



I&M Group FY 2025 Earnings Note

Analyst:

Malia Opiyo
malia.mapenzi@fib.co.ke

Team Email:

research@fib.co.ke

Crawford Business Park
Ground Floor
State House Road

Tel: 0207606026-37
P.O. Box 45236-00100 Nairobi
Website: www.fib.co.ke



Summary

Normalized share price movement of I&M vs the market and other banking peers



Source: Bloomberg

Last Price – 1 st April 2026 in KES	48.75
Valuation Estimate in KES :	54.00
Upside	10.77%
Recommendation	BUY
52-Week High	52.00
52-Week Low	29.50
52-Week Price Return	60.6%
Year-to-Date Price Return	15.2%
Price to Earnings Ratio (P/E)	4.54
Price to Book Ratio (P/B)	0.8

Source: Bloomberg and Faida Analysis

We recommend a **BUY** on I&M Kenya with a **fair value of KES 54.00**, representing an **upside of 10.77%** based on the 1st April closing price of **KES 48.75**.

I&M Group delivered a strong FY2025 performance, with PBT rising 22.42% to KES 24.18 billion from KES 19.75 billion in FY2024. This growth reflects solid execution of its Imara 3.0 strategy (2024–2026), now entering its final phase.

The Group continues to anchor on corporate and institutional banking, its core earnings engine which contributed KES 17.2 billion, 29% of total operating income. At the same time, management is actively diversifying into higher growth segments, including oil and gas, public sector financing, China desk and leasing, while positioning retail and SME banking as key expansion pillars into 2026.

Strategically, the Group is targeting a 20% Return on equity (ROE) while accelerating its digital transformation agenda, with a goal of surpassing 90% digitally active customers.

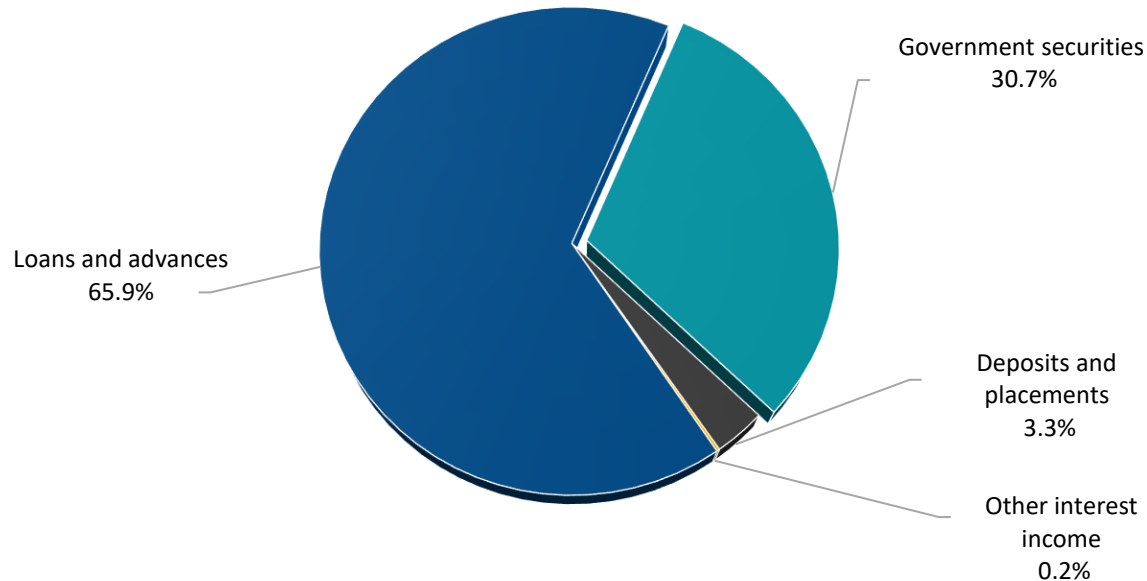
Interest Income

Total interest income edged down by 136 basis points to KES 69.19 billion in FY 2025 from KES 70.15 billion in FY 2024, primarily weighed down by a 9.37% decline in income from loans and advances to KES 45.60 billion in FY 2025 from KES 50.31 billion in FY 2024.

Income from government securities registered strong growth, increasing by 28.22% to KES 21.21 billion in FY 2025 from KES 16.54 billion, partially offsetting the contraction in lending income.

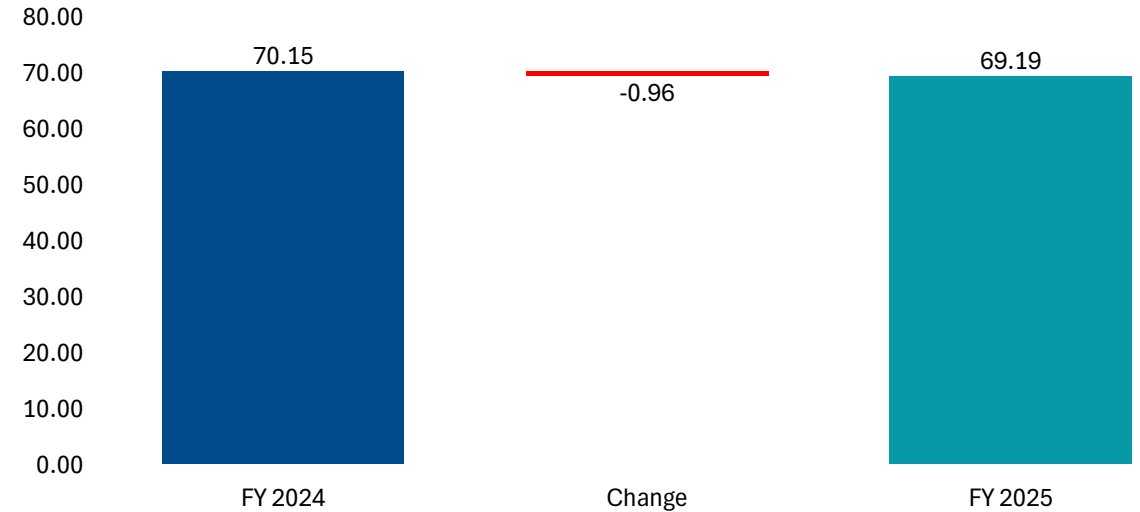
Income from deposits and placements declined by 29.64% to KES 2.25 billion from KES 3.20 billion in FY 2024, while other interest income rose significantly by 37.39% to KES 133.66 million from KES 97.23 million in FY 2024.

Interest income composition in FY 2025 (%)



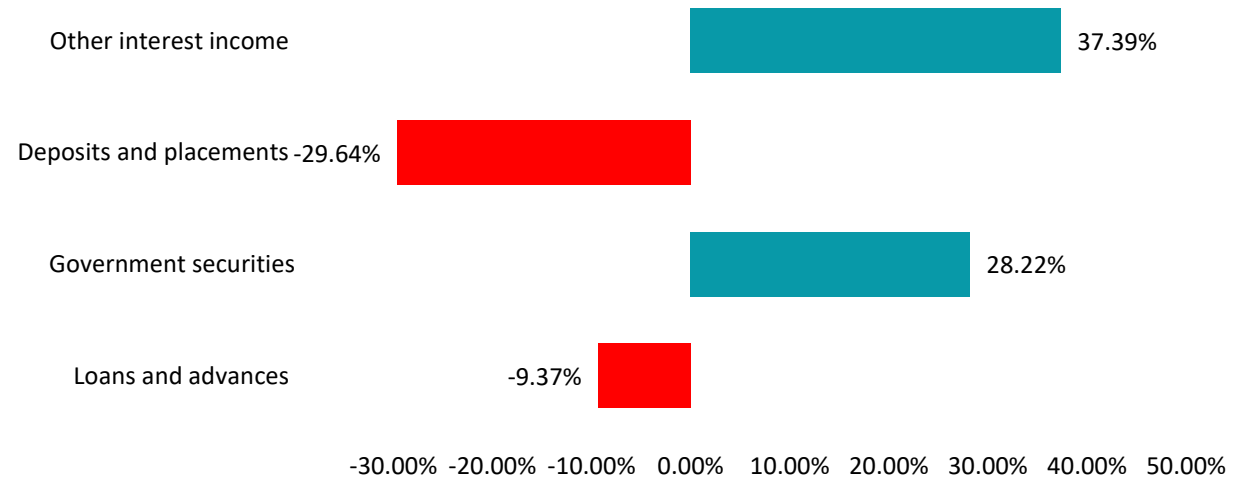
Source: Company Financials

Decline in interest income in FY 2025 (KES billions)



Source: Company financials

Interest income growth rate (%)



Source: Company Financials

Interest Expense

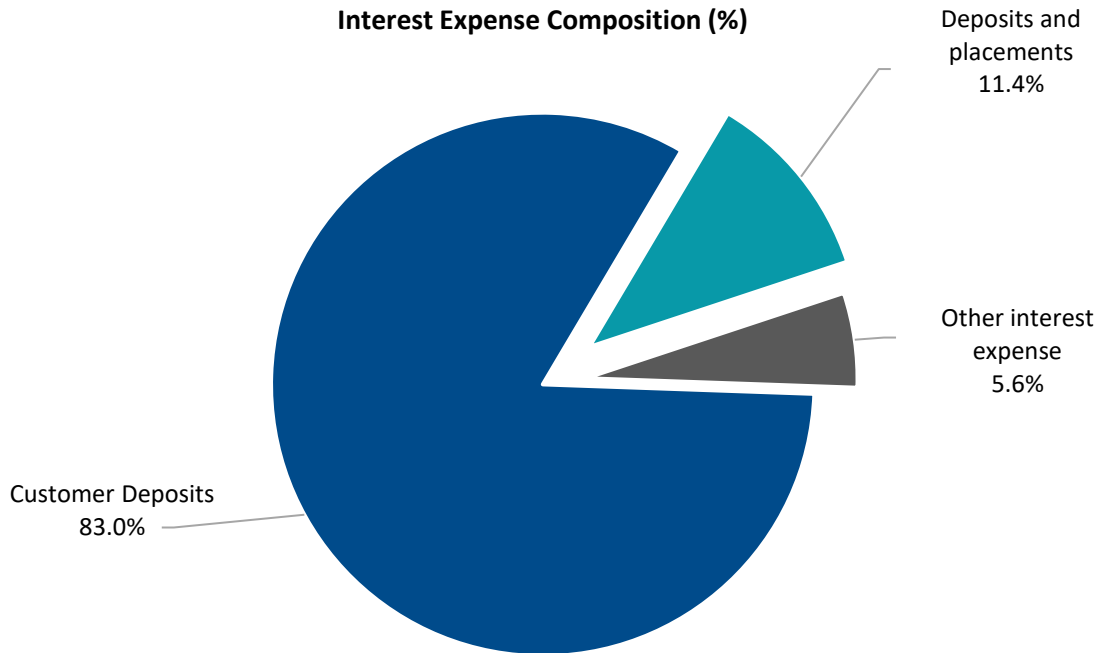
Total interest expense declined by 23.91% to KES 23.24 billion in FY 2025 from KES 30.54 billion in FY 2024.

Interest expense on customer deposits decreased by 23.99% to KES 19.28 billion in FY 2025 from KES 25.37 billion in FY 2024, driven by an improved funding mix.

Interest expense on deposits and placements from banking institutions fell by 24.87% to KES 2.65 billion in FY 2025 from KES 3.53 billion.

