

Below is a summary of I&M Group's Q3'2025 performance:

Balance Sheet Items	Q3'2024	Q3'2025	y/y change
Government Securities	96.2	158.9	65.2%
Net Loans and Advances	281.3	301.9	7.3%
Total Assets	567.7	640.4	12.8%
Customer Deposits	413.8	455.8	10.2%
Deposits/Branch	4.3	4.1	(2.9%)
Total Liabilities	473.6	519.2	9.6%
Shareholders' Funds	87.6	113.8	29.9%

Balance Sheet Ratios	Q3'2024	Q3'2025	% points change
Loan to Deposit Ratio	68.0%	66.2%	(1.8%)
Government Securities to Deposit Ratio	23.2%	34.9%	11.6%
Return on average equity	16.8%	19.2%	2.4%
Return on average assets	2.7%	3.2%	0.5%

Income Statement (Kshs Bn)	Q3'2024	Q3'2025	y/y change
Net Interest Income	26.3	31.8	21.1%
Net non-Interest Income	9.5	11.2	17.9%
Total Operating income	35.8	43.0	20.2%
Loan Loss provision	(5.5)	(6.7)	21.9%
Total Operating expenses	(22.4)	(25.8)	15.6%
Profit before tax	14.1	17.8	25.8%
Profit after tax	9.9	12.7	27.4%
Core EPS	5.5	6.9	24.2%
Dividend Payout ratio	21.6%	19.6%	(2.0%)
Annualized Dividend Yield	8.9%	7.0%	(1.9%)

*Annualized dividend yield calculated using trailing DPS

Income Statement Ratios	Q3'2024	Q3'2025	% points change
Yield from interest-earning assets	14.2%	13.1%	(1.0%)
Cost of funding	6.6%	5.3%	(1.3%)
Net Interest Margin	7.8%	8.3%	0.5%
Net Interest Income as % of operating income	73.5%	74.0%	0.5%
Non-Funded Income as a % of operating income	26.5%	26.0%	(0.5%)
Cost to Income Ratio	62.5%	60.1%	(2.4%)
Cost to Income Ratio without LLP	47.1%	44.5%	(2.6%)
Cost to Assets	3.0%	3.0%	0.0%

Capital Adequacy Ratios	Q3'2024	Q3'2025	% points change
Core Capital/Total Liabilities	17.4%	20.8%	3.5%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	9.4%	12.8%	3.5%
Core Capital/Total Risk Weighted Assets	14.6%	17.1%	2.5%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	4.1%	6.6%	2.5%
Total Capital/Total Risk Weighted Assets	18.0%	19.6%	1.6%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	3.5%	5.1%	1.6%
Liquidity Ratio	51.5%	57.8%	6.2%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	17.4%	20.8%	3.5%

