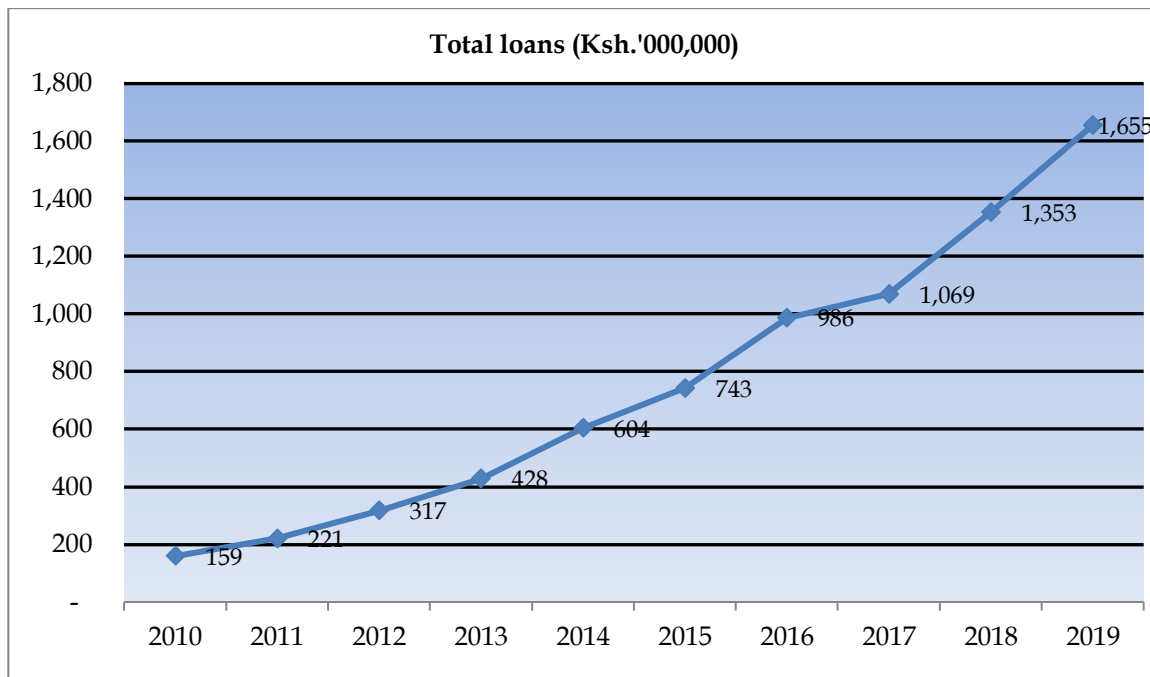
a) **Loans Issuance**

Our core business is lending to members. During the last 10 months, the Sacco advanced loans to members totaling to **Ksh. 1,031,712,654** in 2019. The total loan portfolio increased by 23% to Kshs. **1,660,958,372.80** from Kshs. **1,353,855,006** in 2018. The Sacco financed all the member loans from its internal sources.

The Management Committee continues to improve and cater for member borrowing needs and has recently increased the maximum lending per member from Ksh. **25,000,000** to Ksh **30,000,000**.

The Management Committee also reviewed the maximum loan repayment period from 84 months to 120 months and this has helped members pay for their loans flexibly and also afford the loans.

Figure 3



b) **Non - performing loans**

LSK Sacco has over the years managed to reduce our non-performing loans from highs of above 7% to about 3.5 % which is below industry recommendation of below 5%. However, the management committee remind members of their obligations to repay their loans on time to maintain their positive credit profile with the Sacco and avoid being listed negatively with the Credit Reference Bureaus.

5. **INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)**

Our members have embraced the Self-care member portal <https://www.webportal.lksacco.co.ke> designed to allow members access certain reports and such as;

- i. Access and download their account statements;
- ii. Check performance of your loans and pending payments;
- iii. Check the performance of loans they have guaranteed;
- iv. Communicate and upload documents to the Sacco;
- v. View account status and recent payments done to the Sacco.

The Sacco will continue making more investments in the ICT infrastructure and resources to ensure the growth and operations of the Sacco are enhanced and safeguarded. We shall continue to leverage on IT to improve service delivery to members.

6. **LSK SACCO BENEVOLENT FUND.**

In 2017 the Sacco established a benevolent scheme to support members upon demise of the member, critical illnesses and permanent disability by providing full repayment of loans for members with loans and an equal amount for deposits compensation for members without loans.

The premium is covered by a contribution from the member of Ksh. 100 per month and a fee of 0.25% of any loan issued to a member.