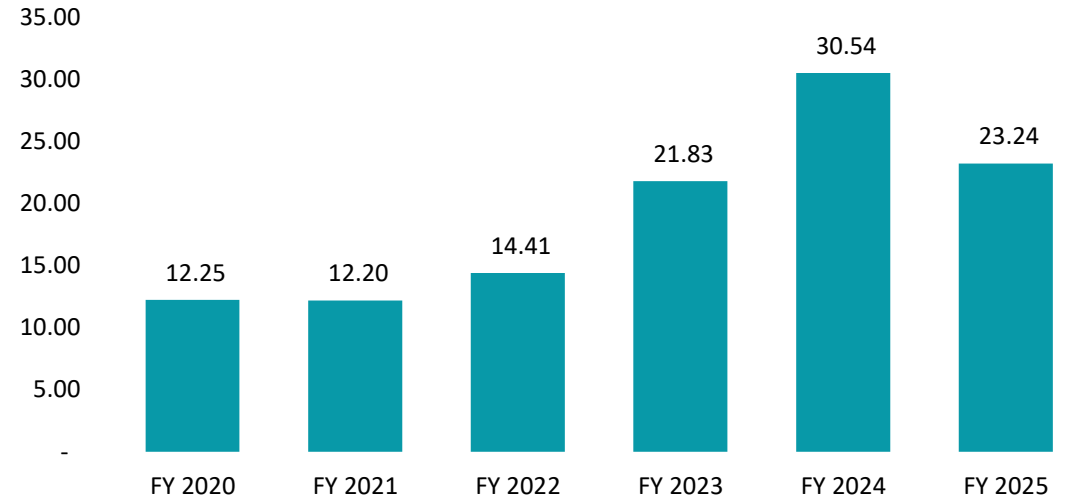
Other interest expenses also contracted by 20.51% to KES 1.31 billion in FY 2025 from KES 1.65 billion in FY 2024.

Interest Expense Composition (%)



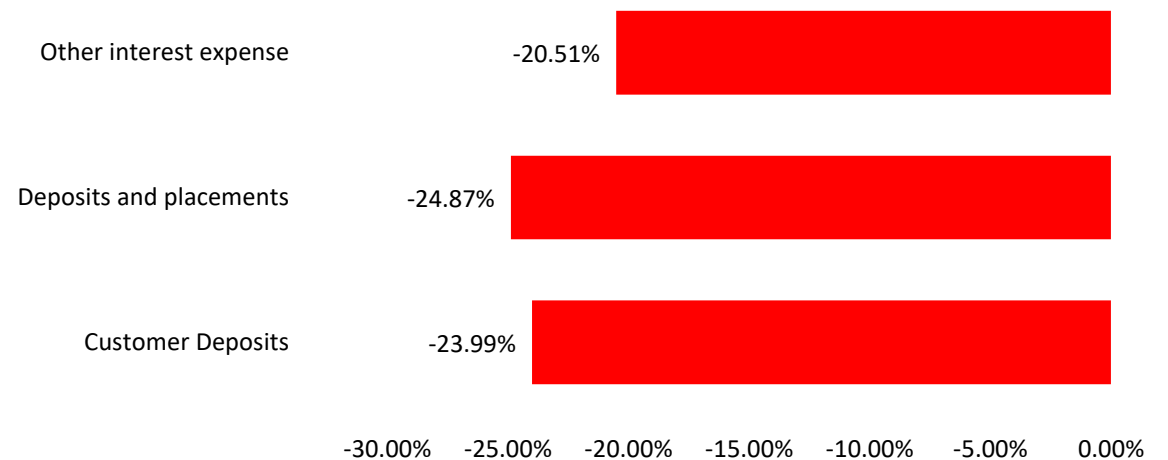
Source: Company Financials

Interest Expense Development (KES billions)



Source: Company financials

Interest expense growth rate Y/Y (%)



Source: Company Financials

Net Interest Income & Non-funded Income

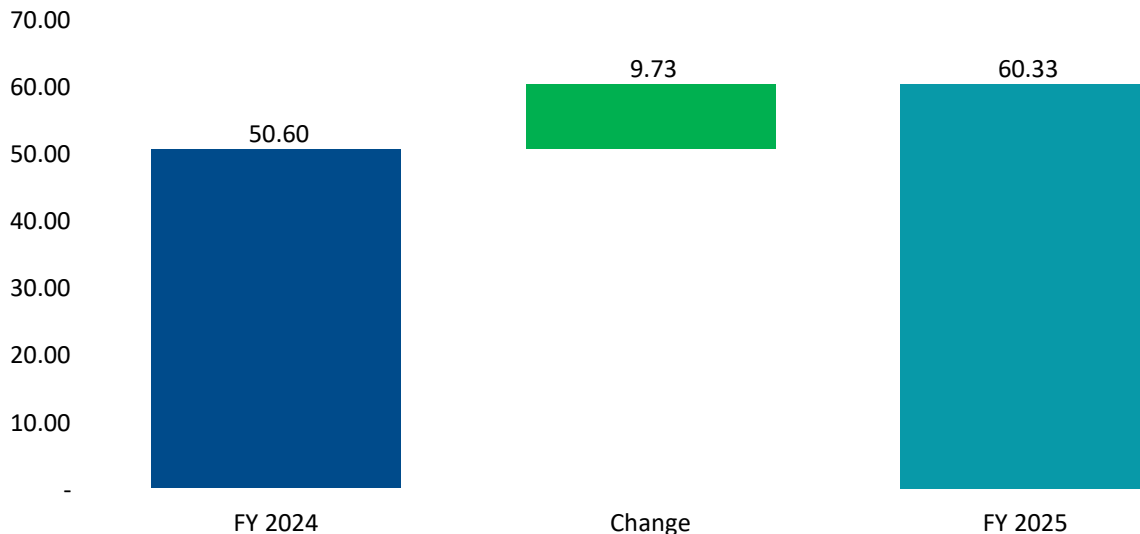
Net interest income surged by 16.02% to KES 45.95 billion in FY 2025 from KES 39.61 billion in FY 2024. Non-funded income rose by 30.79% to KES 14.38 billion from KES 10.99 billion in FY 2024.

This was primarily driven by an increase of 151 bps in fees and commissions on loans and advances which rose to KES 2.65 billion from KES 2.61 billion in FY 2024. Income on other fees and commissions had a surge of 36.31% to KES 4.48 billion in FY 2025 from KES 3.29 billion in FY 2024.

Foreign exchange trading income declined marginally by 5.68% to KES 3.38 billion in FY2025, from KES 3.59 billion in FY2024. In contrast, other income recorded a strong rebound, surging by 156.88% to KES 3.89 billion, up from KES 1.51 billion in FY2024, indicating a significant uplift in non-core revenue streams.

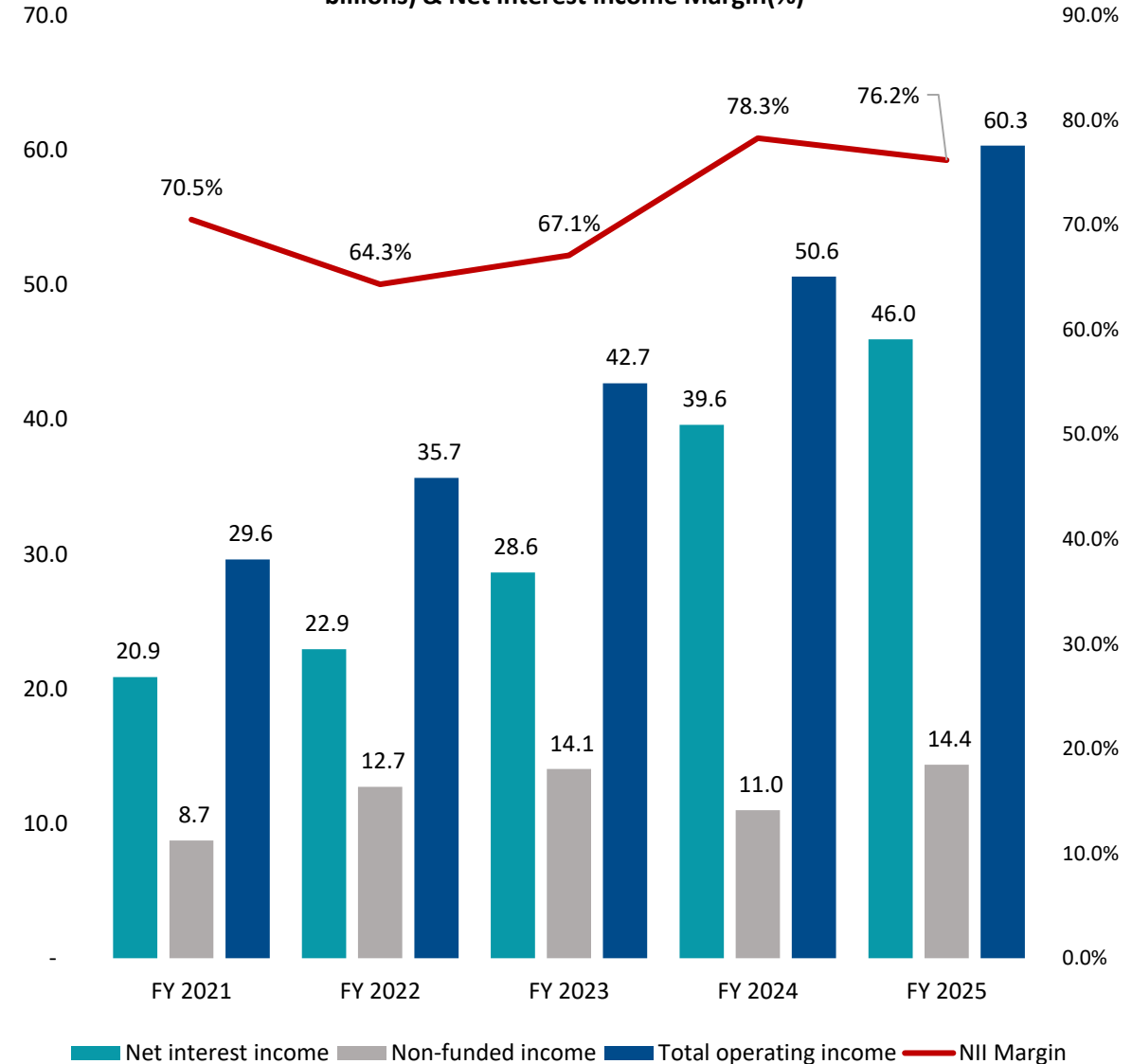
Growth in fees and commissions, and other income, alongside a sustained uplift in non-funded income supported by a 33% expansion in the customer base drove a 19.23% increase in total operating income to KES 60.33 billion in FY2025, from KES 50.60 billion in FY2024.

Change in Operating income (KES Billions)



Source: Company Financials

Net interest income, Non-funded income, Total operating income (KES billions) & Net interest income Margin(%)



Source: Company Financials

Operating expenses

Total operating expenses increased by 16.32% to KES 36.92 billion in FY2025, up from KES 31.74 billion in FY2024, reflecting continued investment in branch expansion and brand development.

The cost uptick was further driven by an 11.15% rise in loan loss provisions to KES 8.69 billion in FY 2025 from KES 7.82 billion in FY 2024, indicative of elevated credit risk across operating markets and translating into a higher cost of risk of 2.9%. Additionally, staff costs grew by 20.27% to KES 10.91 billion from KES 9.07 billion, largely attributed to ongoing investments in workforce upskilling and capacity building.

