



I&M Group Q1 2026 Earnings Note

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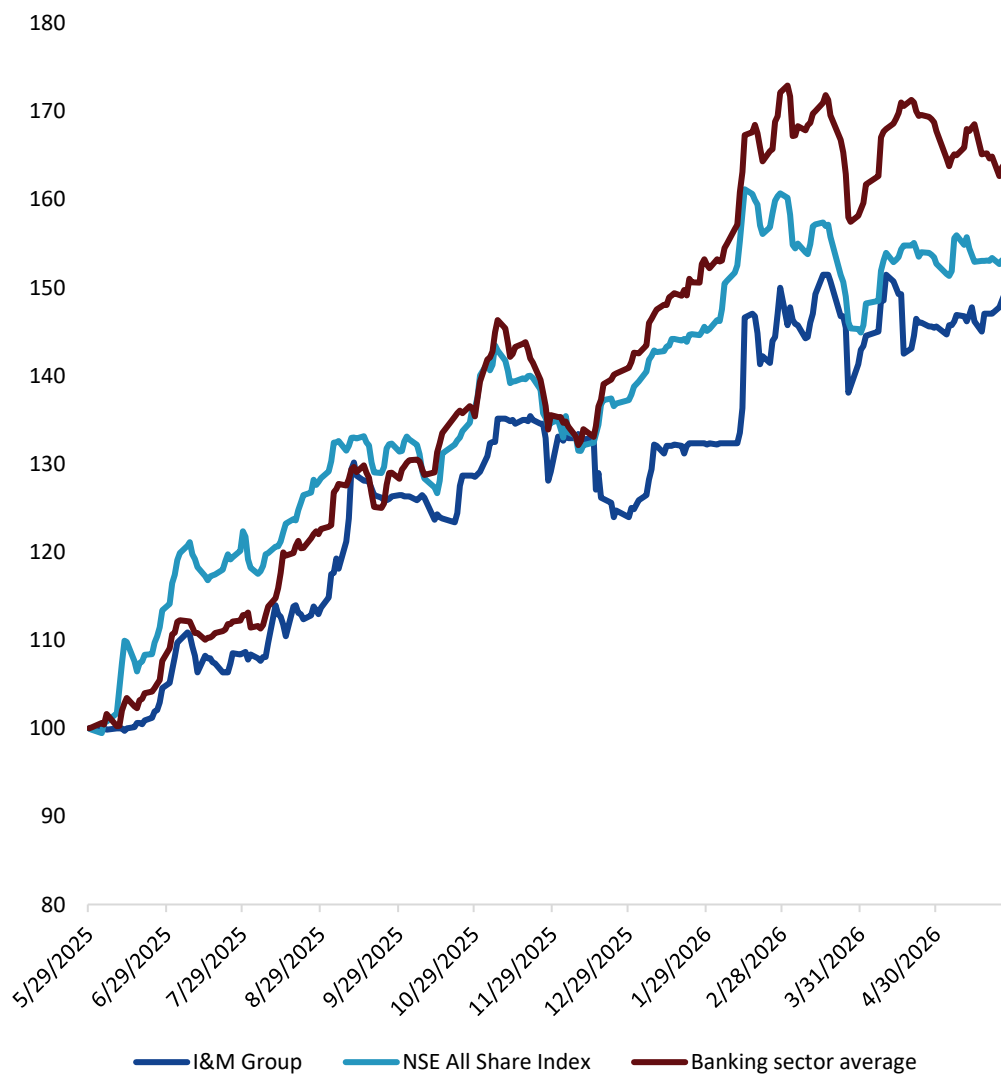
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Summary



Normalised share price movement of I&M Group vs banking sector peers and the market



Source: Bloomberg

Last Price – 3 rd June 2026 in KES	51.50
Valuation Estimate in KES :	54.00
Upside	4.9 %
Recommendation	HOLD
52-Week High	52.00
52-Week Low	33.50
52-Week Price Return	64.8%
Year-to-Date Price Return	27.6%
Price to Earnings Ratio (P/E)	4.8
Price to Book Ratio (P/B)	0.77

Source: Bloomberg and Faida Analysis

We recommend a **HOLD** on I&M Group with a fair value of KES 54.00, representing an **upside of 4.9%** on the 3rd June 2026 closing price of KES 51.50.

The recommendation is supported by the Group’s strong growth in interest income, improving asset quality, resilient profitability, strengthened NPL coverage, and stable earnings performance, supported by higher income from government securities and prudent risk management practices. However, the outlook remains moderated by rising operating and provisioning costs, which continue to exert pressure on operational efficiency amid prevailing macroeconomic headwinds.

