

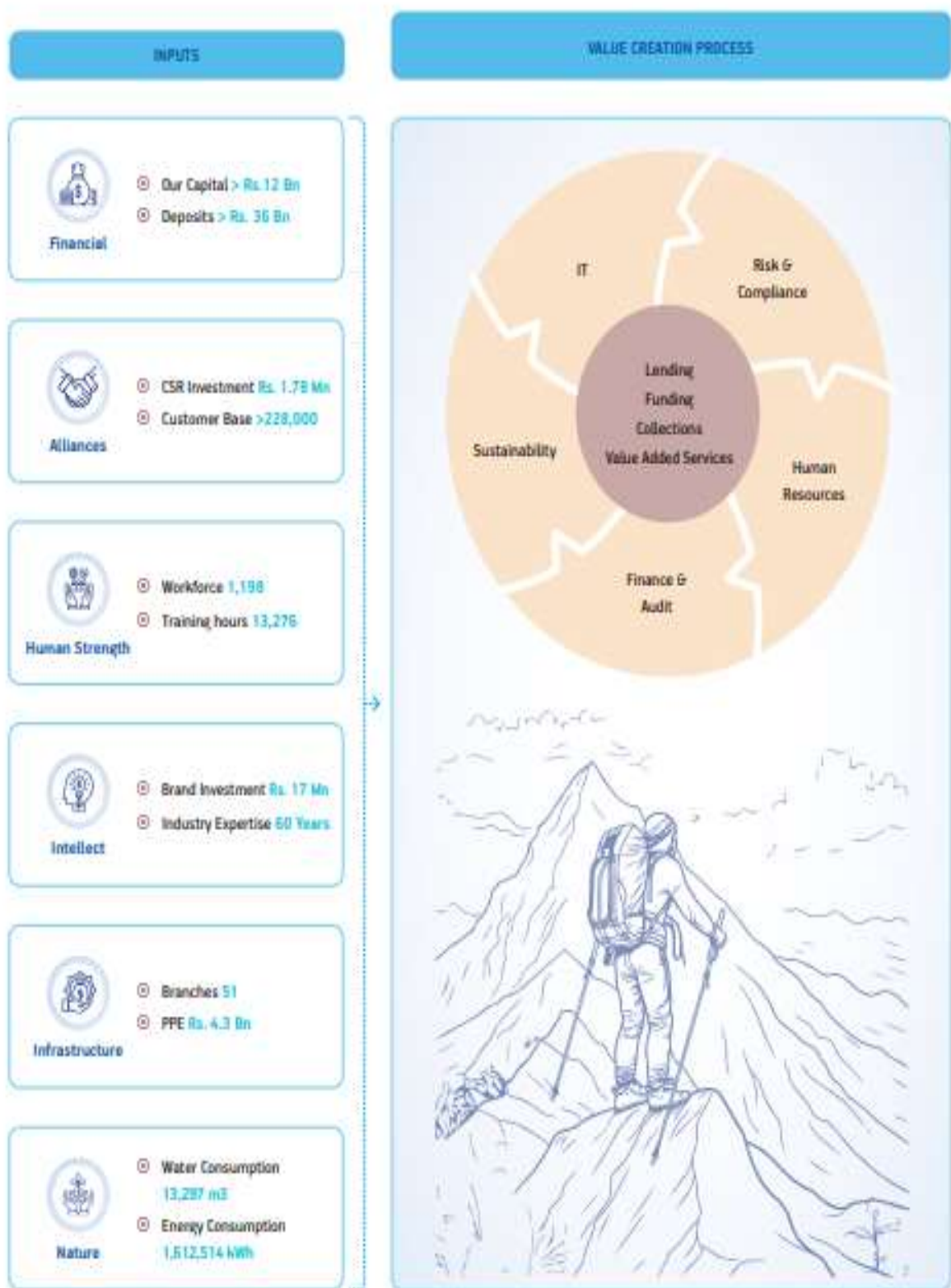
Sustainable Value Creation (GRI 2-6)

Business Model and MI's Value Creation Approach

At the heart of MI's operations lies a dynamic Business Model, seamlessly blending vision, mission, and corporate strategy to realize our paramount goals and objectives. This agile framework stands as a beacon, adeptly navigating the shifting sands of stakeholder expectations, ensuring resilience and success even amidst the most trying of business landscapes. We endeavored to harmonize these foundational pillars not just to navigate our operations but to meet the multifaceted needs of our esteemed stakeholders. Acknowledging that sustainable value creation demands a holistic strategy, our decision-making process encompassed a thorough understanding of these guiding principles. Harnessing the power of an integrated reporting framework, we upheld transparency and clarity in illustrating the intricacies of our business model in this year's annual report, offering a vivid portrayal of our journey towards value creation.

Our resilience stemmed from a balanced portfolio of financial and non-financial capitals encompassing financial stability, human capital enrichment, intellectual prowess, infrastructural fortitude, strategic alliances, and environmental stewardship. Throughout the fiscal period, MI steadfastly upheld a robust foundation across these six pivotal capitals, each serving as a cornerstone in our value creation. This diversified capital framework not only bolstered our operational efficacy but also underscored our commitment to fostering sustainable growth and enduring stakeholder relationships. As we navigate the intricate landscape of contemporary business, our unwavering dedication to nurturing and optimizing these fundamental capitals remains steadfast, driving MI towards sustained prosperity and societal advancement.

Our Business Model





Stakeholder Engagement (GRI 2-29)

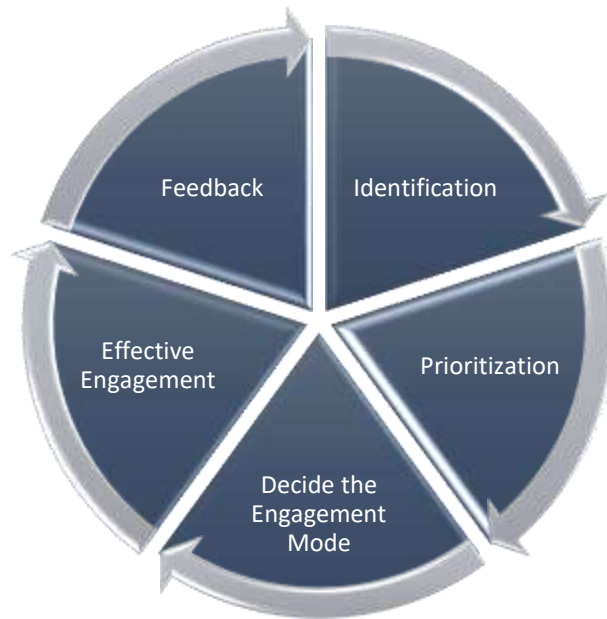
Embracing MI's steadfast dedication to exceeding stakeholder expectations, our approach to stakeholder engagement reflects our deep-rooted commitment to nurturing synergistic relationships that thrive on mutual growth and shared successes. Our commitment echoes through every chord of engagement, weaving a tapestry of interconnectedness during this receptive phase. As a beacon in MI's success story, our stakeholders including shareholders, customers, employees, regulators, suppliers, and society illuminate our path forward, each a vital note in our melody of purpose. We don't just engage; we harmonize, crafting a masterpiece of collaboration where every voice finds resonance and every partnership flourishes.

At the core of our ethos is the conviction that authentic engagement thrives on the active involvement and trust of every stakeholder, with transparency, integrity, and respect as our guiding principles. Our pledge to remain attentive and consistent underscores that engagement is not just a one-time transaction but a continuous conversation that enriches our decision-making as and shapes our strategic direction.

We initiated our stakeholder identification and engagement process by ascertaining interests of all stakeholders and mapping them into different segments based on the actual and potential impact which they could create on our business to determine prevention and mitigation responses to potential negative impacts and also customize strategies to address their concerns.

As stewards of stakeholder trust, MI recognizes the paramount importance of proactive engagement, often commencing dialogue with pertinent stakeholders well in advance of pivotal decisions. By prioritizing stakeholder engagement as an integral component of our corporate governance framework, MI endeavors to cultivate an ecosystem wherein stakeholders feel valued, heard, and empowered to actively contribute to our collective journey towards sustainable growth and societal impact.

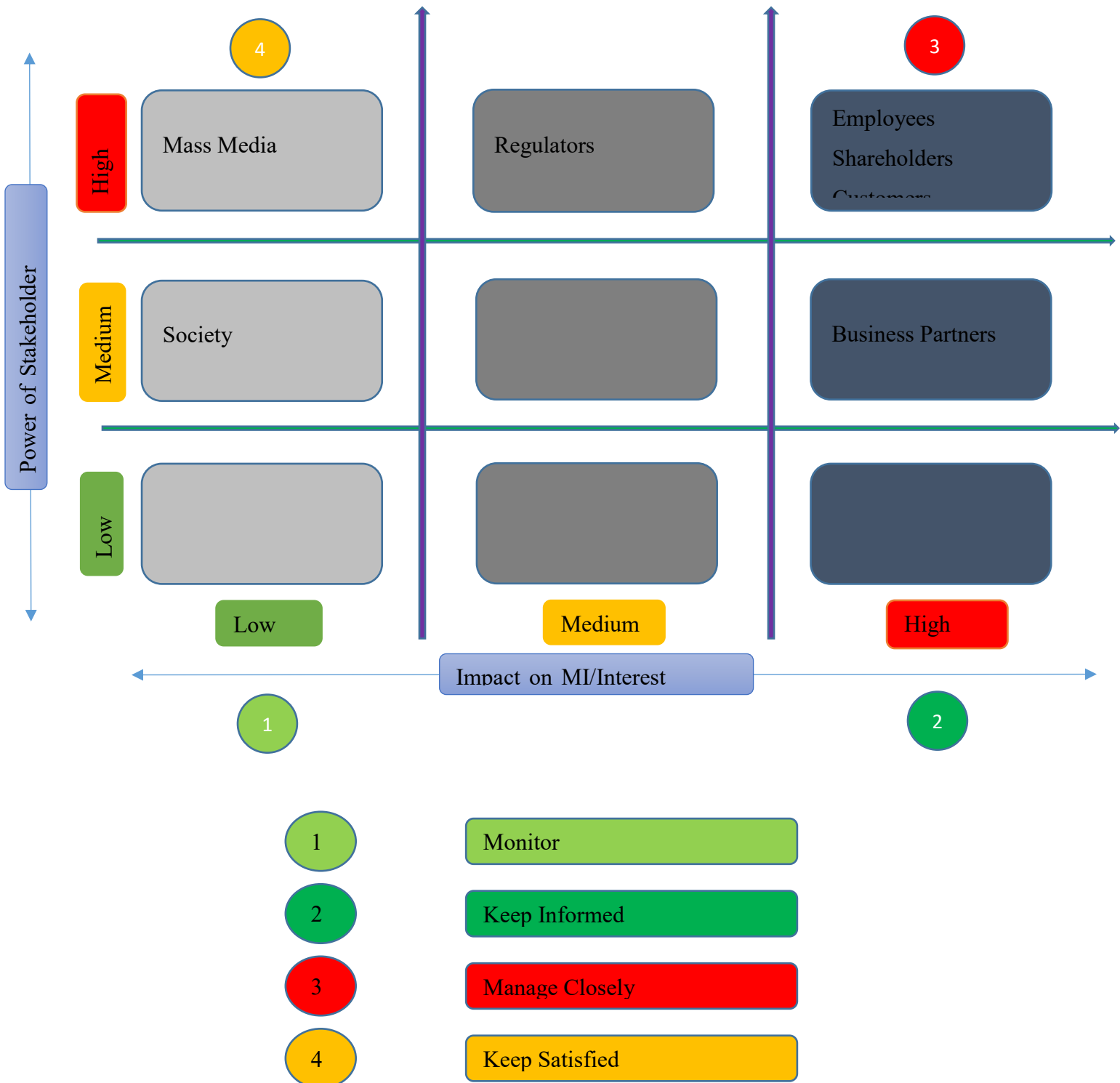
Process of Stakeholder Engagement



Stakeholder Management

Our approach to stakeholder management goes beyond mere compliance; it embodies a proactive effort to cultivate lasting relationships grounded in shared values and mutual understanding. Whilst gauging diverse and converging interests of stakeholders across multiple engagement platforms, we prioritize these concerns in our decision making process considering the magnitude of impact on our value creation process. Through the integration of stakeholder considerations, we aim to navigate a fine line between addressing immediate needs and fostering enduring relationships, ensuring a harmonious balance that supports both short-term goals and long-term sustainability. Through this multifaceted approach, MI seeks to fortify its position as a trusted partner, driving collective prosperity and realizing shared aspirations within the broader stakeholder ecosystem.

