

Below is a summary of I&M Group's Q1'2026 performance:

Balance Sheet Items (Kshs bn)	Q1'2025	Q1'2026	y/y change
Government Securities	103.1	203.6	97.5%
Net Loans and Advances	293.7	322.9	10.0%
<b>Total Assets</b>	<b>568.4</b>	<b>742.5</b>	<b>30.6%</b>
Customer Deposits	407.0	512.1	25.8%
Deposits/branch	3.7	4.3	15.2%
Total Liabilities	461.5	611.9	32.6%
<b>Shareholders' Funds</b>	<b>99.9</b>	<b>123.3</b>	<b>23.5%</b>

Balance Sheet Ratios	Q1'2025	Q1'2026	% points change
Loan to Deposit Ratio	72.1%	63.1%	(9.1%)
Government Securities to Deposit Ratio	25.3%	39.8%	14.4%
Return on average equity	13.9%	17.4%	3.5%
Return on average assets	2.5%	3.2%	0.6%

Income Statement (Kshs bn)	Q1'2025	Q1'2026	y/y change
Net Interest Income	9.4	12.3	31.1%
Net non-Interest Income	3.6	3.8	7.1%
<b>Total Operating income</b>	<b>13.0</b>	<b>16.1</b>	<b>24.5%</b>
Loan Loss provision	(1.6)	(2.6)	63.3%
<b>Total Operating expenses</b>	<b>(7.3)</b>	<b>(9.9)</b>	<b>35.8%</b>
Profit before tax	5.9	6.4	8.9%
<b>Profit after tax</b>	<b>4.2</b>	<b>5.0</b>	<b>19.4%</b>
<b>Core EPS</b>	<b>2.6</b>	<b>3.0</b>	<b>19.4%</b>

Income Statement Ratios	Q1'2025	Q1'2026	% points change
Yield from interest-earning assets	10.7%	12.7%	2.0%
Cost of funding	4.8%	4.5%	(0.3%)
Net Interest Margin	6.3%	8.6%	2.3%
Net Interest Income as % of operating income	72.3%	76.2%	3.9%
Non-Funded Income as a % of operating income	27.7%	23.8%	(3.9%)
Cost to Income Ratio	56.2%	61.3%	5.1%
CIR without LLP	43.9%	45.2%	1.3%
Cost to Assets	1.0%	1.0%	0.0%

Capital Adequacy Ratios	Q1'2025	Q1'2026	% points change
Core Capital/Total Liabilities	21.0%	21.8%	(0.1%)
Minimum Statutory ratio	8.0%	8.0%	0.0%

<b>Excess</b>	<b>13.0%</b>	<b>13.8%</b>	<b>(0.1%)</b>
Core Capital/Total Risk Weighted Assets	16.3%	17.7%	0.1%
Minimum Statutory ratio	10.5%	10.5%	0.0%
<b>Excess</b>	<b>5.8%</b>	<b>7.2%</b>	<b>0.1%</b>
Total Capital/Total Risk Weighted Assets	18.8%	21.2%	(0.1%)
Minimum Statutory ratio	14.5%	14.5%	0.0%
<b>Excess</b>	<b>4.3%</b>	<b>6.7%</b>	<b>(0.1%)</b>
Liquidity Ratio	50.4%	65.0%	14.6%
Minimum Statutory ratio	20.0%	20.0%	0.0%
<b>Excess</b>	<b>30.4%</b>	<b>(20.0%)</b>	<b>0.0%</b>

