Financial Wealth

Our robust financial wealth reflected through a strong capital base of over Rs. 12 billion backed by sound asset quality, liquidity and regulatory capital position amplifies the strength of our business model towards our value creation visionary aspirations. Despite facing multifaceted challenges, we successfully navigated the year, with a remarkable upward trajectory in all facets of our performance. While manifesting steadfast profitability growth and capital accumulation, we reaffirmed our commitment towards sustainable business, showcasing commendable growth in our asset base, lending book and deposit base. Our efficient and effective financial planning, treasury management and cost optimization initiatives supported the Company's core business strategies in delivering these impressive results, steering through these challenging times. As a company embraced with transparent, prudent risk management and governance practices, we remained resilient and focused on sustaining a sound financial position within the Industry, whilst unleashing our growth potential to drive our strategic goals.

Performance Highlights

Sustainable Growth Trajectory

- Over Rs. 500 Mn commendable PAT recoding 424% YOY growth
- 13% growth in Lending Portfolio
- 16% growth in Deposit base
- 12% growth in Total assets
- 10% growth in Shareholder funds

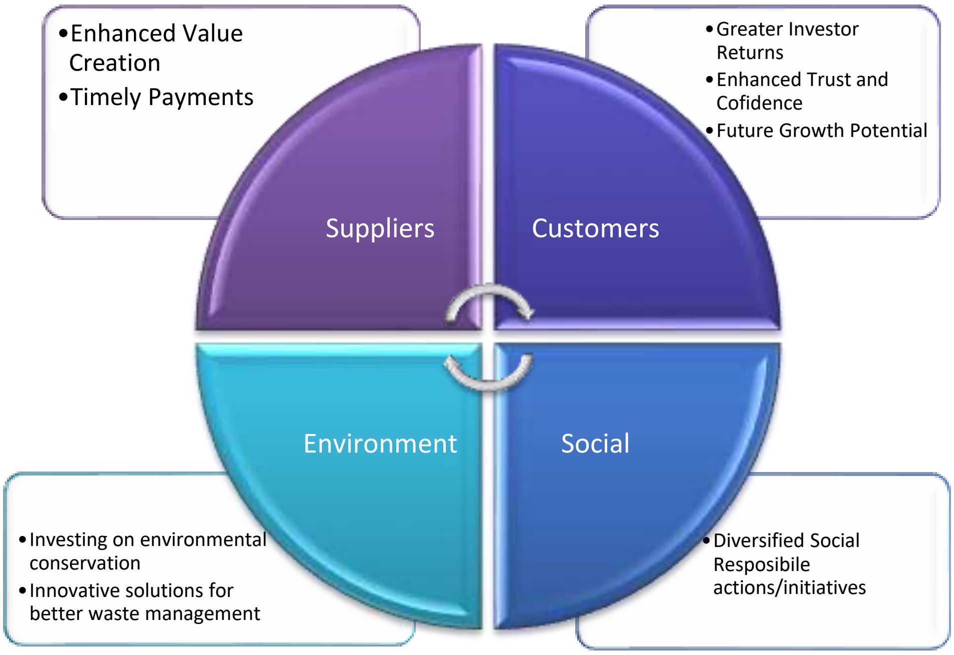
Strong Liquidity and Capital Adequacy

- Capital Adequacy Ratio - Tier 1- 16.49% (Min 8.5%)
- Tier 1- 17.88% (Min 12.5%)
- Reduced NPL to Single digit level 9.81%
- Liquidity Ratio 19.68%

Robust Investor Returns

- Dividends declared 60.12 Mn
- Net Assets per Share Rs. 4047
- EPS increased to Rs. 184.90
- ROCE 4.8%

Expectation/Impact Assessment



Financial Management Drivers

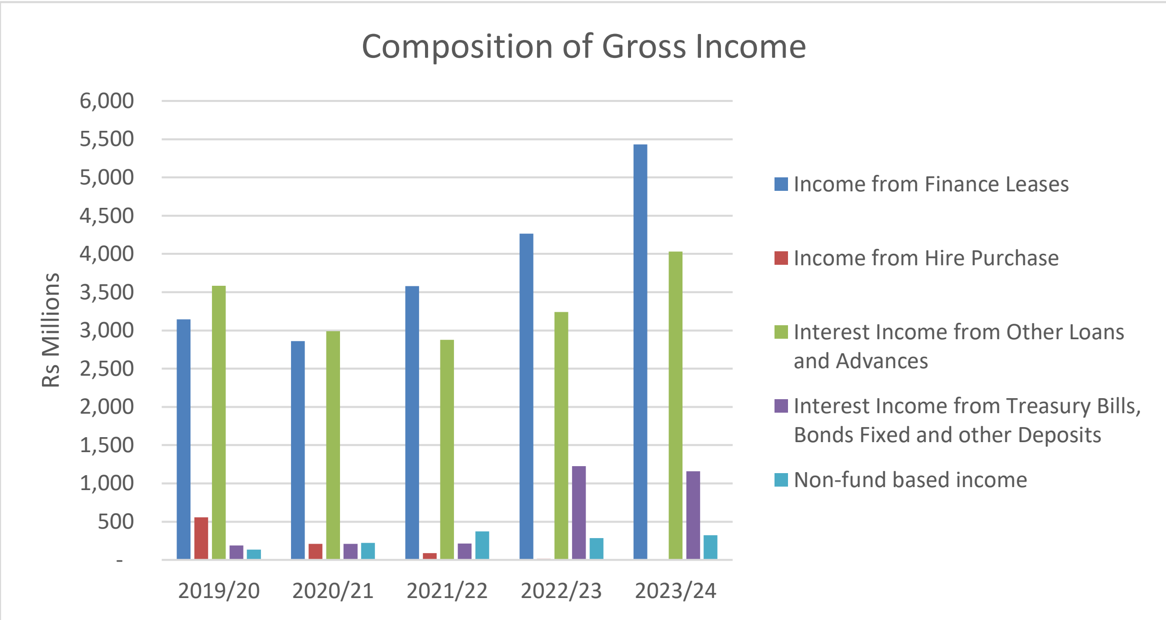
In a period marked by lingering effects of the challenges from previous year, we aligned our core business strategies towards sustainable growth, whilst driving our financial management endeavors on the following facets.

- Sustainable Revenue Growth
- Efficient Treasury Operation
- Cost Optimisation

Sustainable Revenue Growth

Core revenue generation remained pivotal during this challenging period, and hence the central focus revolved around boosting revenue, deploying strategies to lift volumes and simultaneously broad based core margins. Though credit demand remained subdued during first two quarters with the extension of import restrictions and heightened interest costs, we continued to diversify our traditional product mix and expand our Gold loan operations across our branch network especially accelerating service points in the latter half of the year. As the economy embarked on a path of recovery and growth, we strategically expanded our branch network by 19%, particularly in key hubs to grow the loan book. Given the continued decline in policy rates, we carefully managed our pricing strategy in parallel to boost lending volumes whilst focusing on high-yield and long-term products to target repricing gains and sustain envisaged revenue targets.

Core Lending Revenue Performance



Efficient Treasury Operation

With the easing of monetary policy measures and the persistent decline in policy rates, we remained steadfast in prioritizing efficient fund management, focusing on minimizing our funding costs whilst retaining an impeccable liquidity position and sufficient contingency funding options. As policy rates continued to decline, we proactively managed funding costs, focusing on short term deposit mobilization, keeping funding cost lower in the medium and long term. Simultaneously, excess funds after deployment for core lending business was optimally invested in government securities yielding above average returns, enjoying the high rates offered especially during 2023 calendar year.

Nonetheless, in the backdrop of persistent decline in policy rates, maturity mismatches of Assets and Liabilities of less than one year widened by March 2024 across the industry. Though our less than one year maturity mismatch widened on account of shorter horizon mind set of depositors and expanding longer tenor lending portfolio, by mobilising longer term borrowing totalling to Rs. 1.7 billion and possessing Rs. 3.3 billions of unutilized funding lines, we were able to sustain a sound liquidity position and safety net throughout the financial year, balancing the short-term and long-term funding needs of the Company optimally.

Treasury Management Priorities	Target	Actual	Status
❖ Generate sound investment yields and optimise on cost of funding to maintain acceptable NIMs.	> 8%	>9.5%	Achieved
❖ Maintain optimum liquidity levels whilst bridging maturity mismatches.	Strong liquidity level >Staying above minimum requirement of 10%.	19.68 %	Achieved
	1 year assets and liabilities mismatch < Staying below threshold level of Rs. 6 Bn across the year.	Rs. 4.9 Bn.	Partially Achieved
	Maintain a minimum contingency fund of Rs. 2 Bn.	Rs. 3.3 Bn.	Achieved

Funding Mix

We maintained an optimal funding mix between deposits and borrowings to minimize funding costs while effectively managing maturity gaps between assets and liabilities. The deposits business remained the primary contributor to the funding mix, accounting for 93% which reflected a 15.6% increase compared to the previous year, driven by the heightened mobilization of fixed deposits facilitated across our expanded branch network. With bank borrowings costs remaining relatively on the high side, we opted for deposit funding, which saw total borrowings component drop year on year accordingly.

