



22/01/2020

To all members,

Dear member,

SHARE CAPITAL INCREMENT

Happy New Year!

You will recall that at the AGM in the year 2018, members unanimously passed a **resolution** to increase the minimum share capital from the current Kshs 10,000 to Kshs 30,000 per member by the year 2021. This initiative was principally informed by the urgent need to lift the financial strength of the Sacco in relation to her total assets. The Sacco assets have been growing at a much faster rate than the core capital hence lowering the financial strength, a matter that is very relevant in case the Sacco was to suffer unexpected losses.

Following that resolution, a good number of members have already taken the initiative and made this increment. In fact, quite a number have far exceeded this minimum of **Kshs. 30,000**. Currently, our member with the highest share capital has **Kshs 150,000/-**. The vast majority of us are yet to increase their share capital.

Now, there is even a more **urgent reason** to increase the share capital. In the year 2019, the Sacco Society Regulatory Authority (SASRA) proposed a number of regulations to govern the Regulated Non-Deposit Taking (Non-DT) Saccos, a category which LSK Sacco Society is expected to be classified under. In the said proposed regulations, which are awaiting parliamentary approval, every Regulated Non-DT-Sacco Society will be required to have a minimum threshold of 8% of core capital (share capital + reserves) as a proportion of total assets. LSK Sacco Society had 5.87% as at 31st December 2019. This directly impacts on our individual share capital besides future profits we may reserve. For detailed information kindly read attached **MEMBER SHARE CAPITAL INCREMENT INFORMATION DOCUMENT**.

In order to implement the said resolution and in anticipation of compliance with the law, the Management Committee intends to ensure that each of us has a share capital of not less than the amounts stated and on (or before) the dates below:

Year	Current share capital	Planned increment	Share capital
2020 31 st March	10,000	5,000	15,000
2020 30 th Sept.	15,000	5,000	20,000
2021 31 st Jan.	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 new law/regulation demand.

The Management Committee wishes to adopt four strategies which are indicated below, to implement the AGM resolution on share capital and be compliant with the anticipated SASRA regulation; they are:

Strategy 1: Constantly remind and encourage members to voluntarily make one-off share capital increments so as to reach a minimum of Kshs. 30,000, or make incremental contributions to their share capital to proportionate levels as indicated in the above table within one and half years.

Strategy 2: Carry out a promotional campaign in the year 2020 and reward members who increase their share capital within the promotion period.

Strategy 3: Urge members to capitalize their 2019 interest on deposits and dividend towards share capital.

Strategy 4: The Sacco to deduct an amount (possibly a minimum of Kshs 5,000) from the member's savings/deposits towards the member's share capital account to upgrade the same to the required level on the date indicated in the above table.

We urge all members to take advantage of the voluntary contribution/incremental window and especially the promotion to increase their share capital and earn more dividends for year 2020 without necessarily affecting the members' savings/deposits, which are essential for loan qualification and security.

If you have any query as regards, kindly do not hesitate to contact your Customer Relationship Officer (CRO) and or e-mail to: info@lsksacco.co.ke .

Yours faithfully,



M, L. Mugambi,
TREASURER

Management Board:

Justus M. Munyithya (**Chairman**), Caleb P. Nadebu (**V.Chairman**), Lawrence M. Mugambi (**Treasurer**), Kellen G. Njue (**Secretary**), Gladys W. Kinyanjui, Boniface K. Mutwiri, Samuel M. Mwaniki, Jackson O. Awele, Gad K. Gathu.

Supervisory Board:

Collins Wanderi (**Chair**), Joseph Makumi (**Secretary**), Salome Muhia (**Member**)

"Your Partner, Your Treasure, Always There For You!"

LAW SOCIETY OF KENYA SACCO SOCIETY LTD

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MEMBER SHARE CAPITAL (INCREMENT) 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).

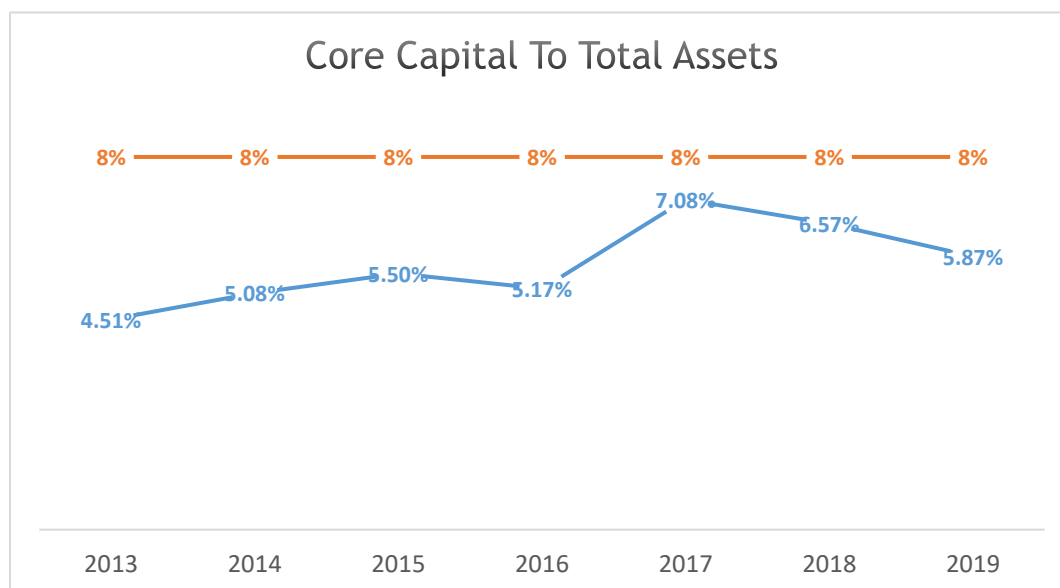
2. THE DIFFERENCE BETWEEN SHARE CAPITAL AND SACCO SAVINGS/DEPOSITS

- 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

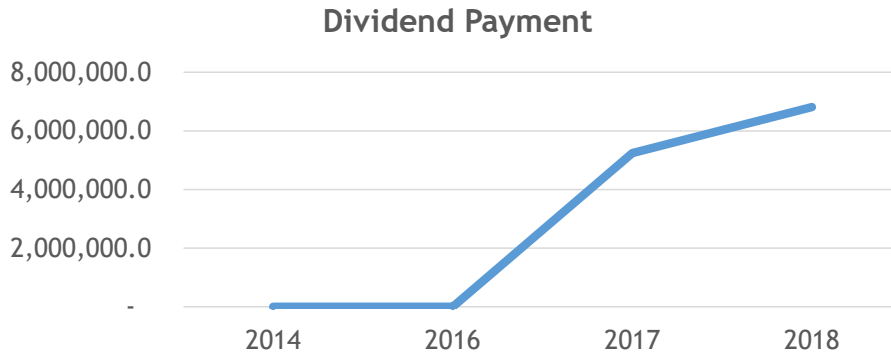
- a) More funds available for growth and expansion

- 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