

Below is a summary of I&M Group's H1'2025 performance:

Balance Sheet Items	H1'2024	H1'2025	y/y change
Government Securities	90.1	133.2	47.8%
Net Loans and Advances	284.2	290.3	2.1%
<b>Total Assets</b>	<b>564.4</b>	<b>588.9</b>	<b>4.3%</b>
Customer Deposits	419.4	429.4	2.4%
Deposits/Branch	4.3	3.9	(9.7%)
Total Liabilities	471.6	475.3	0.8%
<b>Shareholders' Funds</b>	<b>86.4</b>	<b>106.5</b>	<b>23.3%</b>

Balance Sheet Ratios	H1'2024	H1'2025	% points change
Loan to Deposit Ratio	67.8%	67.6%	(0.2%)
Government Securities to Deposit Ratio	21.5%	31.0%	9.5%
Return on average equity	14.3%	19.6%	5.3%
Return on average assets	2.4%	3.3%	0.9%

Income Statement (Kshs Bn)	H1'2024	H1'2025	y/y change
Net Interest Income	16.5	20.4	23.7%
Net non-Interest Income	6.2	7.0	12.9%
<b>Total Operating income</b>	<b>22.7</b>	<b>27.4</b>	<b>20.8%</b>
Loan Loss provision	(3.5)	(4.1)	17.4%
Total Operating expenses	<b>(14.3)</b>	<b>(16.1)</b>	<b>12.6%</b>
Profit before tax	8.7	11.7	34.1%
<b>Profit after tax</b>	<b>6.1</b>	<b>8.3</b>	<b>36.3%</b>
<b>Core EPS</b>	<b>3.3</b>	<b>4.5</b>	<b>37.9%</b>

Income Statement Ratios	H1'2024	H1'2025	% points change
Yield from interest-earning assets	12.9%	14.0%	1.0%
Cost of funding	6.3%	6.0%	(0.3%)
Net Interest Margin	7.1%	8.4%	1.3%
Net Interest Income as % of operating income	72.8%	74.6%	1.8%
Non-Funded Income as a % of operating income	27.2%	25.4%	(1.8%)
Cost to Income Ratio	63.0%	58.7%	(4.3%)
Cost to Income Ratio without LLP	47.7%	43.9%	(3.8%)
Cost to Assets	1.9%	2.0%	0.1%

Capital Adequacy Ratios	H1'2024	H1'2025	% points change
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Core Capital/Total Liabilities	17.7%	21.4%	3.7%
Minimum Statutory ratio	8.0%	8.0%	0.0%
<b>Excess</b>	<b>9.7%</b>	<b>13.4%</b>	<b>3.7%</b>
Core Capital/Total Risk Weighted Assets	14.8%	17.2%	2.4%
Minimum Statutory ratio	10.5%	10.5%	0.0%
<b>Excess</b>	<b>4.3%</b>	<b>6.7%</b>	<b>2.4%</b>
Total Capital/Total Risk Weighted Assets	18.1%	19.8%	1.6%
Minimum Statutory ratio	14.5%	14.5%	0.0%
<b>Excess</b>	<b>3.6%</b>	<b>5.3%</b>	<b>1.6%</b>
Liquidity Ratio	50.8%	54.0%	3.2%
Minimum Statutory ratio	20.0%	20.0%	0.0%
<b>Excess</b>	<b>30.8%</b>	<b>34.0%</b>	<b>3.2%</b>