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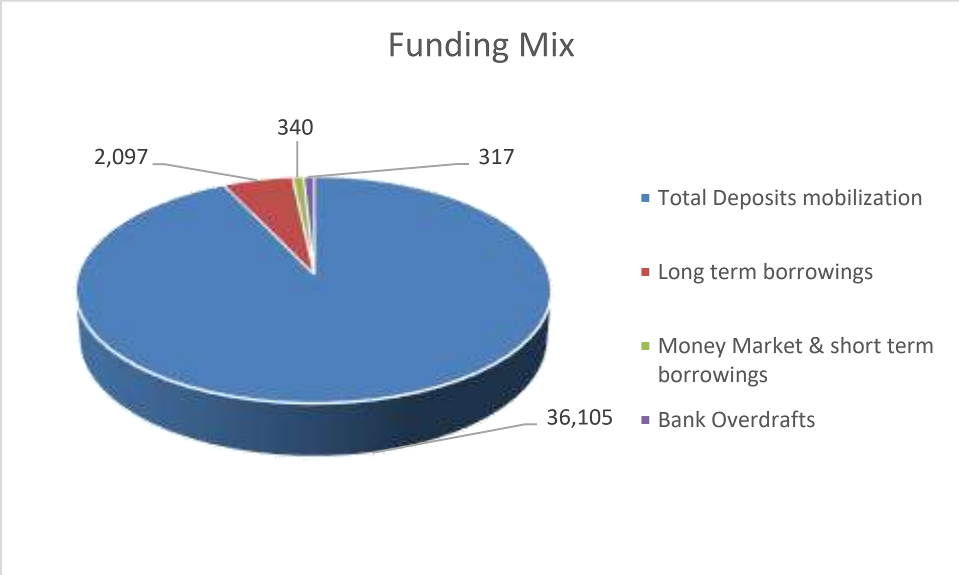
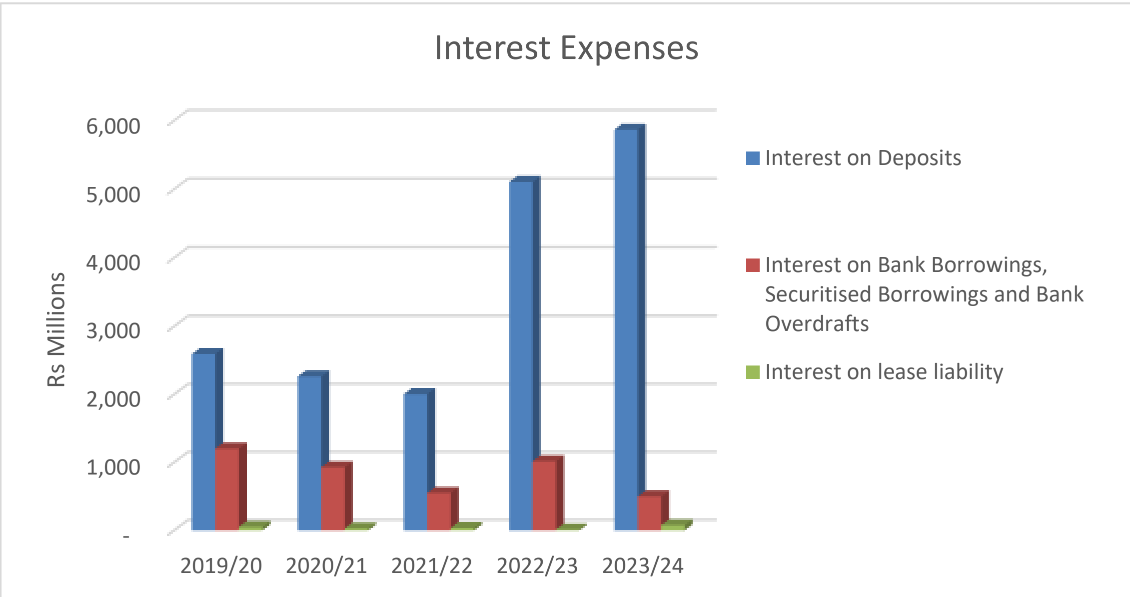


Funding Cost

Despite the year concluding with a notable 14% drop in interest rates compared to the previous year, interest expenses stood marginally up by 5%, predominantly fueled by a 15.6% growth in the deposit base. Despite the repricing of our short-term fixed deposits at lower costs following the gradual decline in policy rates, the average cost of funds experienced a marginal 0.5% decrease for the year, a gradual deceleration as the deposit base composition consisted of higher rate mobilizing in last 24 months. Interest expense on bank borrowings showed a significant drop of 54%, reflecting our conscious effort to reduce bank borrowing exposure in response to such funds comparatively being of higher cost

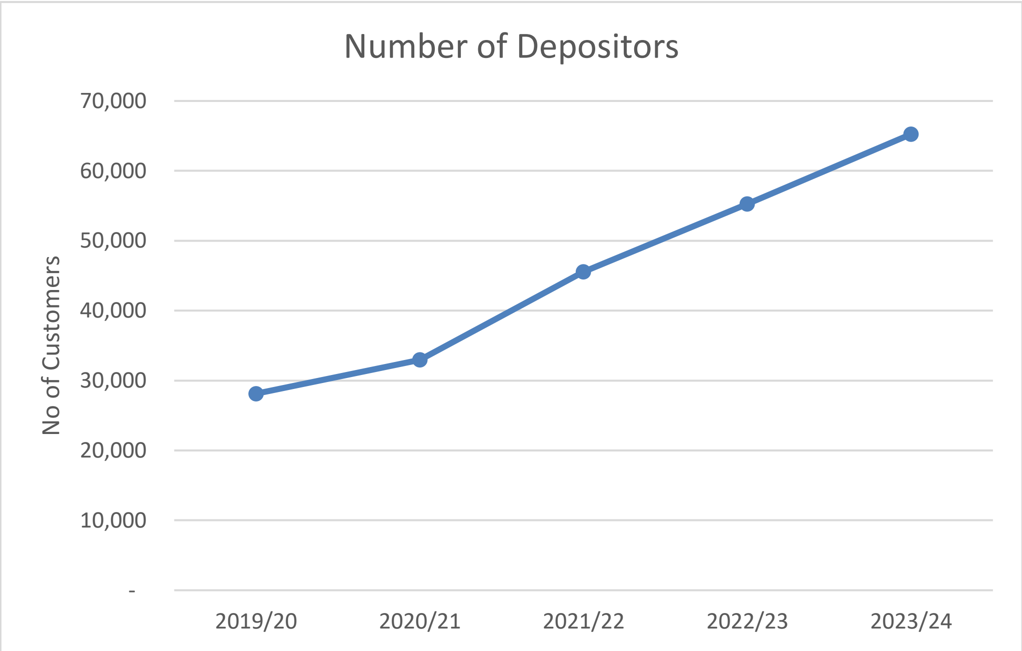


Deposit Funding

Though Deposit mobilization was somewhat challenging amidst persistent decline in policy rates and the availability of other attracting investment options, with the expansion of our branch network and the efficacious deposit marketing drive helped in expanding the deposit base to Rs. 36 billion, a noteworthy 15.6% growth YoY, staying above the average industry growth of 8% recorded by December 2023.

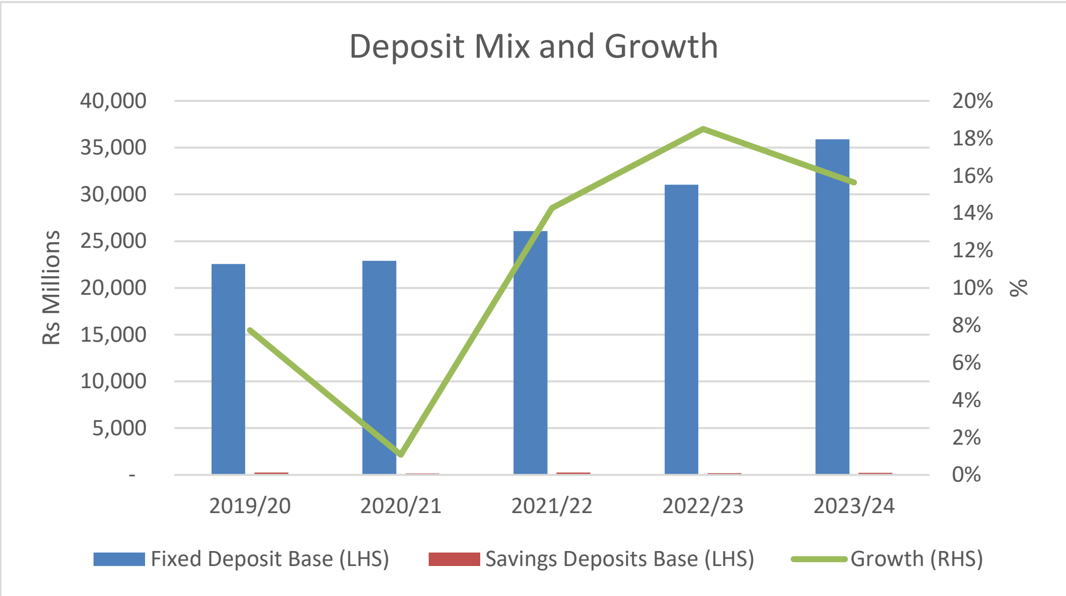
Fixed Deposits

Our unwavering commitment towards the mobilisation of Fixed Deposits being our primary deposit product, contributed 99% to the total base. Despite the continued downward revision of market rates, a commendable 15.7% growth was recorded on Fixed Deposits which advanced to Rs. 35.9 billion. Whilst broad-basing our reach through our expanded branch network, we continued to broaden our depositor base, affording attractive returns to our customers and improving service standards across our branch network, especially in terms of the speed of delivery and customer convenience. On-going decentralization efforts coupled with transformation of IT facilities to an advanced IT platform offered greater convenience, driving branch mobilisation commendably up by 40% reflecting a healthy 38% contribution, while Head Office mobilization being in the Western Province remained the primary captive region



