Cytonn INVESTMENTS

I&M Group – H1’2026

28th August, 2026

Below is a summary of I&M Group’s H1’2026 performance:

Balance Sheet Items (Kshs bn)	H1’2025	H1’2026	y/y change
Government Securities	133.2	204.4	53.4%
Net Loans and Advances	290.3	333.8	15.0%
Total Assets	**588.9**	**746.3**	**26.7%**
Customer Deposits	429.4	505.2	17.7%
Deposits/branch	3.9	4.2	7.8%
Total Liabilities	475.3	619.1	30.3%
Shareholders’ Funds	**106.5**	**119.4**	**12.1%**

Balance Sheet Ratios	H1’2025	H1’2026	% points change
Loan to Deposit Ratio	67.6%	66.1%	(1.5%)
Government Securities to Deposit Ratio	31.0%	40.5%	9.4%
Return on average equity	17.6%	18.0%	0.4%
Return on average assets	3.1%	3.2%	0.1%

Income Statement (Kshs bn)	H1’2025	H1’2026	y/y change
Net Interest Income	20.4	25.0	22.5%
Net non-Interest Income	7.0	8.7	24.5%
Total Operating income	**27.4**	**33.7**	**23.0%**
Loan Loss provision	(4.1)	(5.6)	37.7%
Total Operating expenses	**(16.1)**	**(20.6)**	**27.8%**
Profit before tax	11.7	13.5	15.0%
Profit after tax	**8.3**	**10.2**	**22.4%**
Core EPS	**5.0**	**6.2**	**22.4%**

Income Statement Ratios	H1’2025	H1’2026	% points change
Yield from interest-earning assets	14.4%	13.0%	(1.4%)
Cost of funding	4.1%	4.6%	0.5%
Net Interest Margin	8.8%	8.7%	(0.1%)
Net Interest Income as % of operating income	74.6%	74.3%	(0.3%)
Non-Funded Income as a % of operating income	25.4%	25.7%	0.3%
Cost to Income Ratio	58.7%	61.0%	2.3%
CIR without LLP	43.9%	44.4%	0.5%
Cost to Assets	2.0%	2.0%	0.0%

Capital Adequacy Ratios	H1’2025	H1’2026	% points change
Core Capital/Total Liabilities	21.4%	20.7%	(0.7%)
Minimum Statutory ratio	8.0%	8.0%	0.0%

Excess	**13.4%**	**12.7%**	(0.7%)
Core Capital/Total Risk Weighted Assets	17.2%	17.7%	0.5%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	**6.7%**	**7.2%**	0.5%
Total Capital/Total Risk Weighted Assets	19.8%	21.8%	2.1%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	**5.3%**	**7.3%**	2.1%
Liquidity Ratio	54.0%	64.9%	10.9%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	**34.0%**	**44.9%**	10.9%