Income Statement

- Core earnings per share grew by 24.2% to Kshs 6.9, from Kshs 5.5 in Q3'2024, driven by the 20.2% increase in total operating income to Kshs 43.0 bn, from Kshs 35.8 bn in Q3'2024, which outpaced the 15.6% increase in total operating expenses to Kshs 25.8 bn, from Kshs 22.4 bn in Q3'2024,
- The 20.2% increase in total operating income was mainly driven by a 21.1% growth in Net Interest Income (NII) to Kshs 31.8 bn, from Kshs 26.3 bn in Q3'2024, coupled with a 17.9% increase in Non-Interest Income (NFI) to Kshs 11.2 bn, from Kshs 9.5 bn in Q3'2024,
- Interest income grew by 0.6% to Kshs 49.3 bn, from Kshs 49.0 bn in Q3'2024, mainly driven by a 47.6% increase in interest income from government securities to Kshs 15.0 bn from Kshs 10.2 bn in Q3'2024. The growth was however weighed down by a 24.9% decrease in interest income from deposits and placements to Kshs 1.8 bn from Kshs 2.4 bn in Q3'2024, coupled with a 7.2% decrease in interest income from loans and advances to Kshs 32.4 bn from Kshs 34.9 bn in Q3'2024. As such, the Yield on Interest-Earning Assets (YIEA) decreased by 1.0% points to 13.1% from 14.2% recorded in Q3'2024, attributable to the slower 4.7% growth in trailing interest income to Kshs 68.4 bn, from Kshs 65.3 bn in Q3'2024, compared to a faster 13.0% Increase in average interest earning assets to Kshs 521.5 bn, from Kshs 461.4 bn in Q3'2024,
- Interest expenses declined by 23.1% to Kshs 17.5 bn from Kshs 22.7 bn in Q3'2024, mainly driven by a 21.6% decrease in interest expense from customer deposits to Kshs 14.7 bn from Kshs 18.8 bn in Q3'2024, coupled with a 31.8% decrease in interest expense from deposits and placements to Kshs 1.8 bn from Kshs 2.6 bn in Q3'2024, and a 27.3% decrease in other interest expenses to Kshs 1.0 bn from Kshs 1.4 bn in Q3'2024. Consequently, Cost of funds (COF) decreased by 1.3% points to 5.3%, from 6.6% recorded in Q3'2024, owing to a 14.4% decrease in Trailing interest expense to Kshs 25.3 bn from Kshs 29.5 bn recorded in Q3'2024, compared to an 6.1% increase in average interest-bearing liabilities to Kshs 474.5 bn, from Kshs 447.3 bn in Q3'2024. 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 8.3% from 7.8% in Q3'2024, attributable to a faster 20.5% increase in trailing net interest income to Kshs 43.1 bn from Kshs 35.8 bn recorded in Q3'2024, which outpaced the 13.0% growth in average interest earning assets,

- Non-Funded Income (NFI) increased by 17.9% to Kshs 11.2 bn from Kshs 9.5 bn in Q3'2024, mainly driven by a 19.1% increase in other fees to Kshs 4.7 bn from Kshs 3.9 bn in Q3'2024 coupled with an 8.8% increase in fees and commissions to Kshs 2.1 bn from Kshs 1.9 bn in Q3'2024. Total fees and commissions also increased by 15.7% to Kshs 6.7 bn from Kshs 5.8 bn in Q3'2024. The revenue mix shifted to 74:26, from 73:27 for the funded to Non-funded income owing to the faster 21.1% growth in Funded Income compared to a 17.9% increase in the Non-Funded Income,
- Total operating expense increased by 15.6% to Kshs 25.8 bn in Q3'2024, from Kshs 22.4 bn in Q3'2024, mainly attributable to 21.9% increase in loan loss provision expense to Kshs 6.7 bn, from Kshs 5.5 bn in Q3'2024, coupled with the 9.1% increase in other operating expenses to 11.4 bn from 10.4 in Q3'2024. Notably, staff costs increased by 20.7% to Kshs 7.8 bn, from 6.4 bn in Q3'2024,
- Cost to Income Ratio (CIR) decreased by 2.4% points to 60.1% from 62.5% in Q3'2024, owing to the slower 15.6% increase in total operating expenses, which was outpaced by the 20.2% increase in total operating income. Notably, CIR without LLP decreased by 2.6% points to 44.5%, from 47.1% recorded in Q3'2024,
- Profit before tax increased by 25.8% to Kshs 17.8 bn, from Kshs 14.1 bn recorded in Q3'2024, with effective tax rate decreasing by 0.9% points to 28.6% from the 29.5% recorded in Q3'2024, leading to a 27.4% increase in profit after tax to Kshs 12.7 bn in Q3'2025, from Kshs 9.9 bn in Q3'2024.
- The Board of Directors recommended an interim dividend of Kshs 1.5 for Q3'2025, translating to an annualized dividend yield and dividend payout ratio of 7.0% and 19.6% respectively.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 12.8% to Kshs 640.4 bn, from Kshs 567.7 bn in Q3'2024, mainly driven by a 65.2% increase in governments securities holdings to Kshs 158.9 bn, from 96.2 bn in Q3'2024, coupled with a 7.3% increase in net loans and advances to Kshs 301.9 bn, from Kshs 281.3 bn in Q3'2024.
- Total liabilities increased by 9.6% to Kshs 519.2 bn from Kshs 473.6 bn in Q3'2024, mainly driven by a 10.2% increase in customer deposits to Kshs 455.8 bn, from Kshs 413.8 bn in Q3'2024, coupled with the significant 120.3% increase in placements to Kshs 37.7 bn from Kshs 17.1 bn in Q3'2024. With 110 branches, compared to 97 branches in Q3'2024, deposits per branch decreased by 2.9% to Kshs 4.1 bn, from Kshs 4.3 bn in Q3'2024,
- The 10.2% growth in customer deposits, which outpaced the 7.3% growth in net loans led to a decrease in the loan to deposits ratio to 66.2%, from 68.0% in Q3'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 10.2% in Q3'2025, from 11.8% in Q3'2024, attributable to a 7.0% decrease in Gross non-performing loans to Kshs 33.2 bn, from Kshs 35.7 bn in Q3'2024, coupled with the 7.2% increase in gross loans to Kshs 325.0 bn, from Kshs 303.2 bn recorded in Q3'2024,
- General Provisions (LLP) increased by 8.0% to Kshs 18.5 bn in Q3'2025 from Kshs 17.2 bn in Q3'2024. The NPL coverage increased to 69.5% in Q3'2025, from 61.3% in Q3'2024, attributable to the 8.0% increase in general provisions coupled with the 3.9% decrease in interest in suspense to Kshs 4.5 bn from 4.7 bn in Q3'2024 compared to the 7.0% decrease in Gross Non-performing Loans to Kshs 33.2 bn, from Kshs 35.7 bn in Q3'2024.
- Shareholders' funds increased by 29.9% to Kshs 113.8 bn in Q3'2025, from Kshs 87.6 bn in Q3'2024, supported by a 21.7% increase in retained earnings to Kshs 73.0 bn, from Kshs 60.0 bn in Q3'2024,
- I&M Group remains capitalized with a core capital to risk-weighted assets ratio of 17.1%, 6.6% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 19.6%, exceeding the statutory requirement of 14.5% by 5.1% points, and,