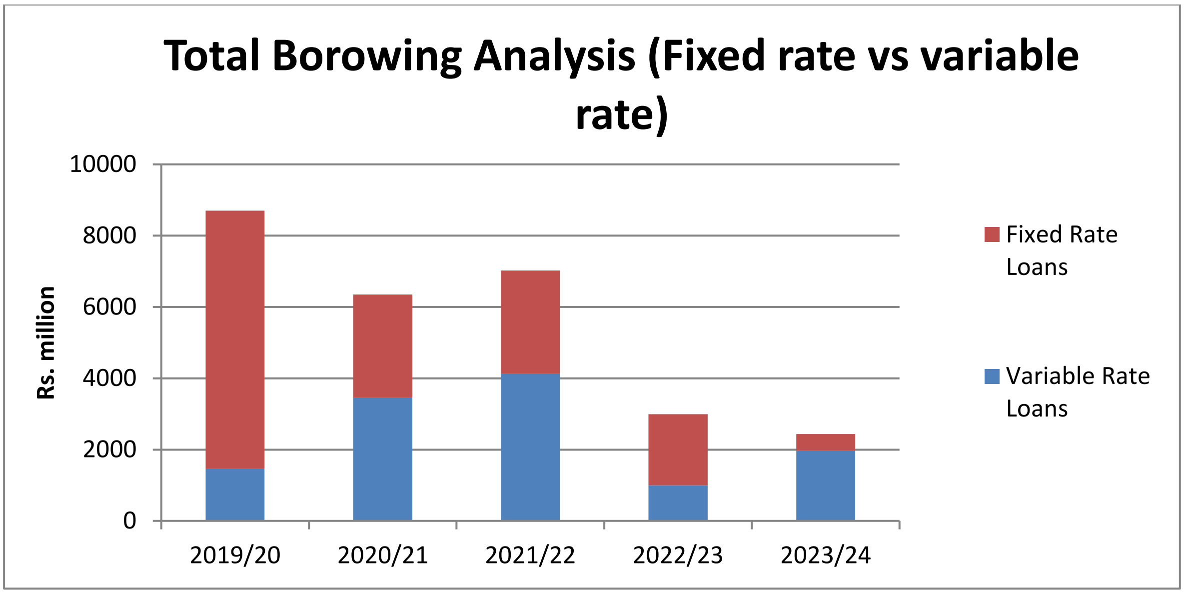
Savings Deposits

With our continued efforts to encourage savings deposits through the introduction of ATM services and convenient access, MI managed to increase its savings base from Rs. 193 Mn to Rs. 218 Mn by 31st March 2024. As we are steering towards rapid branch expansion planned across the island, we aim to further strengthen our savings base through greater branch mobilisation, backed by the plans to embrace greater technology solutions, to bolster e based transacting including CEFT, e-wallet facility, internet based transactions and standing order option etc. to be facilitated within the new financial year.



Borrowings and Debt Funding

As bank borrowing was of relatively higher costs, we kept bank and other institutional borrowings controlled, which saw corporate borrowings reduce from Rs. 3,580 Mn to Rs. 2,758 Mn by the balance sheet date, dropping by 23% YoY. However, we continued to strengthen our partnerships with longstanding banking partners to manage immediate and future funding requirements to optimise on overall funding costs



Cost Optimisation

We continued to make inroads in productivity and efficiency improvements including the introduction of various digital channels, which enabled us to sustain the cost savings drive we undertook since the pandemic. Despite the branch expansions, our sustained efforts to effectively bring down the costs to income ratio levels enabled us to control the overhead cost escalation somewhat to 25%. Our targeted efforts to reduce operational expenses through process automation, efficiency gains and optimisation of human capital and organization-wide initiatives to eliminate waste and build a leaner operating model enabled us to curtail the cost increase against inflationary pressure including rising fuel and energy costs during the year.

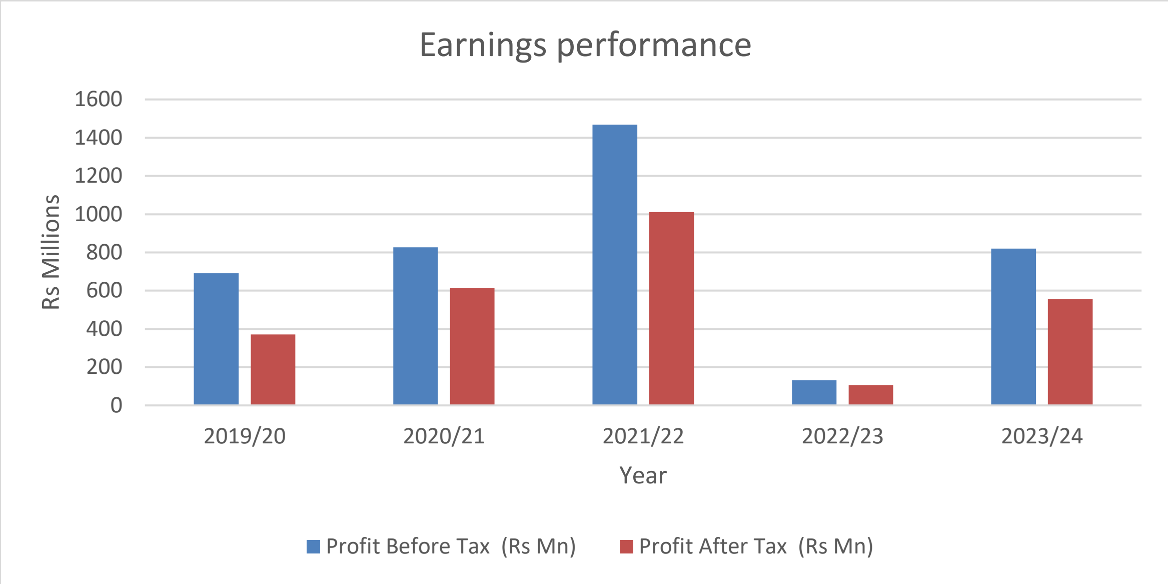
Financial Results

The year under review marked a pivotal milestone in our journey, defined by a steadfast commitment in establishing a clear growth trajectory amidst market turnaround post covid era. As planned we enjoyed resilient performance across all key metrics. Whilst the NBFI sector remained resilient against the prevailing macroeconomic challenges, we were able to stay ahead of competition, displaying robust financial results, posting upward profitability, lending, deposit and asset quality, epitomizing on our unwavering commitment to delivering attractive returns for our investors even in trying conditions. These impressive results not only bolstered stakeholder trust and confidence but also helped to maintain MI's supremacy in the sector as a premier finance company.

Profitability

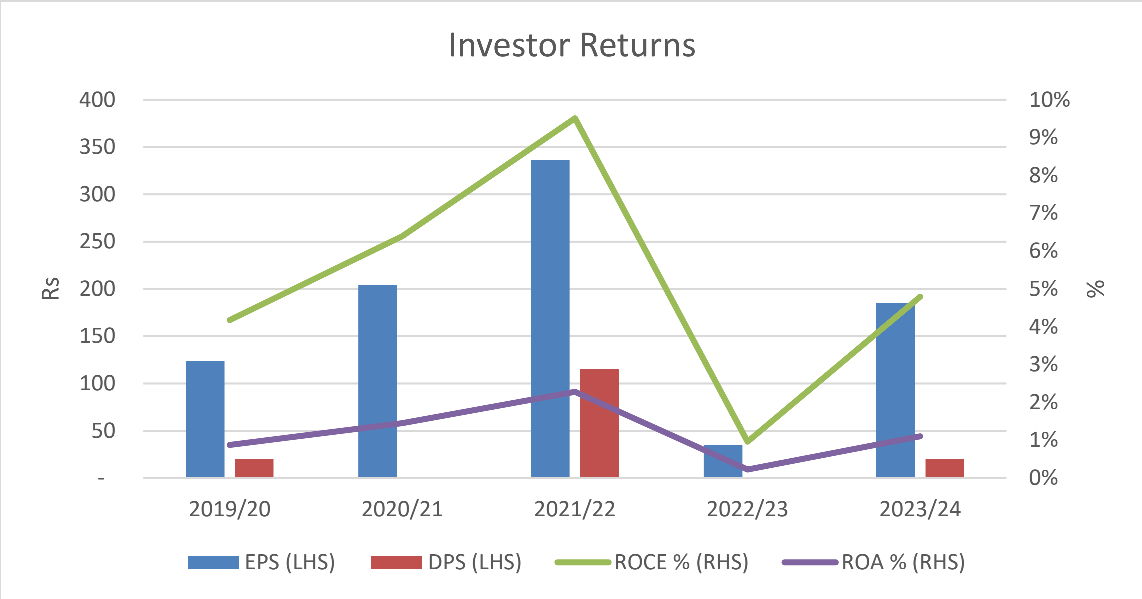
Leveraging on MI's core competencies and appropriately backed by right strategy and staunch commitment to success, the company was able to record robust pre- and post-tax profits amounting to Rs. 820 million and Rs. 556 million, reflecting an outstanding 517% and 424% Year-on-Year growth. Despite experiencing subdued loan book growth during first two quarters of the financial year, with the persistent decline in policy rates and uptick in credit demand, we recorded, impressive 13% YoY growth in the total loan portfolio, whilst keeping funding costs relatively lower backed by repricing gains especially during the latter half of the year. Accordingly we recorded a 60% remarkable growth in net interest income boosted primarily by a YoY growth in lending volumes of 79% and improved core margins that moved up by 3.3% YoY to 9.79%.