Interest Income

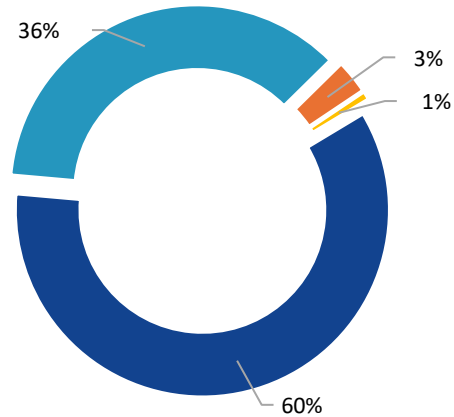
Interest income grew by 19.3% to KES 18.5 billion in Q1 2026 from KES 15.5 billion in Q1 2025. This was largely driven by higher earnings from government securities which rose by 49.9% to KES 6.7 billion from KES 4.5 billion, an uptick of KES 2.2 billion

Interest income from loans and advances increased by 6.0% to KES 11.1 billion in Q1 2026 from KES 10.5 billion in Q1 2025.

Deposits and placements within banking institutions edged up by 2.5% to KES 551.6 million from KES 538.1 million.

Other interest income saw a significant 570.4% jump to KES 143.9 million from KES 21.5 million in Q1 2025.

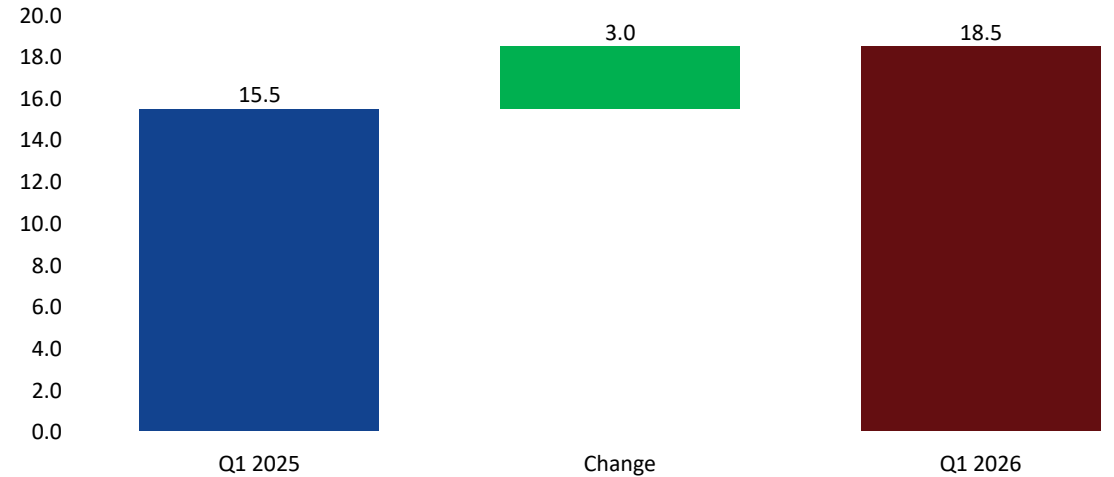
Interest income composition in Q1 2026



■ Loans and advances ■ Government securities ■ Deposits and placements ■ Other interest income