Income Statement

- Core earnings per share grew by 22.4% to Kshs 6.2, from Kshs 5.0 in H1'2025, driven by the 23.0% increase in total operating income to Kshs 33.7 bn, from Kshs 27.4 bn in H1'2025. The performance was however weighed down by the 27.8% increase in total operating expenses to Kshs 20.6 bn from Kshs 16.1 bn in H1'2025,
- The 23.0% increase in total operating income was mainly driven by a 24.5% growth in Non-Interest Income (NFI) to Kshs 8.7 bn, from Kshs 7.0 bn in H1'2025, coupled with a 22.5% increase in Net-Interest Income (NII) to Kshs 25.0 bn, from Kshs 20.4 bn in H1'2025,
- Interest income grew by 18.9% to Kshs 38.2 bn, from Kshs 32.1 bn in H1'2025, mainly driven by a 50.9% increase in interest income from government securities to Kshs 14.1 bn from Kshs 9.3 bn in H1'2025, coupled with a 5.3% increase in interest income from loans and advances to Kshs 22.7 bn from Kshs 21.6 bn in H1'2025. The Yield on Interest-Earning Assets (YIEA) decreased by 1.4% points to 13.0% from 14.4% recorded in H1'2025, attributable to the 5.8% slower growth in trailing interest income to Kshs 75.3 bn, from Kshs 71.1 bn in H1'2025, which was outpaced by the 16.9% growth in average interest earning assets to Kshs 578.3 bn from Kshs 494.8 bn in H1'2025
- Interest expenses increased by 12.5% to Kshs 13.1 bn from Kshs 11.7 bn in H1'2025, mainly driven by a 134.9% increase in interest expense from deposits and placements to Kshs 2.6 bn from Kshs 1.1 bn in H1'2025, coupled with a 33.0% increase in other interest expenses to Kshs 0.9 bn from Kshs 0.7 bn in H1'2025, however weighed down by a 2.8% decrease in interest expense from customer deposits to Kshs 9.6 bn from Kshs 9.9 bn in H1'2025. Cost of funds (COF) increased by 0.5% points to 4.6%, from 4.1% recorded in H1'2025, owing to a 30.9% increase in Trailing interest expense to Kshs 24.7 bn from Kshs 18.9 bn recorded in H1'2025, that outpaced the 16.5% increase in average interest-bearing liabilities to Kshs 532.9 bn, from Kshs 457.6 bn in H1'2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) decreased by 0.1% points to 8.7% from 8.8% in H1'2025, attributable to a 16.1% increase in trailing net interest income to Kshs 50.6 bn from Kshs 43.5 bn recorded in H1'2025 that was outpaced by the 16.9% growth in average interest earning assets,
- Non-Funded Income (NFI) increased by 24.5% to Kshs 8.7 bn from Kshs 7.0 bn in H1'2025, mainly driven by a 145.8% increase in fees and commissions on loans to Kshs 1.5 bn from Kshs 0.6 bn in H1'2025 coupled with a 18.2% increase in foreign exchange trading income to Kshs 2.0 bn from Kshs 1.7 bn in H1'2025. Total fees and commissions decreased by 1.0% to Kshs 4.2 bn from Kshs 4.3 bn in H1'2025. The revenue mix shifted to 74:26, from 75:25 for the Funded to Non-funded income owing to the faster 24.5% growth in Non-Funded Income compared to a slower 22.5% increase in Funded Income,

- Total operating expense increased by 27.8% to Kshs 20.6 bn in H1’2026, from Kshs 16.1 bn in H1’2025, mainly attributable to 37.7% increase in loan loss provisions to Kshs 5.6 bn, from Kshs 4.1 bn in H1’2025. Notably, staff cost expense increased by 23.8% to Kshs 5.9 bn, from 4.8 bn in H1’2025,
- Cost to Income Ratio (CIR) increased by 2.3% points to 61.0% from 58.7% in H1’2025, owing to the faster 27.8% increase in total operating expenses, which outpaced the 23.0% increase in total operating income. Notably, CIR without LLP increased by 0.5% points to 44.4%, from 43.9% recorded in H1’2025,
- Profit before tax increased by 15.0% to Kshs 13.5 bn, from Kshs 11.7 bn recorded in H1’2025, with effective tax rate decreasing by 4.5% points to 24.5% from the 29.0% recorded in H1’2025, leading to a 22.4% increase in profit after tax to Kshs 10.2 bn in H1’2026, from Kshs 8.3 bn in H1’2025.
- The Board of Directors did not recommend an interim dividend for the period consistent with H1’2025