Stakeholder Mapping

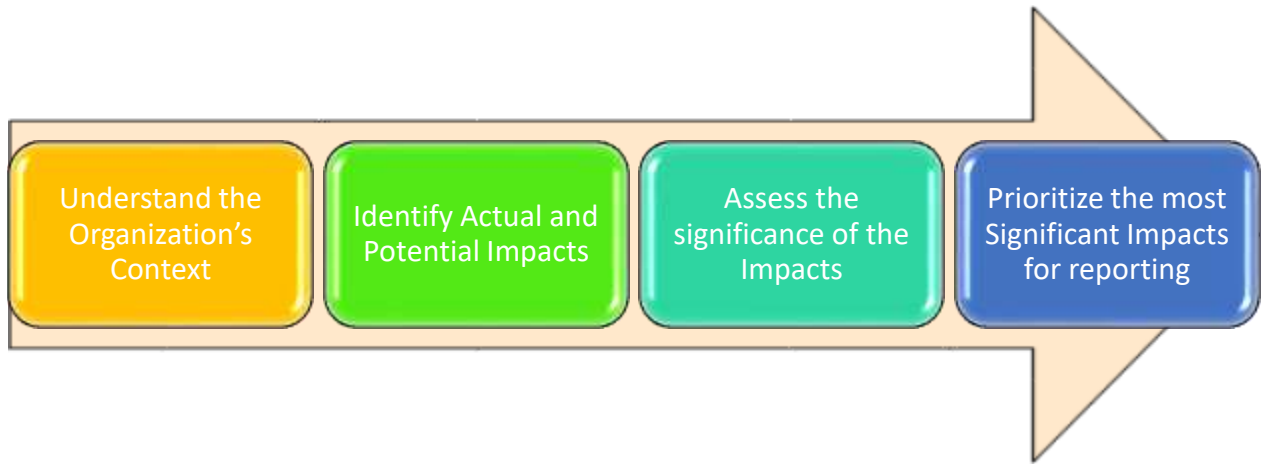


Materiality Assessment (GRI 3-1)

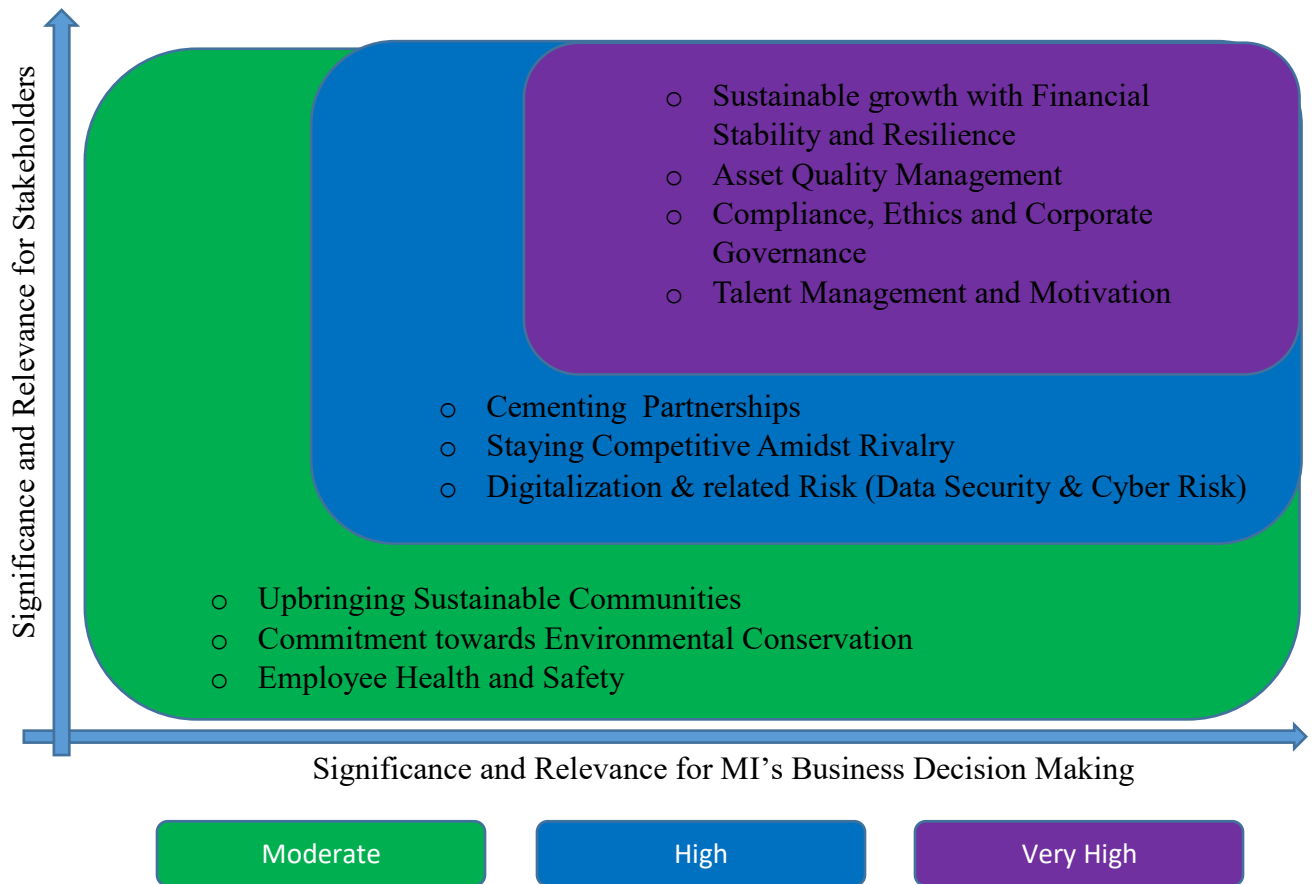
In our materiality assessment process at MI, we undertake a thorough and meticulous examination that delves deep into the intricate layers of our internal and external operational environments. Our approach involves considering both the explicit and implicit effects, ensuring a comprehensive evaluation that informs our strategic decisions and future planning. This inclusive approach ensured that the parameters used in determining the inclusion of topics in our reporting framework were aligned with the expectations of well-informed information users and subject matter experts, whilst maintaining a careful balance between relevance and reliability. By integrating the insights gleaned from stakeholders and experts alike, MI fortifies its commitment to transparency and accountability, establishing a solid foundation for sustainable value creation.

Our approach is further supported and aligned with internationally recognized frameworks such as the Global Reporting Initiative (GRI) indicators, Integrate Reporting Framework and the United Nations Sustainable Development Goals (UNSDGs). These frameworks provide valuable guidance to enhance our capacity in managing and disclosing issues that are of paramount importance to our stakeholders, thereby bolstering our credibility and fostering meaningful progress toward our sustainability aspirations.



Materiality Assessment Process





Materiality Gauge Matrix





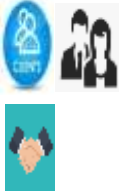
List of Material Topic (GRI 3-2, 3-3)


Material Matter	Why Material?	Materiality Level	Stakeholders Affected	Linked SDG	Linked GRI Standard	Change in Materiality	Management Approach	Reference
Sustainable growth with financial stability and resilience	In the dawn of economic recovery amidst ongoing uncertainties, it is pivotal to leverage the emerging opportunities to broad base our future potential whilst staying financially solid and resilient. Though the extensive tax reforms heightened the pressure on both individuals and corporates, with the continuous decline in policy rates and stabilisation of credit risk, the credit cycle embarked on a path of recovery, whilst improving the net interest margins of the sector.				201: Economic Performance	No significant change	During the year, we expanded our market reach by launching eight (08) new branches and diversifying our product mix by broad basing the Gold Loan portfolio. Concurrently we sought to improve our competitive edge and future potential through cost optimization whilst embracing emerging technologies and cutting-edge IT solutions to drive operational excellence. With these commendable strides, MI was able to record a notable Profit after Tax (PAT) of Rs 556 million (424 % YOY growth), whilst marking steady growth in loan book and deposit base.	Impact Management Report

					203: Indirect Economic Impacts	No significant change	<p>We continued to extend our financial assistance by supporting those who suffered from financial hardships. We reached out to middle and low income earners, those who do not have easy access to finance, to uplift their living standards. Moreover, by expanding our reach and also widening Gold Loan operations we created new employment opportunities whilst supporting urgent financing needs of people. During the fiscal year we have recruited 426 employees representing many regions of the country to ensure the equal absorption of multi-talented employees.</p>	Impact Management Report

Asset quality management	<p>The confluence of economic contraction, elevated inflation rates, and tax adjustments exerted sustained pressure on the debt repayment capabilities of both households and businesses, with heightened default risks across the sector during first two quarters of the financial year. Moreover, the introduction of stringent 90 day non performing categorization by the regulator intensified the pressure on the industry, resulting notable uptick in NPL further. Hence, ensuring robust asset quality is essential for preserving credit ratings and upholding depositor trust and confidence.</p>				201: Economic Performance	The increased materiality level coincided with the ongoing decline in customers' ability to repay.	<p>Whilst strengthening our recovery measures through our dedicated fully-fledged Call Centre, Special Recovery Force and legal team to manage our NPL level, we unleashed proactive measures as we closely monitored sector wise and group credit exposures, keeping a close eye on repayment trends and borrower behaviour. Whilst adopting customized recovery actions, we prioritized the regular updating of recovery targets, setting ambitious yet achievable goals to optimize our collection efforts and minimize potential losses. Despite the widespread uptick in non-performing advances across the industry, we successfully maintained our asset quality, keeping the 90-day Non-Performing Loan (NPL) ratio controlled at 9.81%.</p>	Financial Wealth and Risk Management Report
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					205: Anti-corruption	Materiality increased with the unstable economic and political backdrop	<p>We have fostered a culture of integrity and accountability across the organization prioritizing ethical behaviour, transparency, and adherence to regulatory standards. We placed a strong emphasis on conducting regular awareness sessions to ensure that all employees are well-versed about relevant laws, regulations, and company policies, empowering them to make sound ethical decisions.</p> <p>Furthermore, we maintain a high level of board awareness, with</p>	Corporate Governance Report Nature
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							our governance structures designed to promote independence, diversity, and effective oversight. Through these concerted efforts, we aim to instill confidence among our stakeholders, uphold our reputation as a responsible corporate citizen, and drive sustainable long-term value for our shareholders.	
Digitisation and related risks	Whilst Digitalisation and adaptation of new Fin-Tech solutions remained in the forefront as a game-changer to bolster service levels, decision making and improve overall productivity significantly, greater exposure to digitalisation has raised cyber security risks and the need for stringent and effective control mechanisms.				418: Customer Privacy	No significant change	Whilst embracing emerging technologies and cutting-edge IT solutions to drive operational excellence and efficiency, we embarked on a transformative journey by transitioning our core systems and sub-modules to the renowned Scierent e – financials. As part of this initiative, we successfully migrated our fixed deposit and savings operations to the Scierent system, aiming to deliver seamless and	Intellectual Capital


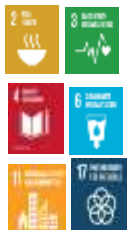


							personalized experiences to our customers. Furthermore, we ensured that stringent protocols are in place to mitigate cyber threats and ensure data integrity.	
Talent management and motivation	Being a financial service provider, our employees remained as the true reflection of services that we provide to clients and they are the driving force in our journey of achieving set targets.			401: Employment	Increased materiality whilst the prevailing economic crisis resulted in skill migration, thus, entities are facing the challenge of retaining their best talents and managing their capacity, as a cost optimization strategy.	Whilst proactively retaining our top talent, we simultaneously enhanced our talent pool by drawing in the industry's finest minds, fortifying our core competencies and propelling our growth trajectory forward. Moreover, we continued to upskill our workforce towards improved productivity, whilst grooming multi-tasking capabilities and empowering them to succeed in their career.	Human Strength	
				404: Training and Education				402: Labour Management Relations


						advocates greater employer – employee interaction through open-door channels. Moreover, our human resource policies are synchronized with labour laws, industry standards, and other statutory regulations, adhering to best practices to guarantee equitable and ethical treatment of employees.	
				405: Diversity and Equal Opportunity 406: Non-Discrimination	No change	While recognising employee diversity, MI took a firm approach to avoid employee discrimination. We have assured transparency in all our HR processes of recruitment, training and development and rewarding to build employee trust and confidence irrespective of ethnicity, gender, religion, caste or gender of employees.	Human Strength