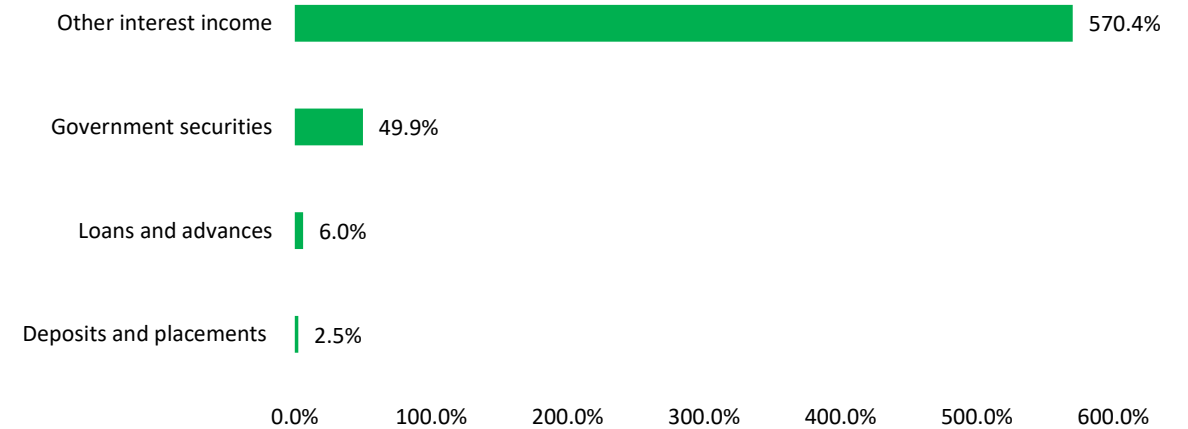
Source: Company Financials

Development in interest income (KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

Interest Expense

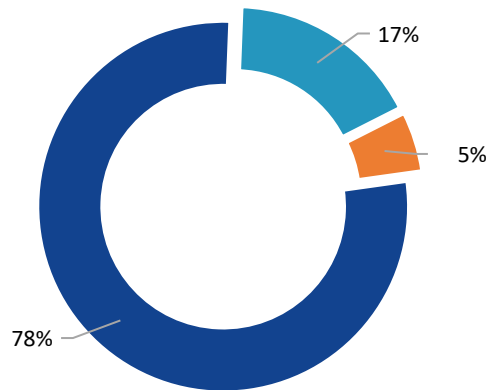
Total interest expense saw a modest uptick of 1.2% to KES 6.2 billion in Q1 2026 from KES 6.1 billion in Q1 2025.

Interest on customer deposits fell by 6.7% to KES 4.8 billion from 5.1 billion, a decrease of KES 343.1 million.

Interest on deposits and placements with banking institutions rose by 65.2% to KES 1.0 billion from KES 632.4 million in Q1 2025.

Other interest expenses edged up by 1.1% to KES 323.8 million from KES 320.3 million.

