

Below is a summary of I&M Group's FY'2025 performance:

Balance Sheet Items (Kshs bn)	FY'2024	FY'2025	y/y change
Government Securities	102.5	159.4	55.5%
Net Loans and Advances	287.5	306.3	6.5%
Total Assets	580.9	668.9	15.1%
Customer Deposits	412.2	483.9	17.4%
Deposits/branch	3.9	4.4	14.2%
Total Liabilities	480.0	546.9	13.9%
Shareholders' Funds	93.8	115.2	22.8%

Balance Sheet Ratios	FY'2024	FY'2025	% y/y change
Loan to Deposit Ratio	69.7%	63.3%	(6.5%)
Government Securities to Deposit Ratio	24.9%	32.9%	8.1%
Return on average equity	16.2%	17.8%	1.6%
Return on average assets	2.7%	3.2%	0.4%

Income Statement (Kshs bn)	FY'2024	FY'2025	y/y change
Net Interest Income	39.6	46.0	16.0%
Net non-Interest Income	11.0	14.4	30.8%
Total Operating income	50.6	60.3	19.2%
Loan Loss provision	(7.8)	(8.7)	11.1%
Total Operating expenses	(31.7)	(36.9)	16.3%
Profit before tax	19.8	24.2	22.4%
Profit after tax	15.9	19.8	24.5%
Core EPS	8.9	10.8	21.2%
Dividend per Share	3.00	3.75	25.0%
Dividend Yield	8.3%	7.5%	(0.8%)
Dividend Payout Ratio	31.1%	32.9%	1.8%

Income Statement Ratios	FY'2024	FY'2025	y/y change
Yield from interest-earning assets	14.3%	12.8%	(1.5%)
Cost of funding	6.7%	4.7%	(2.0%)
Net Interest Margin	8.1%	8.5%	0.5%
Net Interest Income as % of operating income	78.3%	76.2%	(2.1%)
Non-Funded Income as a % of operating income	21.7%	23.8%	2.1%
Cost to Income Ratio	62.7%	61.2%	(1.5%)
CIR without LLP	47.3%	46.8%	(0.5%)
Cost to Assets	4.1%	4.2%	0.1%

Capital Adequacy Ratios	FY'2024	FY'2025	% points change
Core Capital/Total Liabilities	20.7%	20.6%	(0.1%)
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	12.7%	12.6%	(0.1%)
Core Capital/Total Risk Weighted Assets	16.8%	16.9%	0.1%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	6.3%	6.4%	0.1%
Total Capital/Total Risk Weighted Assets	20.2%	20.1%	(0.1%)
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	5.7%	5.6%	(0.1%)
Liquidity Ratio	51.6%	51.6%	0.0%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	31.6%	31.6%	0.0%

Income Statement

- Core earnings per share grew by 21.2% to Kshs 10.8, from Kshs 8.9 in FY'2024, driven by the 19.2% increase in total operating income to Kshs 60.3 bn, from Kshs 50.6 bn in FY'2024, which outpaced the 16.3% increase in total operating expenses to Kshs 36.9 bn, from Kshs 31.7 bn in FY'2024,
- The 19.2% increase in total operating income was mainly driven by a 30.8% growth in Non-Interest Income (NFI) to Kshs 14.4 bn, from Kshs 11.0 bn in FY'2024, coupled with a 16.0% increase in Net-Interest Income (NII) to Kshs 46.0 bn, from Kshs 39.6 bn in FY'2024,
- Interest income declined by 1.4% to Kshs 69.2 bn, from Kshs 70.1 bn in FY'2024, mainly driven by a 29.6% decrease in interest income from deposits and placements to Kshs 2.3 bn from Kshs 3.2 bn in FY'2024, coupled with a 9.4% decrease in interest income from loans and advances to Kshs 45.6 bn from Kshs 50.3 bn in FY'2024. The decline was, however, supported by a 28.2% increase in interest income from government securities to Kshs 21.2 bn from Kshs 16.5 bn in FY'2024. As such, the Yield on Interest-Earning Assets (YIEA) decreased by 1.5% points to 12.8% from 14.3% recorded in FY'2024, attributable to the decline of 1.4% in trailing interest income to Kshs 69.2 bn, from Kshs 70.1 bn in FY'2024, compared to the 9.9% Increase in average interest earning assets to Kshs 539.1 bn, from Kshs 490.6 bn in FY'2024,
- Interest expenses declined by 23.9% to Kshs 23.2 bn from Kshs 30.5 bn in FY'2024, mainly driven by a 24.9% decrease in interest expense from deposits and placements to Kshs 2.6 bn from Kshs 3.5 bn in FY'2024, coupled with a 24.0% decrease in interest expense from customer deposits to Kshs 19.3 bn from Kshs 25.4 bn in FY'2024, and a 20.5% decrease in other interest expenses to Kshs 1.3 bn from Kshs 1.6 bn in FY'2024. Consequently, Cost of funds (COF) decreased by 2.0% points to 4.7%, from 6.7% recorded in FY'2024, owing to a 23.9% decrease in Trailing interest expense to Kshs 23.2 bn from Kshs 30.5 bn recorded in FY'2024, compared to a 7.8% increase in average interest-bearing liabilities to Kshs 489.7 bn, from Kshs 454.4 bn in FY'2024. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 0.5% points to 8.5% from 8.1% in FY'2024, attributable to a faster 16.0% increase in trailing net interest income to Kshs 46.0 bn from Kshs 39.6 bn recorded in FY'2024, compared to a slower 9.9% growth in average interest earning assets,
- Non-Funded Income (NFI) increased by 30.8% to Kshs 14.4 bn from Kshs 11.0 bn in FY'2024, mainly driven by a 36.3% increase in other fees to Kshs 4.5 bn from Kshs 3.3 bn in FY'2024 coupled with a 1.5% increase in fees