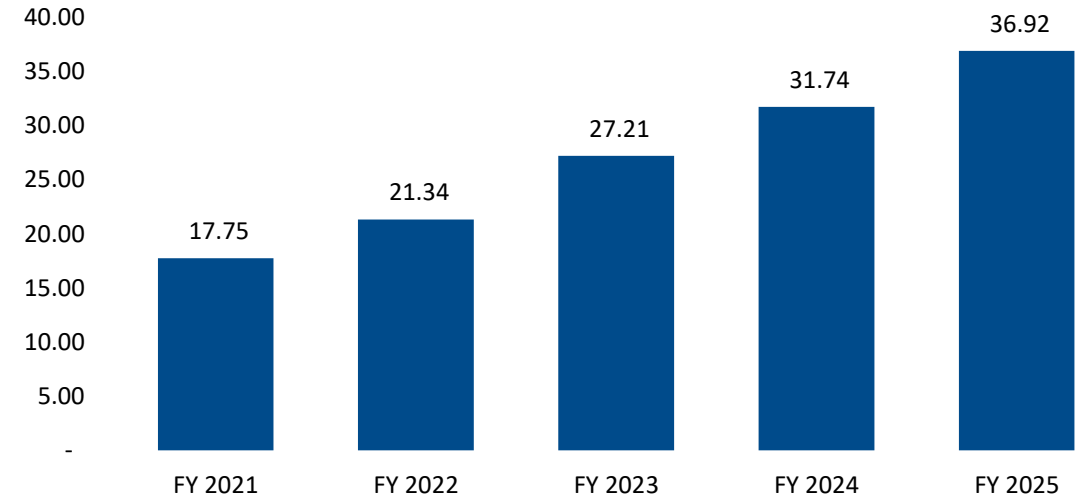
Director emoluments increased by 26.02% to KES 160.41 million in FY2025, from KES 127.29 million in FY2024. Rental expenses rose by 9.18% to KES 711.02 million, up from KES 651.22 million. Depreciation on property and equipment grew by 11.35% to KES 2.24 billion, compared to KES 2.01 billion in FY2024.

Amortization charges declined marginally by 4.01% to KES 1.01 billion in FY2025, from KES 1.05 billion in FY2024. In contrast, other operating expenses increased by 19.90% to KES 13.21 billion, up from KES 11.02 billion in FY2024, reflecting elevated operational costs.

The cost-to-income ratio (including LLP) declined by 150bps to 61.2% in FY2025 from 62.7% in FY2024, reflecting improved operational efficiency and tighter cost control relative to income growth. CIR(excluding provisions) improved by 50bps to 46.8% from 47.3%, indicating underlying efficiency gains, as a smaller proportion of income was absorbed by operating expenses.

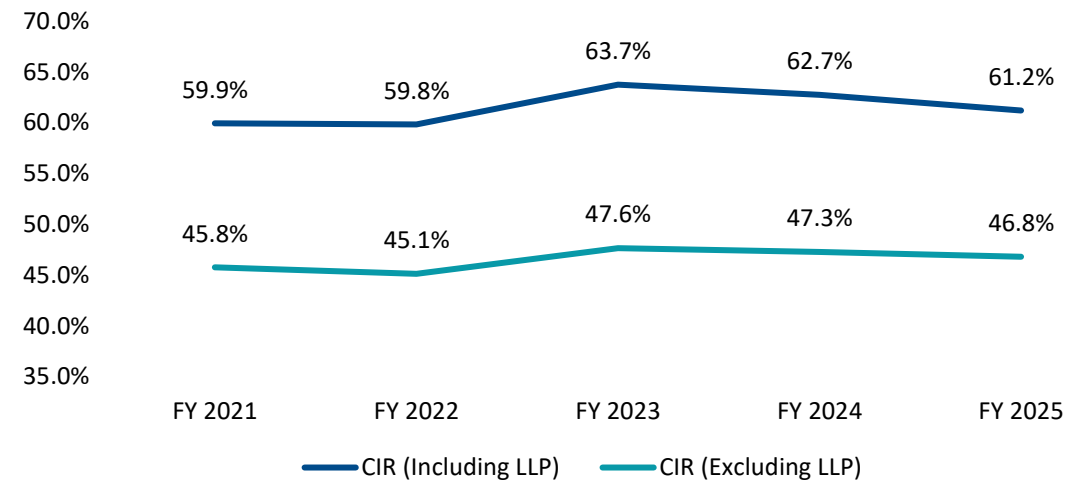
**The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*

Total Operating Expenses (KES billions)



Source: Company financials

Cost-to-income ratio



Source: Company Financials

Profitability

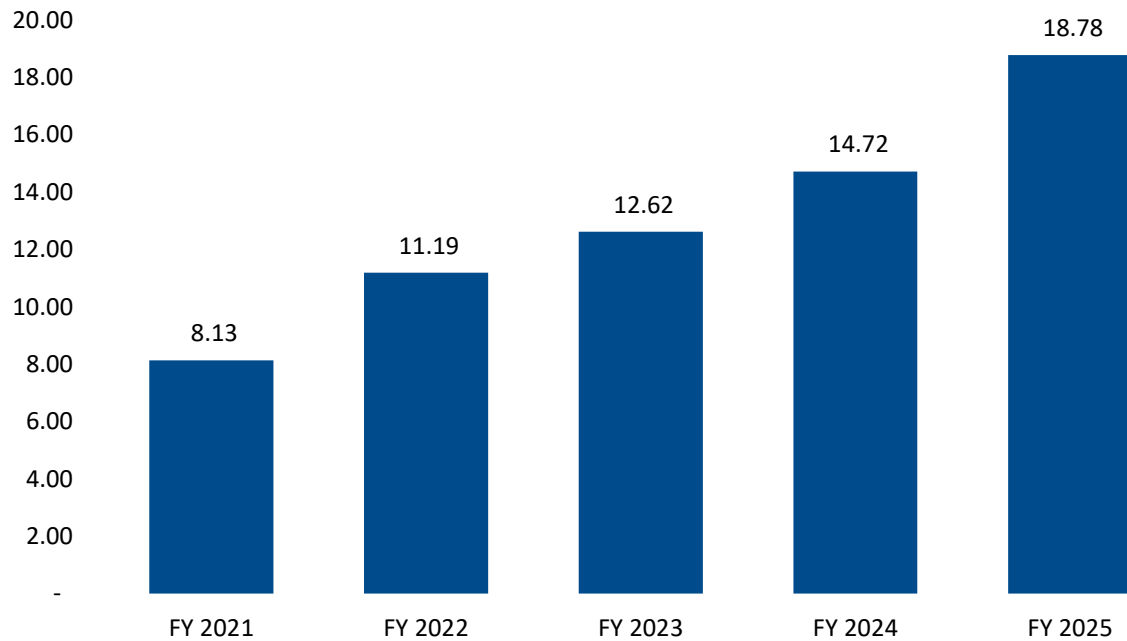
Profit before tax increased by 22.42% to KES 24.18 billion in FY 2025 from KES 19.75 billion in FY 2024.

Profit after tax rose by 27.59% to KES 18.78 billion from KES 14.72 billion.

Total comprehensive income surged by 95.78% to KES 22.91 billion from KES 11.70 billion in FY 2024, indicating significant gains beyond the Group's core earnings.

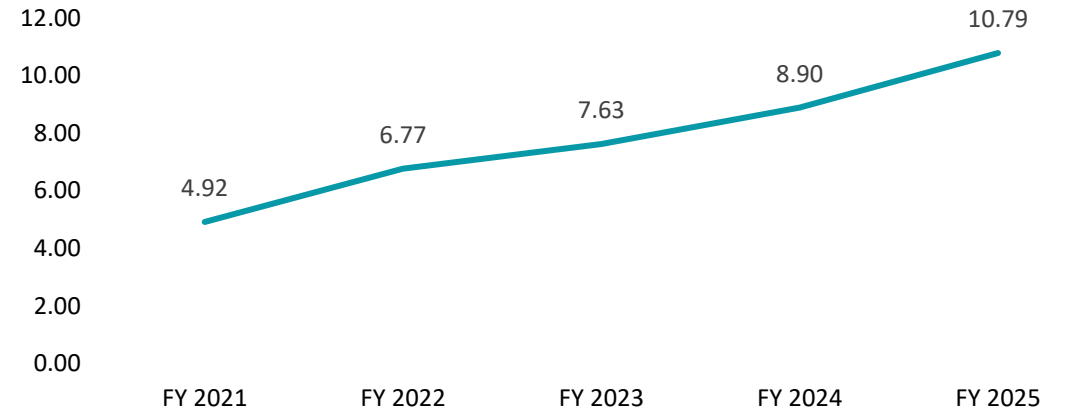
Earnings per share (EPS) advanced by 21.24% to KES 10.79 in FY 2025 from KES 8.90, reflecting enhanced shareholder value creation.

Profit after tax (KES billions)



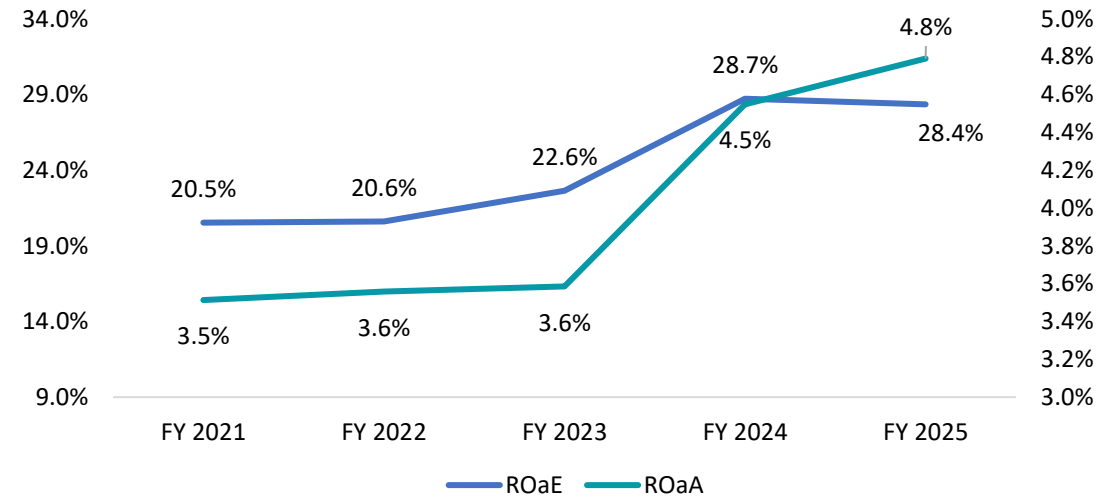
Source: Company Financials

Earnings per share (KES)



Source: Company Financials

Profitability Ratios (%)



Source: Company Financials

Balance Sheet Rundown

Total assets expanded by 15.15% to KES 668.88 billion in FY2025, up from KES 580.90 billion in FY2024, representing an increase of KES 87.98 billion.

Balances due from central banks declined by 10.29% to KES 23.57 billion from KES 26.28 billion. Similarly, holdings of Kenyan government securities at amortized cost fell by 20.16% to KES 39.02 billion from KES 48.88 billion in FY 2024.

