

LAW SOCIETY OF KENYA SACCO SOCIETY LTD

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MEMBER SHARE CAPITAL (INCREAMENT) INFORMATION

1. WHAT IS SHARE CAPITAL IN A SACCO?

- a) Share capital is the equity or core capital of the Sacco and represents each member's ownership of the Society in terms of shares.
- b) In simple terms it is the sum of money the Shareholders/Owners pay into a business entity.
- c) These funds breathe life into the business entity enabling it to commence operations thereby achieving the objectives for which it was set up
- d) All Saccos are required to have adequate core capital which comprises share capital + reserves or institutional capital. It is a legal requirement that all deposits taking Saccos (DT-Saccos) maintain a minimum core capital. There is now a regulation pending parliamentary approval to fix a minimum core capital threshold for certain non-deposit taking Saccos which includes LSK Sacco Society Ltd (Regulated Non-DT-Saccos).

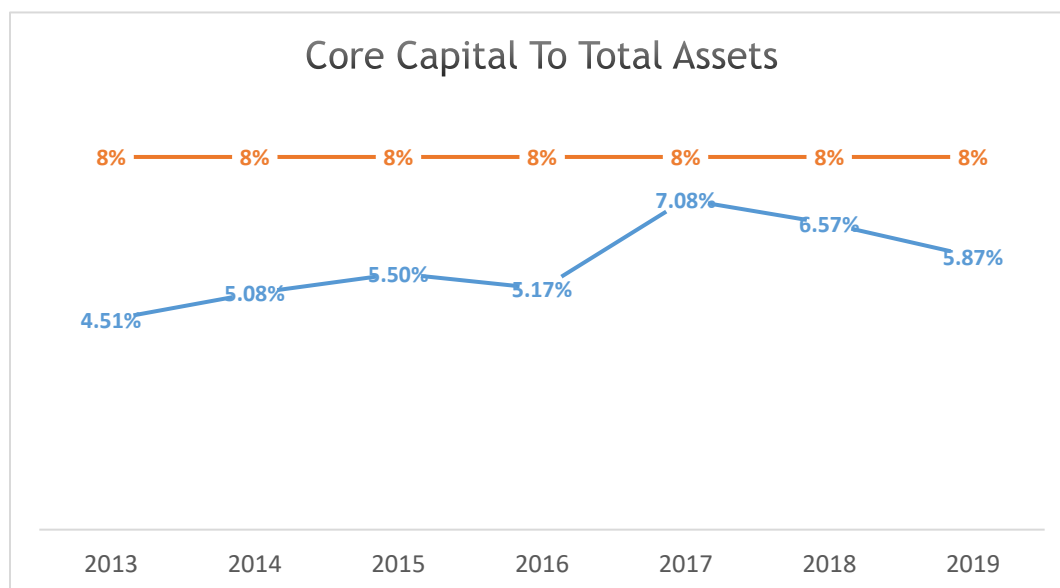
2. THE DIFFERENCE BETWEEN SHARE CAPITAL AND SACCO SAVINGS/DEPOSITS

- a) Savings/Deposits are refundable while Share Capital is non-refundable but transferrable to a next-of-kin or another member.
- b) Share capital earn dividends while savings/deposits earn interest.
- c) Shares are never used as a loan security while deposits may be used as loan security.

3. BENEFITS OF BEING A WELL CAPITALISED SACCO

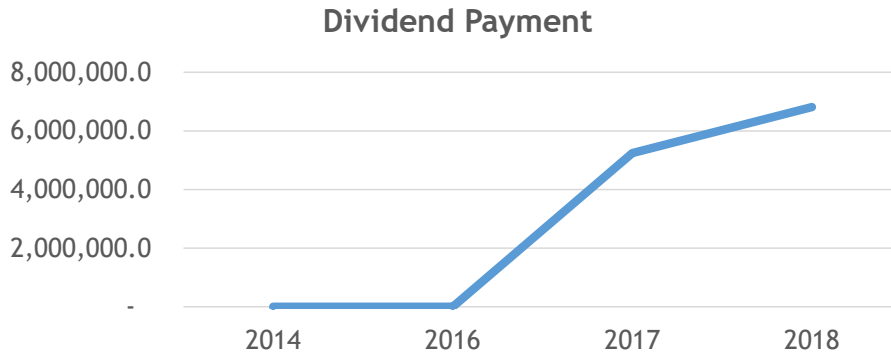
- a) More funds available for growth and expansion