and commissions to Kshs 2.65 bn from Kshs 2.61 bn in FY'2024. Total fees and commissions also increased by 20.9% to Kshs 7.1 bn from Kshs 5.9 bn in FY'2024. The revenue mix shifted to 76:24, from 78:22 for the funded to Non-funded income owing to the faster 30.8% growth in Non-Funded Income compared to a slower 16.0% increase in Funded Income,

- Total operating expense increased by 16.3% to Kshs 36.9 bn in FY'2024, from Kshs 31.7 bn in FY'2024, mainly attributable to 20.3% increase in staff cost expense to Kshs 10.9 bn, from Kshs 9.1 bn in FY'2024, coupled with the 16.6% increase in other operating expenses to 17.3 bn from 14.9 in FY'2024. Notably, loan loss provision increased by 11.1% to Kshs 8.7 bn, from 7.8 bn in FY'2024,
- Cost to Income Ratio (CIR) decreased by 1.5% points to 61.2% from 62.7% in FY'2024, owing to the slower 16.3% increase in total operating expenses, which was outpaced by the 19.2% increase in total operating income. Notably, CIR without LLP decreased by 0.5% points to 46.8%, from 47.3% recorded in FY'2024,
- Profit before tax increased by 22.4% to Kshs 24.2 bn, from Kshs 19.8 bn recorded in FY'2024, with effective tax rate decreasing by 1.4% points to 18.0% from the 19.3% recorded in FY'2024, leading to a 24.5% increase in profit after tax to Kshs 19.8 bn in FY'2025, from Kshs 15.9 bn in FY'2024.
- The Board of Directors recommended a final dividend of Kshs 2.25 per share in addition to an interim dividend of Kshs 1.5 per share for FY'2025, translating to a dividend yield and dividend payout ratio of 7.5% and 32.9% respectively

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 15.1% to Kshs 668.9 bn, from Kshs 580.9 bn in FY'2024, mainly driven by a 55.5% increase in governments securities holdings to Kshs 159.4 bn, from 102.5 bn in FY'2024, coupled with a 6.5% increase in net loans and advances to Kshs 306.3 bn, from Kshs 287.5 bn in FY'2024.
- Total liabilities increased by 13.9% to Kshs 546.9 bn from Kshs 480.0 bn in FY'2024, mainly driven by a 17.4% increase in customer deposits to Kshs 483.9 bn, from Kshs 412.2 bn in FY'2024, coupled with the significant 76.0% increase in placements to Kshs 37.0 bn from Kshs 21.0 bn in FY'2024. With 110 branches, compared to 107 branches in FY'2024, deposits per branch increased by 14.2% to Kshs 4.4 bn, from Kshs 3.9 bn in FY'2024,
- The 17.4% growth in customer deposits, which outpaced the 6.5% growth in net loans led to a decrease in the loan to deposits ratio to 63.3%, from 69.7% in FY'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing by 1.9% points in FY'2025, to 9.6% from 11.5% in FY'2024, attributable to a 11.5% decrease in Gross non-performing loans to Kshs 31.4 bn, from Kshs 35.5 bn in FY'2024, compared to the 6.2% increase in gross loans to Kshs 328.8 bn, from Kshs 309.6 bn recorded in FY'2024,
- General Provisions (LLP) increased by 2.7% to Kshs 18.1 bn in FY'2025 from Kshs 17.6 bn in FY'2024. The NPL coverage increased to 71.6% in FY'2025, from 62.3% in FY'2024, attributable to the 2.7% increase in general provisions coupled with the 2.0% decrease in interest in suspense to Kshs 4.4 bn from 4.5 bn in FY'2024 compared to the 11.5% decrease in Gross Non-performing Loans to Kshs 31.4 bn, from Kshs 35.5 bn in FY'2024.
- Shareholders' funds increased by 22.8% to Kshs 115.2 bn in FY'2025, from Kshs 93.8 bn in FY'2024, supported by a 20.2% increase in retained earnings to Kshs 75.0 bn, from Kshs 62.4 bn in FY'2024,
- I&M Group remains capitalized with a core capital to risk-weighted assets ratio of 16.9%, 6.4% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 20.1%, exceeding the statutory requirement of 14.5% by 5.6% points, and,