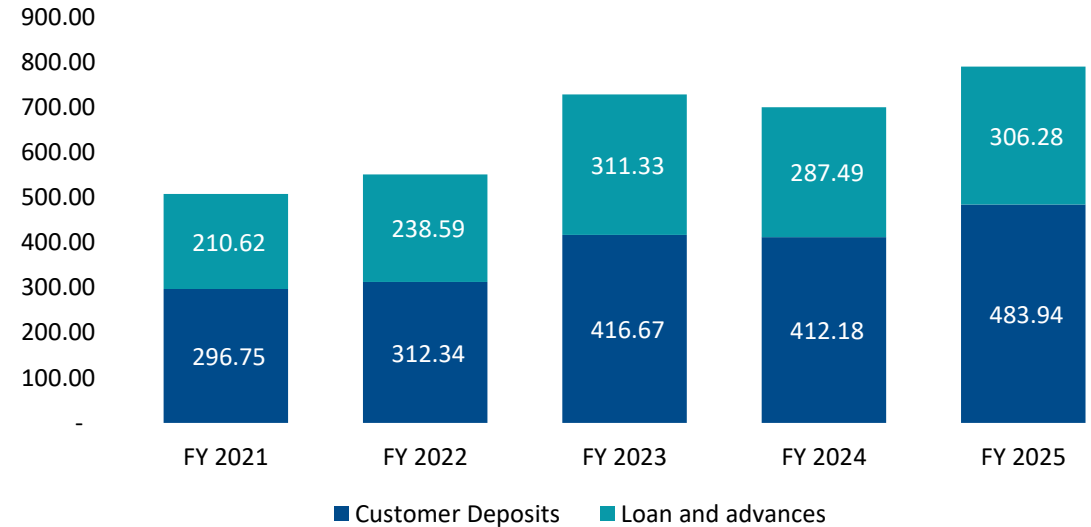
Deposits and balances due from local banking institutions increased by 11.84% to KES 5.65 billion in FY2025, up from KES 5.05 billion in FY2024. Balances due from foreign banking institutions rose by 13.40% to KES 49.64 billion, compared to KES 43.77 billion in FY2024.

Net loans and advances to customers grew modestly by 6.54% to KES 306.28 billion from KES 287.49 billion, highlighting increased credit expansion through the new digital lending platforms in line with a cautious lending approach. Customer deposits grew by 17.41% to KES 483.94 billion from KES 412.18 billion in FY 2024, representing an increase of KES 71.76 billion.

Loan-to-Deposit Ratio declined to 63.3% from 69.7% in FY 2024, while the Loan-to-Asset Ratio moderated to 45.8% from 49.5% in FY 2024, indicating a more conservative lending stance and improved liquidity positioning for the group.

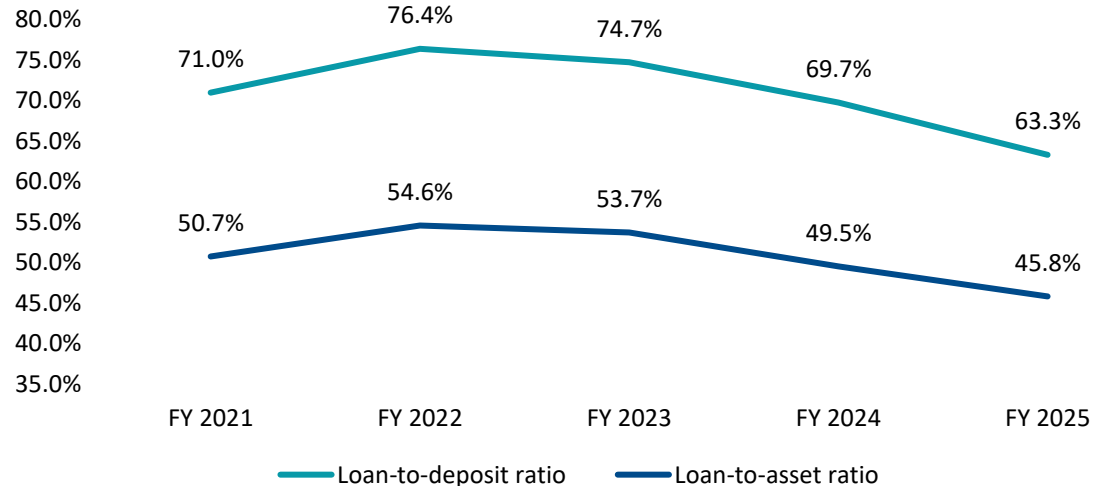
Total shareholders' funds grew by 22.75% to KES 115.16 billion from KES 93.82 billion in FY 2024, driven by a strong 20.15% increase in retained earnings to KES 75.00 billion from KES 62.42 billion in FY 2024.

Loan book and Customer deposits (KES billions)



Source: Company financials

Loan-Deposit and Loan-Asset Ratios



Source: Company Financials

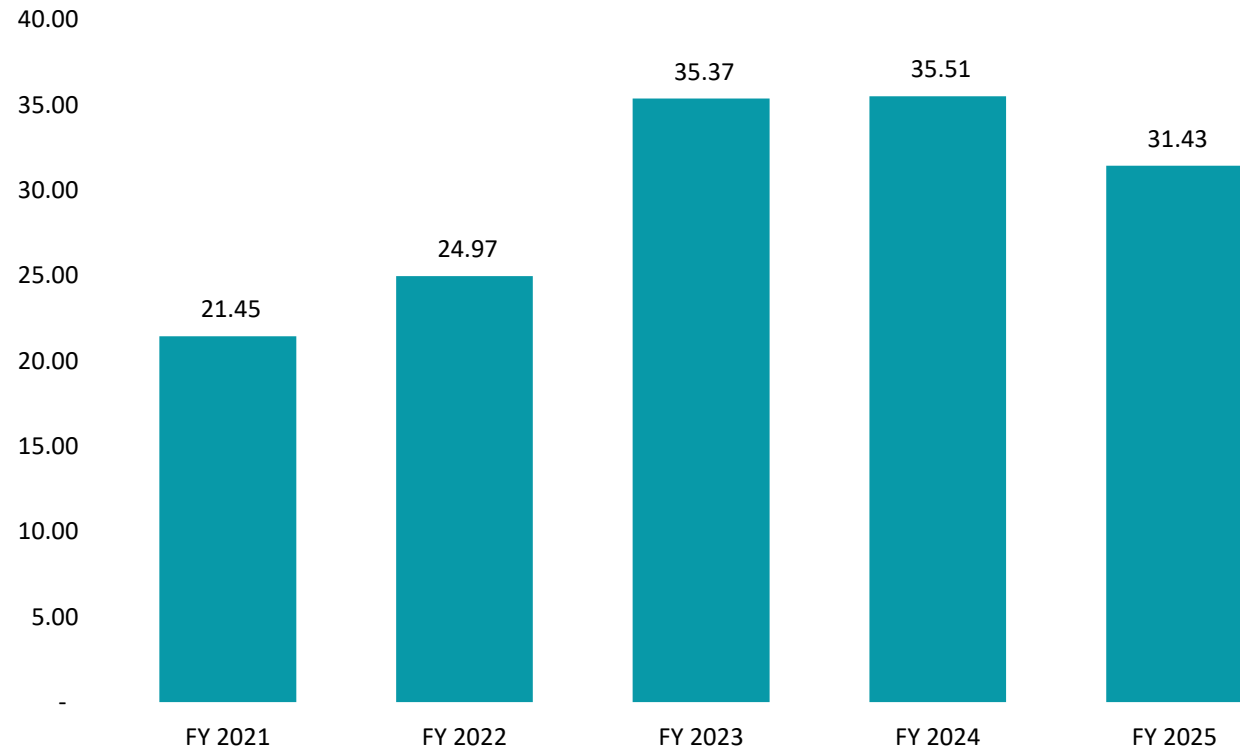
Asset Quality

Gross non-performing loans (NPLs) declined by 11.50% to KES 31.43 billion in FY 2025 from KES 35.51 billion in FY 2024, representing an absolute reduction of KES 4.08 billion.

Consequently, the NPL ratio improved to 9.56% from 11.47%, a contraction of 191 basis points, reflecting improved asset quality.

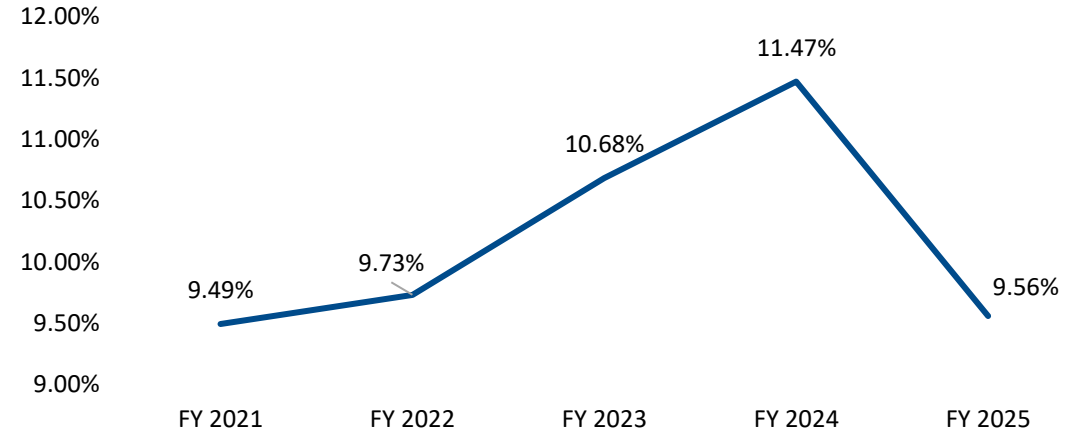
The NPL coverage ratio strengthened to 71.6% from 62.3% in FY 2024, marking a 9.3% increase, signalling improved provision buffers against credit risk exposure.

Gross Non-performing loans (KES billions)



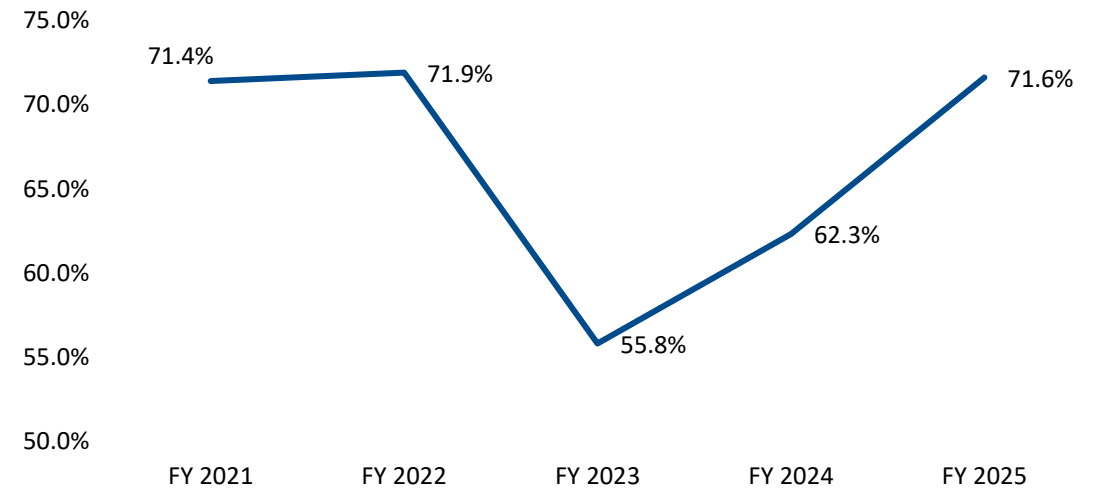
Source: Company Financials

Gross NPL ratio (%)