Same time, in spite of the prevailing macroeconomic conditions and extended tax reforms adversely affecting borrower repayment capacity, targeted recovery strategies deployed to tackle on-going arrears clients coupled with stringent credit risk management controls enabled us to keep credit quality intact, with the 90-day Non Performing Loan Ratio (NPLs) controlled at 9.81%.



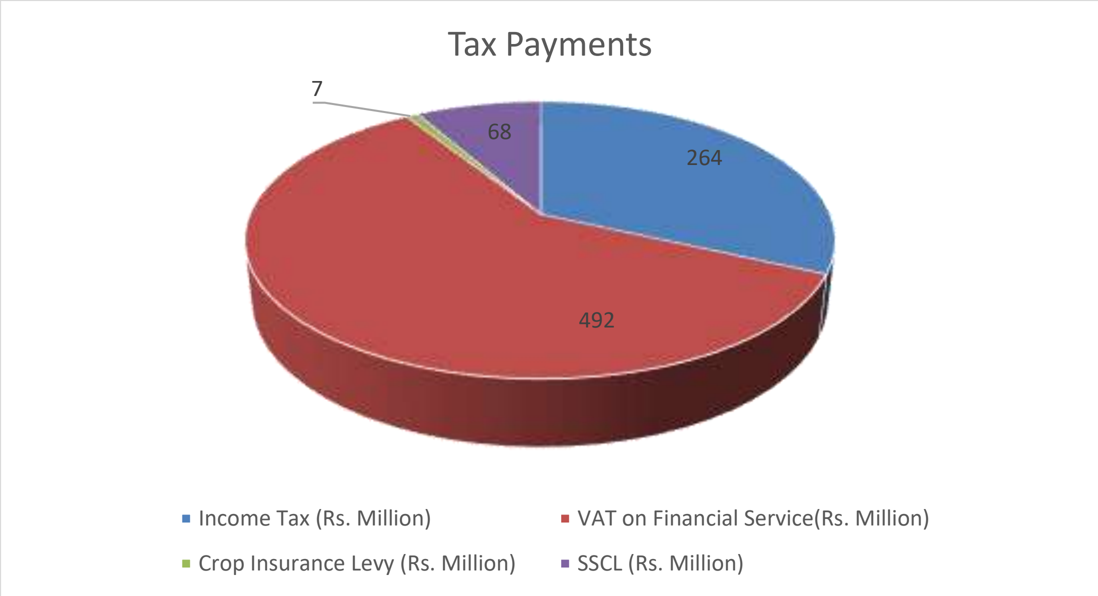
Investor Returns

Bolstered by a higher post-tax profit, the Return on Average Capital Employed (ROCE) and Return on Average Assets (ROA) both moved up solidly from 0.96% to 4.80% and 0.22% to 1.10% respectively for the year under review, upholding investors' trust and confidence. This robust growth in profitability propelled the Earnings per Share by 424%, climbing from Rs. 35.28 to Rs. 184.90, reaffirming our resilience and earning potential even amidst unprecedented challenges. In light of this resilient performance, the Board declared a dividend of Rs. 20 per share amounting to Rs. 60.12 million for the year, reinforcing our commitment to shared growth principles and paving the way for future shareholder wealth accretion by retaining majority of profits towards future business growth. Accordingly, our shareholder funds rose to Rs. 12.2 billion by 31st March 2024 up by 10.4% YoY (Refer 'Investor Relations' section on pages 296 to 299, on sound investor returns and capital accumulation trajectory).



Tax Impact on Profitability

With the growth in operating profits, total tax expense increased significantly by 131% to Rs. 830 million during the year, while the effective income tax rate reduced from 81.4% to 40% on account of a deferred tax reversal of Rs. 128 million recorded for the year. Though the tax rates remained as same as last year, as the full effect of the increase in tax rates in 2022 came upon the current financial year, income tax charge increased from Rs. 26.7 Mn to Rs. 264 Mn, with the profitability growth. Moreover, VAT on Financial Services comprised 59% of the total tax expense, reflected an increase of 59% to Rs. 492 million, whilst the Crop Insurance Levy stood at Rs. 6.7 million for the year. (Refer Financial Statements Note 15).

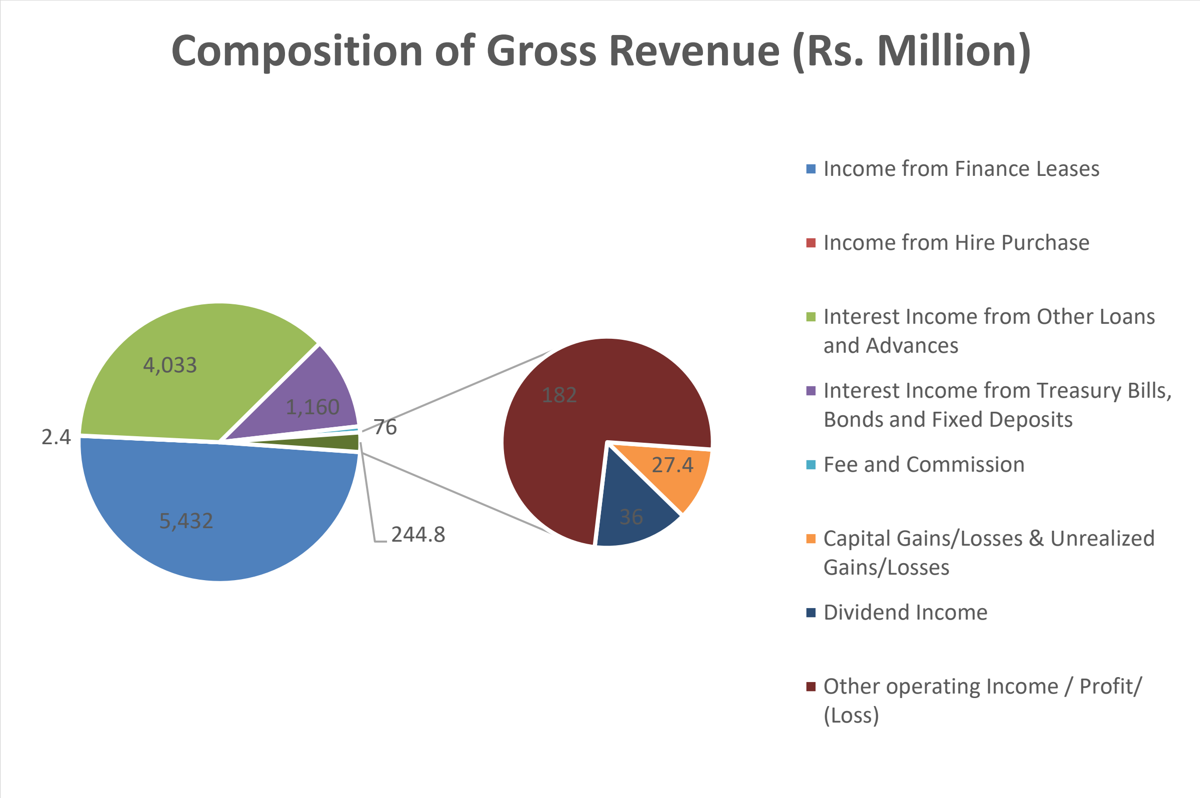


Gross Revenue

With the uptick in lending volumes and enjoying of relatively higher yields coupled with the expanded branch presence, the Company's gross revenue increased soundly by 21.2% to Rs. 10,949 million for the financial year 2023/24, as compared to 26.8% growth recorded for the previous year

Similarly, core lending revenue grew significantly by 26% to Rs. 9,468 million, stemming from the 13% steady growth recorded in the loan book for the financial year 2023/24, compared with 15% revenue growth recorded for the previous year. Non-Fund Based Income too showed an upward 12% movement, mainly with the fair value gains recorded on government securities of Rs. 27.5 million while dividend income stood at Rs. 35.7 million, down 13% YoY.

In terms of gross revenue, 86% of the contribution was generated from our core lending business, whilst the contributions derived from investment income from Treasury activities dropped to 11% from 14%, as we consciously reduced surplus funds invested in Treasury bills and Money Market with persistent decline in yields. Non-fund based income derived from insurance referral business, workshop service and repair income and other fee-based revenue made up the balance 3%.

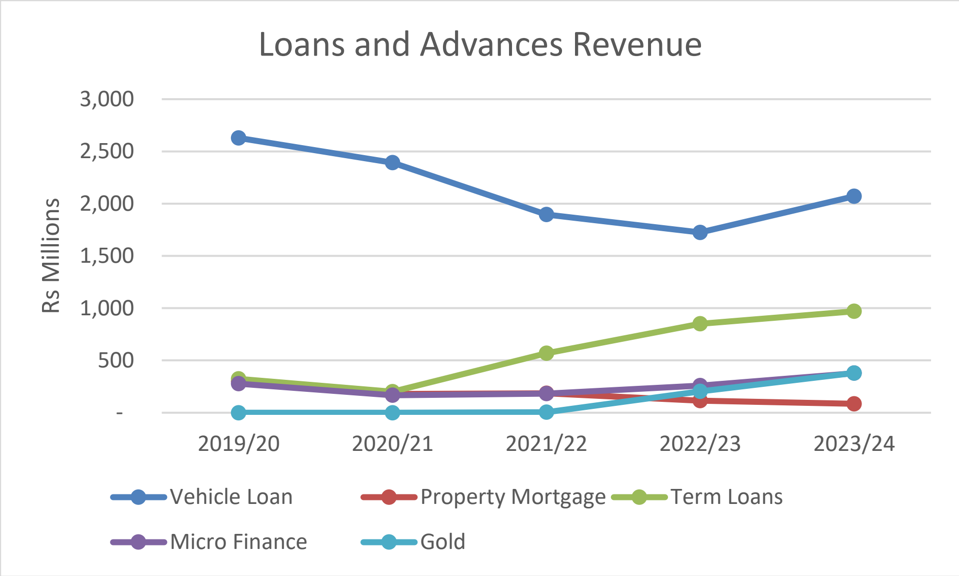


❖ Lease Financing vs. Hire Purchase Revenue

Leases, being MI's traditional and most popular product contributed 57% to the core lending revenue, with a 27% YoY growth. Hire Purchase revenue contribution continued to decline to 0.03% of the lending income, reflecting a YoY 83% dip, due to lower demand consequent to past years tax changes.