				410: Security Practices	No change	We implemented stringent security measures to mitigate the potential risks associated with fraud or theft. This involved engaging outsourced security services and entrusting cash transport risk to a reputable third-party provider. Vigilant oversight was maintained over any suspicious transactions, with the aim of preventing any instances of money laundering activities.	Human Strength
				202: Market Presence	No change	Through the inauguration of new branches and the expansion of our Gold loan operations across our branch network, we've ignited a wave of employment opportunities, fostering a diverse talent pool drawn from various local communities. We consistently prioritized recruitment efforts to mirror the diverse composition of the workforce, particularly	Human Strength

							emphasizing inclusivity across different backgrounds.	
Strengthening of partnerships	Fostering mutually beneficial relationships with our stakeholders is paramount to meeting their evolving needs and propelling our business forward, even in the face of challenges.				204: Procurement Practices	No significant change	We followed precise and transparent policies and procedures in borrowing and other procurement processes while enhancing the effective utilisation of our six capitals.	Alliances
					417: Marketing and Labelling	No significant change	Clarity and transparency were embedded in our business process, including all marketing and communication channels to protect our customers and business partners. Furthermore, we broad-based our communication channels through web inquiries, dedicated call centres, hotlines and branch networks to address customer concerns and maintained customer complaints at minimal levels.	Alliances

<p>Staying competitive amidst rivalry</p>	<p>With the continued import restrictions on motor vehicles and the deterioration in borrower repayment capacities, the finance sector sought to diversify its core leasing business to non – traditional lending, including Gold lending. Furthermore, in light of the sustained decline in policy rates, companies inclined to ramp up their lending volumes by introducing competitive products, capitalizing on emerging market opportunities.</p>				<p>N/A</p>	<p>No significant change</p>	<p>Whilst expanding our Gold Loan operations across our branch network, we expanded our presence to central province for the first time and to strengthen our competitiveness in western province and other key provinces. We revisited our strategic blueprint, meticulously charting the course for the next three years, following a thorough examination of potential market segments and new product offerings. Furthermore, we continued to build trust and confidence of our customers by maintaining strong liquidity and capital adequacy levels whilst enhancing customer convenience and satisfaction through improved service levels. With these efforts we were able to record notable 13 % and 15 % growth in lending and deposit base respectively,</p>	<p>Financial Wealth Alliances</p>
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							further strengthening our market position.	
Upbringing sustainable communities	As we focus on sustainable business growth, we value the wellbeing of the wider community and strived to enhance their living standards which in turn will create sustainable relationships; enhancing our future growth potential.				413: Local Communities	No change	<p>As a long standing and responsible corporate citizen, we continued to extend our financial assistance to low income earners through our micro finance arm while empowering women entrepreneurship.</p> <p>Though we controlled our spending during the year with the prevailing economic conditions, we invested Rs. 1.78 in community development projects</p>	Impact Management Report
Health and Safety	Even though pandemic-related health risks are easing from the attention of the public, several communicable diseases such as COVID-19 variants, viral flu, etc. continue to affect				403: Occupational Health and Safety	No significant change	<p>Despite being an organisation that poses minimal risks to employee health and safety, we took extra measures to safeguard health and safety of both our employees and customers. Though the pandemic related risks eased out, we</p>	Human Capital

	public health. Therefore the importance of improving working conditions and health and safety conditions remained on top as a material concern of business organisations.					never diverged from recommended national health and safety regulations and continued to adopt safety measures.	
Commitment to the sustainability of the environment	With the evolving risk of climate emergency effects, MI understands its duty to minimise the harmful effects to the environment while preserving natural resources and promoting the usage of renewable energy.			301: Material	No change	We constantly focused on implementing techniques for efficient and effective utilisation of material, energy and water.	Impact Management Report
				302: Energy			
				303: Water			
				304: Bio Diversity	No change	We joined our hands with the Wild Life Fund and supported the protection of bio-diversity. MI operations did not bring about any negative impact on bio-diversity.	Natural Capital Impact Management Report
				306: Waste	No change	Wastage management was properly handled according to town council guidelines.	Impact Management Report

	Very High
	High
	Moderate

Strategy & Resource Allocation

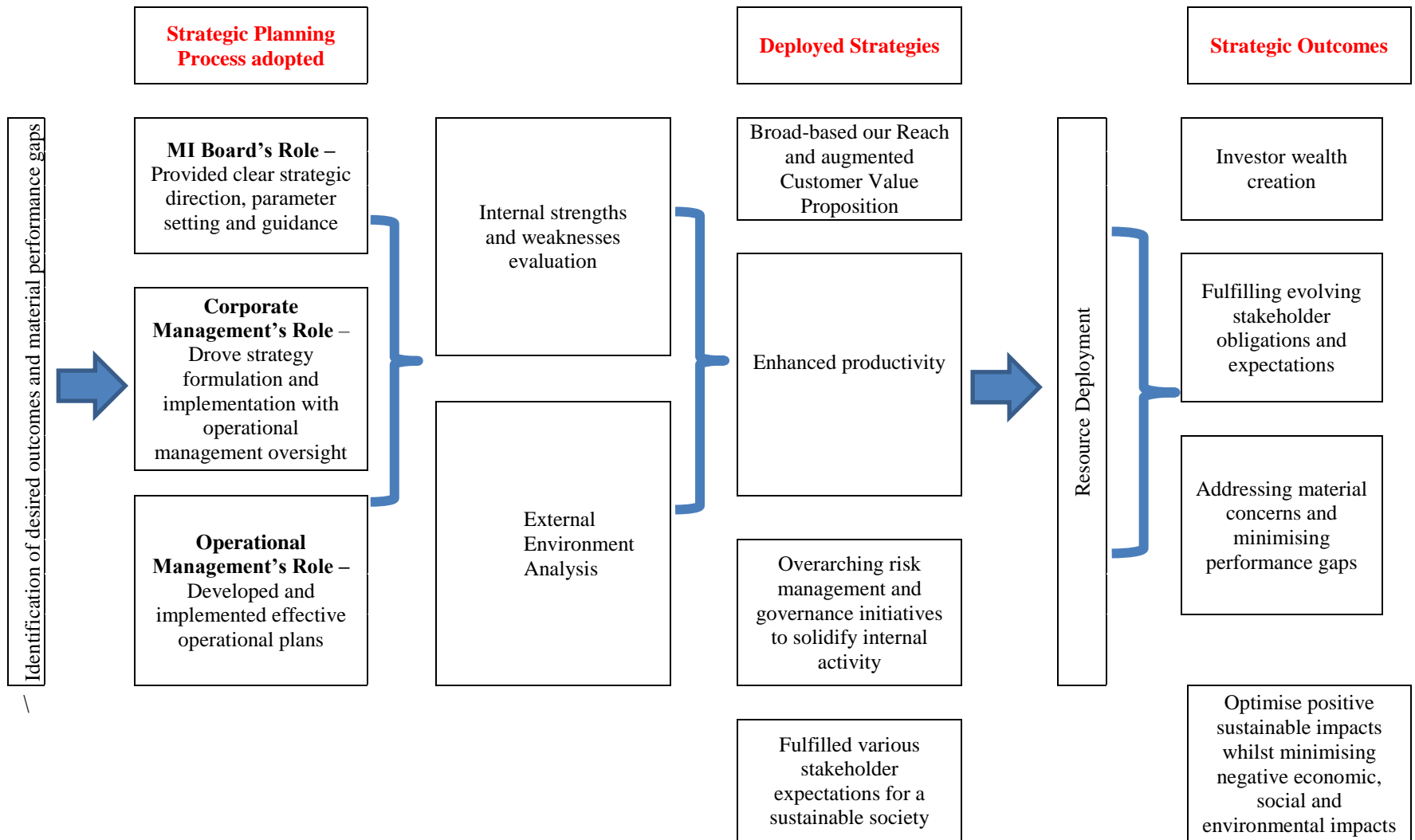
Our Strategy

In the dynamic and evolving finance industry landscape, our strategic priorities were designed to seize emerging business opportunities and enhance our market positioning while remaining resilient in the face of multifaceted challenges. MI navigated through turmoil staying to basics and adopting a situation specific strategic approach that enabled us to build on our resilience, leveraging on our capital strength and robust liquidity position, whilst setting up a platform for envisaged future growth prospects. Our corporate strategy formulation process is underpinned by the expectations of all our stakeholders and focuses on generating long term value by way of capitalizing on our existing strengths and same time harnessing opportunities from emerging external market developments and evolving customer demands. While assessing future investments required in upgrading our operating landscape, each year we carefully review our strategy and resource requirement to reinforce our strengths and minimize our weaknesses in achieving envisaged goals and objectives.

Though the NBFIs sector was experiencing significant pressure from the drastic increase in interest rates, coupled with a contraction in credit demand and inflationary effects during the first half of the financial year, we embarked on a strategic transition geared towards a steadily climbing growth trajectory, as the economy converged on the path of recovery and growth, pushing our boundaries further. With a steadfast focus on delivering solid investor returns, we crafted a strategic blueprint designed to ensure MI's revenues and profitability follow an upward trajectory that yields sound investor returns, capitalizing on opportunities arising from economic resurgence and anticipating evolving customer needs and industry trends. Our comprehensive growth approach covers multiple facets including, entry into new markets, augmenting customer value proposition through digital solutions, innovative product offerings and a personalized service delivery etched in service excellence.

Moreover, we paid greater attention on strengthening and maintaining our asset quality, while enhancing productivity and cost optimization towards improving our bottom-line. Thus, we prioritized critical business activities and ensured that our strategies are aligned to short, medium and long term goals. Furthermore, as an essential part of our strategy, we continued to embrace strategy that uphold corporate sustainability in driving towards our visionary aspirations of fulfilling wider stakeholder interests as a responsible corporate citizen.

The Strategy Formulation Path Set in Motion towards Envisaged Results



Internal Environment Review (Mckinsey 7S Framework)

“S” Factors	Our Strength and Focus
Strategy	<ul style="list-style-type: none"> Capitalizing on sustained decline in interest rates and economic revival, we focused on a sustainable growth strategy expanding our branch network and product mix. Whilst focusing on a customer centric business approach as we diligently pursued cost optimization measures and embarked on a comprehensive digital transformation journey, both instrumental in fortifying our competitive positioning within the market.
Structure	<ul style="list-style-type: none"> We have structured specialized departments to support the core business activities by setting goals for each department aligned with overall strategic objectives. Implemented hierarchical structure with clear reporting lines to support and expedite decision making whilst assuring proper risk management controls are in place.
Systems	<ul style="list-style-type: none"> Embracing emerging technologies and cutting-edge IT solutions to drive operational excellence Embarked on a transformative journey by transitioning our core systems and sub-modules to the renowned Science –financials. Robust IT infrastructure to broad-base MI payment platform such as online payment gateways, mobile applications. Robust Internal control systems to ensure accuracy, security, and compliance with regulations.
Shared Values	<ul style="list-style-type: none"> Emphasis on integrity, trust, transparency, and customer-centricity. Shared commitment to financial stability, regulatory compliance, and ethical conduct. Culture of innovation, adaptability, and continuous improvement.
Style	<ul style="list-style-type: none"> Leadership style that promotes a customer-centric approach, innovation, and risk management. Emphasis on data-driven decision-making and collaboration among departments. Open communication channels between management and employees to foster transparency and alignment with company goals.
Staff	<ul style="list-style-type: none"> Recruitment of skilled professionals with expertise in finance, risk management, compliance, and technology. Continuous training and development programs to enhance employees' skills and knowledge. Diversity and inclusion initiatives to create a dynamic and inclusive workforce.
Skills	<ul style="list-style-type: none"> Technical skills in areas such as financial analysis, risk assessment, regulatory compliance, and technology. Soft skills such as communication, problem-solving, teamwork, and adaptability.

- Emphasis on continuous learning and upskilling to stay abreast of industry trends and regulatory changes.

We further assessed our strengths using an internationally proven model, which gave us competencies regarding our areas of excellence and areas needing improvement to enhance our service quality.