Source: Company Financials

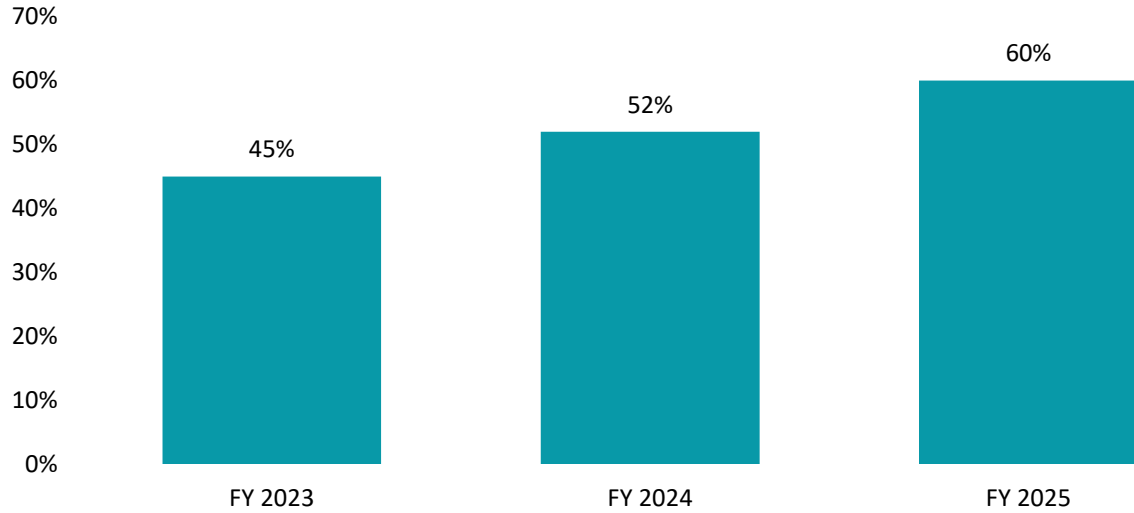
NPL Coverage ratio (%)



Source: Company Financials

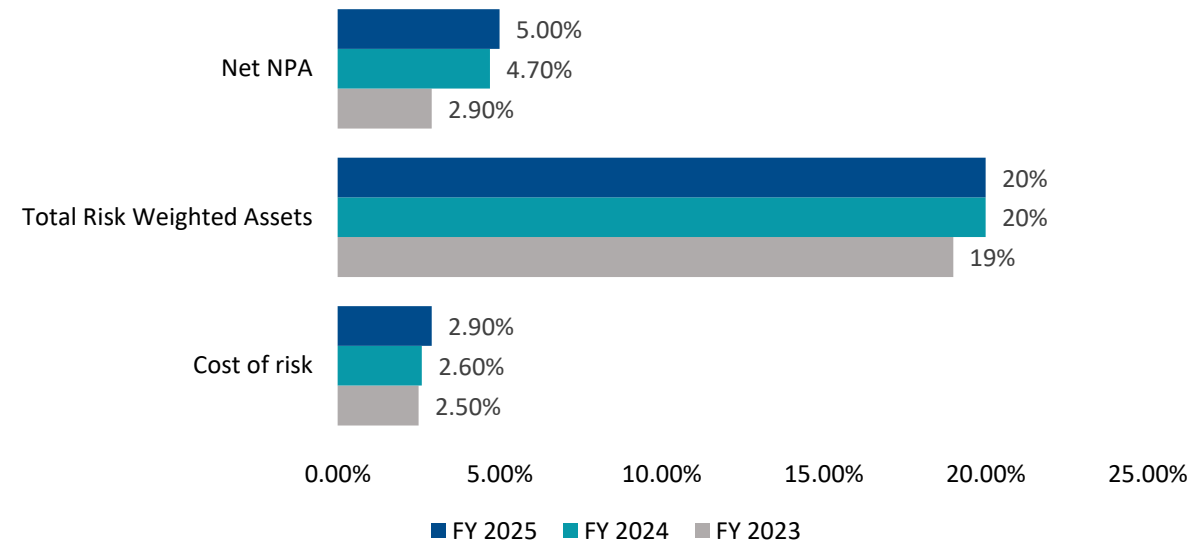
Other Key Metrics

Liquidity ratio(%)



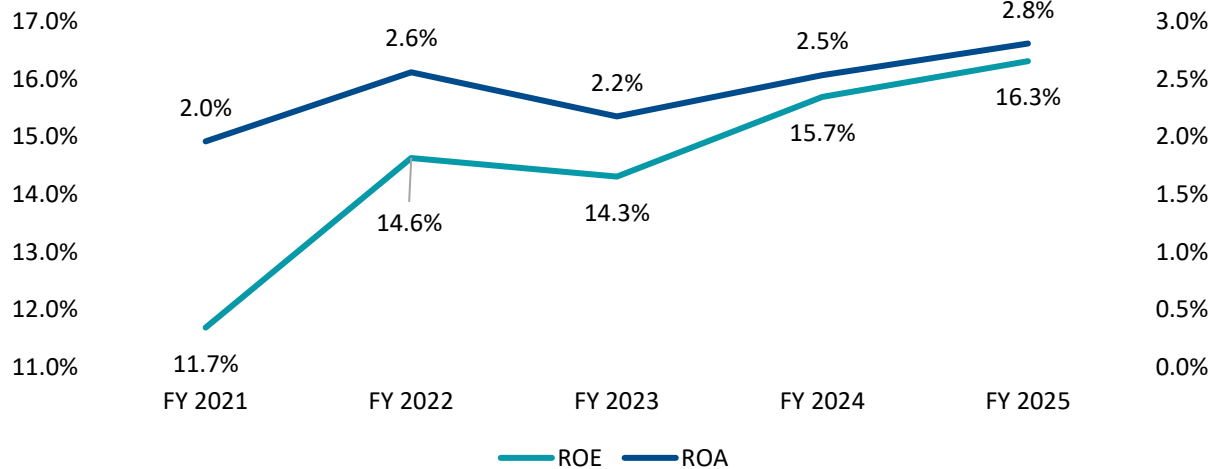
Source: Company financials

Key Ratios (%)



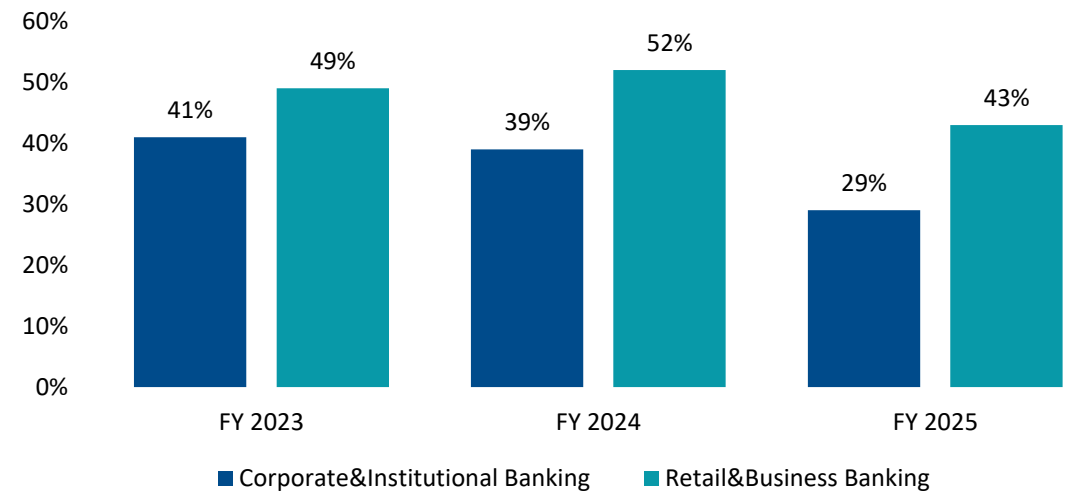
Source: Investor Briefing presentation

ROE & ROA



Source: Company financials

CIB & RBB Contribution to Total Operating Income (%)



Source: Investor Briefing presentation

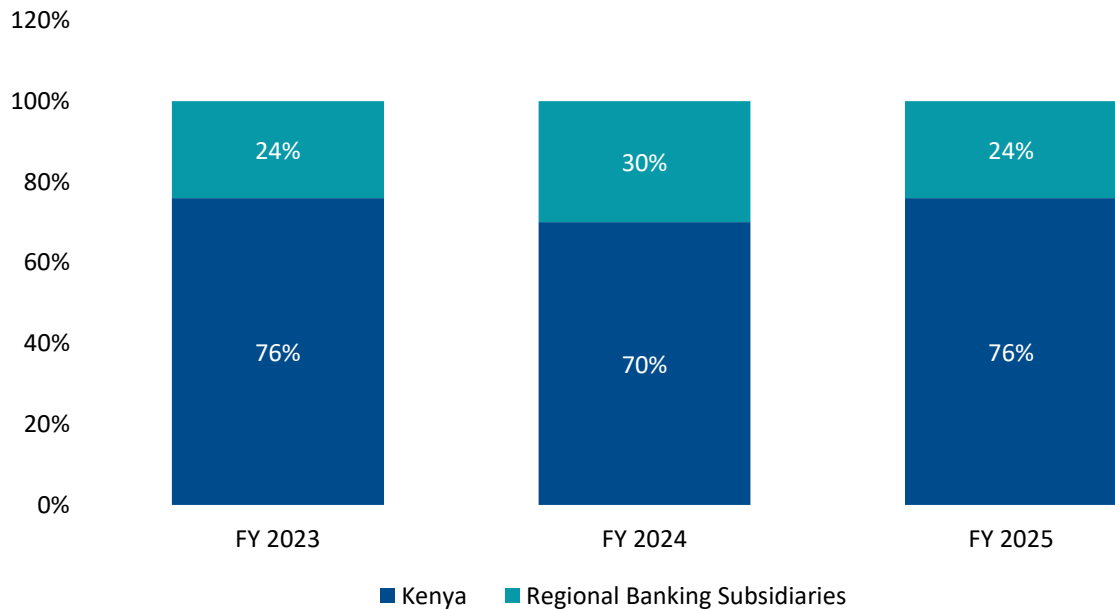
Subsidiaries

Subsidiaries contributed 24% to Group profit before tax, while accounting for 30% of total assets, emphasizing their growing strategic importance to the Group's overall performance. Cross-border business recorded strong momentum, with revenue increasing by 76% year-on-year to USD 10.6 million.

Loans and advances registered robust growth across key markets, particularly in Tanzania, Rwanda, and Uganda, while remaining stable in Kenya. Overall, subsidiaries delivered solid performance, posting 44% year-on-year growth, which supported balance sheet expansion.