Balance Sheet

- The balance sheet registered an expansion as total assets increased by 26.7% to Kshs 746.3 bn in H1’2026, from Kshs 588.9 bn in H1’2025, mainly attributable to the 53.4% increase in government securities to Kshs 204.4 bn, from Kshs 133.2 bn in H1’2025 coupled with a 15.0% increase in net loans to Kshs 333.8 bn in H1’2026 from Kshs 290.3 bn in H1’2025,
- Total liabilities increased by 30.3% to Kshs 619.1 bn from Kshs 475.3 bn in H1’2025, mainly attributable to a 17.7% increase in customer deposits to Kshs 505.2 bn from Kshs 429.4. Additionally, placements increased significantly by 237.4% to Kshs 72.2 bn, from Kshs 21.4 bn in H1’2025.
- The 17.7% growth in customer deposits, which outpaced the 15.0% growth in net loans led to a decrease in the loan to deposits ratio to 66.1%, from 67.6% in H1’2025,
- The bank’s Asset Quality improved, with Gross NPL ratio decreasing by 2.5% points in H1’2026, to 8.4% from 11.0% in H1’2025, attributable to a 12.4% decrease in Gross non-performing loans to Kshs 30.1 bn, from Kshs 34.4 bn in H1’2025, compared to the 13.9% increase in gross loans to Kshs 356.3 bn, from Kshs 312.7 bn recorded in H1’2025,
- General Provisions (LLP) increased by 1.4% to Kshs 18.3 bn in H1’2026 from Kshs 18.1 bn in H1’2025. The NPL coverage increased to 74.8% in H1’2026, from 65.4% in H1’2025, attributable to the 1.4% increase in general provisions coupled with the 5.0% decrease in interest in suspense to Kshs 4.2 bn from Kshs 4.4 bn in H1’2025 compared to the 12.4% decrease in Gross Non-performing Loans to Kshs 30.1 from Kshs 34.4 bn in H1’2025.
- Shareholders’ funds increased by 12.1% to Kshs 119.4 bn in H1’2026, from Kshs 106.5 bn in H1’2025, supported by a 22.4% increase in retained earnings to Kshs 86.6 bn, from Kshs 70.7 bn in H1’2025,
- I&M Group remains capitalized with a core capital to risk-weighted assets ratio of 17.7%, 7.2% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 21.8%, exceeding the statutory requirement of 14.5% by 7.3% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.2%, and a Return on Average Equity (ROaE) of 18.0%.

Key Take-Outs:

1. **Increased earnings -** Core earnings per share grew by 22.4% to Kshs 6.2, from Kshs 5.0 in H1’2025, driven by the 23.0% increase in total operating income to Kshs 33.7 bn, from Kshs 27.4 bn in H1’2025. The performance was however weighed down by the 27.8% increase in total operating expenses to Kshs 20.6 bn from Kshs 16.1 bn in H1’2025,

2. **Improved asset quality –** The bank’s Asset Quality improved, with Gross NPL ratio decreasing by 2.5% points in H1’2026, to 8.4% from 11.0% in H1’2025, attributable to a 12.4% decrease in Gross non-performing loans to Kshs 30.1 bn, from Kshs 34.4 bn in H1’2025, compared to the 13.9% increase in gross loans to Kshs 356.3 bn, from Kshs 312.7 bn recorded in H1’2025,
3. **Expanded Balance sheet** - The balance sheet registered an expansion as total assets increased by 26.7% to Kshs 746.3 bn in H1’2026, from Kshs 588.9 bn in H1’2025, mainly attributable to the 53.4% increase in government securities to Kshs 204.4 bn, from Kshs 133.2 bn in H1’2025 coupled with a 15.0% increase in net loans to Kshs 333.8 bn in H1’2026 from Kshs 290.3 bn in H1’2025, and
4. **Increased lending**- Customer net loans and advances increased by 15.0% to Kshs 333.8 bn, from Kshs 290.3 bn in H1’2025,

Going forward, the factors that would drive the bank’s growth would be driven by:

- **Regional Expansion** - I&M Group's long-term growth trajectory remains firmly on course, anchored by the continued execution of its iMara 3.0 strategy. The Group has grown its Kenyan branch network to 65 outlets from 52 outlets across 27 counties, with 15 more branches planned for 2026 under the "Mahali Uko, Tuko" campaign, targeting 80 branches and a presence across all 47 counties by year end. Beyond Kenya, the Group has increased its shareholding in I&M Bank Tanzania to 95.5%, deepening its regional commitment as it advances toward its long-term ambition of becoming Eastern Africa's leading financial partner for growth.
- **Retail Ecosystem Credit Monetization** - The front-end Backbase partnership powering the I&M On-The-Go (OTG) platform has transformed from a customer acquisition tool into a primary earnings engine. By lowering customer acquisition costs on the app by 44.0%, the bank successfully dispersed Kshs 15.7 bn in financing through digital channels in H1’2026. This digital credit expansion directly fueled a 22.5% jump in net interest income to Kshs 25.0 bn, as digital lending yields higher margins than traditional corporate facilities.

We are of the view that I&M Group is a “Lighten” with a target price of Kshs 81.1 representing a upside of 3.6%, from the current price of Kshs 78.3 as of 28th August 2026,

I&M Group is currently trading at a P/TBV of 1.3x and a P/E of 6.9x vs an industry average of 1.3x and 6.6x respectively.