



MOMBO

Sacco

Endless possibilities

CHAIRMAN'S REPORT

PRESENTED FOR ADOPTION BY MEMBERS ON THE 1ST ANNUAL GENERAL MEETING ON
THE 25TH MAY 2019.



INTRO.

On our first members' Annual General Meeting (hereinafter referred to as 'the AGM'), the Board of MOMBO SACCO (hereinafter referred to as 'the board') seeks to bring together its esteemed members for their consideration and adoption of a number of key operational issues, and for purposes of financial reporting. This report covers the 2018 financial year. It presents a summary of the SACCO's mission, its key milestones during 2018 and plans for the next financial year, focusing specifically on the following areas:

- Legal compliance
- Financial status
- Corporate governance
- Strategic vision

Our mission remains close to our core operational theme, creating endless possibilities, with the principal goals of ensuring growth of our members' savings and their investments, and to offer a convenient platform for access to credit. Since its registration in 2015, the SACCO's business model has continued to reflect these objectives. In 2018, as this report shows, the board continued to amplify the SACCO's mission by catering for these needs, in an innovative, efficient and reliable manner, and as a result, the SACCO recorded an increase in its bottom-line performance compared to the same period during the 2017 financial year.



2.0 LEGAL COMPLIANCE

The agenda of this meeting has already been circulated to all members, and the meeting is in compliance with the Cooperatives Act, formal in nature, and restricted to the resolutions detailed in the 'notice of meeting'. The board, in following specific legal obligations of the Cooperatives Act, has also implemented policies to guide the operations of MOMBO SACCO (hereinafter referred to as 'the SACCO'). A statement of our audited accounts has also been circulated to shareholders and members.

New policies affecting non-deposit taking SACCOs and aimed at improving their operations, governance, and regulation so as to safeguard investors' interests are currently being developed by the Sacco Society Regulatory Authority, or SASRA. The SASRA framework will form the legal and policy basis upon which all non-deposit taking SACCOs will be regulated. As indicated in the table below, shareholders and members will be pleased to know that the board has already devised new financial regulations – including other recommendations that require approval by members – so as to comply with the up-coming regulations by SASRA. Generally, the board proposes an increase of the SACCOs minimum share capital, from Ksh. 10,000 to 20,000 by end of the financial year 2020 so as to cover the Ksh. 2.1 Million deficit on the core capital requirement.

Regulation	Our compliance status	RAG Status	Recommendation from management
To maintain a minimum liquidity ratio of 10% of its non – withdrawable deposits liabilities in liquid assets	As per the 2018 annual audited reports we are complaint		Compliant.
To maintain core capital of not less than 8% of the total assets, provided at least 50% of the core capital shall be composed of retained earnings and disclosed reserves	Our core capital is 15.4% of the total assets, our retained earnings and disclosed reserves make up 64% of our core capital.		Complaint
To maintain Core Capital of not less than 8% of total non - withdrawable deposits	Our core capital is at 19.81%		Complaint
To maintain Core Capital of not less than Five Million (5M)	Our core capital as per the audited 2018 annual financial statements stands at 2.85 M		Increase the share capital.



FINANCIAL STATUS

The SACCO posted a surplus of Ksh. 1,010,719 before tax, a 53% increase from the surplus recorded in 2017, and increased its share capital by 64%, i.e. to Ksh. 1,012,294, from Ksh. 617,830 in 2017. Our total assets increased from Ksh. 12, 822, 140 in 2017 to Ksh. 18, 568, 147 in 2018. Our core capital increased from Ksh. 1, 454, 646 in 2017 to Ksh. 2,859, 830 in 2018, 64% of which represents retained earnings and disclosed reserves. The increased surplus was driven by both interest and non-interest income lines. As illustrated in our audited 2018 financial report, the business maintained healthy ratios in terms of liquidity, capital and operating efficiency, with our core capital over total deposit standing at 11% (above the statutory requirement of 10%); and our liquidity ratio at 109% (above the statutory requirement of 15%). 15% of the total revenue made in 2018 was paid to our members as interest on their savings.

Our total member savings stand at Ksh. 14,438,045; and the loans issued to our members currently stand at a total of Ksh. 16,746,614; a 64%, and 36% increase from 2017. Our membership increased from 74 in 2017 to 119 in 2018, a reflection of our aggressive and bold marketing, as well as the growing strength of the MOMBO SACCO brand. 7 of our members now reside abroad: in Europe, America and the Middle East.

To drive this growth and make it sustainable, members are advised to increase their monthly contributions and savings, and consider making applications for larger loans through wise decision-making and planning, which will ensure prompt payments in future. The board remains committed to maintaining a sustainable growth to increase our members and shareholders wealth by growing our core capital and as a result, increasing members' earnings.