❖ Term-Based Lending Revenue

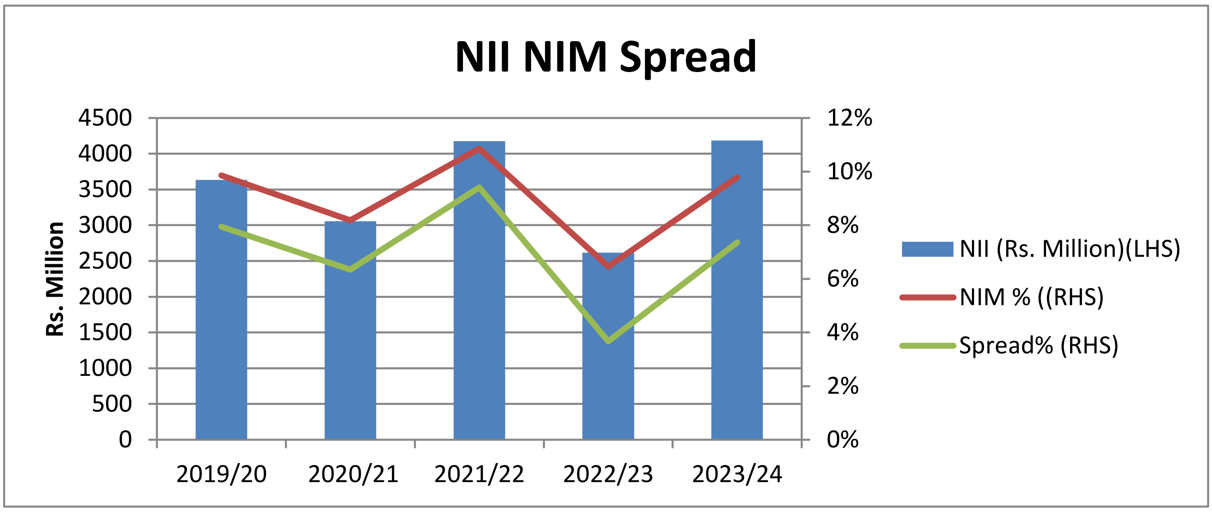
Term-based lending, which mainly revolved around vehicle loans, property mortgage loans, term loans, pledged loans, microfinance loans and gold loans categorised under the loans and advances portfolio, contributed 43% to the core lending revenue, with a 24% YoY growth, as the other main key revenue sources of MI's expanding product mix.



Net Interest Income (NII), Net Interest Margin (NIM) and Core Spread

Whilst significant amount of our lending portfolio was repriced at market rates, yielding 21% growth in interest income, funding costs was kept optimal, banking on the repricing of majority deposit book shorter tenor components, enabling us to record a notable 60% growth in Net Interest Income (NII). Apart from improved lending volumes, this commendable growth in NII was bolstered by enjoying an improved Net Interest Margin (NIM) from 6.46% to 9.79% and an Interest Spread of 7.36% by March 2024, reaffirming the strength of our business model and the strategies we embraced, setting the tone for a resilient growth trajectory.

We stayed committed in improving core margins with varying product mix strategies, focusing on blending traditional modest yield product lines with high yield lending products, while taking strategic actions to lower cost of funding in the medium term, that paved the way to reap healthy spreads and also to face any unforeseen price volatility.

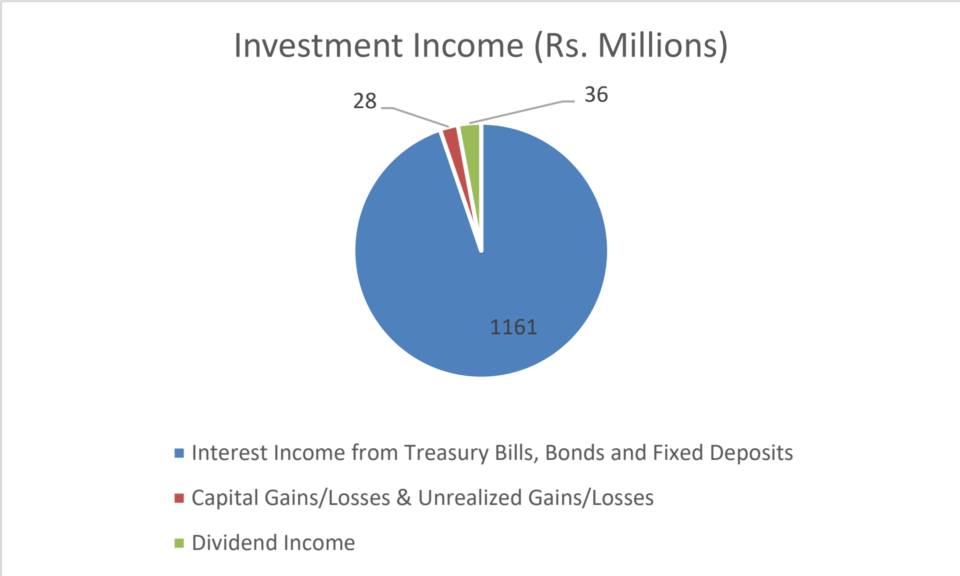


Investment Income

Investment income that primarily comprised of returns generated from government securities, placements with banks, unit trusts, and dividend income remained a significant contributor to MI's gross revenue, constituting a commendable 11%, though dipped by 3% to Rs. 1,224 million due to the gradual decline in yields enjoyed and investment portfolio.

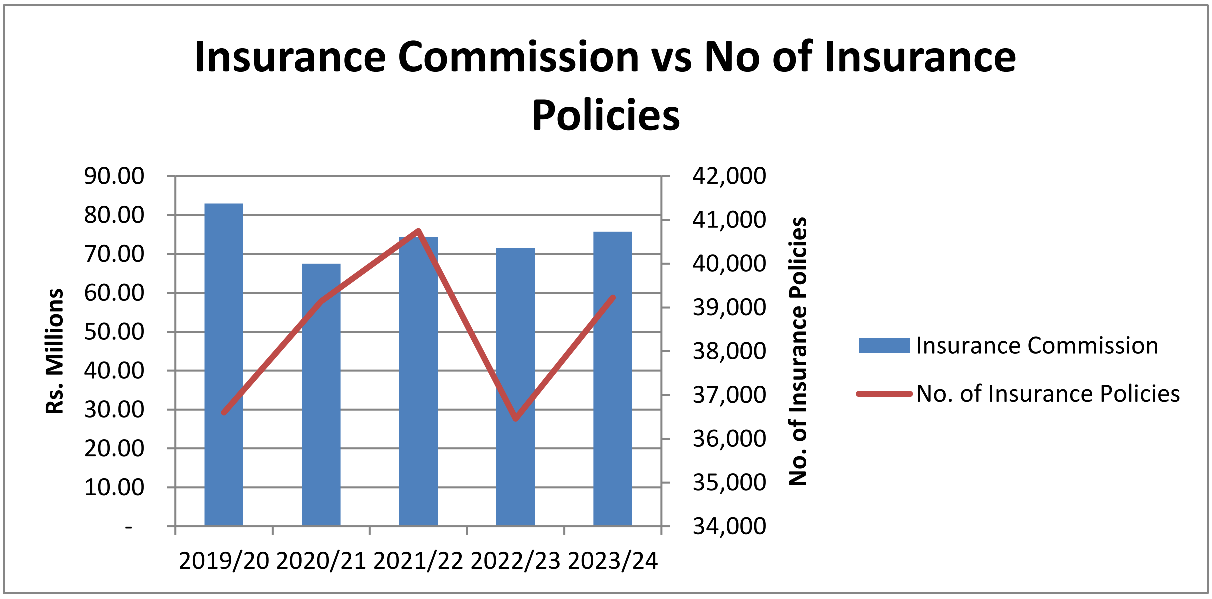
As we reaped the benefits from the surge in government security rates during early 2023 and later on observing the persistent decline in yields, we commenced strategically divesting part of our excess fund invested in government securities and other investments, redeploying back to core business to support the uptick in loan book growth. Based on the fair value appreciation of government securities, we booked Rs. 25.9 million as fair value through profit or loss and Rs. 25.6 million as fair value through other comprehensive income this year.

As the economy converged towards the path of revival and growth, stock market prices reflected positive sentiments enabling us to record unrealized fair value gains amounting to Rs. 459 million, transforming the negative OCI reserve of Rs. 372 million at start of year to a positive OCI gain of Rs. 81 million as at the balance sheet date.