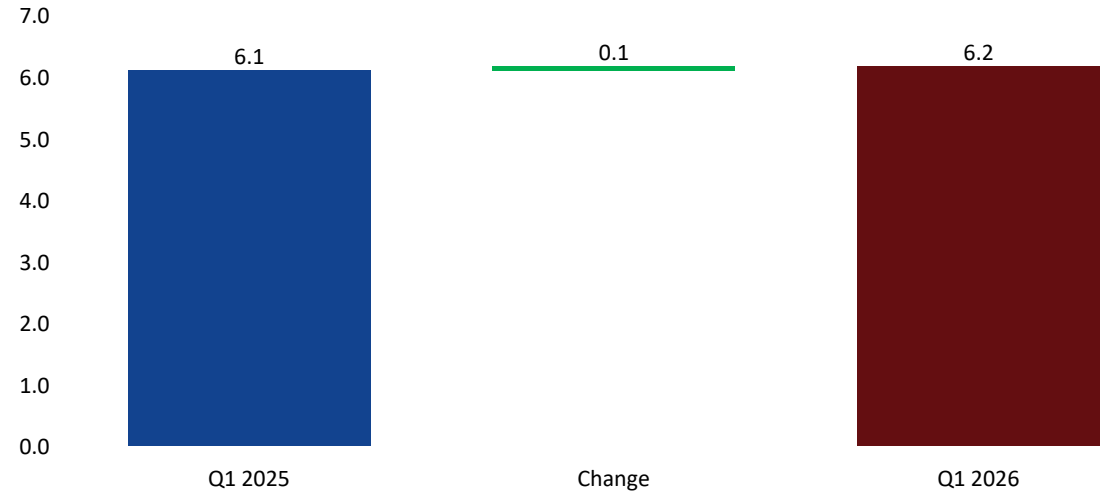
Interest expense composition in Q1 2026



■ Customer deposits ■ Deposits and placements ■ Other interest expenses

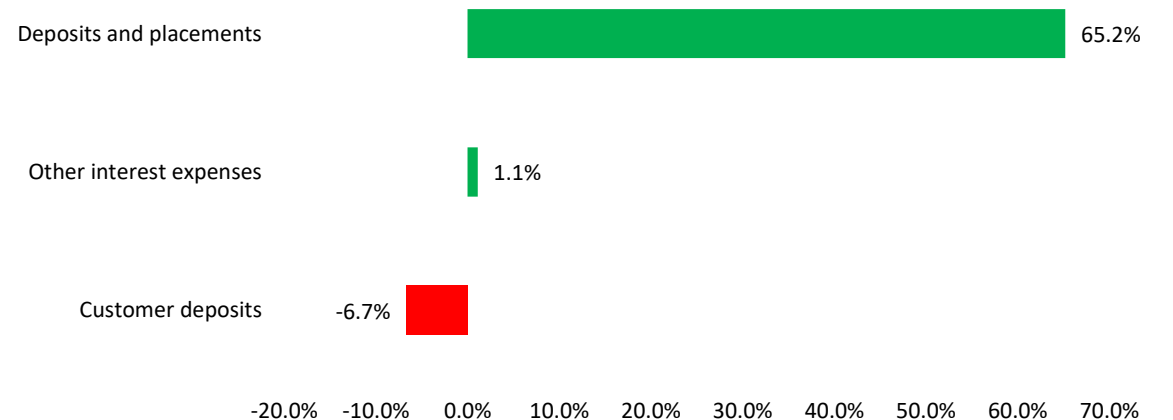
Source: Company Financials

Development in Total expenses (KES billions)



Source: Company Financials

Interest expense growth rate (%)



Source: Company Financials

Net Interest Income & Non-funded income

Net interest income (NII) rose 31.1% to KES 12.3 billion Q1 2026 from KES 9.4 billion in Q1 2025.

Non-funded income expanded by 7.1% to KES 3.8 billion in Q1 2026 from KES 3.6 billion, an increase of KES 254.9 million. This was primarily driven by a significant 49.0% surge in other income which rose to KES 889.9 million from KES 597.1 million.

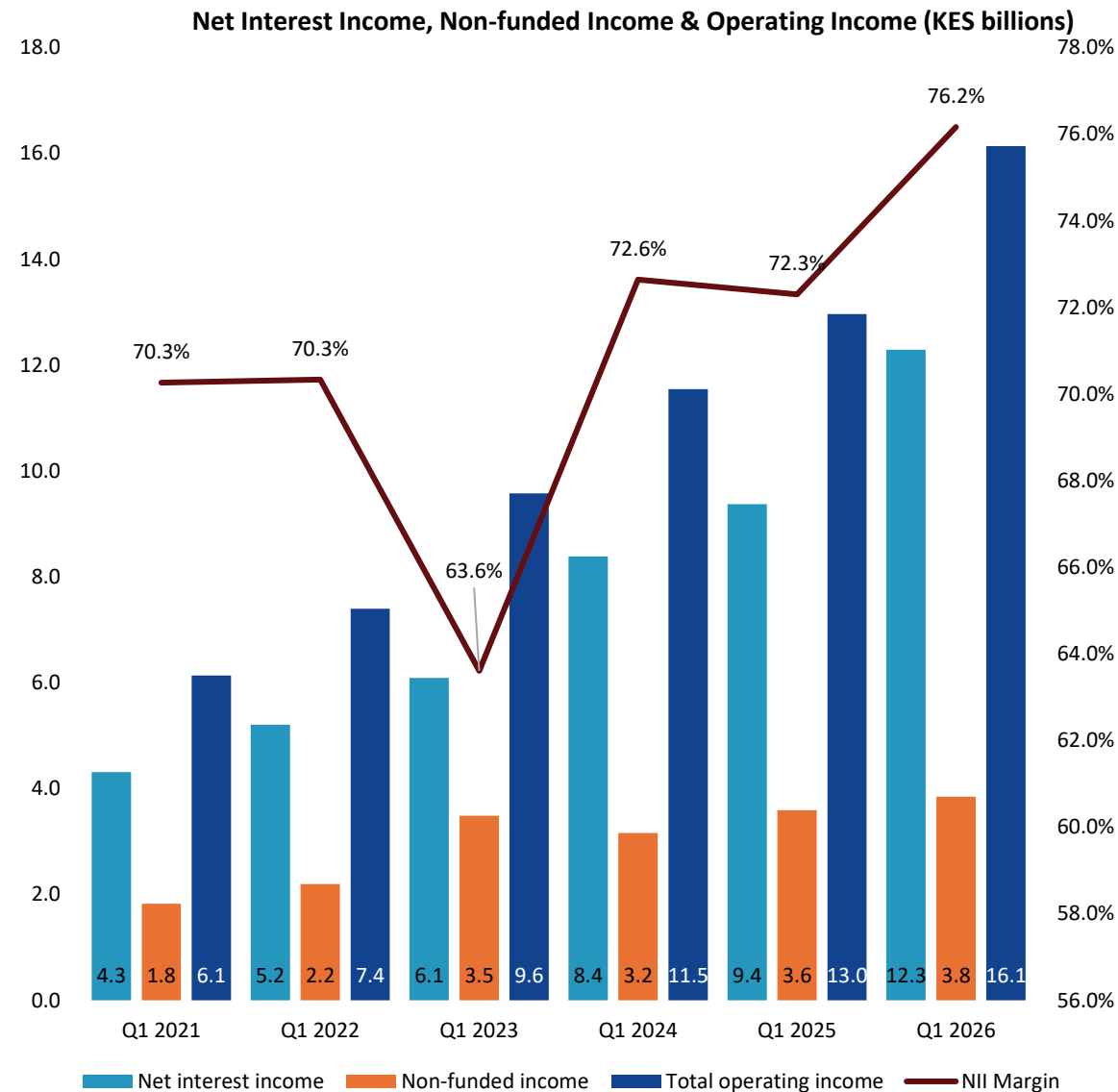
Fees and commissions income on loans and advances grew 24.4% to KES 766.2 million from KES 616.0 million.