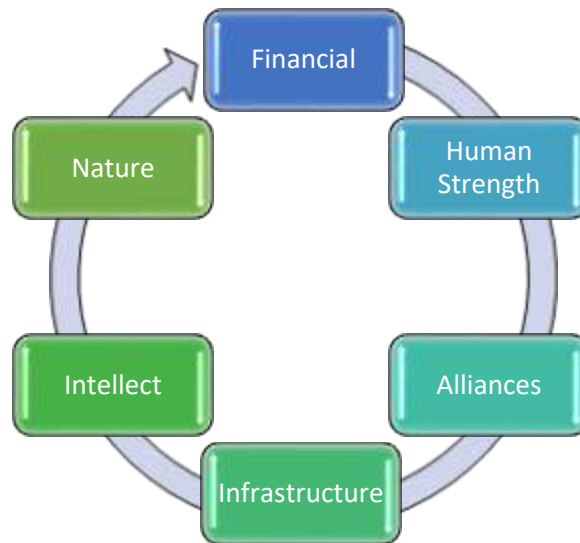
Value Creation and Capitals

Through this annual report, we highlight our dynamic capital management approach, a cornerstone in our value creation strategy and successful journey. At the center of our methodology lies the astute utilization of various tangible and intangible resources, collectively referred to as Capitals. Throughout the year, we leveraged Alliances, Intellect, Infrastructure, and Human Strength, Natural, and Financial capitals to drive our sustainable growth trajectory whilst surpassing stakeholder expectations. In driving our value creation journey, these capitals deployed in the business may be increased, decreased, or transformed through capital management activities while balancing negative impacts and capital trade-offs with prudence and foresight. This annual report serves as a testament to our conscious and effective utilization of capitals in achieving aspired goals.

Embedded within the framework of strategic corporate sustainability, the company is committed in adopting an integrated approach, guided by comprehensive integrated thinking. This methodology empowers the MI Board and Management to optimize the utilization of capitals within the value creation process, yielding robust and enduring returns across short, medium, and long-term horizons. In doing so, MI proudly upholds its corporate identity as a socially and environmentally responsible entity, committed to fostering sustainable development.

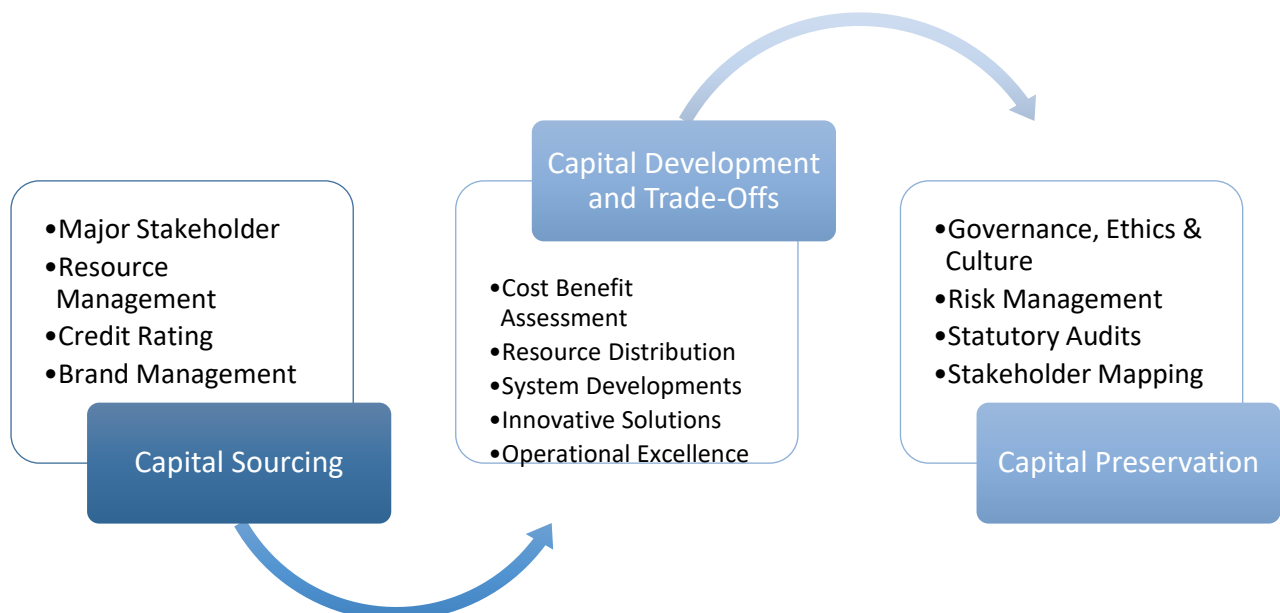
Amidst an industry landscape marked by persistent uncertainties, we were able to demonstrate our resilience leveraging these diverse capitals towards achieving our strategic goals and objectives, whilst creating positive impact to the economy, society, and environment. Despite the myriad of challenges encountered, adeptly managed capitals to drive value creation. Commendably instilling a robust liquidity, steady upward financial performance for the year whilst increased growth in position capital base, reinforcing our sustainable business commitment to our investors, business partners, employees and society.

Deployment of Capitals



Capital Management Approach

We've implemented a methodical strategy to optimize the utilization of each resource available to us in our value creation process. Through careful allocation and management of these resources, we aim to maximize returns for all stakeholders whilst ensuring the preservation of these valuable resources to future generations. This approach not only supports our future growth ambitions but also enables us to have a positive impact on society by promoting sustainability



Global Economic Performance in 2023/24

Global economic stagnation continued further due to numerous macroeconomic uncertainties coupled with socioeconomic headwinds experienced by the world economy. Developing countries continued to be affected severely from the economic recession and it led to nearly 700 million people ending up living on extreme poverty while, approximately half of the population fell into poverty with earning less than \$6.85 a day. These challenges are having particularly negative impacts on women and girls, poor and vulnerable people, and other marginalized communities. Global inflation is forecasted to decline steadily, from 6.8 % in 2023 to 5.9 % in 2024 and 4.5% in 2025, with advanced economies returning to their inflation targets sooner than emerging markets and developing economies. Core inflation is generally projected to decline more gradually.

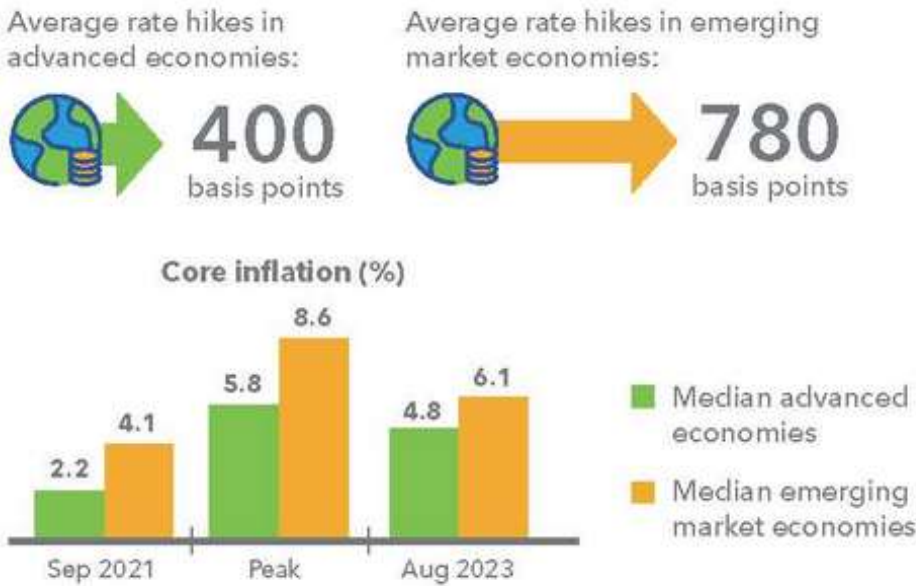


Figure 1 Core Inflation (World Economic Outlook – IMF –APR 2024)

The baseline forecast is for the world economy to continue growing at 3.2 % during 2024 and 2025, at the same pace as in 2023. A slight acceleration for advanced economies is expected where growth is expected to rise from 1.6 % in 2023 to 1.7 % in 2024 and 1.8 % in 2025 will being offset by a modest slowdown in emerging markets and developing economies from 4.3 % in 2023 to

4.2% in both 2024 and 2025 years. The forecast for global growth five years from now is predicted at 3.1 % and reflects lowest levels in decades.

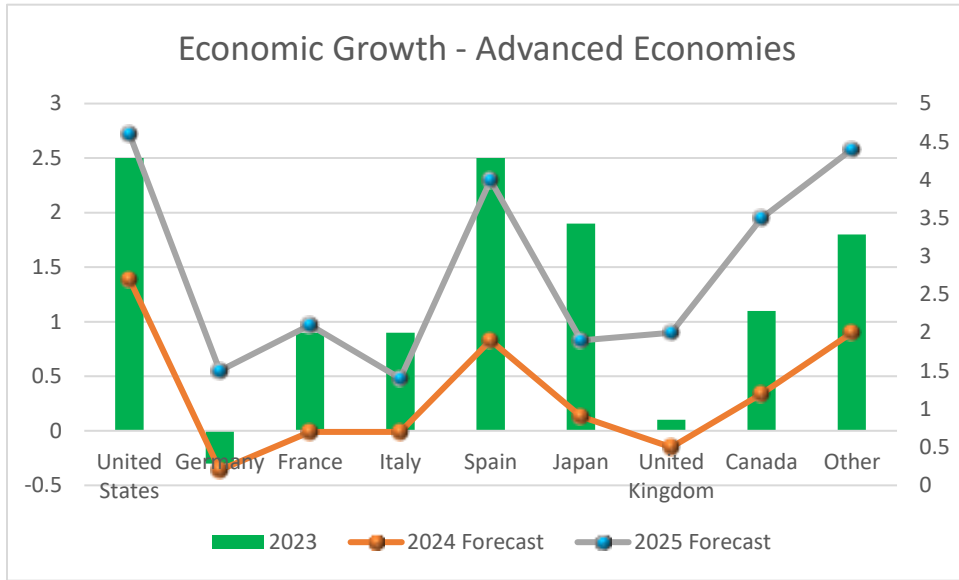


Figure 2 Economic Growth (IMF Economic Outlook Growth Projections – APR 2024)

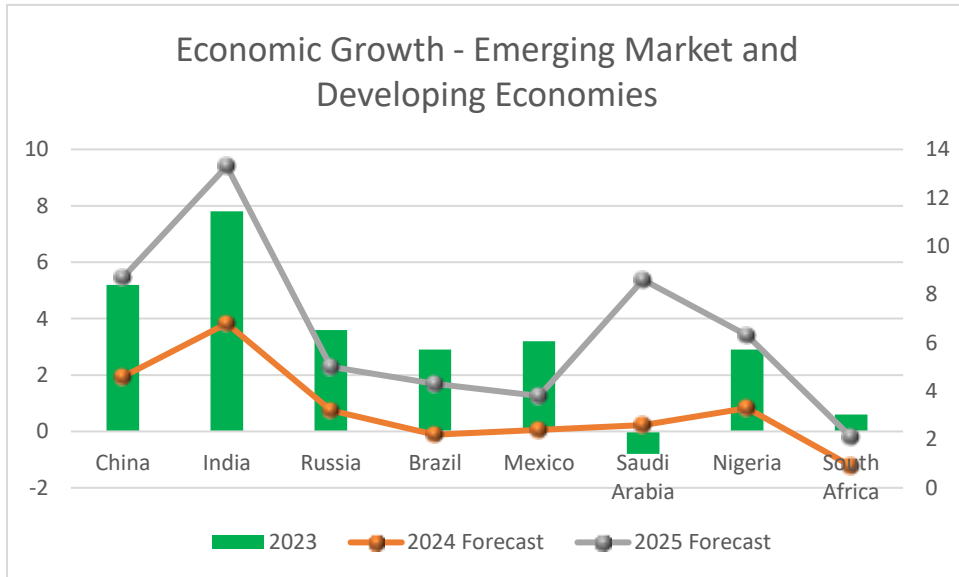
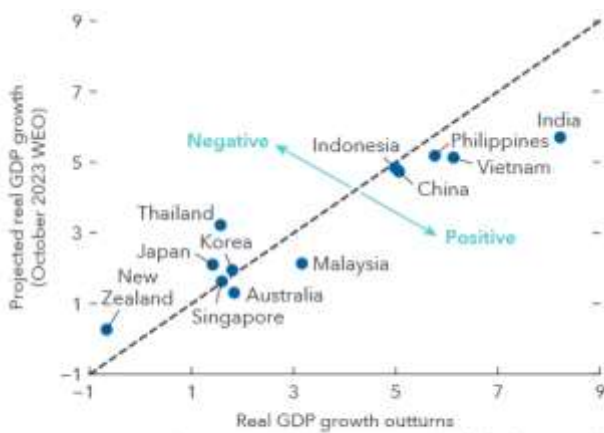


Figure 3 Economic Growth (IMF Economic Outlook Growth Projections – APR 2024)

Economy in Asia Pacific Region

In late 2023, Asia and the Pacific region experienced stronger growth than anticipated, hitting 5.0% for the year. Inflation has been on a downward trend, although its pace varies across economies, with some still grappling with persistent price increases, while others face deflationary threats. Growth is expected to moderately ease to 4.5 % in 2024. Presently, the immediate risks are fairly balanced, given global disinflation and the potential for monetary policy adjustments, which enhance the chances of a gentle economic slowdown. Anticipated monetary easing across Asia facilitated a substantial decline in borrowing expenses, while heightened international interest in emerging market investments narrowed sovereign spreads, notably in frontier markets.