### Income Statement

- Core earnings per share grew by 37.9% to Kshs 4.5, from Kshs 3.3 in H1'2024, driven by the 20.8% increase in total operating income to Kshs 27.4 bn, from Kshs 22.7 bn in H1'2024, which outpaced the 12.6% increase in total operating expenses to Kshs 16.1 bn, from Kshs 14.3 bn in H1'2024,
- The 20.8% increase in total operating income was mainly driven by a 23.7% growth in Net Interest Income (NII) to Kshs 20.4 bn, from Kshs 16.5 bn in H1'2024, coupled with a 12.9% increase in Non-Interest Income (NFI) to Kshs 7.0 bn, from Kshs 6.2 bn in H1'2024,
- Interest income grew by 3.1% to Kshs 32.1 bn, from Kshs 31.1 bn in H1'2024, mainly driven by a 33.6% increase in interest income from government securities to Kshs 9.3 bn from Kshs 7.0 bn in H1'2024. The growth was however weighed down by a 27.7% decrease in interest income from deposits and placements to Kshs 1.2 bn from Kshs 1.6 bn in H1'2024, coupled with a 4.2% decrease in interest income from loans and advances to Kshs 21.6 bn from Kshs 22.6 bn in H1'2024. As such, the Yield on Interest-Earning Assets (YIEA) increased by 1.0% points to 14.0% from 12.9% recorded in H1'2024, attributable to the faster 14.6% growth in trailing interest income to Kshs 69.1 bn, from Kshs 60.3 bn in H1'2024, compared to a slower 6.0% Increase in average interest earning assets to Kshs 494.8 bn, from Kshs 466.8 bn in H1'2024,
- Interest expenses declined by 20.3% to Kshs 11.7 bn from Kshs 14.6 bn in H1'2024, mainly driven by a 17.9% decrease in interest expense from customer deposits to Kshs 9.9 bn from Kshs 12.0 bn in H1'2024, coupled with a 34.4% decrease in interest expense from deposits and placements to Kshs 1.1 bn from Kshs 1.7 bn in H1'2024, and a 24.6% decrease in other interest expenses to Kshs 0.7 bn from Kshs 0.9 bn in H1'2024. Consequently, Cost of funds (COF) decreased by 0.3% points to 6.0%, from 6.3% recorded in H1'2024, owing to a slower 0.8% increase in Trailing interest expense to Kshs 27.6 bn from Kshs 27.4 bn recorded in H1'2024, compared to an 5.9% increase in average interest-bearing liabilities to Kshs 457.6 bn, from Kshs 432.2 bn in H1'2024. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 1.3% points to 8.4% from 7.1% in H1'2024, attributable to a faster 26.0% increase in trailing net interest income to Kshs 41.5 bn from Kshs 32.9 bn recorded in H1'2024, which outpaced the 6.0% growth in average interest earning assets,
- Non-Funded Income (NFI) increased by 12.9% to Kshs 7.0 bn from Kshs 6.2 bn in H1'2024, mainly driven by a 16.1% increase in other fees to Kshs 3.0 bn from Kshs 2.5 bn in H1'2024 coupled with an 11.8% increase in

fees and commissions to Kshs 1.3 bn from Kshs 1.2 bn in H1'2024. Total fees and commissions also increased by 14.8% to Kshs 4.3 bn from Kshs 3.7 bn in H1'2024. The revenue mix shifted to 75:25, from 73:27 for the funded to Non-funded income owing to the faster 23.7% growth in Funded Income compared to a 12.9% increase in the Non-Funded Income,

- Total operating expense increased by 12.6% to Kshs 16.1 bn in H1'2024, from Kshs 14.3 bn in H1'2024, mainly attributable to 18.5% increase in staff cost to Kshs 5.0 bn, from Kshs 4.2 bn in H1'2024, coupled with the 6.4% increase in other operating expenses to 7.1 bn from 6.6 in H1'2024. Notably, loan loss provisions expense increased by 17.4% to Kshs 4.1 bn, from 3.5 bn in H1'2024,
- Cost to Income Ratio (CIR) decreased by 4.3% points to 58.7% from 63.0% in H1'2024, owing to the slower 12.6% increase in total operating expenses, which was outpaced by the 20.8% increase in total operating income. Notably, CIR without LLP decreased by 3.8% points to 43.9%, from 47.7% recorded in H1'2024,
- Profit before tax increased by 34.1% to Kshs 11.7 bn, from Kshs 8.7 bn recorded in H1'2024, with effective tax rate decreasing by 1.2% points to 29.0% from the 30.2% recorded in H1'2024, leading to a 36.3% increase in profit after tax to Kshs 8.3 bn in H1'2025, from Kshs 6.1 bn in H1'2024.
- The Board of Directors did not recommend an interim dividend for the period, consistent with H1'2024.

