

Below is a summary of I&M Group's Q1'2025 performance:

Balance Sheet Items	Q1'2024	Q1'2025	y/y change
Government Securities	73.3	103.1	40.5%
Net Loans and Advances	291.5	293.7	0.7%
Total Assets	533.0	568.4	6.7%
Customer Deposits	383.9	407.0	6.0%
Deposits/Branch	4.1	3.8	(6.8%)
Total Liabilities	439.3	461.5	5.0%
Shareholders' Funds	87.2	99.9	14.5%

Balance Sheet Ratios	Q1'2024	Q1'2025	% y/y change
Loan to Deposit Ratio	75.9%	72.1%	(3.8%)
Government Securities to Deposit Ratio	19.1%	25.3%	6.2%
Return on average equity	16.0%	18.5%	2.4%
Return on average assets	2.8%	3.1%	0.3%

Income Statement (Kshs Bn)	Q1'2024	Q1'2025	y/y change
Net Interest Income	8.4	9.4	11.8%
Net non-Interest Income	3.2	3.6	13.7%
Total Operating income	11.5	13.0	12.3%
Loan Loss provision	(1.5)	(1.6)	4.0%
Total Operating expenses	(6.6)	(7.3)	9.8%
Profit before tax	5.1	5.9	15.5%
Profit after tax	3.6	4.2	17.3%
Core EPS	2.0	2.4	17.9%

Income Statement Ratios	Q1'2024	Q1'2025	% pointschange
Yield from interest-earning assets	13.9%	14.4%	0.5%
Cost of funding	6.3%	6.8%	0.5%
Net Interest Margin	7.7%	8.2%	0.5%
Net Interest Income as % of operating income	72.6%	72.3%	(0.3%)
Non-Funded Income as a % of operating income	27.4%	27.7%	0.3%
Cost to Income Ratio	57.5%	56.2%	(1.3%)
Cost to Income Ratio without LLP	44.2%	43.9%	(0.3%)
Cost to Assets	0.96%	1.00%	0.04%

Capital Adequacy Ratios	Q1'2024	Q1'2025	% points change
-------------------------	---------	---------	-----------------

Core Capital/Total Liabilities	19.9%	21.0%	1.1%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	11.9%	13.0%	1.1%
Core Capital/Total Risk Weighted Assets	14.6%	16.3%	1.7%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	4.1%	5.8%	1.7%
Total Capital/Total Risk Weighted Assets	17.9%	18.8%	1.0%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	3.4%	4.3%	1.0%
Liquidity Ratio	44.2%	50.4%	6.2%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	24.2%	30.4%	6.2%

Income Statement

- Core earnings per share grew by 17.9% to Kshs 2.4, from Kshs 2.0 in Q1’2024, driven by the 12.3% increase in total operating income to Kshs 13.0 bn, from Kshs 11.5 bn in Q1’2024, which outpaced the 9.8% increase in total operating expenses to Kshs 7.3 bn from Kshs 6.6 bn in Q1’2024,
- The 12.3% increase in total operating income was mainly driven by a 13.7% growth in Non-Interest Income (NFI) to Kshs 3.6 bn, from Kshs 3.2 bn in Q1’2024, coupled with a 11.8% increase in Net Interest Income (NII) to Kshs 9.4 bn from Kshs 8.4 bn in Q1’2024,
- Interest income declined by 0.6% to Kshs 15.5 bn from Kshs 15.6 bn in Q1’2024, mainly driven by a 37.7% decrease in interest income from deposits and placements to Kshs 0.5 bn from Kshs 0.9 bn in Q1’2024 coupled with an 8.4% decrease in interest income from loans and advances to Kshs 10.5 bn from Kshs 11.4 bn in Q1’2024. The decline was however supported by a 36.0% increase in interest income from government securities to Kshs 4.5 bn from Kshs 3.3 bn in Q1’2024. As such, the Yield on Interest-Earning Assets (YIEA) increased by 0.5% points to 14.4% from 13.9% recorded in Q1’2024, attributable to the faster 21.7% growth in trailing interest income to Kshs 68.0 bn, from Kshs 55.9 bn in Q1’2024, compared to a slower 17.2% increase in average interest earning assets to Kshs 471.5 bn, from Kshs 402.3 bn in Q1’2024,
- Interest expenses declined by 15.1% to Kshs 6.1 bn from Kshs 7.2 bn in Q1’2024, mainly driven by a 39.4% decrease in interest expense from deposits and placements to Kshs 0.6 bn from Kshs 1.0 bn in Q1’2024 coupled with a 26.8% decrease in other interest expenses to Kshs 0.3 bn from Kshs 0.4 bn in Q1’2024, and a 9.8% decrease in interest expense from customer deposits to Kshs 5.1 bn from Kshs 5.7 bn in Q1’2024. Consequently, Cost of funds (COF) increased marginally by 0.5% points to 6.8% from 6.3% recorded in Q1’2024, owing to a faster 18.1% increase in Trailing interest expense to Kshs 29.5 bn from Kshs 24.9 bn recorded in Q1’2024, compared to an 8.9% increase in average interest-bearing liabilities to Kshs 430.1 bn from Kshs 394.9 bn in Q1’2024. 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 8.2% from 7.7% in Q1’2024, attributable to a faster 24.7% increase in trailing net interest income to Kshs 38.6 bn from Kshs 30.9 bn recorded in Q1’2024, which outpaced the 17.2% growth in average interest earning assets,
- Non-Funded Income (NFI) increased by 13.7% to Kshs 3.6 bn from Kshs 3.2 bn in Q1’2024, mainly driven by a increase in fees and commissions and other fees by 5.4% and 4.1% to remain relatively unchanged from the