Sources: Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.
Note: WEO = World Economic Outlook.

Figure 4 Real GDP Growth (World Economic Outlook APR 2024)

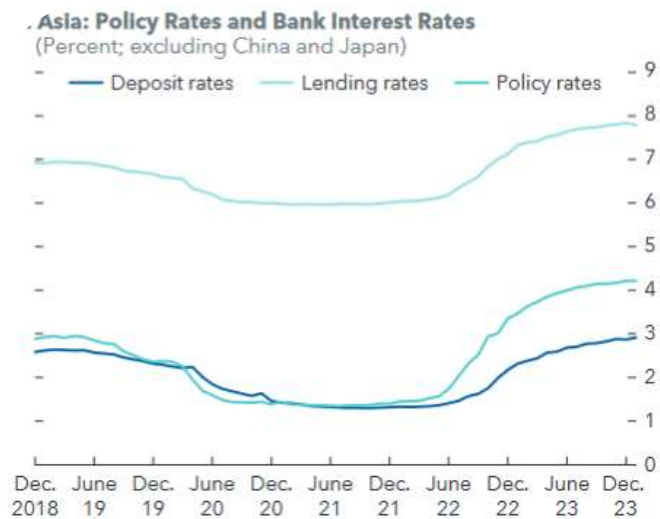


Figure 5 Policy and Interest Rates (IMF - Regional Economic Outlook - Asia Pacific – APR 2024)

Inflation

Headline inflation across Asia is anticipated to converge with the predetermined targets set by the respective central banks in most countries. However, in economies where inflation remains notably higher than central bank objectives and positive output gaps persisted as of the conclusion of 2023.



Source: IMF staff calculations.
 Note: Data as of April 15, 2024. Some countries do not have explicit inflation-targeting regimes or target, while target ranges apply to core inflation in some countries. Data labels in the figure use International Organization for Standardization (ISO) country codes. eop = end of period; WEO = World Economic Outlook.

Figure 6 Headline Inflation (IMF - Regional Economic Outlook - Asia Pacific)

Exchange Rates

Excluding the period from October 2023 to January 2024, exchange rate movements against the US dollar have generally been negative, contributing to the improved export competitiveness of Asian economies. Moreover, this trend, more pronounced in advanced economies compared to emerging ones in Asia, has incentivized larger economies to both attract and facilitate higher levels of exports to global markets.



Source: Bloomberg Finance L.P.
 Note: Data labels in the figure use International Organization for Standardization (ISO) country codes, AE = advanced economies; EM = emerging markets.

Figure 7 Exchange Rate Movement (IMF - Regional Economic Outlook - Asia Pacific APR 2024)

Global Economic Impact to MI Operation

As an established licensed financial institution operating in Sri Lanka, we are acutely aware of how fluctuations in the global economic landscape profoundly impact our business operations. The optimistic growth projections for 2024 and 2025 serve as a driving force for expanding our business portfolio across all markets exhibiting positive growth prospects. Leveraging on the optimistic global outlook and the gradual revival of the domestic economy, we revisited our strategic road map and accelerated our branch expansion plan, amplifying our market positioning and growth potential. Furthermore, recognizing the emerging need for climate and sustainable financing, we formed a dedicated committee to enhance product development and promote Sustainable Finance in the domestic market, staying committed to the fostering of sustainable development activities and same time boost business prospects.

Sri Lankan Economic Outlook

The Sri Lankan economy embarked on a noteworthy journey towards recovery from its most severe economic downturn in recent memory. This resilient and resurgence was attributed to a confluence of factors, including disinflation, bolstered external resilience, strengthened fiscal balances, and sustained stability in the financial system.

Since mid-2023, the Central Bank of Sri Lanka adopted an accommodative monetary policy stance, signalling a proactive approach to stimulating economic activity. This shift, coupled with the successful execution of the Domestic Debt Optimization (DDO) operation, has contributed to a significant reduction in market interest rates and yields on government securities throughout 2023. Furthermore, amidst intermittent fluctuations, the Sri Lankan rupee demonstrated an overall appreciation in 2023. This trend, reflective of market dynamics and sentiment, was supported by the Central Bank's adoption of a market-based exchange rate policy.

Overall, these developments underscore the resilience and adaptability of the Sri Lankan economy in the face of significant challenges. As the country continues on its path to economic recovery, the prudent policies implemented by the regulator, in conjunction with external support

mechanisms, are poised to further solidify the foundation for sustained growth and stability in the years ahead.

National Output

The Sri Lankan economy demonstrated notable resilience in mitigating the severity of its economic contraction, managing to reduce the GDP decline YoY to 2.3% compared to the staggering 7.3% contraction recorded in 2022. This achievement marks a significant turnaround, propelled primarily by a resurgence in economic activity during the second half of the year, with a positive quarterly growth recorded after six consecutive quarters of contraction. This renewed momentum reflects the efficacy of policy measures implemented to revive key sectors and stimulate overall economic performance.

In 2023, the agricultural sector experienced a remarkable resurgence, evidenced by a 2.6 % increase compared to the significant 4.2% contraction in 2022. This shift was primarily fuelled by improved supply conditions, particularly in essential inputs such as fertilizer, agrochemicals, and fuel. However, despite this positive development in agriculture, the broader industrial sector struggled to recover, facing a 9.2 % contraction in activities throughout the year. The construction industry, known for its susceptibility to economic downturns, notably declined due to project delays and restrained demand.

Conversely, the services sector showcased mixed performance. While accommodation, food and beverage services, and transport activities experienced notable growth, supported by the gradual revival of the tourism sector and uninterrupted energy provisioning, other segments faced challenges. Financial services and real estate activities were hindered by a high-interest-rate environment, particularly in the first half of the year. The services sector managed to limit its contraction to a marginal 0.2 % in 2023, thanks to the resilience exhibited by certain segments amid challenging economic conditions.

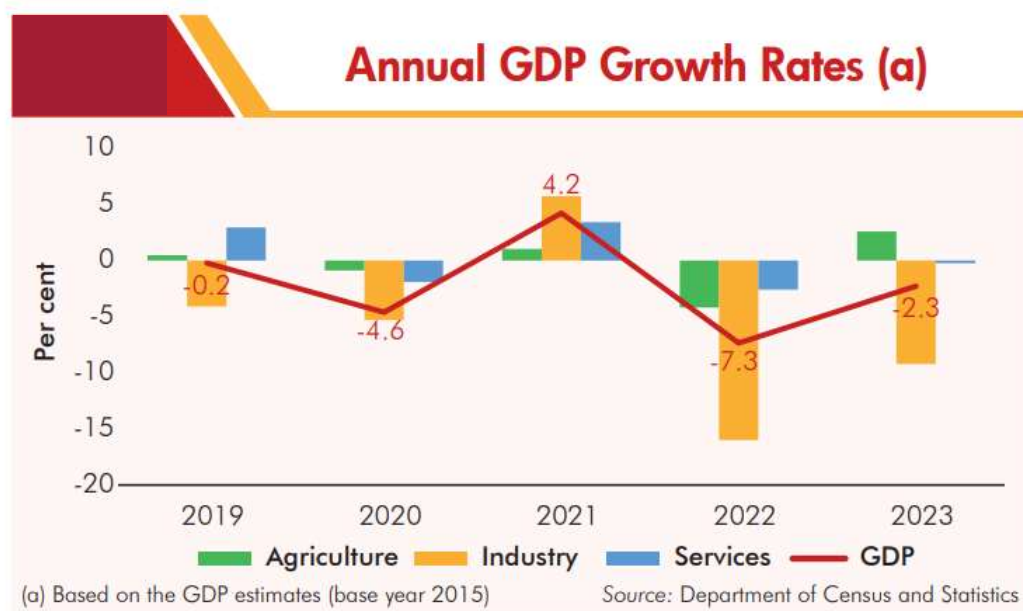


Figure 8 Annual GDP Growth (Central Bank of Sri Lanka) Macroeconomic developments and conditions of the Financial System 2023)

Employment & Population

The country experienced a noteworthy shift in its demographic and employment landscape, as the mid-year population decreased by 0.6 % to 22.037 million, primarily attributed to declines in births and increases in both deaths and net migration. It was also revealed that despite the labor force dipping from 8.547 million in 2022 to 8.408 million in 2023, the unemployment rate remained steady at 4.7 %, indicating a balanced employment situation amidst the demographic changes.

Inflation

Sri Lanka witnessed a significant transformation in its inflationary landscape from the historically highest levels reached in September 2022 to lower single-digit levels towards the end of 2023. Accordingly, CCPI-based year-on-year headline inflation was recorded at 4.0 % (2021=100) by end 2023 compared to 57.2 % (2013=100) by end 2022. This rapid disinflation process marked a substantial move in the country's economic dynamics, driven by various factors affecting both demand and supply. On the demand side, subdued demand emerged as a primary contributor to this transition, largely facilitated by the gradual transmission of the effects of tight monetary

conditions to the wider economy. The implementation of stringent fiscal measures further complemented this phenomenon, exerting downward pressure on inflationary pressures.

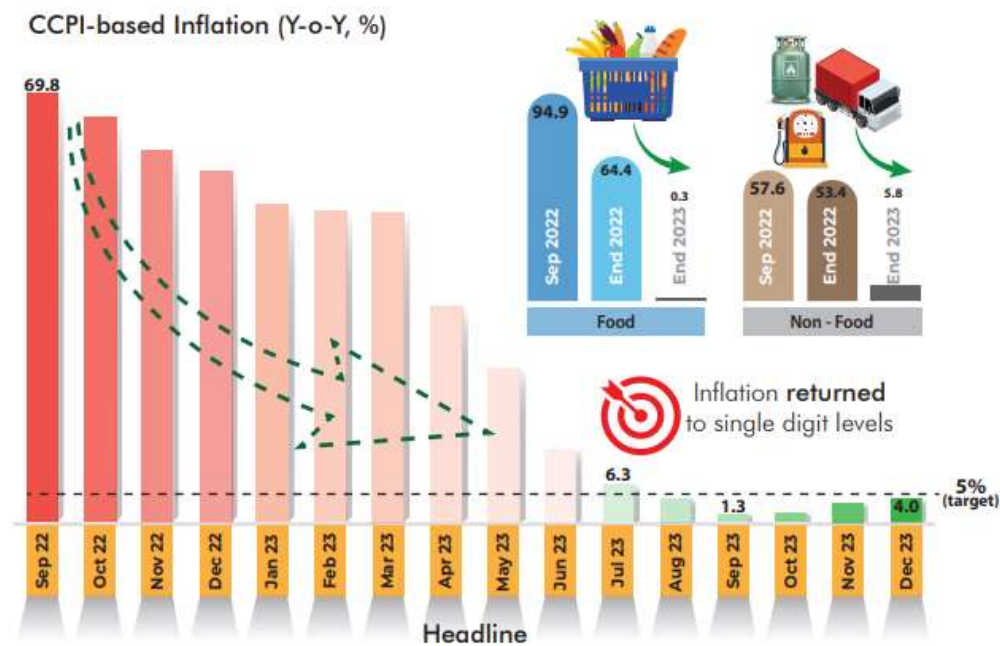


Figure 9 CCPI Based Inflation (Central Bank of Sri Lanka) Macroeconomic developments and conditions of the Financial System 2023)

Macro-Economic impact on MI Business

The varied interplay between inflation, employment dynamics, and interest rates significantly influenced the company’s operational dynamics affording both challenges and opportunities. As MI witnessed credit growth, uptick in investor confidence and improved borrower settlements with the economy progress towards growth and revival, we embarked our journey towards a steady sustainable growth trajectory strategically expanding market reach and diversifying product offerings to capitalize on emerging business. We sought to improve our competitive edge through technology and moreover investing on a talented team to reinforce MI’s market positioning whilst differentiating service extended from our peers.

