

Gearing for Leadership

Chairperson's Statement

Today LOLC is recognised as the largest non-banking financial institution in the country and our Finance Company is the only finance company that has been given approval by the Central Bank of Sri Lanka to mobilise foreign currency deposits. Another key contributor to our position of leadership is our extensive footprint, which has grown substantially over the years gaining more access to key markets, particularly at grass root level in the rural economy through our microfinancing enterprise.

Gearing for Leadership - Chairperson's Statement

Dear Reader,

I have great pleasure in presenting to you, the Annual Report and Financial Statements of the LOLC Group for the financial year 2009/10.

The year in review was not without challenge. The global economic crisis continued to exert pressure on the local scenario whilst on the domestic front, the collapse of several financial institutions, largely in the informal sector had adverse implications for the local economy. In reality, the global economic scenario did not have a direct impact on LOLC, but domestic pressure for the reasons I have just stated, actually benefited the Group as depositors recognised our inherent strengths and reliability.

Consequently, our deposit base grew substantially both in the categories of NRFC as well as Rupee deposits from Rs. 5.2 Bn to Rs. 10.1 Bn and this had a very favourable impact on our funding position for the finance company which has grown from strength to strength.

In the local context, interest rates mirrored the decline of inflation which proved to bear positive results for the LOLC Group's financial services businesses. We were thus able to revise our rates and manage the cost of funds across the Group more effectively.

Today LOLC is recognised as the largest non-banking financial institution in the country and our Finance Company is the only finance company that has been given approval by the Central Bank of Sri Lanka to mobilise foreign currency deposits. Another key contributor to our position of leadership is our extensive footprint, which has grown substantially over the years gaining more access to key markets, particularly at grass root level in the rural economy through our microfinancing enterprise. We were one of the first institutions to move into the North and East and create a strong presence and visibility, even though we did have a presence in these areas in the past, through LOLC provincial offices. LOMC our microfinance subsidiary posted an excellent first year of operations. Ours was the first regulated microfinance company in the country with foreign investment and is a model for microfinance in Sri Lanka. LOLC is also the market leader in Leasing and Factoring activities, an area which we substantially enhanced volumes with the acquisition of Commercial Leasing Company in 2008/09. We are also Sri Lanka's top financier of agricultural equipment. Whilst we had extensive presence in this area in our own right, the recent acquisition of a stake in Brown and Company PLC, the largest provider in agri-equipment in the country has further strengthened our own initiatives.

LOLC made several strategic investments during the year in review. We acquired a 50% stake in *Diriya*, the holding Company of Brown and Company PLC, with whom we share many synergies particularly in the field of agriculture. Realising a long-term strategy of the Group, LOLC also invested in Seylan Bank, a move that gives your Company a presence in the formal banking sector. The Group had identified diversification into identified sectors as a long-term strategy for growth and our acquisition of the Confifi Group, heralds our

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entry into the leisure sector, a move that gives us strategic advantage of being present in one of the key growth areas in Sri Lanka especially in the aftermath of the country's thirty-year long ethnic conflict. The future in this sector holds promising opportunities for long-term growth which will take your Company from strength to strength.

We are very mindful that our efforts to expand business, must be accompanied by exemplary management, good governance, social responsibility and strategy. Furthermore, we, as a member of the United Nations Global Compact (UNGC), abide by its guiding principles. LOLC has built a very strong senior management team of skilled and highly professional individuals who are driven and motivated by the values and long-term strategies of the Group. Our HR strategies have embraced many advances such as decentralising and recruiting from the regions (particularly in the North and East) to draw on local synergies, investment in continuous training and implementation of advanced performance appraisal and rewards systems. We have also invested in an emancipated IT platform for the Group, spearheaded by our subsidiary LOITS (Lanka ORIX Information Technology Services Ltd.). LOITS will provide IT expertise to the Group as well as to external parties broadening their horizons in the IT services industry.

During the year in review, we were saddened to note the demise of Mr. M.T.L. Fernando, a long-standing member of the Board of Directors. I wish to place on record, on your behalf and mine, our deep appreciation of his yeoman contribution to LOLC.

I am happy to announce the appointment of Mr. Rajan Asirwatham to the Board and wish him a long and fruitful tenure with the Group.

In conclusion, I wish to thank the members of the Board for their support and invaluable contribution to the affairs of LOLC and particularly, for their contributions to the work of the sub-committees of the Board. I also thank the Deputy Chairman and Group Managing Director for their stewardship of LOLC as well as all staff for their dedication and devotion in taking LOLC to success.



Rohini Nanayakkara
Chairperson

20 July 2010