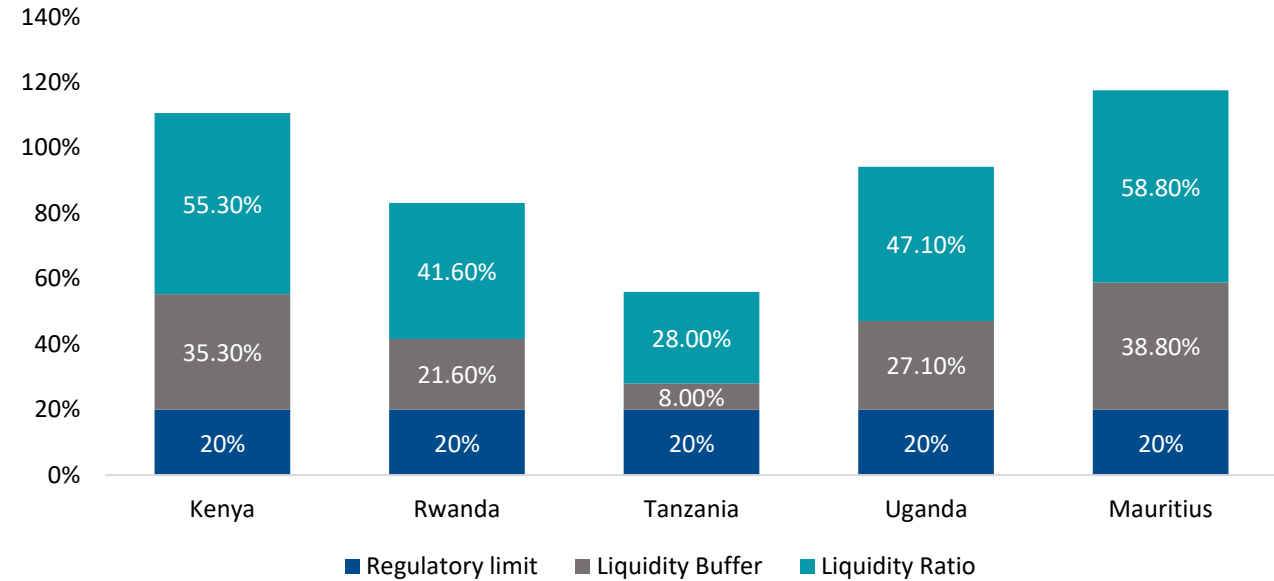
Growth was largely driven by increased uptake in retail and SME lending across all subsidiaries, including the disbursement of approximately KES 5.5 billion in short-term facilities with tenors of up to 30 days, highlighting strong demand for working capital financing.

Profit before tax contribution by Regional subsidiaries



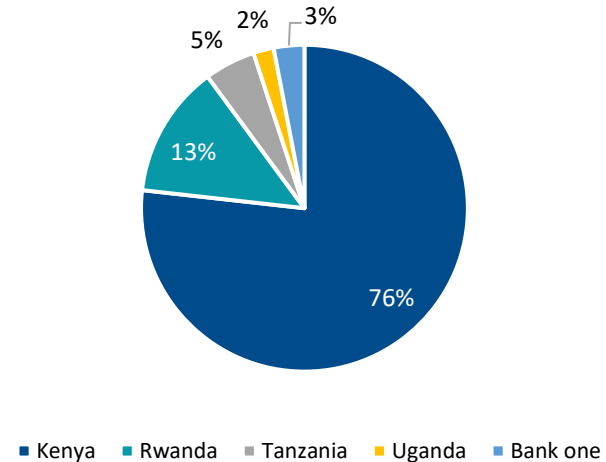
Source: Investor Briefing presentation

Liquidity Ratio (%)

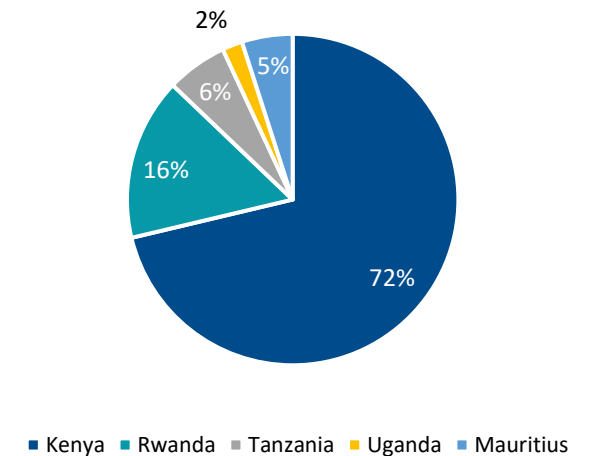


Source: Investor Briefing Presentation

2025 PBT Subsidiary Contributions



2024 PBT Subsidiary Contribution



Source: Investor Briefing presentation

Kenya

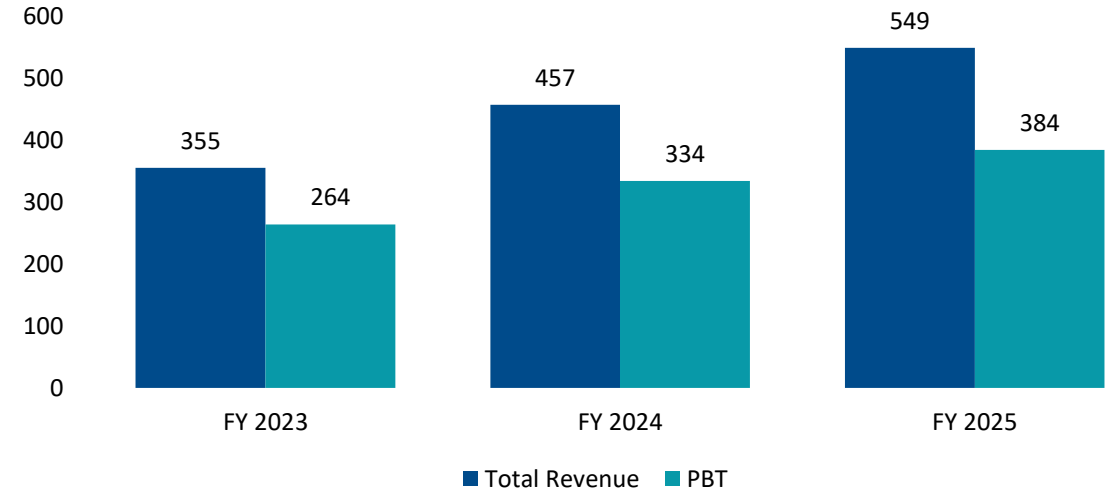
Strong total operating income driven by a 49% increase in customer numbers, boosting interest income from earning assets. Profit before tax rose 29%, supported by improved cost efficiency and resilient returns, with Return on equity strengthening to 20% on the back of better asset quality.

A continued focus on funding stability lifted the Current account savings account(CASA) ratio to 43%. Assets under management (AUM) grew notably, with the wealth fund and USD fixed income together accounting for 85% of gross revenue.

Bancassurance also delivered a 20% increase in total operating income, driven by a 68% surge in underwritten premiums to KES 4.7 billion, supported by a 44% increase in total customers.

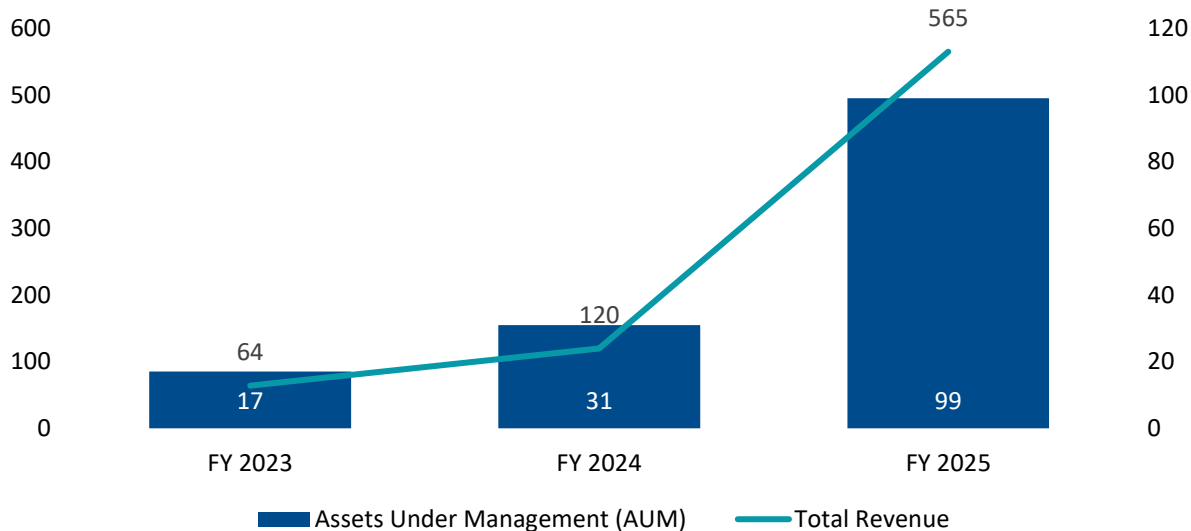
Growth in the segment was fuelled by both traditional client relationships and rising engagement with MSMEs.

Bancassurance Business: Total Revenue & PBT (KES millions)

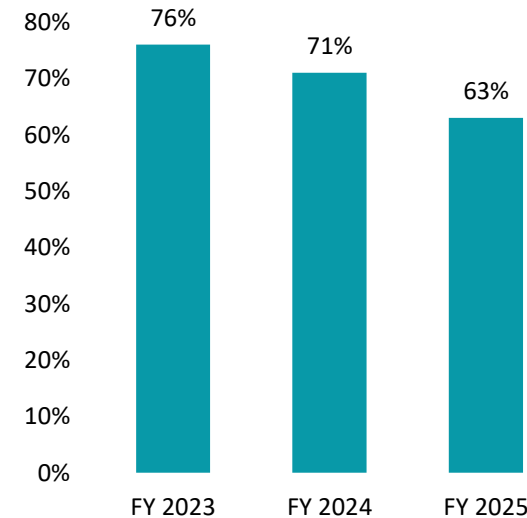


Source: Investor Briefing Presentation

Assets Under Management (AUM) & Total Revenue (KES billions)

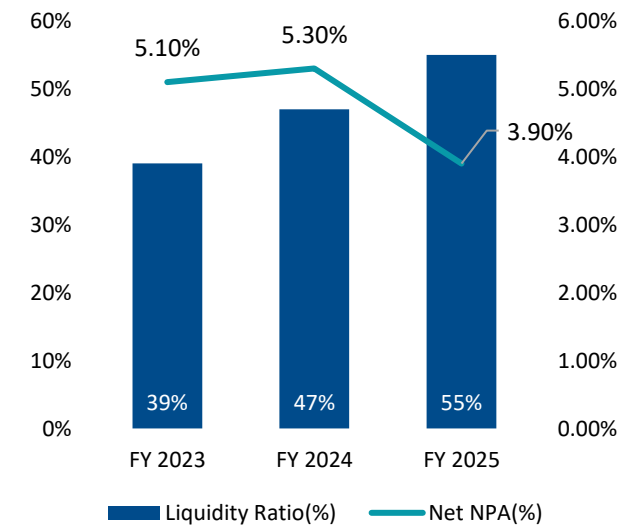


Loan-to-deposit ratio



Source: Investor Briefing Presentation

Net NPA & Liquidity Ratio (%)