### Income Statement

- Core earnings per share grew by 19.4% to Kshs 3.0, from Kshs 2.6 in Q1'2025, driven by the 24.5% increase in total operating income to Kshs 16.1 bn, from Kshs 13.0 bn in Q1'2025. The performance was however weighed down by the 35.8% increase in total operating expenses to Kshs 9.9 bn from Kshs 7.3 bn in Q1'2025,
- The 24.5% increase in total operating income was mainly driven by a 31.1% growth in Net Interest Income (NII) to Kshs 12.3 bn, from Kshs 9.4 bn in Q1'2025, coupled with a 7.1% increase in Non-Interest Income (NFI) to Kshs 3.8 bn, from Kshs 3.6 bn in Q1'2025,
- Interest income grew by 19.3% to Kshs 18.5 bn, from Kshs 15.5 bn in Q1'2025, mainly driven by a 49.9% increase in interest income from government securities to Kshs 6.7 bn from Kshs 4.5 bn in Q1'2025, coupled with a 6.0% increase in interest income from loans and advances to Kshs 11.1 bn from Kshs 10.5 bn in Q1'2025. The Yield on Interest-Earning Assets (YIEA) increased by 2.0% points to 12.7% from 10.7% recorded in Q1'2025, attributable to the 43.3% growth in trailing interest income to Kshs 72.2 bn, from Kshs 50.4 bn in Q1'2025, which outpaced the 21.0% in average interest earning assets to Kshs 570.3 bn from Kshs 471.5 bn in Q1'2025
- Interest expenses increased by 1.2% to Kshs 6.2 bn from Kshs 6.1 bn in Q1'2025, mainly driven by a 65.2% increase in interest expense from deposits and placements to Kshs 1.0 bn from Kshs 0.6 bn in Q1'2025, but however weighed down by a 6.7% decrease in interest expense from customer deposits to Kshs 4.8 bn from Kshs 5.1 bn in Q1'2025. Cost of funds (COF) decreased by 0.3% points to 4.5%, from 4.8% recorded in Q1'2025, owing to a 12.4% increase in Trailing interest expense to Kshs 23.3 bn from Kshs 20.7 bn recorded in Q1'2025, that was outpaced by a 20.9% increase in average interest-bearing liabilities to Kshs 520.0 bn, from Kshs 430.1 bn in Q1'2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 2.3% points to 8.6% from 6.3% in Q1'2025, attributable to a faster 65.0% increase in trailing net interest income to Kshs 48.9 bn from Kshs 29.6 bn recorded in Q1'2025, compared to a slower 21.0% growth in average interest earning assets,
- Non-Funded Income (NFI) increased by 7.1% to Kshs 3.8 bn from Kshs 3.6 bn in Q1'2025, mainly driven by a 24.4% increase in fees and commissions to Kshs 0.8 bn from Kshs 0.6 bn in Q1'2025 coupled with a 7.2% increase in foreign exchange trading income to Kshs 1.0 bn from Kshs 0.9 bn in Q1'2025. Total fees and commissions decreased by 5.1% to Kshs 2.0 bn from Kshs 2.1 bn in Q1'2025. The revenue mix shifted to 76:24, from 78:22 for the Funded to Non-funded income owing to the faster 35.8% growth in Non-Funded Income compared to a slower 24.5% increase in Funded Income,

- Total operating expense increased by 35.8% to Kshs 9.9 bn in Q1'2026, from Kshs 7.3 bn in Q1'2025, mainly attributable to 63.3% increase in loan loss provisions to Kshs 2.6 bn, from Kshs 1.6 bn in Q1'2025. Notably, staff cost expense increased by 23.2% to Kshs 2.9 bn, from 2.4 bn in Q1'2025,
- Cost to Income Ratio (CIR) increased by 5.1% points to 61.3% from 56.2% in Q1'2025, owing to the faster 35.8% increase in total operating expenses, which outpaced the 24.5% increase in total operating income. Notably, CIR without LLP increased by 1.3% points to 45.2%, from 43.9% recorded in Q1'2025,
- Profit before tax increased by 8.9% to Kshs 6.4 bn, from Kshs 5.9 bn recorded in Q1'2025, with effective tax rate decreasing by 6.9% points to 21.5% from the 28.4% recorded in Q1'2025, leading to a 19.4% increase in profit after tax to Kshs 5.0 bn in Q1'2026, from Kshs 4.2 bn in Q1'2025.
- The Board of Directors did not recommend an interim dividend for the period consistent with Q1'2025