Though the disinflation mitigated the pressure on corporates on overhead cost escalation, we continued to focus on the cost optimization drive introduced post-covid phase focusing on deploying a greater scalable concept aimed at fostering a leaner and more agile operation to improve our profitability level. Despite the backdrop of increased skilled migration, which posed staffing challenges, we remained resolute in retaining top talent and attracting industry-leading

professionals to propel our strategic objectives forward. To strengthen the branch network, we reinforced our workforce while some time strategically redeploying staff and skilling them for multitasking to support core operation.

Displaying our strong resilience and commitment to growth, the Company was able to turnaround swiftly and achieve commendable financial results for the year under review, showcased from our impressive growth in profitability, lending and deposit portfolio growth

External Sector

Sri Lanka's external sector experienced a robust rebound, indicating a significant turnaround and greater stability compared to previous years. Positive developments across various aspects characterized the latter part of the year, reflecting the effectiveness of strategic initiatives and external support mechanisms. Notably, the commencement of the IMF-EFF (International Monetary Fund Extended Fund Facility) programme in March 2023 played a pivotal role in achieving and sustaining stability within the external sector. In 2023, the trade deficit recorded its lowest level since 2010, marking a significant milestone in the country's external trade dynamics. This achievement was driven by a larger contraction in import expenditure compared to export earnings, highlighting efforts to recalibrate trade imbalances and enhance export competitiveness.

Exchange Rate

In 2024, the Sri Lankan rupee continued its upward trend, appreciating by 7.6% against the US dollar by 31st March 2024. This appreciation was driven by robust inflows from tourism, remittances, and reduced import spending. These factors bolstered the currency's value and fostered stability in the foreign exchange market, supporting economic growth. However, maintaining export competitiveness remains a concern amidst the currency's appreciation.

Foreign Direct Investments (FDI)

Sri Lanka's FDI decreased compared to the previous year. Total FDI, including foreign loans, amounted to US\$758 million, down from US\$1,167 million in 2022. Similarly, FDI's excluding loans dropped to US\$712 million from US\$884 million in 2022. Apart from the growing foreign

direct remittance inflows, forming different investments in new ventures and ongoing projects is bound to enrich the national foreign reserve position in the medium term.

External Sector Variables Impact on MI Business

The strengthening of the Rupee against the USD provided relief in managing overhead costs escalation to certain degree. While this currency appreciation incentivized vehicle imports, ongoing import restrictions continued to stifle demand. Hence, we shifted our focus to the registered vehicle sales market whilst expanding on non-traditional products such as gold backed lending and personal loans.

Monetary Policy

The Central Bank’s mandate of maintaining domestic price stability was reinforced by the newly enacted Central Bank of Sri Lanka Act, No. 16 of 2023 (CBA) in September 2023. In view of benevolent inflation developments and improvements in the external sector, monetary policy stance in 2023 saw a gradual transition from the significant tightening of monetary policy in 2022 to an accommodative stance since June 2023. Accordingly, policy interest rates were reduced by a total of 650 basis points over four occasions during the year. In tandem these monetary policy initiatives, actions were aimed at enhancing liquidity conditions in the market which facilitated accelerated monetary policy transmission, leading to a significant downward adjustment in market interest rates by the close of the financial year.

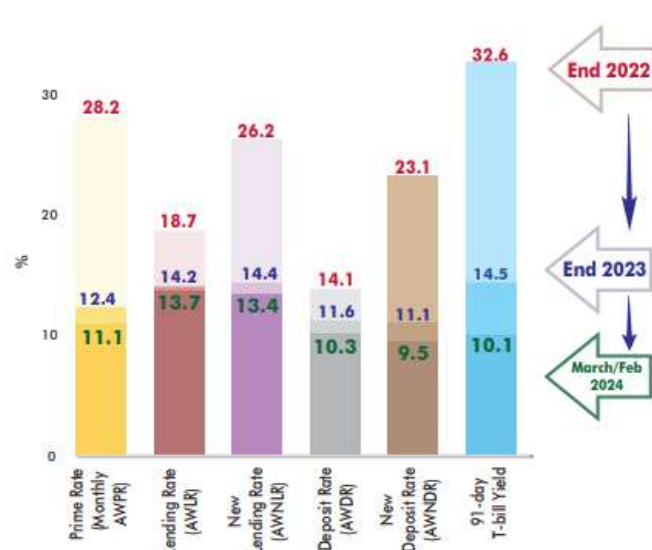


Figure 10 Market Interest Rates (Central Bank of Sri Lanka) Macroeconomic developments and conditions of the Financial System)

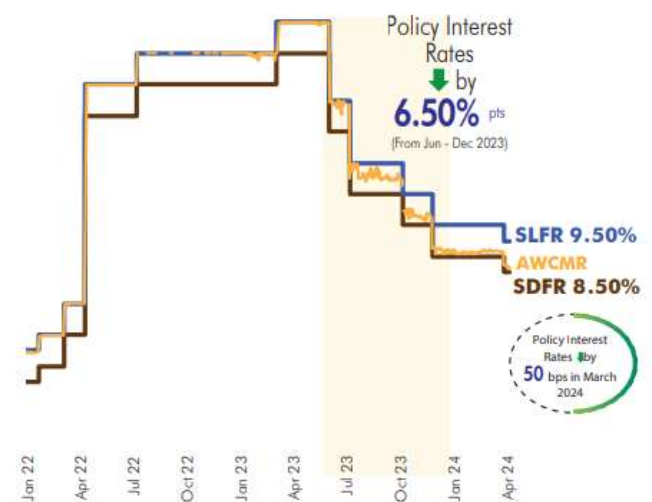


Figure 11 Policy Rate Reduction (Central Bank of Sri Lanka) Macroeconomic developments and conditions of the Financial System)

MI Impact Assessment from Monetary Policy Measures

As policy rates continued to decrease demand for credit picked up and was on a path to recovery since the latter part of the financial year. Both traditional loan financing and demand for gold backed credit remained sound and was further propelled through MI's expansion of access points across the country in just 12 months. This enabled us to record 13% remarkable growth in lending portfolio, whilst recording 21% growth in revenue. Simultaneously, we proactively managed our funding costs, focusing on short term deposits, keeping our funding costs lower in the medium to long term, leveraging on steady margin improvements, from steeply declining deposit rate structures across the sector, below 10%. Capitalising on the repricing gains we managed to record commendable growth in net interest income of 60%, whilst maintaining a 9.79% healthy Net Interest Margin, which stayed above the industry average of 7.13% recorded in December 2023.

Fiscal Policy

The fiscal landscape in Sri Lanka underwent a notable transformation, marked by a commendable achievement of a primary budget surplus of Rs. 123.8 billion (0.6 % of GDP) in the first nine months of 2023, in contrast to the primary deficit of 3.7 % of GDP recorded in 2022, reflecting a collaborative endeavour towards fiscal prudence and value. Moreover, the overall budget deficit narrowed to 8.3 % of GDP (Rs. 2,282.3 billion) in 2023, in comparison to 10.2 % of GDP (Rs. 2,460.0 billion) recorded in the preceding year. Integral to this paradigm shift was the implementation of comprehensive revenue enhancement and expenditure management measures, featuring a strategic recalibration of fiscal policy imperatives.

Reflecting Government's commitment to fiscal consolidation, government revenue recorded a year-on-year growth of 54% through key policy measures including revisions to the personal income tax structure in terms of the tax-free threshold, tax rates, and tax brackets, mandatory registration requirement for specific professionals under the Inland Revenue Department (IRD), upward revision of the standard corporate income tax rate, and the elimination of concessionary rates related to corporate income taxes.

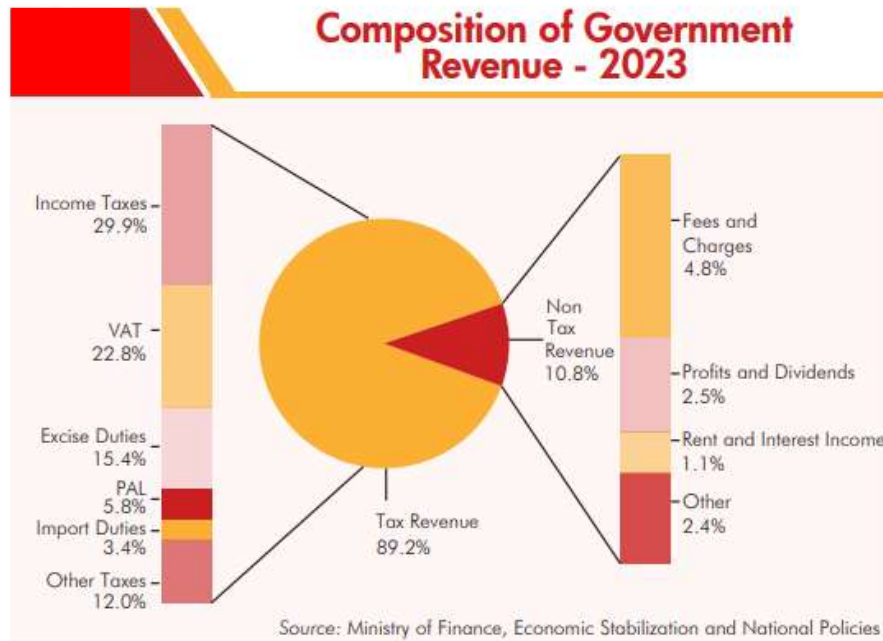


Figure 12 Composition of Government Revenue (Central Bank of Sri Lanka) Macroeconomic developments and conditions of the Financial System)

MI Impact Assessment from Fiscal Policy Measures

During the reporting period MI's total tax related expenditure which include Income Tax, VAT on financial services and SSCL pertaining to our operations marked a notable increment compared to previous year from Rs. 359 million to Rs 824 million a 130% hike YoY. Apart from that the 30% income tax rate since 01st October 2022, the increase of VAT from 15% to 18% hiked overhead costs further from 01st January 2024.

Financial Sector Performance

Throughout 2023, the financial sector maintained overall stability, despite the challenging economic conditions. Both Banking and Non-Banking Financial Institutions showcased resilience, evidenced by growth in their asset bases and profitability. This steadfast performance underscored the robustness of the sector, demonstrating its ability to navigate uncertainties and sustain growth momentum even in turbulent times.

Non-Bank Financial Institutions

Despite the challenges stemming from adverse economic conditions, Licensed Finance Companies (LFCs) sector remained resilient with adequate capital and liquidity buffers throughout the year, whilst recording satisfactory growth in assets, deposit base, and profitability. By the end of 2023, the LFCs sector comprised 33 companies, collectively operating 1,827 branches, of which a significant majority of 65.6 % were situated outside the Western Province.

Assets and Liabilities

The asset base of the sector recorded growth of 5.1 % reaching to Rs. 1,692.0 billion by end 2023, compared to the 10.9 % growth recorded in 2022. This was mainly driven by the significant growth of the investment portfolio with increased investments in government securities. However, Loans and advances which represented 68.6 % of the total assets of the LFCs sector recorded a contraction of 3.2 % to Rs. 1,160.4 billion compared to a growth of 7.7% recorded in 2022. Customer deposits continued to dominate the liabilities of the LFCs sector accounting for 55.3 % which balance being borrowings. The deposits increased by 8.2 % to Rs. 935.3 billion, while borrowings declined by 17.9 % to Rs. 264.6 billion during 2023.

Item	Actual Overall Sector	Actual Overall Sector	MI's Actual
	31-Dec-23	31-Dec-22	31-Dec-23
	Rs Billion	Rs Billion	(as a % of Sector)
Assets			
Accommodation	1160	1198	3.01%
Finance Leasing	530	549	3.67%
Hire Purchase	38	31	0.27%
Other Lending	592	618	2.61%
Investments	313	200	3.15%
Others	219	212	2.70%
Liabilities			
Total Deposits	935	864	3.64%
Total Borrowings	265	322	1.28%

Capital Elements	408	363	2.82%
Total Funds	1608	1550	3.04%
Others	84	60	2.14%
Total Assets/Liabilities	1692	1610	3.00%

Credit Risk

The asset quality of the LFCs sector deteriorated as indicated by the elevated Gross Stage 3 Loans Ratio of 17.8 % at the end 2023 compared to 17.4 % recorded in 2022. The tightening of Stage 3 classification from 120 days to 90 days which was effective from 1st April 2023 also caused for this increase in Stage 3 loans. Meanwhile, the sector reported an impairment coverage ratio of 32.5 % for Stage 3 loans at end 2023. Accordingly, the net Stage 3 Loans Ratio improved to 12.0 % by end 2023 from 12.3 % as at end 2022.