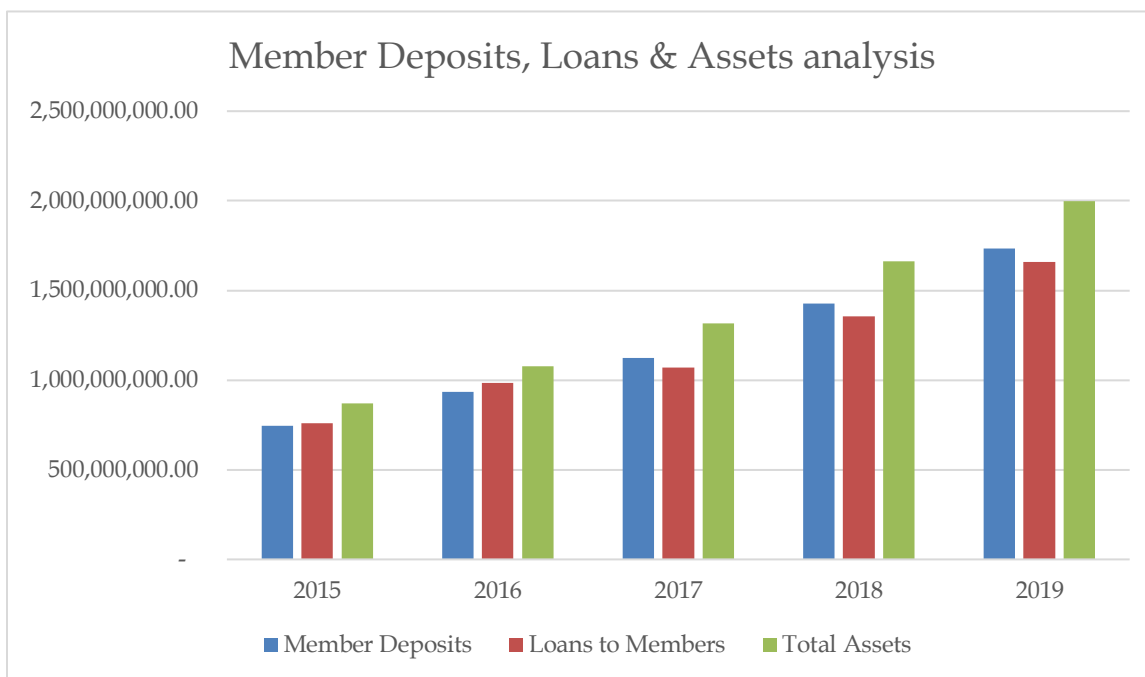
7. **OFFICE SPACE**

During this year's AGM we sought mandate from members to acquire a new office space owing to the growth in numbers of our members and staff that had outmatched the previous space at the right wing of Crawford business park. We are happy to report to members that we have acquired an additional space at the left wing of Crawford Business park at 3rd floor. The new space will help our staff and management to have ample space for better service to our members.



8. TRENDS FOR THE PAST FIVE YEAR

Despite the challenges in the operating environment over the years and cut-throat competition in the market, the Sacco has continued to post impressive results. The growth experienced by the Sacco over the years in terms of deposits, loans and total assets can be visualized in the graph below.



The projected growth cannot be achieved without the support of all of us. Therefore, I call upon each one of us as shareholders to give maximum support to the Management Committee and staff to enable us realize these goals. When achieved all of us shall be beneficiaries.

9. HIGHLIGHT OF OUR SGM AGENDA

As the Sacco continues to grow immensely in member numbers and region wise, our members have sought to have varied ways of making payments to the Sacco for their deposits contributions and loan repayments. The Sacco has availed various platforms for members to make payments and the management continues to explore on how best payments can be made to the Sacco either by offline

or online modes. Currently our Sacco holds an account at Cooperative Bank of Kenya, Kimathi branch. In view of the growing membership and with regard to our spread of our membership nationally, the management has sought to open an additional bank account at Kenya Commercial Bank (KCB Bank Kenya LTD) to provide expansive options for our members owing to the spread of these two banks nationwide. I urge members to endorse this decision as this will enable our members to save more, reduce dormancy and enjoy unlimited financial and efficient financial transactions with the Sacco.

CONCLUSION

I want to thank all the members for their continued loyalty, support and for choosing LSK SACCO as their investment vehicle. Special thanks to members of staff for working tirelessly and serving our members' needs. I also want to thank the Management Committee for the support they accord to me as the Chairperson of the Society.

I also want to acknowledge, recognize and appreciate the Ministry of Industrialization & Enterprise Development, KUSCCO, CIC, Co-operative Bank for the institutional support that they have given us. Special recognition to the Law Society of Kenya and to all branches of the Law Society for their tremendous support. We also wish to appreciate our legal Advisors, members of the Supervisory Committee and everyone else who have contributed to our success.

Justus M. Munyithya
Chairman, Management Committee
LSK SACCO LTD