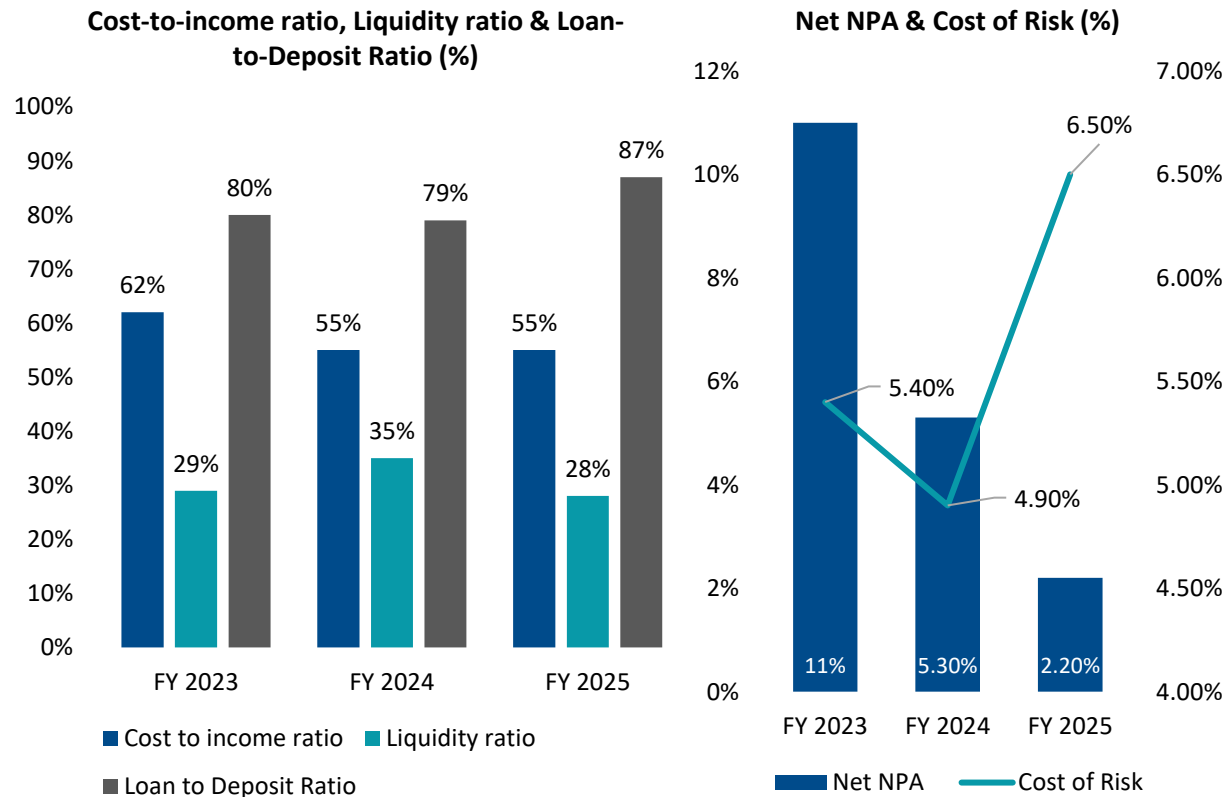


Tanzania

The subsidiary contributed 5% in FY 2025 to group profit before tax, down from 6% in the prior year, mainly due to higher provisioning tied to credit expansion, which pushed the cost of risk to 6.5% from 4.9% in FY 2024.

Total operating income remained strong, with non-funded income up 29% and net interest income rising 19% on the back of robust credit demand. Total assets grew 17%, supported by a 19% increase in loans, while net non-performing assets improved to 2.2%.

Deposits rose 12%, with the Current account savings account (CASA) ratio holding steady at 40%.



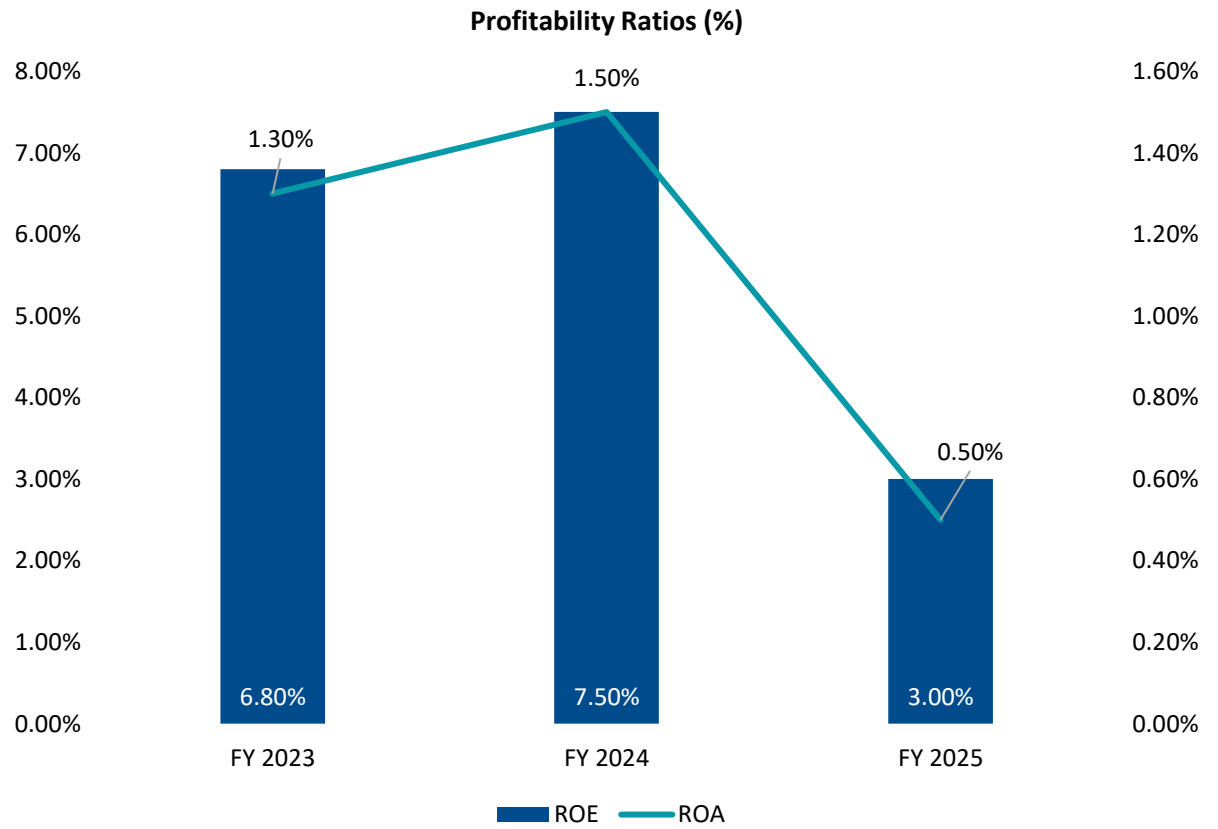
Source: Company financials

Uganda

In local currency terms, total operating income grew 21%, led by a 13% increase in net interest income. Operating expenses fell 14%, and despite a 20% rise in credit, provisions declined 3% due to improved recoveries.

Profit before tax advanced 48% in local currency, while the balance sheet expanded 30%, driven by loan and deposit growth.

The Current account savings account (CASA) ratio stood at 51% for the year, compared with 62% in the prior year.

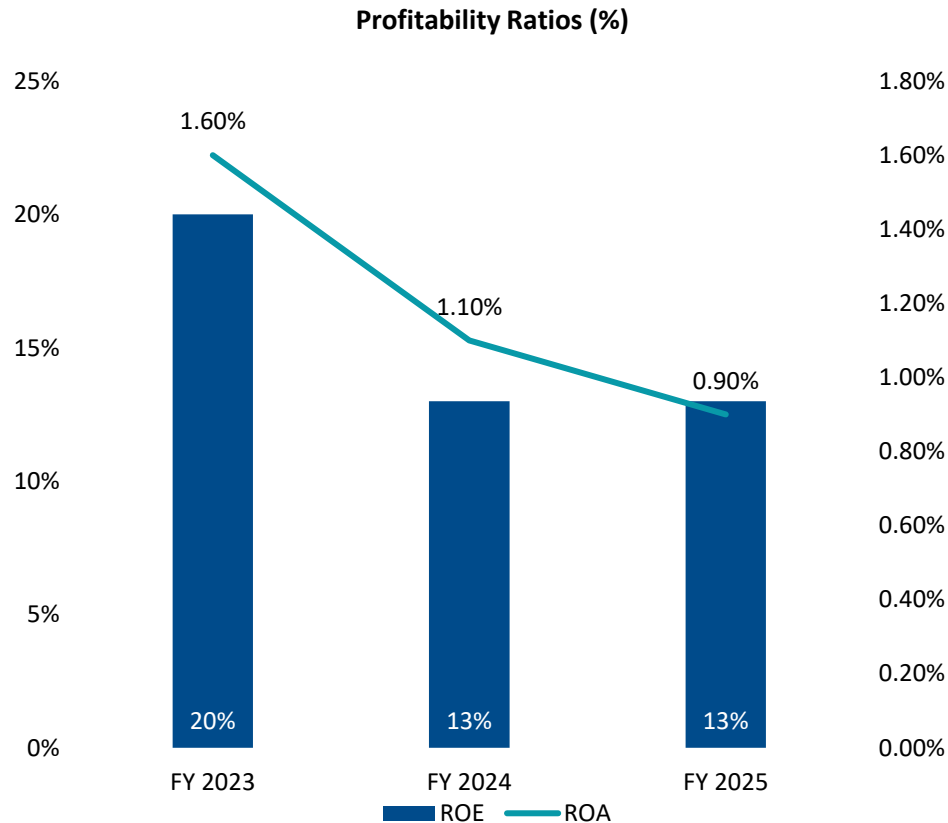


Source: Investor Briefing presentation

Mauritius

Total operating income declined for the year, weighed down by lower yields and modest growth in non-funded income. Operating expenses were contained, rising just 6% in local currency.

Despite the top-line headwinds, returns held steady, with profit before tax edging up 4%. Balance sheet growth was supported by a 25% increase in deposits, alongside an improved Current account savings account (CASA) ratio.