Other fees and commissions contracted by 17.6% to KES 1.2 billion from KES 1.5 billion.

Foreign exchange trading income edged up by 7.2% to KES 988.4 million from KES 931.4 million.

As a result, total operating income increased by 24.5% to KES 16.1 billion from KES 13.0 billion in Q1 2025.

The Net Interest Income (NII) Margin rose by 3.9 percentage points to 76.2% from 72.3%. In contrast, the Non-Funded Income (NFI) Margin eased to 23.8% from 27.7% in Q1 2025.



Source: Company Financials

Source: Company Financials

Operating expenses

Total operating expenses rose by 35.8% to KES 9.9 billion in Q1 2026 from KES 7.3 billion in Q1 2025, an uptick of KES 2.6 billion. This was largely driven by significant 63.3% surge in loan loss provisions to KES 2.6 billion from KES 1.5 billion.

Staff costs increased by 23.2% to KES 2.9 billion from KES 2.4 billion, reflecting a rise of KES 549.2 million.

Director emoluments expanded by 26.0% to KES 40.1 million from KES 31.8 million.

Rental charges increased by 28.6% to KES 217.7 million from KES 169.3 million.

Depreciation on property and equipment edged up by 6.3% to KES 476.2 million from KES 448.1 million.

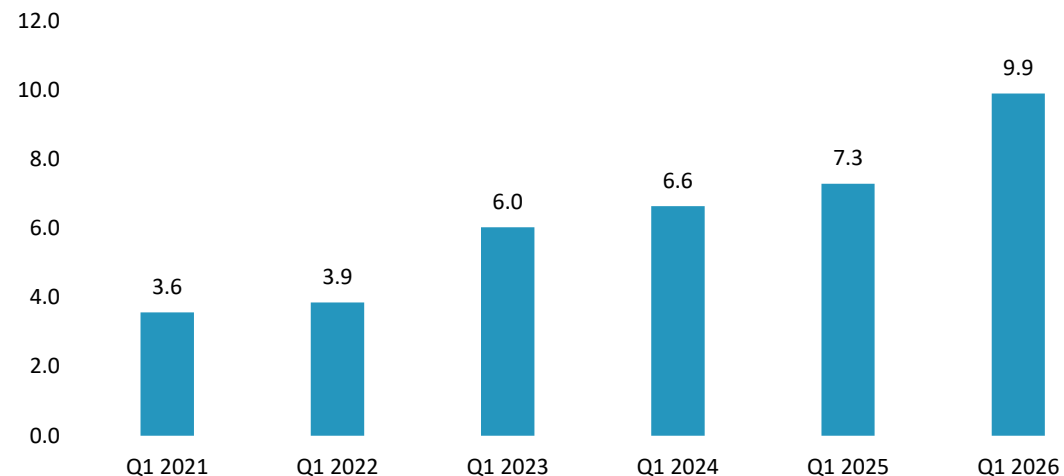
Amortization charges rose by 17.4% reaching KES 270.3 million from KES 230.3 million.

Other operating expenses expanded by 37.9% to KES 3.4 billion from KES 2.4 billion in Q1 2025, an increase of KES 924.2 million.