Liquidity Risk

On aggregate, the LFCs sector maintained liquidity well above the minimum required level during 2023. The overall regulatory liquid assets available in the sector was Rs. 254.9 billion as at end 2023, against the stipulated minimum requirement of Rs. 103.4 billion, recording a liquidity surplus of Rs. 151.5 billion as at end 2023, compared to Rs. 86.9 billion recorded as at end 2022.

Profitability & Capital Adequacy

The LFCs sector's Profit after Tax (PAT) increased by 11.3% from Rs. 42.8 billion in 2022 to Rs. 47.7 billion in 2023, due to increased net interest income and non-interest income. The increase in profitability was reflected in increased ROA to 4.3 % in 2023, compared to 3.7 % in 2022. However, ROE of the sector marginally reduced to 12.4 % in 2023, compared to 12.7 % in 2022, due to a comparatively higher increase in equity capital. The capital base of the LFCs sector improved marginally by 3.9 % to Rs. 329.0 billion by the end 2023 compared to Rs. 317.0 billion recorded in 2022. The sector's core capital and total capital ratios increased from 20.6% to 21.1 % and from 22% to 22.3 % respectively by the end of 2023.

Item	Actual Overall Sector	Actual Overall Sector	MI's Actual
	31-Dec-23	31-Dec-22	31-Dec-23
	Rs Billion	Rs Billion	(as a % of Sector)
Interest Income	337	270	3.05%
Interest Expense	205	156	3.30%
Net Interest Income	132	114	2.66%
Non-Interest Income	58	43	0.49%
Non-Interest Expense	106	87	2.84%
Loan loss Provisions (Net)	8	7	0.38%
Profit Before Tax	75	63	1.08%
Tax	27	20	2.22%
Profit After Tax	48	43	0.64%

Impact Assessment from NBFI Sector

Though the NBFI sector recorded a 3.2% contraction in total sector lending portfolio, with the persistent decline in policy rates and uptick in credit demand, MI's loan book growth remained very, impressive 13% YoY. Backed by this uptick revenue and net interest income was up 60%, helping the company to record a resilient pre- and post-tax profit of Rs. 820 million and Rs. 556 million, reflecting an outstanding 517% and 424% Year-on-Year profitability growth.

Despite sector NPL showed 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 90-day NPL at 9.81 %, as at the year-end reporting date.

Same time, we continued to maintain a robust liquidity position well above the regulatory norms, whilst ensuring that our capital adequacy ratios consistently exceeded regulatory thresholds, where we maintained Tier 1 capital at 14.98 %and Tier 2 capital at 16.39 % to maintain “well capitalized” A grade statistics uplifting trust and confidence of the stakeholders.

PESTEEL Analysis

Analytical Factor	Impact to Our LFC Sector	Our Approach
Political	<ul style="list-style-type: none"> ❖ While the government eased import restrictions on electric and public transport vehicles, the persistent constraints on other vehicle imports heightened industry pressure. The consequent, exaggeration in prices within the secondhand vehicle market raised concerns of a possible potential for the emergence of a bubble. ❖ Extensive tax reforms covering corporates and individuals resulted in further deterioration in peoples’ purchasing power and general living standards of communities, curtailing the credit demand and repayment capacity. ❖ Though the current momentum of economic recovery created positive sentiments uplifting investor confidence , the looming anticipation of elections creates significant 	<ul style="list-style-type: none"> ➤ While adhering to heightened fiscal policies, MI’s proactive strategic approach enabled the Company to stay resilient, with receptive strategic changes and tactical plans ➤ As we broad-based our product mix dynamics pursuing for alternative lending opportunities and expanding Gold loan operations across the branch network, we were able to successfully navigate the challenges by recording healthy 13% growth in lending portfolio.

	<p>doubts on consistency and sustenance of the policies</p>	
<p>Economic</p>	<ul style="list-style-type: none"> ➤ Though YoY GDP remained a negative 2.3% in 2023, Sri Lankan economy began displaying gradual recovery towards end of 2023 with 1.6% positive economic growth recorded in 3rd quarter of 2023 following six consecutive contractions, dissipating the macroeconomic vulnerabilities. ➤ Interest rates underwent downward adjustment in response to monetary policy easing since June 2023, spurring demand for credit facilities across all sectors. ➤ Fluctuation in foreign currency exchange rates exhibited greater stability as the year progressed. (LKR appreciated by 8.67% YoY by 31st March 2024) ➤ Inflation decreased to single digit level by mid-2023. Headline inflation, as measured by Colombo Consumer Price Index (CCPI) was recorded at 5.9% in March 2024, curbing the pressure on overhead cost escalation and easing somewhat 	<ul style="list-style-type: none"> ➤ Seizing emerging opportunities from the economic resurgence, we initiated a strategic shift towards breakout growth by organic growth and sometime optimizing on MI product mix and pricing strategy. ➤ As policy rates continued to decline, we proactively managed funding costs, focusing on short term deposits, keeping our funding costs lower in the medium to long term, leveraging on steady margin improvements. These efforts combined with our cost optimization and stringent recovery controls enabled us to boost Profit after Tax (PAT) YoY growth by 424%.

	<p>individual's disposable income levels.</p> <ul style="list-style-type: none"> ➤ The surge in the tourism sector necessitates a heightened level of financial support to initiate and revitalize tourism-related business opportunities. ➤ Following the completion of the Domestic Debt Optimisation (DDO), credit rating agencies upgraded Sri Lanka's sovereign credit rating. 	
<p>Social</p>	<ul style="list-style-type: none"> ➤ Despite the economy starting to recover towards the end of the year, the confluence of economic contraction, elevated inflation rates, tax adjustments and continued hikes in utility tariffs exerted pressure on household income and pegging back living standards. ➤ General public dissatisfaction on tax reforms and political concerns continued to heighten social unrest fueling skilled migration creating a vacuum for skilled in the job market. ➤ For convenience increased customer awareness and demand for digital transactions. 	<ul style="list-style-type: none"> ➤ By integrating strategic corporate sustainability principles into our business model, we addressed key stakeholder concerns in our strategic planning process and extended shared growth opportunities for them, assisting to fulfil their prospects ➤ We continued to uplift living standards of the community by investing on community development projects. ➤ By accelerating our branch expansion plan, opening new branches nationwide, we generated new employment

		opportunities across various regions
Technological	<ul style="list-style-type: none"> ➤ Higher demand for contactless transaction shaped the business landscape of the NBFIs sector, creating seamless avenues for expanding business solutions ➤ An evolution was seen in deployment of AI technologies such as CHAT GPT, Copilot and other Robotic Process Automations (RPA) and other online platforms for improved decision making and productivity. ➤ Increased cyber threats amidst greater digitalization vulnerability in the business called for higher investments in protection of systems. ➤ Extended online /remote working facilities continued to boost employee performance, efficiency and satisfaction with higher return on assets. 	<ul style="list-style-type: none"> ➤ Whilst broad-basing our online platforms, we embarked on a transformative journey by transitioning our core systems and sub-modules to a renowned external core IT system. As part of this initiatives, we successfully migrated 3 modules and balance to be concluded this FY, aiming to deliver seamless and personalized experiences. ➤ We have commenced implementing the use of AI backed user support in our routine operations to ensure efficiency and accuracy. ➤ Upgraded IT security systems reduced the risk of cyber security threats
Ethical	<ul style="list-style-type: none"> ➤ Increased corporates' attention on fostering culture of ethics, right corporate values, and good governance practices across the industry. 	<ul style="list-style-type: none"> ➤ MI's deep rooted corporate values and ethical business practices guided the company to persist in transparency in all stakeholder engagements.

	<ul style="list-style-type: none"> ➤ Voluntary adherence to the non-mandatory business practices to enhance integrity and transparency 	
Environmental	<ul style="list-style-type: none"> ➤ Evolving demand for sustainable financing and green lending such as Solar Power, electric and hybrid vehicle financing ➤ Surging need for environment conservation business practices due to climate emergency ➤ Enhanced corporate focus on building customer bond and loyalty through greener environment practices ➤ Evolving reporting requirements for environmental footprint 	<ul style="list-style-type: none"> ➤ Formed a Sustainability Finance Committee aiming to enact and commence working on the essential prerequisites for promoting sustainable financing products. ➤ We remained committed in business process automation and reduction in paper-based waste to mitigate environmental hazards. ➤ Continued to invest in environment conservation projects, whilst preserving biodiversity in expanding our branch footprint
Legal	<ul style="list-style-type: none"> ➤ Stringent classification of stage 3 loans from 120 days to 90 days past due basis which was effective from 1st April 2023 exerted pressure on NBFI sector, further deteriorating sector asset quality ➤ The issuance of the new Code of Best Practice on Corporate Governance 2023 by CA Sri Lanka, along with the implementation of the revised Central Bank Act No. 05 of 2021 on Corporate Governance 	<ul style="list-style-type: none"> ➤ Despite the widespread uptick in non-performing advances across the industry, our proactive risk management and asset recovery strategies enabled us to maintain asset quality, keeping the 90-day Non-Performing Loan (NPL) ratio controlled at 9.81%. ➤ Ensured MI's compliance to various regulatory requirements and made plans

	<p>practices, is shaping the industry to widely report transparency in its business operations.</p> <ul style="list-style-type: none">➤ Extended and Board structure strengthening Central Bank reporting requirements and extensive tax reforms have elevated regulatory compliance requirements	<p>for adopting applicable sections in the future through close monitoring and feedback to Board by compliance unit</p> <ul style="list-style-type: none">➤ Implemented new policies and procedures and conducted training to adhere to evolving regulatory requirements and industry best practices.
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Strategy Deployed

Strategy Execution

Overall Objectives -

	Short Term Target		Medium Term Objective			Long Term Goals	
	Net Interest Margin (NIM) > 8%	Cost to Income Ratio < 80%	Asset Quality (NPL) < 10%	Net Profit After Tax > 500 Million	Growth in Customer Base > 15%	Market Share > 3%	Asset Base > 10%
FY 23/24	9.8%	85%	9.8%	556Mn	14%	3%	12%
Past 3 Year Average	8.5%	83%	11%	577Mn	59%	3%	3.5%

Core Strategy 01- Augmenting and Enhancing Customer Value Proposition

As a friendly financial specialist, we stayed committed in enhancing customer value proposition, relentlessly focusing our efforts in satisfying their evolving expectations and needs. During the year, we continued to broad base our product mix by expanding Gold Loan operations across our branch network, while exploring new ways of differentiating our service among peers. As we geared towards our growth trajectory, we accelerated the branch expansion drive, integrating 8 new branches into our island-wide network, enriching MI's brand presence across the island. By committing, to invest handsomely in technology solutions, MI's market strategy and competitiveness continued to be enriched especially to enhance seamless customer experience and convenience for business growth and loyalty.