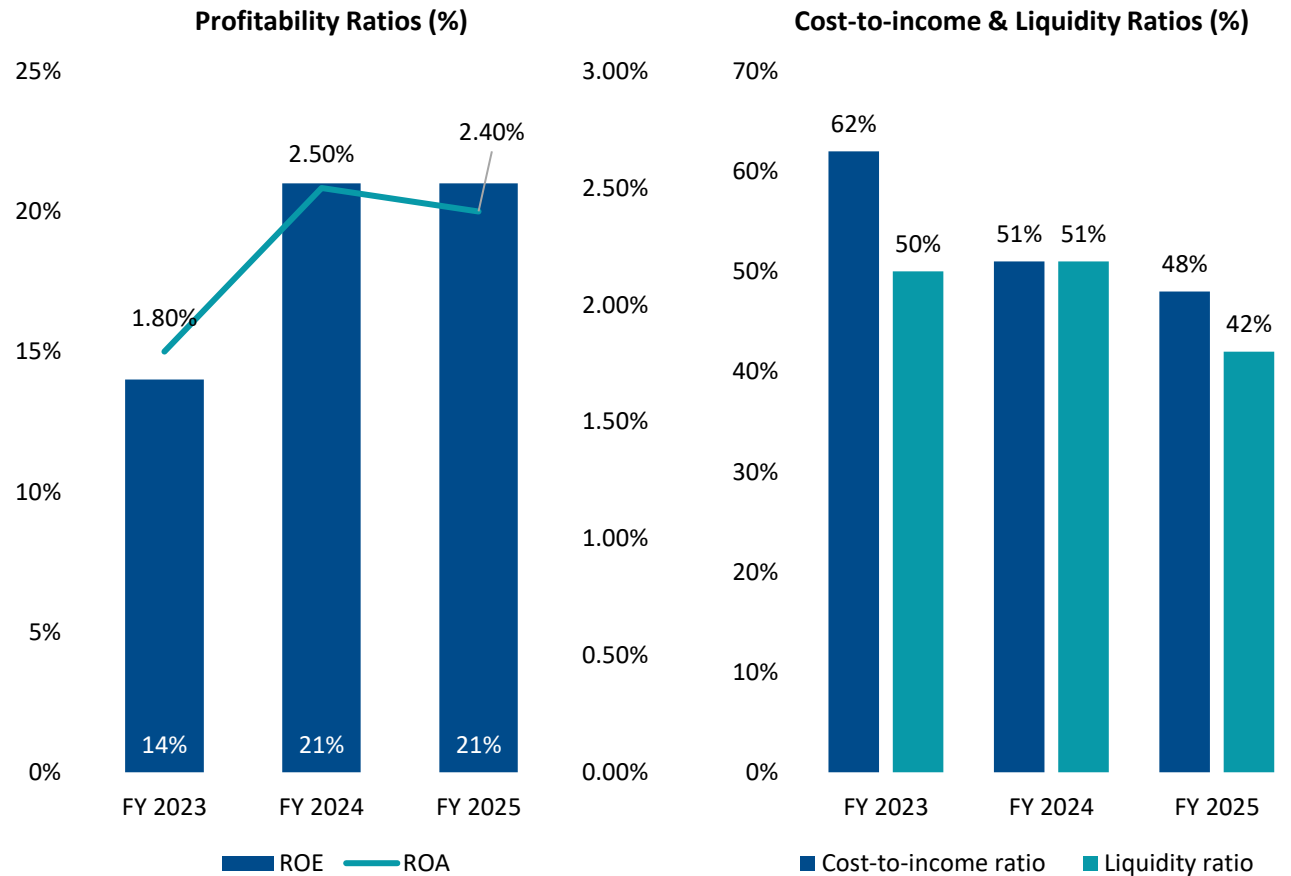


Source: Investor Briefing Presentation

Rwanda

Rwanda's balance sheet remained robust, expanding by 26%, driven primarily by growth in both loans and customer deposits.

The Current account savings account (CASA) ratio moderated slightly to 86% in FY 2025 from 88% in FY 2024, though it continues to reflect a strong, low-cost funding base.



Source: Investor briefing presentation

Source: Investor briefing presentation

Outlook and Recommendation

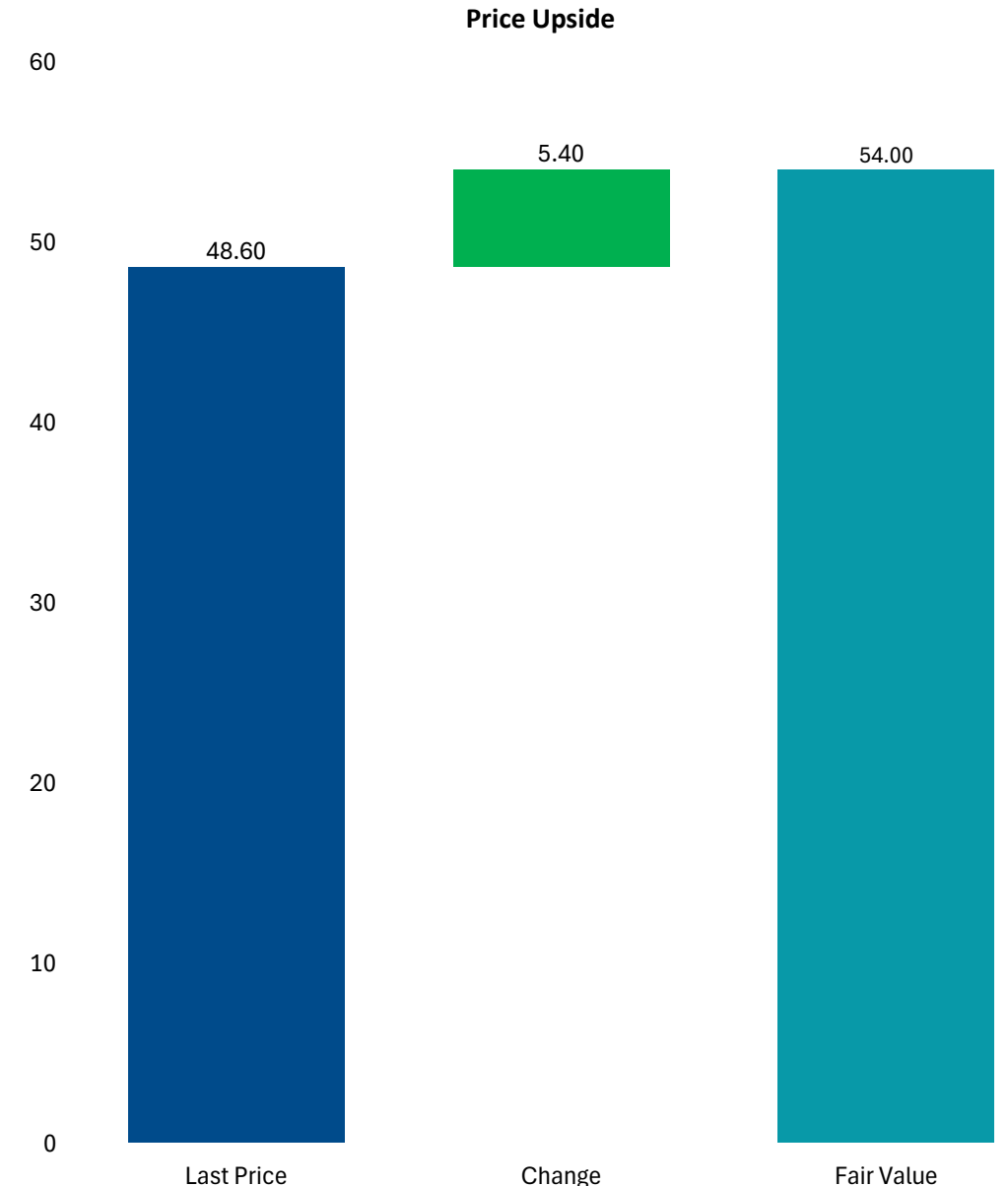
I&M Group delivered a strong FY2025 performance, with profit before tax rising 22.42% to KES 24.18 billion from KES 19.75 billion in FY2024. This growth reflects solid execution of its Imara 3.0 strategy (2024–2026), now entering its final phase. The Group continues to anchor on corporate and institutional banking, its core earnings engine which contributed KES 17.2 billion, 29% of total operating income. At the same time, management is actively diversifying into higher growth segments, including oil and gas, public sector financing, China desk and leasing, while positioning retail and SME banking as key expansion pillars into 2026.

Strategically, the Group is targeting a 20% Return on equity (ROE) while accelerating its digital transformation agenda, with a goal of surpassing 90% digitally active customers. Digital adoption continues to gain traction, with active users rising to 86% in 2025 from 83% in 2024. Notably, around 60% of the 220,000 new customers acquired in 2025 were on boarded through digital channels. Total customers grew to 673,600, keeping the Group broadly on track toward its 1 million customer target by 2026.

Asset quality remains resilient, with the non-performing loan (NPL) ratio improving to 9.56% ,firmly in single digits and well below the industry average of 15%. This reflects disciplined risk management and selective lending, particularly in higher-risk sectors. At the same time, I&M continues to deepen financial inclusion, with initiatives such as the Ni Sare Kabisa campaign driving a 46% increase in SME revenues, supported by growing adoption of digital lending solutions.

Looking ahead to 2026, I&M is well positioned to sustain momentum. The Group is increasingly integrating AI capabilities to enhance customer experience, strengthen credit underwriting, and improve operational efficiency. Growth is expected to be supported by a recovery in private sector credit, alongside expansion in wealth management, bancassurance, and assets under management (AUM). Continued innovation across digital platforms, including FX Direct, should further support non-funded income growth.

Shareholder returns remain a key focus, with earnings per share rising 21.24% to KES 10.79 from KES 8.90 in FY 2024, signaling confidence in earnings durability and capital generation. That said, management remains cautious of macroeconomic risks in 2026, particularly on interest rate volatility and credit quality pressures, and is expected to maintain a disciplined, risk-aware growth strategy.



INFORMATION AND RESERVATIONS REGARDING THE NATURE OF RECOMMENDATION AND LIABILITY FOR ITS DRAFTING, CONTENTS, AND DISTRIBUTION

The perspective expressed in the Recommendation reflects the opinion of the Analyst(s) of Faida Investment Bank regarding the analyzed company and the financial instruments issued by it. Opinions contained in this Recommendation should not be treated as authorized or approved by the Issuer.

The Recommendation has been prepared subject to due diligence and reliability, based on facts and information generally considered credible (including, in particular, financial statements and current reports of the company) and management meetings; nevertheless, Faida Investment Bank does not guarantee their absolute precision or completeness. The basis for preparing the Recommendation comprises information on the company which was publicly available by the day of its drafting. The forecasts presented are based solely on the analysis conducted by Faida Investment Bank and on several assumptions that may prove correct or incorrect in the future. Faida Investment Bank does not grant any assurance that the forecast presented will be proven right. Faida Investment Bank is not liable for any losses incurred as a result of decisions made based on information contained in this Recommendation. Faida Investment Bank will bear no liability for the Recommendation which has been prepared with due diligence and thoroughness. Faida Investment Bank will not be held liable for any potential defects of the recommendation, in particular for its incompleteness or imprecision, if said defects could not be avoided or foreseen at the moment of undertaking standard actions in drafting the Recommendation. In the future, Faida Investment Bank may issue other recommendations, presenting other conclusions that are consistent with those contained in this Recommendation. Such recommendations reflect various assumptions, points of view, and, analytical methods adopted by the analysts preparing them. Faida Investment Bank hereby announces that the accuracy of earlier recommendations is no guarantee of their accuracy in the future.

Faida Investment Bank hereby announces that investing money in financial instruments is connected with the risk of losing a part of or all the invested funds. Faida Investment Bank notes that the price of financial instruments is influenced by many different factors which are or may be independent of the Issuer or the results of the Issuer's operations. These can include, among other things, changing economic, legal, political, and fiscal conditions. A decision on purchasing any financial instruments should be made solely based on the prospectus, offer, or other generally available documents and materials published by the binding provisions of Kenyan law. Except for the remuneration paid by Faida Investment Bank, Analysts do not receive any other consideration from the Issuer or other third parties for drafting recommendations.

Glossary of Terms

Target Price – Analyst estimate of the fair value or intrinsic value of the company.

Cost of Funds - This is the effective average interest rate paid on interest-earning liabilities. It is calculated as Total Interest Expense/Average Interest Earning Liabilities.

Loan Yield - This is the effective average interest rate received on average loans and advances. It is calculated as Interest on Loans and Advances/Average Loans and Advances.

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as Net Impairment Provisions/Average Gross Loans in the period.

Non-Performing Loans -These are loans that have been classified as impaired. The CBK classifies loans into five categories i.e. Normal, Watch, Substandard, Doubtful, and Loss depending on the performance of the loan. The last three i.e. sub-standard, doubtful, and loss are referred to as non-performing loans. Under IFRS, these are classified as stage 3 loans.

Non-Performing Loans (NPL) Ratio - This is the proportion of NPLs in the loan book. It is calculated as Gross NPLs/Gross Loans.

Non-Funded/Non-Interest Income– This represents income that is not classified as interest income.

Recommendation

BUY – Minimal risks to catalysts.

SELL- Risks outweigh the catalysts.

HOLD – This is where the positives and negatives in a company almost balance out. You can accumulate for the long term