Cost-to-income ratio (including provisions) rose to 61.3% from 56.2%, while the ratio excluding provisions increased to 45.2% from 43.9%, driven by higher operating and provisioning costs during the period

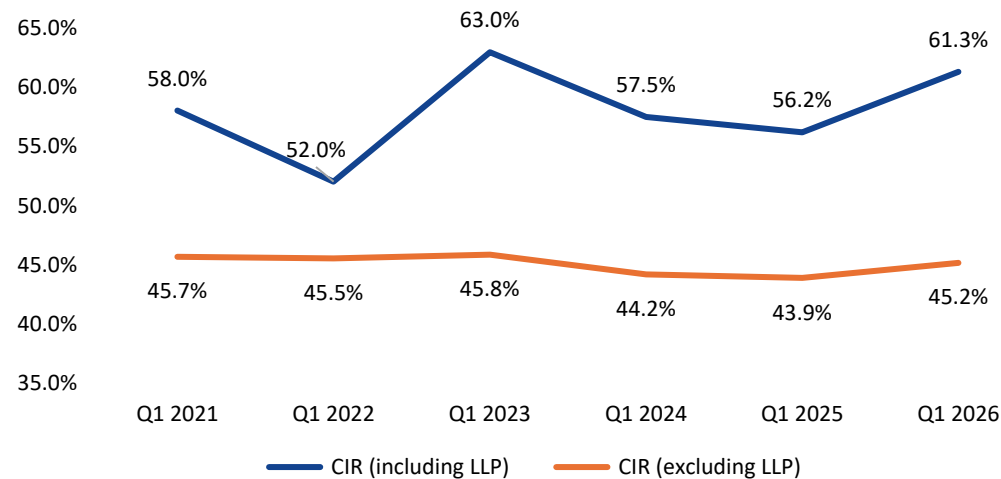
****The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs****

Trend in Total operating expenses (KES billions)



Source: Company Financials

Cost-to-Income Ratio



Source: Company Financials

Profitability

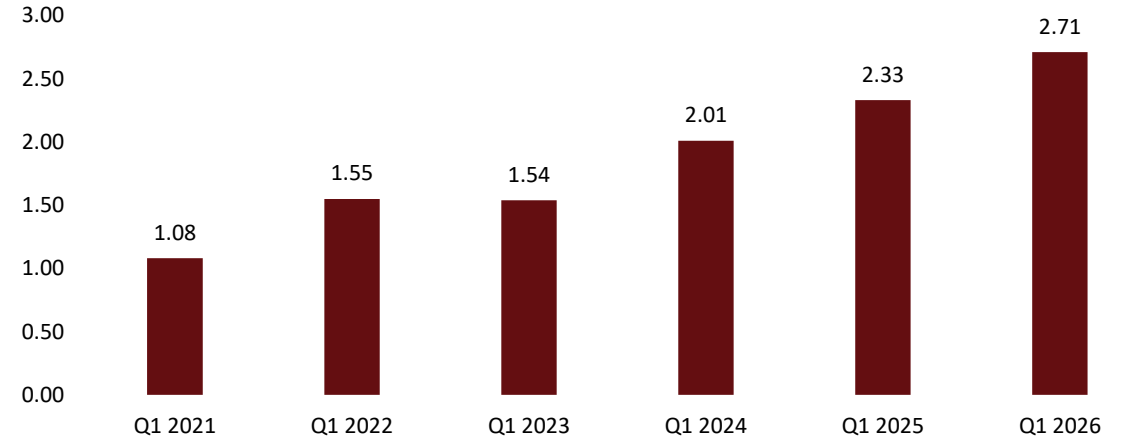
Profit before tax rose 9.9% reaching KES 6.2 billion in Q1 2026 from KES 5.7 billion in Q1 2025.

Profit after tax increased by 19.4% to KES 5.0 billion in Q1 2026 from KES 4.2 billion in Q1 2025.

Total comprehensive income surged by 117.3% to KES 8.6 billion from KES 4.0 billion, an increase of KES 4.6 billion.