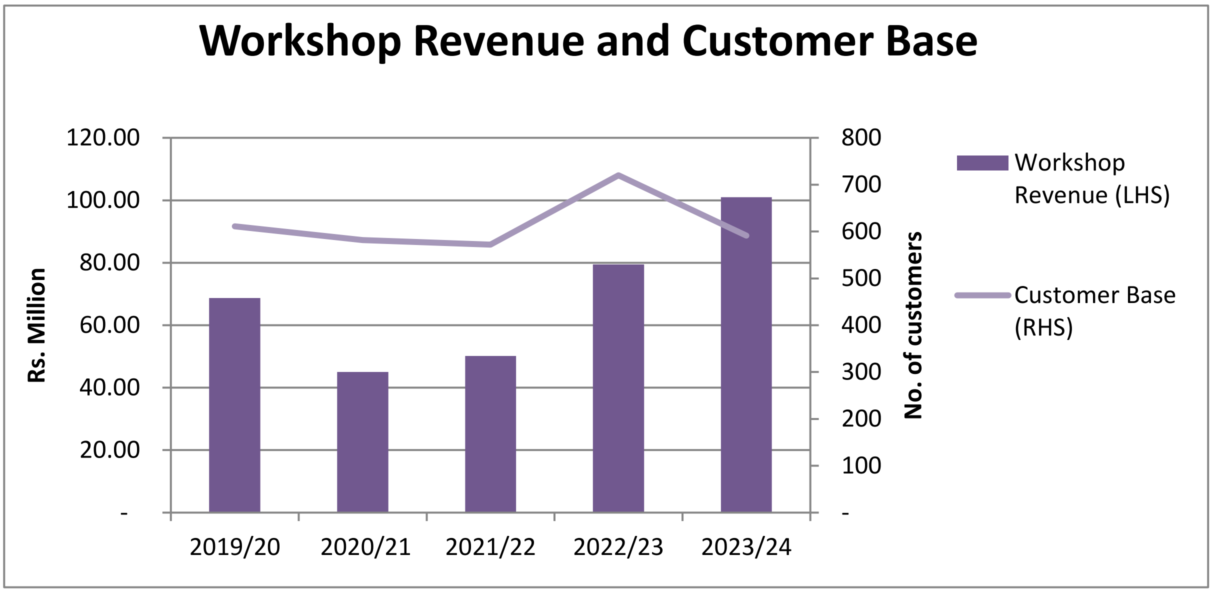
Insurance Services

Insurance referral business income continued to contribute Rs. 75.7 million to gross revenue compared with Rs. 75.5 million recorded for the previous year. Moreover, through a satisfactory track record of recovering insurance claims, which stood at Rs. 112 Mn. (Rs. 71 million for 2022/23), we sustained sound customer retention levels, whilst attracting new clientele to take up effective insurance covers through the brokering company housed in the MI head office premises.



Workshop Services

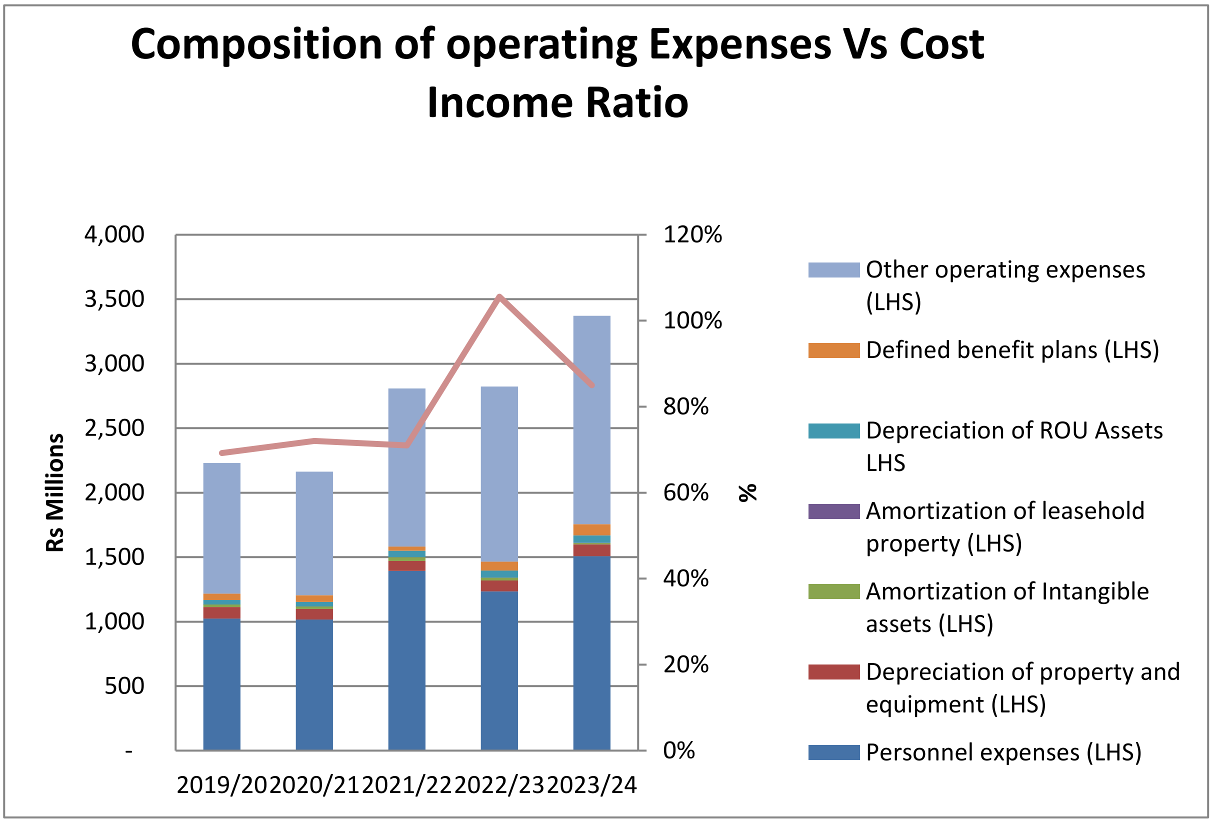
Amidst prevailing macroeconomic challenges, a total revenue contribution of Rs. 101 million was generated through our special workshop servicing and repair unit located in Kohuwala, recording a 27% increase against the previous year.



Expenditure Management

Controlled Overhead Cost Escalation

By maintaining a steadfast focus on cost optimization and productivity enhancement, we kept overhead costs controlled wherever possible, but due to branch expansion activities and inflationary factors including significant hike in utility tariffs, we witnessed a 25% cost escalation YoY.



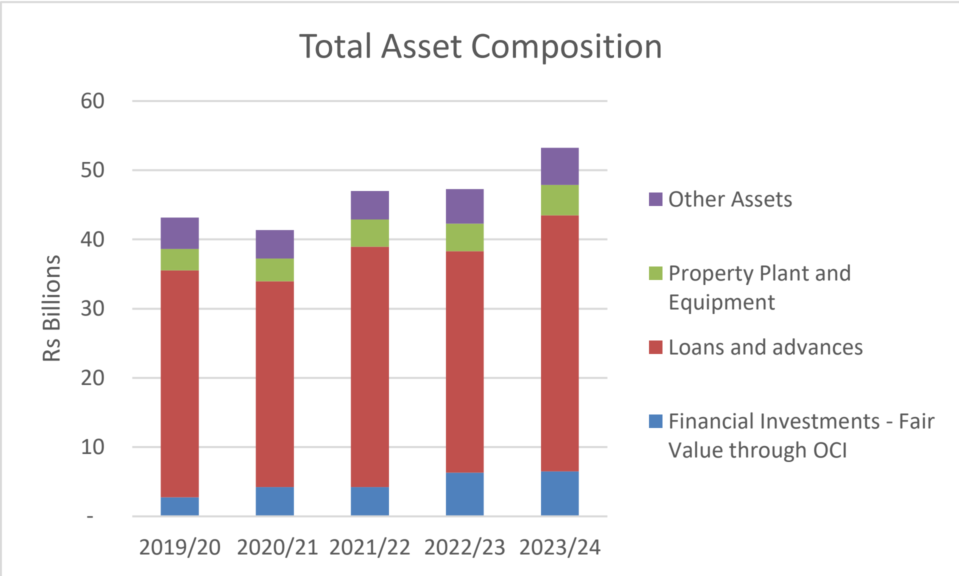
Capital Expenditure

Capital investments in this period was mainly directed towards core business strategy deployment, especially to enhance our physical outreach and to support the upgrading of MI's IT infrastructure and evolving technology capabilities, ahead of planned growth trajectory. Whilst expanding Gold loan operations across our branch network, we expedited our branch expansion plan in steering towards corporate plan targets with steady upward momentum, investing Rs. 229 million in Property, Plant and Equipment. As we made strides in enhancing productivity and shortening breakeven periods of newly setup branches, we forged ahead with our low costs developments under a 'scalable concept' in branch expansions, to minimize initial investment cost. As we embarked on transforming our core systems to an advanced IT platform, we spent Rs. 33 million in IT related investments to expand operational capabilities across the branch network and will continue to invest in technology to ensure full migration is concluded in FY 2024/25Financial Position, Strength, Blend and Efficiency.

Financial Position, Strength, Blend and Efficiency

Total Assets Position

Whilst demonstrating commendable loan book growth and expansion in business activities, we were able to record a healthy increase in Company's total asset base which depicted a 12.2% YOY growth, reaching Rs. 53,231 million, surpassing the industry average growth of 5.1% recorded by December 2023, amid the prevailing macroeconomic challenges.