Kshs 0.6 bn and 1.4 bn respectively recorded in Q1'2024. Total fees and commissions also increased by 4.5% to Kshs 2.1 bn from Kshs 2.0 bn in Q1'2024. The revenue mix shifted to 72:28, from 73:27 for the funded to Non-funded income owing to the slower 11.8% growth in Funded Income compared to a 13.7% increase in the Non-Funded Income,

- Total operating expense increased by 9.8% to Kshs 7.3 bn in Q1'2024, from Kshs 6.6 bn in Q1'2024, mainly attributable to 20.6% increase in staff cost to Kshs 2.4 bn, from Kshs 2.0 bn in Q1'2024, coupled with the 5.8% increase in other operating expenses to 3.3 bn from 3.1 in Q1'2024. Notably, loan loss provisions expense increased by 4.0% to Kshs 1.6 bn, from 1.5 bn in Q1'2024,
- Cost to Income Ratio (CIR) decreased by 1.3% points to 56.2% from 57.5% in Q1'2024, owing to the slower 9.8% increase in total operating expenses, which was outpaced by the 12.3% increase in total operating income. Notably, CIR without LLP decreased by 0.3% points to 43.9%, from 44.2% recorded in Q1'2024,
- Profit before tax increased by 15.5% to Kshs 5.9 bn, from Kshs 5.1 bn recorded in Q1'2024, with effective tax rate decreasing by 1.0% points to 28.4% from the 29.5% recorded in Q1'2024, leading to a 17.3% increase in profit after tax to Kshs 4.2 bn in Q1'2025, from Kshs 3.6 bn in Q1'2024.
- The Board of Directors did not recommend an interim dividend for the period, consistent with Q1'2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 6.7% to Kshs 568.4 bn, from Kshs 533.0 bn in Q1'2024, mainly driven by a 40.5% increase in governments securities holdings to Kshs 103.1 bn, from 73.3 bn in Q1'2024, coupled with a 0.7% increase in net loans and advances to Kshs 293.7 bn, from Kshs 291.5 bn in Q1'2024. Total liabilities increased by 5.0% to Kshs 461.5 bn from Kshs 439.3 bn in Q1'2024, mainly driven by a 6.0% increase in customer deposits to Kshs 407.0 bn, from Kshs 383.9 bn in Q1'2024, coupled with the 37.7% increase in placements to Kshs 26.0 bn from Kshs 18.9 bn in Q1'2024,
- The 6.0% growth in customer deposits, which outpaced the 0.7% growth in net loans led to a decrease in the loan to deposits ratio to 72.1%, from 75.9% in Q1'2024,
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 10.9% in Q1'2025, from 10.8% in Q1'2024, attributable to a 2.2% increase in Gross non-performing loans to Kshs 34.5 bn, from Kshs 33.7 bn in Q1'2024, which outpaced the 1.4% increase in gross loans to Kshs 315.6 bn, from Kshs 311.1 bn recorded in Q1'2024,
- General Provisions (LLP) increased by 11.5% to Kshs 17.2 bn in Q1'2025 from Kshs 15.5 bn in Q1'2024. The NPL coverage increased to 63.6% in Q1'2025, from 58.3% in Q1'2024, attributable to the 11.5% increase in general provisions coupled with the 12.0% increase in interest in suspense to Kshs 4.7 bn from 4.2 bn in Q1'2024 which outpaced by the 2.2% increase in Gross Non-performing Loans to Kshs 34.5 bn, from Kshs 33.7 bn in Q1'2024.
- Shareholders' funds increased by 14.5% to Kshs 99.9 bn in Q1'2025, from Kshs 87.2 bn in Q1'2024, supported by a 12.9% increase in retained earnings to Kshs 65.2 bn, from Kshs 57.7 bn in Q1'2024,
- I&M Group remains capitalized with a core capital to risk-weighted assets ratio of 16.3%, 5.8% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 18.8%, exceeding the statutory requirement of 14.5% by 4.3% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.1%, and a Return on Average Equity (ROaE) of 18.5%.

Key Take-Outs:

- 1. Increased earnings** - Core earnings per share (EPS) grew by 17.9% to Kshs 2.4, from Kshs 2.0 in Q1'2024, driven by the 12.3% increase in total operating income to Kshs 13.0 bn, from Kshs 11.5 bn in Q1'2024, which outpaced the 9.8% increase in total operating expenses to Kshs 7.3 bn from Kshs 6.6 bn in Q1'2024,
- 2. Deteriorated asset quality** –The bank's Asset Quality deteriorated, with Gross NPL increasing to 10.9% in Q1'2025, from 10.8% in Q1'2024, attributable to a 2.2% increase in Gross non-performing loans to Kshs 34.5 bn, from Kshs 33.7 bn in Q1'2024, which outpaced the 1.4% increase in gross loans to Kshs 315.6 bn, from Kshs 311.1 bn recorded in Q1'2024,
- 3. Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 6.7% to Kshs 568.4 bn, from Kshs 533.0 bn in Q1'2024, mainly driven by a 40.5% increase in governments securities holdings to Kshs 103.1 bn, from 73.3 bn in Q1'2024, coupled with a 0.7% increase in net loans and advances to Kshs 293.7 bn, from Kshs 291.5 bn in Q1'2024,
- 4. Increased lending**- Customer net loans and advances increased by 0.7% to Kshs 293.7 bn, from Kshs 291.5 bn in Q1'2024.

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 37.0 representing a upside of 8.8%, from the current price of Kshs 34.0 as of 28th May 2025,
- I&M Group is currently trading at a P/TBV of 0.7x and a P/E of 3.7x vs an industry average of 0.9x and 3.8x respectively.