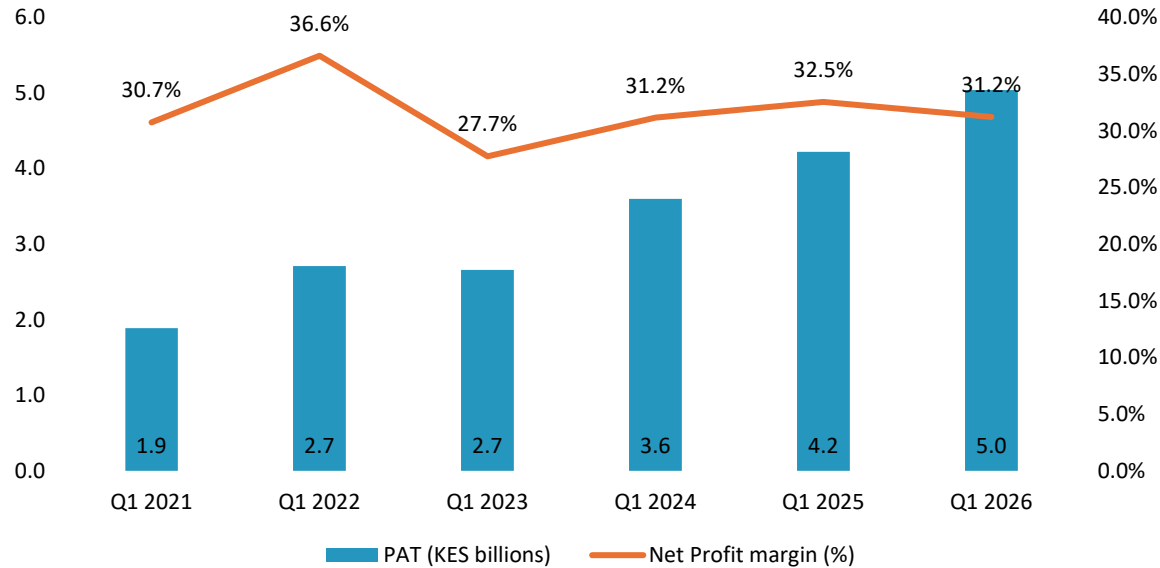
Earnings per share (EPS) improved by 16.3% to KES 2.71 in Q1 2026 from KES 2.33 in Q1 2025.

Earnings per share (KES)



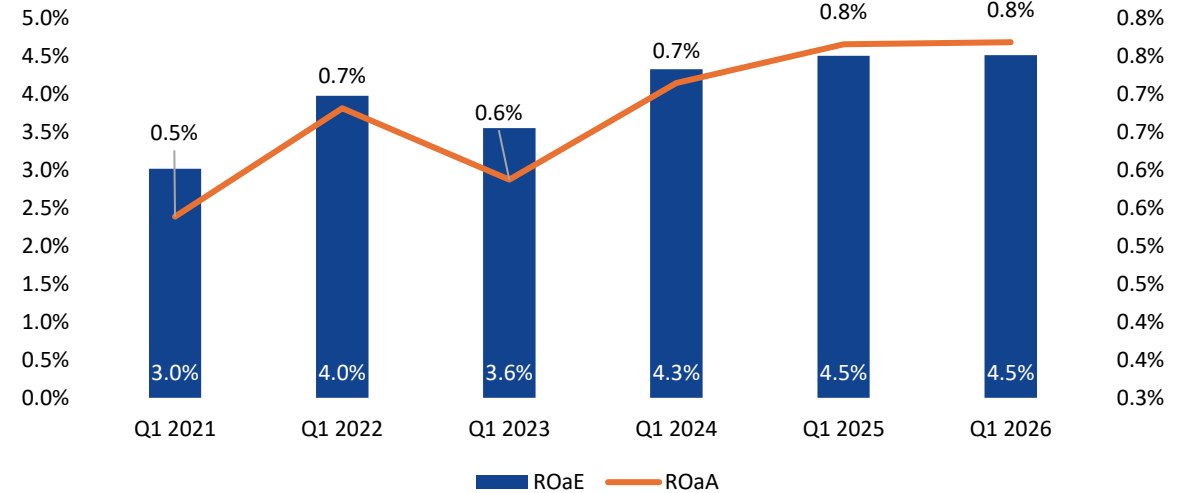
Source: Company Financials

PAT and Net profit margin



Source: Company Financials

Profitability Ratios (%)



Source: Company Financials

Balance Sheet Rundown

Total assets grew by 30.6% to KES 742.5 billion in Q1 2026 from KES 568.4 billion in Q1 2025, reflecting an increase of KES 174.1 billion.

Kenyan government securities held at amortised cost edged down by 13.9% to KES 31.3 billion from KES 36.3 billion, while Kenya government securities held at fair value through other comprehensive income (FVOCI) surged by 158.2% to KES 172.3 billion from KES 66.7 billion.

Deposits and balances due from local banking institutions rose by 19.9% to KES 3.3 billion from KES 2.7 billion.

Similarly, balances due from foreign banking institutions expanded by 42.1% to KES 58.7 billion from KES 41.3 billion.

Loans and advances to customers expanded by 10.0% to KES 322.9 billion in Q1 2026 from 293.7 billion, an increase of KES 29.3 billion.