### **Balance Sheet**

- The balance sheet recorded an expansion as total assets increased by 4.3% to Kshs 588.9 bn, from Kshs 564.4 bn in H1'2024, mainly driven by a 47.8% increase in governments securities holdings to Kshs 133.2 bn, from 90.1 bn in H1'2024, coupled with a 2.1% increase in net loans and advances to Kshs 290.3 bn, from Kshs 284.2 bn in H1'2024.
- Total liabilities increased by 0.8% to Kshs 475.3 bn from Kshs 471.6 bn in H1'2024, mainly driven by a 2.4% increase in customer deposits to Kshs 429.4 bn, from Kshs 419.4 bn in H1'2024, coupled with the 8.9% increase in placements to Kshs 21.4 bn from Kshs 19.7 bn in H1'2024. With 110 branches, compared to 97 branches in H1'2024, deposits per branch decreased by 9.7% to Kshs 3.9 bn, from Kshs 4.3 bn in H1'2024,
- The 2.4% growth in customer deposits, which outpaced the 2.1% growth in net loans led to a decrease in the loan to deposits ratio to 67.6%, from 67.8% in H1'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 11.0% in H1'2025, from 11.4% in H1'2024, attributable to a 1.4% decrease in Gross non-performing loans to Kshs 34.4 bn, from Kshs 34.8 bn in H1'2024, compared to the 2.8% increase in gross loans to Kshs 312.7 bn, from Kshs 304.3 bn recorded in H1'2024,
- General Provisions (LLP) increased by 14.0% to Kshs 18.1 bn in H1'2025 from Kshs 15.9 bn in H1'2024. The NPL coverage increased to 65.4% in H1'2025, from 57.9% in H1'2024, attributable to the 14.0% increase in general provisions coupled with the 2.1% increase in interest in suspense to Kshs 4.4 bn from 4.4 bn in H1'2024 compared to the 1.4% decrease in Gross Non-performing Loans to Kshs 34.4 bn, from Kshs 34.8 bn in H1'2024.
- Shareholders' funds increased by 23.3% to Kshs 106.5 bn in H1'2025, from Kshs 86.4 bn in H1'2024, supported by a 17.8% increase in retained earnings to Kshs 70.7 bn, from Kshs 60.1 bn in H1'2024,
- I&M Group remains capitalized with a core capital to risk-weighted assets ratio of 17.2%, 6.7% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 19.8%, exceeding the statutory requirement of 14.5% by 5.3% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.3%, and a Return on Average Equity (ROaE) of 19.6%.

**Key Take-Outs:**

1. **Increased earnings** - Core earnings per share (EPS) grew by 37.9% to Kshs 4.5, from Kshs 3.3 in H1'2024, driven by the 20.8% increase in total operating income to Kshs 27.4 bn, from Kshs 22.7 bn in H1'2024, which outpaced the 12.6% increase in total operating expenses to Kshs 16.1 bn from Kshs 14.3 bn in H1'2024,
2. **Improved asset quality** –The bank's Asset Quality improved, with Gross NPL decreasing to 11.0% in H1'2025, from 11.4% in H1'2024, attributable to a 1.4% decrease in Gross non-performing loans to Kshs 34.4 bn, from Kshs 34.8 bn in H1'2024, compared to the 2.8% increase in gross loans to Kshs 312.7 bn, from Kshs 304.3 bn recorded in H1'2024,
3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 4.3% to Kshs 588.9 bn, from Kshs 564.4 bn in H1'2024, mainly driven by a 47.8% increase in governments securities holdings to Kshs 133.2 bn, from 90.1 bn in H1'2024, coupled with a 2.1% increase in net loans and advances to Kshs 290.3 bn, from Kshs 284.2 bn in H1'2024,
4. **Increased lending**- Customer net loans and advances increased by 2.1% to Kshs 290.3 bn, from Kshs 284.2 bn in H1'2024.

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

- **The iMara Strategy** - The Group has focused on growing customer deposits and loans through the iMara strategy. Part of the initiative includes opening more branches across the country to expand market reach. The initiative emphasizes a customer-centric approach, innovative product offerings and strategic partnerships to drive long-term value for stakeholders. By aligning with evolving financial trends and customer needs, iMara aims to solidify the bank's position as a leading financial institution in Kenya.
- **Digital Innovation** – The group introduced innovative solutions such as digital banking platforms and free transaction rates from the bank to M-Pesa. By investing in digital banking platforms and automations, the bank aims to streamline services, reduce operational costs, and improve financial inclusion. Mobile and internet banking will enable I&M to expand its customer base and remain competitive in Kenya's rapidly evolving banking sector. The free transaction rates to M-Pesa particularly attract the young customer base.

**Valuation Summary**

- We are of the view that I&M Group is a "buy" with a target price of Kshs 41.2 representing a upside of 7.9%, from the current price of Kshs 38.2 as of 22<sup>nd</sup> August 2025,
- I&M Group is currently trading at a P/TBV of 0.7x and a P/E of 4.1x vs an industry average of 1.0x and 4.5x respectively.