4.0 CORPORATE GOVERNANCE

Our commitment to efficient, reliable and customer-friendly service continues to be proven by our track-record in designing the most edgy and competitive financial products in the financial services sector. To improve on efficiency, security and reliability, the board adopted the following steps.

- **Digital voting.** In line with our strategic vision for creating reliable, efficient and secure services by adopting the latest digital information technology, the board instituted plans to enable digital voting, which will be implemented during the 2019 board elections. In this process, members will be able to vote and track results in real time, and from any part of the world. This will be secure, complete with an audit trail of every vote cast, and as a step in ensuring confidence and validity of the entire process. An audit log of all votes cast will be made available for verification. Members are welcomed to seek positions within the board, and as a result, make contributions in the future growth of the SACCO.
- **Improvements on the Mombi App.** Loans can now be secured digitally with logbooks and title deeds on the App. A new feature in the App provides for an enhanced and digital credit scoring engine which adopts machine learning technology so as to rate borrowers based on a wide array of factors, including, but not limited to, the volume of their regular contributions, the nature of their loan repayment, and listing on the Credit Reference Bureaus (CRB). Related to this, the board has made necessary steps, made possible by improvements on the App, to ensure timely and efficient processing of loan requests, in ways that allow the Credit and Risk committee to review and make decisions on loan applications in real time. In line with our credit policy, which seeks to ensure secure and efficient lending on one hand, and to promote a culture of saving on the other, the board also introduced new categories that better reflect our members saving and borrowing capacities, including capturing a wider segment of the saving and borrowing population in the market. The categories include bronze, silver, gold and platinum, each attracting a different minimum amount of monthly savings – Ksh. 500 for bronze members; Ksh. 2, 500 for Silver members; Ksh. 5, 000 for Gold members; and Ksh. 10, 000 for Platinum members. The categories, which are fully developed within the App, also offer distinct benefits to members. We are pleased to announce that 27 of our members have already upgraded their status to Platinum, guaranteeing a total monthly contribution of Ksh. 270, 000.
- **Data security.** As we make further steps to digitize all our operations, the board has also instituted measures that have bolstered the security of your information and transactions on the MOMBO mobile application platform (hereinafter referred to as the App). This also fits within our ICT policy, which the board has designed to comply with the new General Data Protection Regulation (GDPR) principles, which is a regulation in European Union law on data protection and privacy. To secure our transactions, we have complied with the Payment Card Industry Data Security Standard (PCI-DSS), which is an information security standard for organisations that handle branded credit cards from the major card schemes. ACID (Atomicity, Consistency, Isolation, Durability) properties, which is a set of properties of database transactions.



- To solve a number of problems with performance, we have incorporated Master-Slave replication which also supports the backup of different databases, and as part of a wider solution to alleviate system failure. This will enable data from one database server (master) to be replicated to one or more database servers (slaves) in real-time.
- Insurance. The board has partnered with CIC Insurance Company Ltd. and has managed to insure 100% of all SACCO loans against death and permanent disability. Last, but most important of all, 50% of each of our member's savings are insured against death, and this benefit comes at no extra charge to all of our members.

5.0 STRATEGIC VISION

The board has a mandate of pooling savings and growing shareholders wealth by increasing the SACCO's assets. As this happens, the board is also aware of the needs of devising strategies for curbing fraud (especially digital-based cyber-crime), and guard against credit risk. The latter are the guiding principles of our business development strategy. In the coming years, the board plans to increase the SACCO's brand visibility through an aggressive and bold marketing strategy that will help build the MOMBO brand through innovative and effective promotional and marketing campaigns. We also seek to enhance our customer experience; diversify our range of products; and create sustainable risk and cost management frameworks. Specifically, the board aims to increase the number of members to 600 by 2020, and to ensure 90% active membership. In addition, the board seeks to grow members' savings to Ksh. 40 Million by 2020; the assets to Ksh. 46 Million; and our revenue to Ksh. 8 Million.

In the general spirit of creating a more customer-friendly business environment, the board is in the process of designing and proposing a new fraternal system to organize interactions amongst our members. In what we are proposing to call the MOMBO SACCO Community (hereinafter referred to as 'the community') members will be brought together in smaller groups so as to interact with each other at a more personal level, and in essence, create a system that could not only be used for seeking loan-guaranteeship from other members, but for instilling a culture of saving more widely. In particular, within this new system, which will be created via new and innovative channels within the App, consent and approval for loan-guaranteeship will be sought within and amongst members of a specific group within the larger community, most of whom would be known to each other personally. To ensure security, privacy and most of all, efficiency, communication amongst members of a group, including requests and approvals for loan-guaranteeship, will be conducted digitally through the App.

The Chairman is grateful to the board, the Supervisory Committee, and the entire team at Momboro Group, and last but not least, all members for your support and cooperation.

Yours Sincerely,

Peter Mombo.



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