**Balance Sheet**

- The balance sheet registered an expansion as total assets increased by 30.6% to Kshs 742.5 bn in Q1'2026, from Kshs 568.4 bn in Q1'2025, mainly attributable to the 97.5 % increase in government securities to Kshs 203.6 bn, from Kshs 103.1 bn in Q1'2025 coupled with a 10.0% increase in net loans to Kshs 322.9 bn in Q1'2026 from Kshs 293.7 bn in Q1'2025,
- Total liabilities increased by 32.6% to Kshs 611.9 bn from Kshs 461.5 bn in Q1'2025, mainly driven by a significant 173.5% increase in placements to Kshs 71.5 bn, from Kshs 26.0 bn in Q1'2025, coupled with the 37.1% increase in borrowings to Kshs 13.5 bn from Kshs 9.8 bn in Q1'2025. With 119 branches, compared to 109 branches in Q1'2025, deposits per branch increased by 15.2% to Kshs 4.3 bn, from Kshs 3.7 bn in Q1'2025,
- The 25.8% growth in customer deposits, which outpaced the 10.0% growth in net loans led to a decrease in the loan to deposits ratio to 63.1%, from 72.1% in Q1'2025,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing by 1.8% points in Q1'2026, to 9.1% from 10.9% in Q1'2025, attributable to an 8.3% decrease in Gross non-performing loans to Kshs 31.6 bn, from Kshs 34.5 bn in Q1'2025, compared to the 9.7% increase in gross loans to Kshs 346.1 bn, from Kshs 315.6 bn recorded in Q1'2025,
- General Provisions (LLP) increased by 9.2% to Kshs 18.8 bn in Q1'2026 from Kshs 17.2 bn in Q1'2025. The NPL coverage increased to 73.4% in Q1'2026, from 63.6% in Q1'2025, attributable to the 9.2% increase in general provisions coupled with the 6.8% decrease in interest in suspense to Kshs 4.4 bn from 4.7 bn in Q1'2025 compared to the 8.3% decrease in Gross Non-performing Loans to Kshs 31.6 bn, from Kshs 34.5 bn in Q1'2025.
- Shareholders' funds increased by 23.5% to Kshs 123.3 bn in Q1'2026, from Kshs 99.9 bn in Q1'2025, supported by a 23.7% increase in retained earnings to Kshs 80.6 bn, from Kshs 65.2 bn in Q1'2025,
- 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 21.2%, exceeding the statutory requirement of 14.5% by 6.7% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.2%, and a Return on Average Equity (ROaE) of 17.4%.

**Key Take-Outs:**

1. **Increased earnings** - Core earnings per share grew by 19.4% to Kshs 3.0, from Kshs 2.6 in Q1'2025, driven by the 24.5% increase in total operating income to Kshs 16.1 bn, from Kshs 13.0 bn in Q1'2025. The performance was however weighed down by the 35.8% increase in total operating expenses to Kshs 9.9 bn from Kshs 7.3 bn in Q1'2025

2. **Improved asset quality** – The bank's Asset Quality improved, with Gross NPL ratio decreasing by 1.8% points in Q1'2026, to 9.1% from 10.9% in Q1'2025, attributable to an 8.3% decrease in Gross non-performing loans to Kshs 31.6 bn, from Kshs 34.5 bn in Q1'2025, compared to the 6.2% increase in gross loans to Kshs 346.1 bn, from Kshs 315.6 bn recorded in Q1'2025,
3. **Expanded Balanced sheet** - The balance sheet registered an expansion as total assets increased by 30.6% to Kshs 742.5 bn in Q1'2026, from Kshs 568.4 bn in Q1'2025, mainly attributable to the 97.5 % increase in government securities to Kshs 203.6 bn, from Kshs 103.1 bn in Q1'2025 coupled with a 10.0% increase in net loans to Kshs 322.9 bn in Q1'2026 from Kshs 293.7 bn in Q1'2025, and
4. **Increased lending**- Customer net loans and advances increased 10.0% Kshs 322.9 bn, from Kshs 293.7 bn in Q1'2025,

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

- **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.
- **Digital Enablement** - The digital transformation is already delivering at scale. With 98.0% of transacting customers now on digital channels and the launch of I&M FX Direct alongside enhancements to the I&M Bank On-The-Go (OTG) platform, I&M is demonstrating that its shift toward a technology-led model is translating into efficiency gains thus laying a foundation for earnings growth that is increasingly independent of near-term market volatility.
- **Bancassurance & Wealth Management** - I&M's Bancassurance and Wealth Management business is rapidly emerging as a core growth engine. Assets Under Management surged 223.0% to Kshs 99.0 bn, while underwritten premiums grew to Kshs 4.7 bn in FY'2025 from Kshs 2.8 bn in FY'2024. As consumer appetite for investment and insurance solutions deepens across the region, I&M is well-placed to capture a disproportionate share of this emerging opportunity diversifying revenue away from traditional interest income and building a more resilient, compounding business
- **Medium-Term Note (MTN)** - The successful and oversubscribed MTN issuance is strengthening I&M Bank's funding profile through access to stable medium-term capital beyond traditional deposits. By enhancing Tier II capital and providing additional capacity for onward lending, the note is expected to support balance sheet growth and business expansion. The strong investor uptake signals confidence in the bank's credit quality and positions I&M to access long-term funding at competitive pricing, creating a foundation for sustainable earnings growth while reducing reliance on short-term funding sources.

We are of the view that I&M Group is a "Accumulate" with a target price of Kshs 57.4 representing a upside of 13.1%, from the current price of Kshs 50.8 as of 29<sup>th</sup> May 2026,

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 1.1x and 5.7x respectively.