Material Concerns Addressed

- * Sustainable growth with financial stability and resilience
- * Succession amidst rivalry
- * Cementing partnerships

KPI Achievement status

	Actual FY 23/24	Planned FY 23/24	Past FY 22/23
Portfolio Growth			
- Lending	13%	> 15%	-6%
- Deposits	16%	> 15%	18%
Growth in Total Customer Base	>228,000	>220,000	>200,000
New Branches opened/ Expansions	8	>5	1

Focus area	Strategic actions	How We Geared Competitive Advantage
Accelerating MI's Branch expansion to afford greater access to finance		
Expanding customer reach to build greater partnerships towards envisaged growth	<ul style="list-style-type: none"> • Identified key economic hubs for market positioning and fast tracked level of presence. • Adhered to lean management principles and remained committed to minimising the initial investment cost to keep break –even periods shortened. • Recruited best talents from the branch regions to better serve regional demands. • Re-establishing an effective new regional structure under the new COO's command, to align new branch expansions and new recruits with existing structure for better 	<ul style="list-style-type: none"> • Was successful in opening new branches across the regions at a reasonably rapid pace. • Total new business from newly opened locations amounted to Rs 865 million from this year's business.

	monitoring and eventual target achievement.	
Strengthening Customer Bonds by enhancing customer experience		
<p>Prioritised need for customer retention and same time stayed committed towards greater customer attraction by enhancing customer experience including tailored solutions to meet urging demands.</p>	<ul style="list-style-type: none"> • Deployed a customer-centric business approach exploring avenues to offer personalised tailored financial solutions and unique customer service • Expanded gold loan operations across our branch network to facilitate evolving financing needs stemming from regions. • Brought the One-stop-shop experience with our array of service available under one roof. • Continuous improvement of service standards and product offerings through market and customer intelligence. • Staying active on social media platforms to share attractive solutions and product information. • Assigned specially trained dedicated teams to handle customer grievances. 	<ul style="list-style-type: none"> • By executing a personalised service and catering to varying needs, built customer loyalty and satisfaction reflected from growing customer base. • Upheld the brand image by extending an uninterrupted and high quality service • Strengthened market competitiveness and service differentiation to sustain market share which remained preserved.
Being the top of the mind finance brand		

<p>Elevating brand image as a trusted partner and a friendly financial specialist</p>	<ul style="list-style-type: none"> • Expanded MI’s brand presence extending reach to Central and Uva Provinces • Reinforcing our brand image and identity by staying active on social and other multimedia platforms. • Launching of a new logo for the 60th year celebration and continued market promotions drive • Elevated MI brand by spending Rs 18 million through diverse marketing and promotional campaigns, while upholding brand promise and customer trust. 	<ul style="list-style-type: none"> • Strengthened the long standing customer bonds and brand value as a top of the mind financial solutions provider. Deposit retention levels peaked over 85% while lending customer base expanded by 79%.
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Core Strategy 02- Driving Productivity and Cost Optimization Prerogatives

Aligned with our strategic pillars of 'Prudent Growth' and 'Operational Excellence,' enhancing productivity and exploring scalable cost optimization avenues took center stage, for future efficiency. We continued to cultivate a leaner and more agile operation to manage cost escalations, whilst leveraging technological solutions to enhance productivity. To enhance staff productivity, we prioritized greater investment in skill development and talent retention, while adopting multitasking as a strategy to mitigate evolving risks associated with staff attrition.

Material Concerns Addressed

- * Sustainable growth with financial stability and resilience
- * Staying competitive amidst rivalry
- * Talent Management and motivation

KPI Achievement status

	Actual FY 23/24	Planned FY 23/24	Past FY 22/23
Return on Assets	1.10%	> 1%	0.22%
Cost to Income Ratio	85%	< 80%	106%
Training Hours Per Employee	11 hours	>10 hours	9 hours

Focus Area	Action Towards Strategy	How We Geared Competitive Advantage
Resource Optimization		
Use of minimum resources to maximise desired outcomes	<ul style="list-style-type: none"> • Productivity enhancement strategies to boost processing times and capture higher business levels • Embraced a lean management concept to minimize resource usage, whilst adhering lean branch concept in branch expansions to enjoy shorter breakeven levels. • Reinvigorating the cost conscious culture while promoting 3 R concept to minimize resource consumption. • Encouraged paperless working environment through process improvements • Talent retention, grooming redeployment and multitasking strategy deployment. 	<ul style="list-style-type: none"> • By setting forth benchmark standards in operations supported by greater investment in technology and efforts to secure talent pool, created a sustainable foundation towards improved cost to income levels in the next 24 months.
Enhance Employee Productivity by inspiring to achieve their best	<ul style="list-style-type: none"> • Recognise and reward multi-tasking whilst encouraging staff redeployment 	<ul style="list-style-type: none"> • Improve MI bottom-line while enhancing Employee Value Proposition (EVP). • Creating a unique employee brand together with a rich

	<ul style="list-style-type: none"> • Enhance skills and competencies of the workforce through continuous training and development • Greater employee Empowerment. • Deploying an effective reward linked performance management system 	<p>tapestry with diversity and inclusiveness at its core.</p> <ul style="list-style-type: none"> • Creating an extraordinary workplace equipped with best human resource practices to attract and develop best people.
<p>Embracing technology towards service excellence and productivity</p>	<ul style="list-style-type: none"> • Successfully migrated fixed deposits and savings modules to Scierer e-Financials platform by October 2023 enhancing seamless and personalized experiences to our customers. • Migrating the remaining modules to the new core system planned for October 2024 to reap the benefits from an integrated IT solution. • Process simplification and enhanced automation of operational processes to speed up the delivery time and improve productivity. • Successful automation of recording direct bank customer deposits, minimizing manual intervention. • Expedited prompt recovery efforts by strengthening the newly set up fully fledged call centre, supported by a web-based portal connected to core-system. • Converted most of the meetings and trainings to online platform, improving productivity and cost efficiency. 	<ul style="list-style-type: none"> • Improved competitiveness through enhanced productivity and customer convenience. • Effective decision making through improved MIS generated and speedily disseminated to corporate management.

Core Strategy 03- Robust risk management and governance prerogatives.

Amidst a most dynamic and challenging operating environment, we encapsulate effective risk management and governance as an essential component in ensuring company stays resilient, stable and futuristic. Hence we adopted effective risk management practices and proven techniques to act proactively in facing emerging risks by analyzing, monitoring and recommending strategies. While performing regular risk assessments in different perspectives, we prioritized evolving interest rate risk and credit risk avenues considering the magnitude of the impact to the bottom-line of the company. We updated our risk matrix and risk register to bring more stringent controls to our business model with the intention of safeguarding loan book quality and ensure no undue erosions impact to net interest margins. These risk approaches assisted us to arrest increasing credit risk and to maintain our non performing advances controlled at 9.81% while enabling us to improve our net interest margins to stay resilient amidst the prevailing macro-economic challenges.

Material Concerns Addressed

- * Sustainable growth with financial stability and resilience
- * Asset Quality Management
- * Staying Competitive amidst rivalry
- * Compliance, Ethics and Governance

KPI Achievement status

	Actual FY 23/24	Planned FY 23/24	Past FY 22/23
New initiatives on risk management	8	9	5
One year maturity mismatch	Rs. 4.9 billion	Rs. < 5 billion	Rs.2 billion
NPL ratio	9.81%	< 10%	10.74%

Focus area	Strategic actions	Expected competitive advantage
Cohesive and strong risk management approach to promote a strong risk culture		
Leveraging the strength of risk management to derive proactive decision making	<ul style="list-style-type: none"> • Introduced a comprehensive stress testing framework to set proper risk appetite limits. • Continuous monitoring of risk profiles related to market, reputation, legal and operations to ensure adherence to risk tolerance limits. • Introduced required policies and procedures to comply with emerging regulatory needs. • Enhanced risk reporting to IRMC (Integrated Risk Management Committee) and the Board for proactive decision making. • Complied with Go AML FIU platform to enhance reporting, monitoring and detection of money laundering activities. 	Strengthening MI’s ability to remain resilient and proactive in the face of volatilities and disruptions emanating from the ongoing economic crisis
Asset quality control and credit risk mitigation		
Strengthening credit risk review and recovery drive to maintain satisfactory collection levels and control Non –Performing Loans and bad debts	<ul style="list-style-type: none"> • Adopting customised recovery measures to successfully negotiate with long outstanding debtors to expedite collections • Strengthened the recovery process to fast track 	<ul style="list-style-type: none"> • Despite the widespread uptick in non-performing advances across the industry, we successfully maintained our asset quality, keeping the 90-day Non-Performing Loan (NPL) ratio controlled at to single digit

	<p>collections with the dedicated Call centre operations.</p> <ul style="list-style-type: none"> • Closely monitored the recovery progress against short, medium and long term goals and objectives and tied up the employee rewarding scheme with KPI's and KRI's to sustain required loan book asset quality levels. • Strengthened the asset disposal unit by recruiting and restructuring the yard operations whilst taking proactive measures to minimize disposal losses 	
Managing pressure exerted on net interest margins enjoyed		
<p>Improving core margins by optimizing on repricing gain.</p>	<ul style="list-style-type: none"> • Proactively managed our funding costs, by focusing on short term deposit mobilization, keeping funding cost lower in the medium and long term. Kept maturity mismatch controlled meantime through long term borrowings and deposit mobilizations. • Focused on blending traditional modest yield product line with high yield lending products • Maintaining right balance between tenor mixes, whilst optimising on repricing gains. 	<ul style="list-style-type: none"> • Ability to record commendable growth in NII bolstering Net Interest Margin (NIM) from 6.46% to 9.79% staying above the industry average of 7.13% recorded in December 2023. • 1 year maturity mismatch kept below Rs 5 billion though up 139% YoY due to investor sentiments.

	<ul style="list-style-type: none"> Encouraged loan rescheduling for irregular loans. 	
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Core strategy 04- Upholding the aspired sustainability pledge for Societal Well-being

Our commitment towards sustainability, remained unwavering as we continued to adopt sustainable business practices to be agile to cater to the evolving economic hardships and challenges surrounding communities, and other ESG related perspectives. As a long standing finance company, we gained trust and confidence of our stakeholders through the promotion of sustainable business practices while promoting our unique corporate culture through voluntary execution of sustainable initiatives especially through the promotion of financial inclusion among the lesser privileged society to better their lives and livelihoods.

Material Concerns Addressed

- *Upbringing sustainable communities
- *Cementing partnerships
- * Commitment towards environment conservation

KPI Achievement status

	Actual FY 23/24	Planned FY 23/24	Past FY 22/23
Social investment	Rs 1.78 million	Rs > 1.5 million	Rs 1.5 million
No of Beneficiaries	>300	> 200	>200
Green Lending	Rs 3.5 billion	Rs > 3 billion	Rs 1.7 billion

Focus area	Strategic actions	Expected competitive advantage
Upholding sustainable communities.		
<p>Staying committed to the wellbeing of society in keeping to MI's visionary aspirations.</p>	<ul style="list-style-type: none"> • Empowered women entrepreneurship and extended financial support to satisfy unmet needs of the poor and lesser privileged through our micro finance arm. (Refer Impact Management pages 19 to 22) • Invested Rs 1.78 million towards community wellbeing. • Responsible disposal of solid and liquid waste in accordance with the local council guide lines. 	<ul style="list-style-type: none"> • Deep sense of corporate acceptance and bonding has enriched our brand image towards a sustainable business platform.
Creating Green Corporate Etiquette and Culture		
<p>Managing environmental footprint</p>	<ul style="list-style-type: none"> • Establishing of a “Sustainable Finance Committee” and introduced Solar Power backed financing towards green lending. • Controlled use of natural resources aligned with cost optimization drive. • Enhancing automation and digitization supporting green corporate practices. 	<ul style="list-style-type: none"> • Enhanced corporate image and loyalty by continuing to deploy responsible corporate practices towards society and environment.

Resource Allocation at MI

MI's strategic resource allocation remains a cornerstone of our operational success, reflecting our commitment to prudent management and a sustainable growth trajectory. Throughout the fiscal year, we have diligently allocated resources to key areas that align with our overarching objectives. During the year we allocated more resources in expanding the branch network activities including its IT infrastructure to drive our future potential and competitive edge in the market whilst bolstering operational efficiency and scalability. Additionally, substantial investments in employee development initiatives have fortified our workforce, ensuring they possess the requisite skills and expertise to navigate evolving industry landscapes. As stewards of shareholder value, we have maintained a disciplined approach to resource allocation, balancing short-term objectives with long-term sustainability to deliver optimal returns for our stakeholders.

Business Lines	Lending	●	●	●	●	●	●	●
	Investments	●	●	●	●	●	●	●
	Deposits Mobilisation	●	●	●	●	●	●	●
	Other Ancillary Businesses	●	●	●	●	●	●	●
Business Activities Affected	Funding	↑	↑	↑	↑	↑	↑	↑
	Customer Intelligence Product Design and Innovations	↑	↑	↑	↑	↑	↑	↑
	Evaluation and Execution	↑	↑	↑	↑	↑	↑	↑
	Collections	↑	↑	↑	↑	↑	↑	↑
	After Sales Support	↑	↑	↑	↑	↑	↑	↑
	Customer Relationship Management	↑	↑	↑	↑	↑	↑	↑
	Support Services	↑	↑	↑	↑	↑	↑	↑
	Key Resources Mobilised	●	●	●	●	●	●	●
Financial Wealth	●	●	●	●	●	●	●	
Human Strength	●	●	●	●	●	●	●	
Alliances	●	●	●	●	●	●	●	
Infrastructure	●	●	●	●	●	●	●	
Intellect	●	●	●	●	●	●	●	
Nature	●	●	●	●	●	●	●	

● Critical
 ● Moderate
 ● Not Significant