- The bank currently has a Return on Average Assets (ROaA) of 3.2%, and a Return on Average Equity (ROaE) of 17.8%.

Key Take-Outs:

1. **Increased earnings** - Core earnings per share grew by 21.2% to Kshs 10.8, from Kshs 8.9 in FY'2024, driven by the 19.2% increase in total operating income to Kshs 60.3 bn, from Kshs 50.6 bn in FY'2024, which outpaced the 16.3% increase in total operating expenses to Kshs 36.9 bn, from Kshs 31.7 bn in FY'2024,
2. **Improved asset quality** –The bank's Asset Quality improved, with Gross NPL decreasing to 9.6% in FY'2025, from 11.5% in FY'2024, attributable to a 11.5% decrease in Gross non-performing loans to Kshs 31.4 bn, from Kshs 35.5 bn in FY'2024, compared to the 6.2% increase in gross loans to Kshs 328.8 bn, from Kshs 309.6 bn recorded in FY'2024,
3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 15.1% to Kshs 668.9 bn, from Kshs 580.9 bn in FY'2024, mainly driven by a 55.5% increase in governments securities holdings to Kshs 159.4 bn, from 102.5 bn in FY'2024, coupled with a 6.5% increase in net loans and advances to Kshs 306.3 bn, from Kshs 287.5 bn in FY'2024,
4. **Increased lending**- Customer net loans and advances increased 6.5% Kshs 306.3 bn, from Kshs 287.5 bn in FY'2024, and,
5. **Declaration of Dividends** - The Board of Directors recommended a final dividend of Kshs 2.25 per share in addition to an interim dividend of Kshs 1.5 per share for FY'2025, bringing the total dividend to Kshs 3.75 compared to Kshs 3.0 in FY'2024, translating to a dividend yield and dividend payout ratio of 7.5% and 32.9% respectively

Going forward, the factors that would drive the bank's growth would be:

- **The Ni Sare Strategy** - The Group has leveraged digital innovation as a primary distribution channel through its Ni Sare proposition, which offers zero-fee transactions, particularly from bank accounts to M-Pesa. This initiative significantly lowers barriers to entry and attracts a broader, younger customer base while increasing transaction volumes across its platforms. By eliminating transfer costs, I&M is able to shift customers from mobile wallets into the banking ecosystem, strengthening account usage and engagement. Supported by continued investment in mobile and internet banking, the strategy enables the bank to scale efficiently without proportional increases in operational costs. Over time, the expanded customer base is monetized through cross-selling of loans, deposits, and other financial service Valuation Summary.
- **Strategic SME Growth** - The Group has structured its SME segment as a comprehensive financial ecosystem rather than a traditional lending portfolio. By onboarding small and medium enterprises digitally and linking them to multiple banking services, providing working capital financing, payments processing, and cashflow management I&M captures multiple revenue streams from each client. The strategy leverages transaction data to assess credit risk and tailor financing solutions, enabling the bank to grow both interest and fee income while maintaining portfolio quality. Over time, successful SMEs naturally scale into larger corporates, creating a continuous internal pipeline for the bank's products and reinforcing long-term customer value.



I&M Group – FY'2025
27th March, 2026

We are of the view that I&M Group is a “Buy” with a target price of Kshs 57.4 representing a upside of 21.6%, from the current price of Kshs 47.2 as of 27th March 2026, inclusive of a dividend yield of 7.9%.

I&M Group is currently trading at a P/TBV of 0.7x and a P/E of 3.9x vs an industry average of 1.3x and 6.9x respectively.