- b) To ensure that the SACCO Society maintains a level of capital which is adequate to protect or cushion member deposits and creditors against losses resulting from business risks that the SACCO as a financial institution may face.
- c) It is a measure of a financial institution's safety and soundness; adequate capital promotes public confidence in the institution.
- d) To comply with the statutory requirements: SASRA prudential guidelines already require DT SACCOs to maintain minimum core capital (8% of core capital as a proportion of total assets). LSK Sacco Society Ltd needs to be compliant-ready as one of the societies to be classified as a Regulated Non-DT-Sacco whose anticipated regulation requires a minimum of 8% of core capital as a proportion of total assets. LSK Sacco Society Ltd has ratio of 5.87% as at 31st December 2019. As the amount of assets rises without contemporaneous rise in core capital (share capital + reserves), the ratio lowers. Thus, the rate of increase in share capital must be higher or keep in step with increase in total assets. Normally, the share capital comprises the larger proportion in core capital than the reserves.



4. WHY MEMBERS SHOULD BUY LSK SACCO SOCIETY LTD SHARES

- a) Participation in the ownership of a stable and steadily growing financial institution
- b) Lucrative dividends of 15% for the last 2 years



- c) To Finance the growth and expansion of the Sacco business as per existing Strategic Plan.
- d) Capital gain because of increased value of the shares.
- e) The benefit that shares cannot be attached as security for loans.
- f) Have your money work for you, has fast return-on-investment
- g) Can be transferred to next-of-kin or to an existing member.

5. LSK SACCO SOCIETY LTD SHARE CAPITAL

As per a resolution passed in the 2018 AGM, the minimum share capital by year 2021 was increased to Kshs. 30,000/- to enable the Sacco grow its core capital to 10% of the total assets as per the Strategic Plan 2017-2021.

Core capital growth compared to Total Assets

Year	Share capital	Statutory reserve	General Reserve	Core capital	Total Assets
2013	6,703,831	5,630,709	8,867,720	21,202,260	469,830,815
2014	9,569,831	6,095,029	17,291,355	32,956,215	648,718,306
2015	15,654,540	8,116,660	24,074,045	47,845,245	870,560,111
2016	16,265,640	8,799,721	30,677,258	55,742,619	1,077,553,964

2017	39,176,646	11,000,121	43,080,650	93,257,417	1,316,330,626
2018	45,552,997	14,178,849	49,552,997	109,284,843	1,663,102,331
2019	51,960,696	14,178,849	49,552,997	115,692,542	2,095,326,502

6. WAYS OF ACQUIRING MORE SHARES IN LSK SACCO SOCIETY LTD.

- a) Direct purchase by making deposits to your Sacco member account and inform the Sacco by e-mail of the specific purpose
- b) Purchase from an existing member
- c) Transfer from the member's deposits
- d) Capitalization of earned dividend and interest on deposits
- e) Purchase or inheriting from a retired or withdrawn member

Share capital purchase can be made directly through our bank account as indicated below:

ACCOUNT NAME: LAW SOCIETY OF KENYA SACCO LTD

ACCOUNT NO: 01100001711200

BANK: CO-OPERATIVE BANK OF KENYA

BRANCH: KIMATHI

Always quote your membership number and indicate the payment is meant for Share Capital Purchase.

Implementation plan of share capital increment as approved by members

Year	Current share capital	Planned deduction Increment	Share capital
2020 31 st March	10,000	5,000	15,000
2020 30 th Sept.	15,000	5,000	20,000
2021 January	20,000	5,000	25,000
2021 31 st July	25,000	5,000	30,000

These periods may be adjusted and shortened should the law/regulation demand.

We therefore invite members to increase their share capital as per the stipulated timelines to gain from the early bird benefits of investing with LSK Sacco Society.

After expiry of the stipulated timeline the Sacco will automatically deduct the proportionate amount from the member savings/deposits to graduate the member share capital to the minimum amount as per the above schedule. No deduction will be made in respect of those who will have attained the stipulated level.

You can check your share capital amount through our online members portal on the following link: www.webportal.lksacco.co.ke