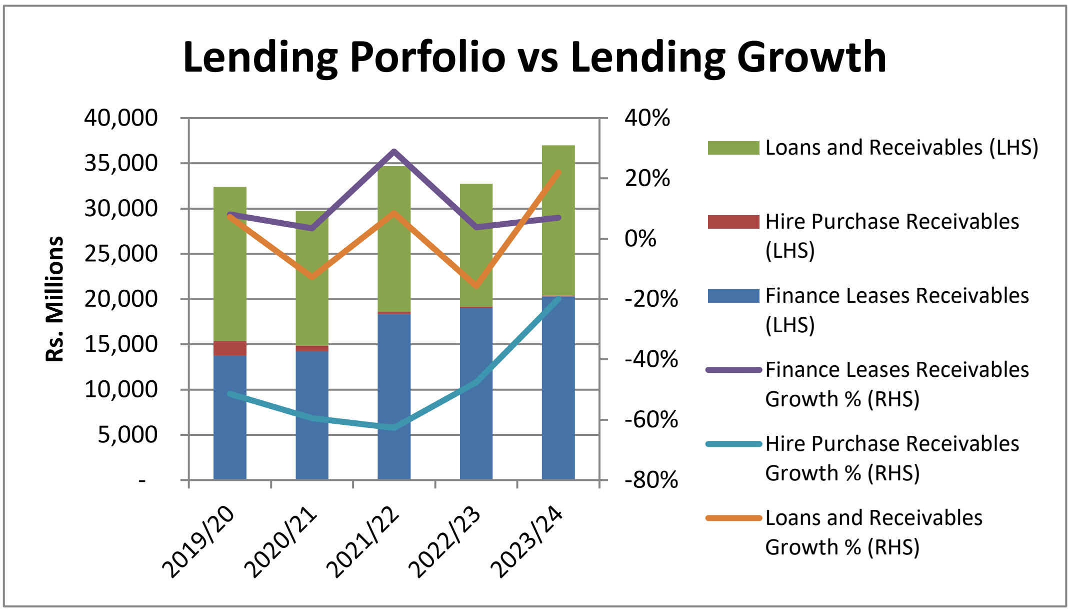


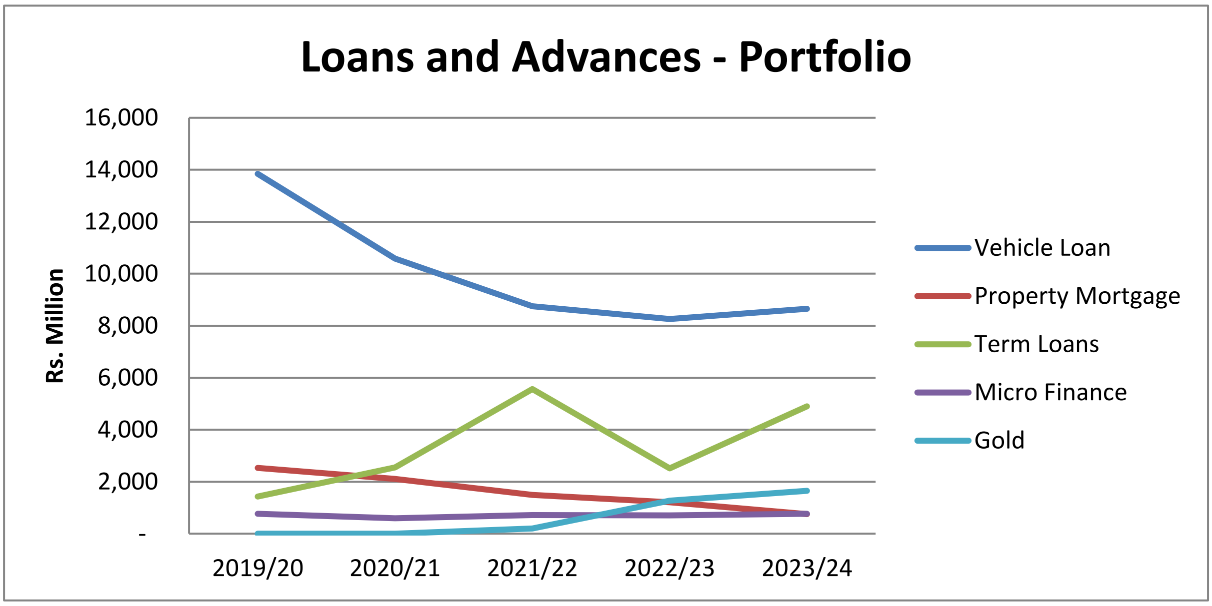
Loans and Advances

Loans and Advances which represent 70% of our total assets remained as the largest and most significant asset component. Though the credit demand was pegged back during first half of the financial year, as the market interest rates continued to fall resulting from the easing out of monetary policy measures combined with our customer-centric core business strategies enabled us to record commendable 13% growth in the loan book which stood at Rs. 37 billion as at 31st March 2024, as against a 6% contraction recorded for the previous year.

During the year we continued to expand our branch footprint whilst broad basing our product mix with specific attention in expanding Gold loan operations and other high yield products, driving credit growth whilst reinforcing our market positioning.

Lending business was driven by MI's primary product, lease financing, which grew by 7%, whilst Term-based product categories recorded a growth of 22%, which includes a noteworthy 30% growth in the Gold Loans portfolio.





Asset Quality Management

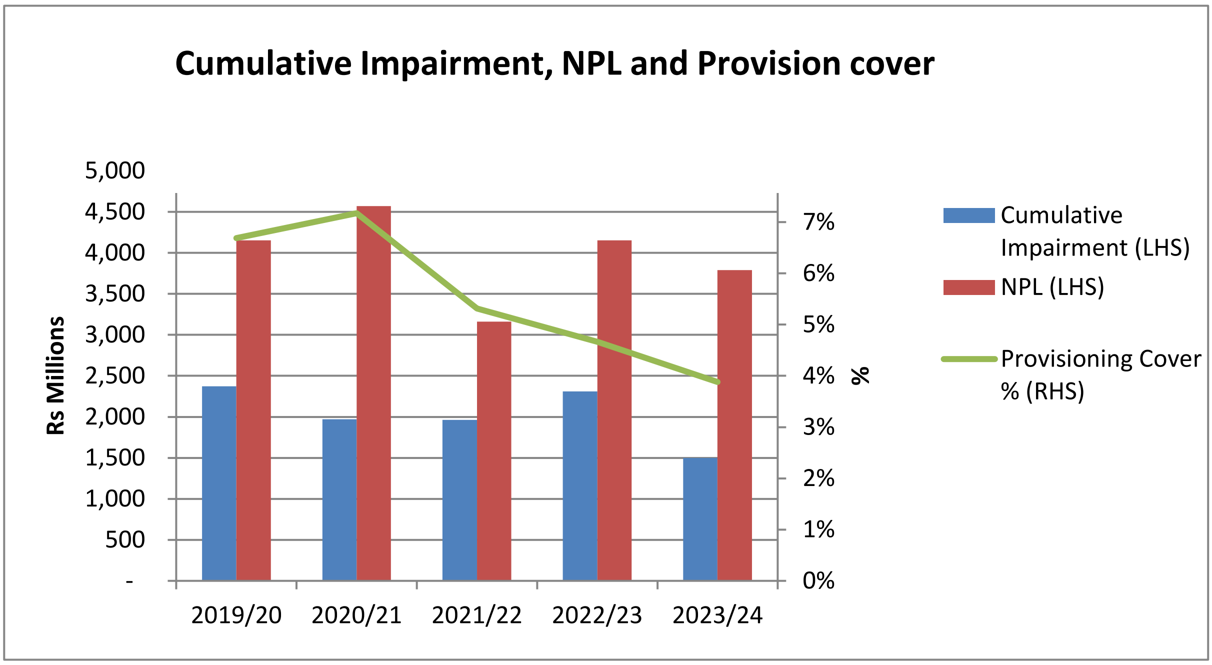
Despite the sector NPL showcasing a notable uptick triggered by heightened default risks and stringent NPL classification effected from 1st April 2023, our staunch recovery efforts coupled with proactive risk management initiatives enabled us to control the 90-day NPL at 9.81%, as at the balance sheet date, in contrast to the high industry average of 17.8% reported for December 2023.

Throughout the year, we placed strong emphasis on updating recovery targets regularly setting ambitious yet achievable goals to optimize our collection efforts and minimize potential losses. Whilst our fully fledged call center team played a pivotal role in following up on immediate arrears in contracts and on clients falling into longer arrears, recovery teams were focused on initiating customized recovery drives especially targeting perceived high-risk clients and sectors, that eventually helped bring down NPL stock to impactful levels.

Legal Department worked closely with the Recovery division to fast-track long standing bad debt accounts recovery with particular attention to initiate out-of-court settlements. Our Special Recoveries Force (SRF) additionally provided a 24/7 recovery effort to manage arrears clients. Furthermore, priority was given to put in motion an effective asset disposal process at the Maharagama Yard which will see the introduction of a transparent online tender based system to minimize losses on seized vehicles.

Impairment Charges

Through the deployment of an efficient recovery process with prompt actions, we controlled arrears clients and escalation of NPL stock, thereby facilitating to keep impairment charge minimal at Rs. 7.9 million for the year, despite the loan book growth. Notably, our concerted efforts in managing partial recovery of dues from one large outstanding bad debt also contributed to this lower impairment. (Refer Financial Statements Note on Impairment from pages 235 to 241).