- The bank currently has a Return on Average Assets (ROaA) of 3.2%, and a Return on Average Equity (ROaE) of 19.2%.

Key Take-Outs:

1. **Increased earnings** - Core earnings per share grew by 24.2% to Kshs 6.9, from Kshs 5.5 in Q3'2024, driven by the 20.2% increase in total operating income to Kshs 43.0 bn, from Kshs 35.8 bn in Q3'2024, which outpaced the 15.6% increase in total operating expenses to Kshs 25.8 bn, from Kshs 22.4 bn in Q3'2024,
2. **Improved asset quality** –The bank's Asset Quality improved, with Gross NPL decreasing to 10.2% in Q3'2025, from 11.8% in Q3'2024, attributable to a 7.0% decrease in Gross non-performing loans to Kshs 33.2 bn, from Kshs 35.7 bn in Q3'2024, compared to the 7.2% increase in gross loans to Kshs 325.0 bn, from Kshs 303.2 bn recorded in Q3'2024,
3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 12.8% to Kshs 640.4 bn, from Kshs 567.7 bn in Q3'2024, mainly driven by a 65.2% increase in governments securities holdings to Kshs 158.9 bn, from 96.2 bn in Q3'2024, coupled with a 7.3% increase in net loans and advances to Kshs 301.9 bn, from Kshs 281.3 bn in Q3'2024,
4. **Increased lending**- Customer net loans and advances increased 7.3% Kshs 301.9 bn, from Kshs 281.3 bn in Q3'2024, and,
5. **Declaration of Dividends** - The Board of Directors recommended an interim dividend of Kshs 1.5 for Q3'2025, translating to an annualized dividend yield and dividend payout ratio of 7.0% and 19.6% respectively.

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 50.5 representing a upside of 10.0%, from the current price of Kshs 45.9 as of 21st November 2025,
- I&M Group is currently trading at a P/TBV of 0.8x and a P/E of 4.0x vs an industry average of 1.0x and 4.9x respectively.