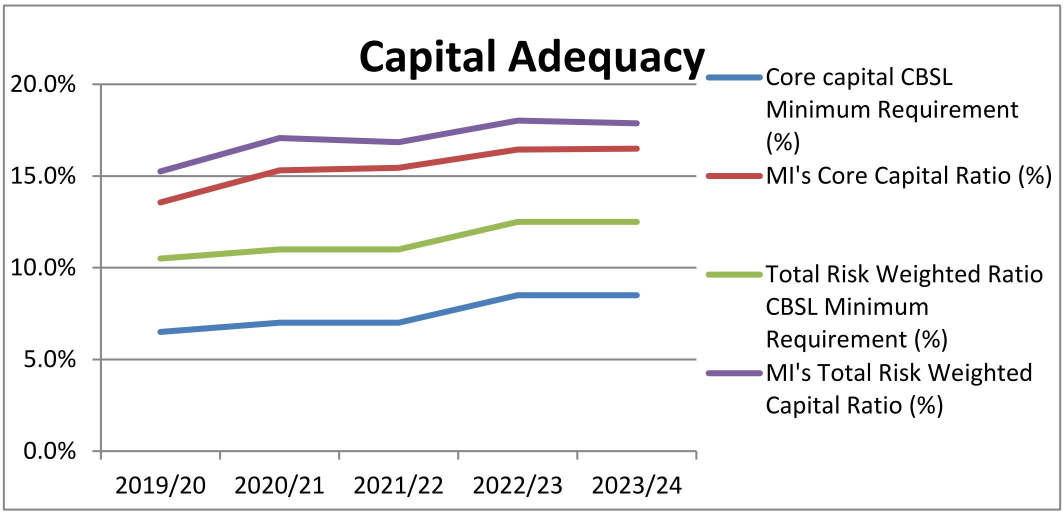


Capital Strength

Regulatory Capital

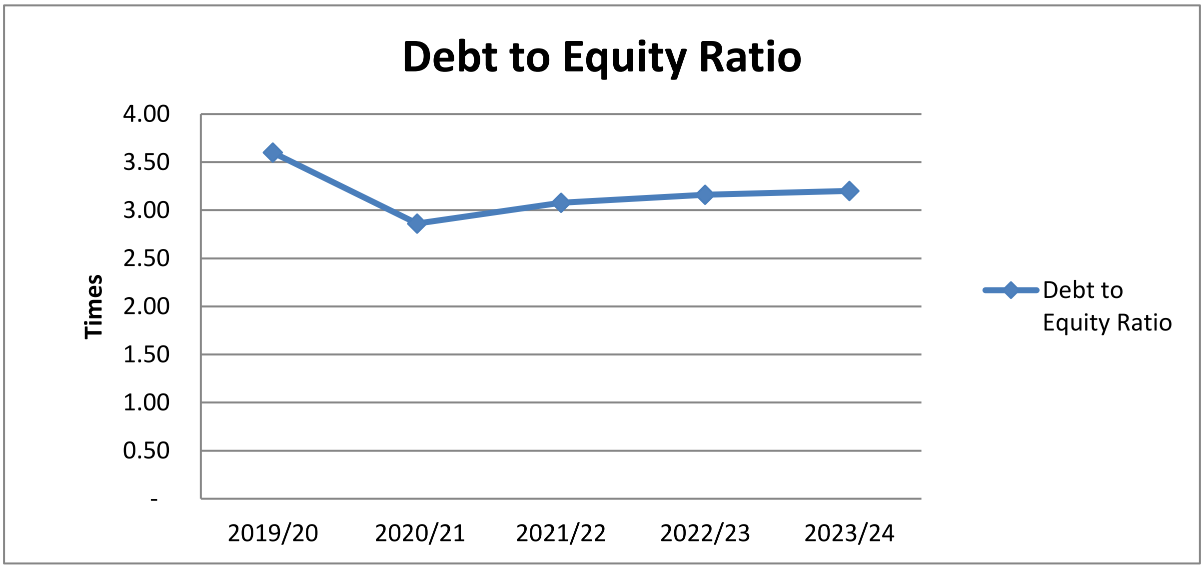
Despite the multifaceted challenges we faced, our core capital and total capital ratios continued to remain well above the regulatory requirements enabling MI to be placed again in the regulators "Well Capitalised Company" status, even with the enhanced Basel II capital adequacy requirements, reflecting the company's financial strength and the cushion available to withstand unforeseen external shocks.

MI's prudential capital adequacy ratios of tier 1 and total risk-weighted assets ratio stood at 16.49% and 17.88% respectively, remaining higher than the minimum regulatory limits of 8.5% and 12.5%. This reaffirms MI's widening balance sheet strength and ability to withstand possible future headwinds envisaged in the coming year for the sector.



Debt to Equity

MI's Debt to Equity ratio showed only a marginal annual increase of 0.03 to 3.19 by March 2024 despite the assets base expanding at 11.8%, which was partly financed from borrowings with no capital inflows like in the past. Given the inherent nature of the industry, which involves relatively lower cost deposits predominantly to fund core business activities, we ensured that our debt levels remained within acceptable industry norms and safety standards.



Liquidity

❖ Short- and Medium-Term Liquidity

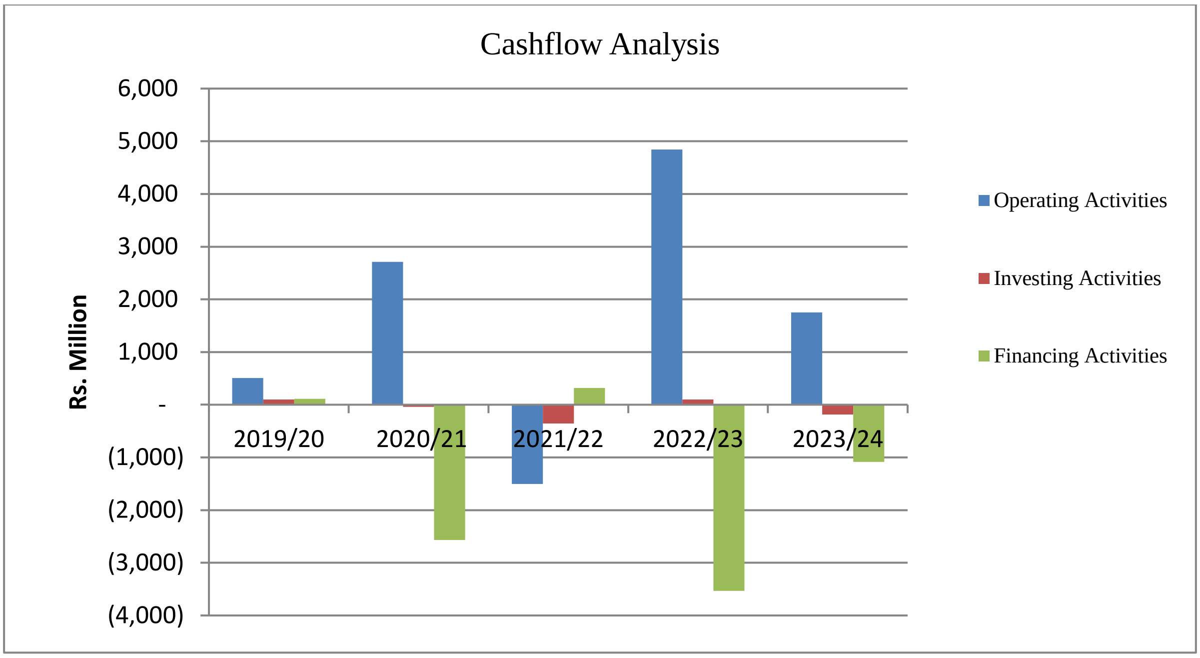
Despite the prevailing macroeconomic challenges, the company solidly maintained adequate liquidity buffers throughout the year, providing the much-needed stability and flexibility to MI's overall operations, whilst managing the trade-off between liquidity and profitability levels. MI's strong liquidity position as at the balance sheet date stood at 19.68% (18.82% in 2023), surpassing the regulatory limit of 10%. (Refer pages 284 to 286 of the Notes to the Financial Statements for a detailed ratio breakdown)

❖ Long-Term Liquidity

In the backdrop of persistent decline in policy rates, Maturity mismatches of Assets and Liabilities of less than one year widened by March 2024, as we strategically leveraged our repricing gains by managing the loan book product mix with deposit base tenor. Though the emphasis was to mobilize shorter tenor deposits towards reprising gains, while lending during this period was more of a longer horizon, through effective product mix management and treasury strategies, we ensured in parallel that MI's one year mismatches remained below Rs. 5 billion for most of the year. By securing long-term funding from banking partners and mobilising long term deposits, the mismatch was kept under acceptable risk tolerance limits. (Refer pages 284 to 286 of the Notes to the Financial Statements).

Cash Flow Position

Through close review of funding position, the treasury division managed cash flows effectively, maintaining sound liquidity levels throughout the financial year, balancing the short-term and long-term funding needs of the Company optimally. Total cash and cash equivalents (including the placements with banks not under lien) as at the reporting date stood at Rs. 2,175 million, compared to Rs.1,698 million recorded for the previous year, apart from the contingency funding lines kept amounting to Rs. 3.3 billion by 31st March 2024



❖ Cash Flow from Operating Activities

Despite 13% growth in MI's lending book, MI's operating cash flows reflected an inflow of Rs. 1,754 million for the current year from mainly Deposit Mobilization, though dipping from Rs. 4,847 million recorded for the previous year, in the backdrop of a contracted loan book in last year.

❖ Cash Flow from Investing Activities

MI's cash flow from investing activities reflected an outflow of Rs. 188.2 million for the period under review with increased investments made on account of branch expansions and IT infrastructure, compared to Rs. 100 million cash inflows recorded last year, with the proceeds gained from the sale of properties and investment income.

❖ Cash Flow from Financing Activities

Cash flow from financing activities showed a net cash outflow, totalling to Rs. 1,089 million as at 31st March 2024, compared to the cash outflow of Rs. 3,535 million recorded during the previous period, mainly due to the repayment of bank borrowings.

Interrelated Capital Structures

Future Aspirations