Total liabilities rose by 32.6% to KES 611.9 billion from KES 461.5 billion.

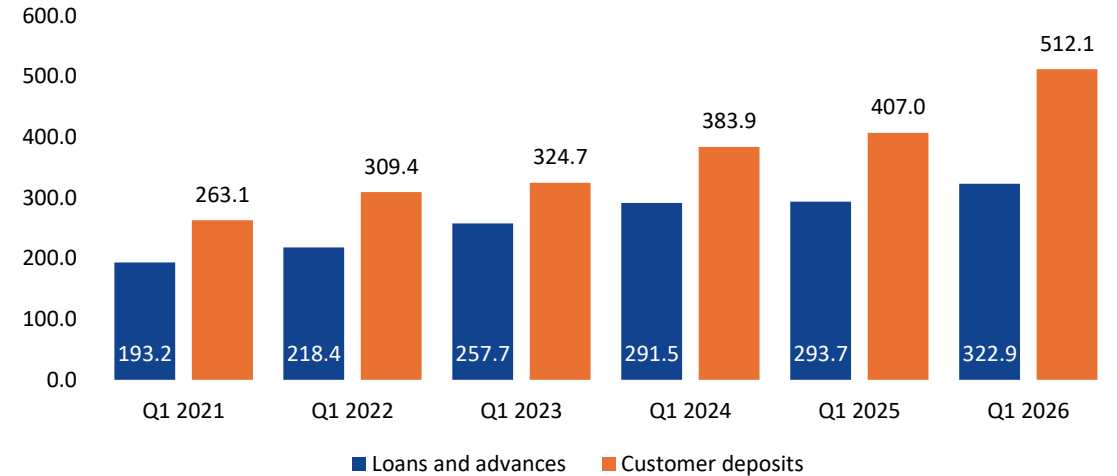
Customer deposits increased by 25.8% to KES 512.1 billion in Q1 2026 from KES 407.0 billion in Q1 2025, representing a significant uptick of KES 105.1 billion.

Borrowed funds increased by 37.1% to KES 13.5 billion from KES 9.8 billion.

As a result, the loan-to-deposit ratio dropped to 63.1% in Q1 2026 from 72.1% in Q1 2025 reflecting deposit growth outpaced loan expansion.

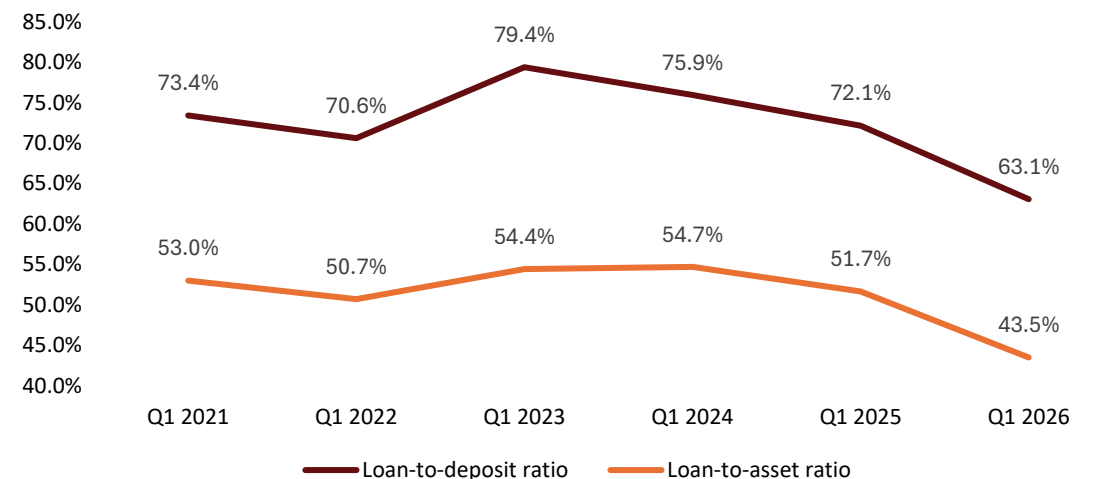
Total shareholders' funds advanced by 23.5% to KES 123.3 billion from KES 99.9 billion in Q1 2025. This was driven by a significant 23.7% increase in retained earnings to KES 80.6 billion from KES 65.2 billion.

Loan book and Customer deposits (KES billions)



Source: Company Financials

Loan-to-deposit and Loan-to-asset Ratios



Source: Company Financials

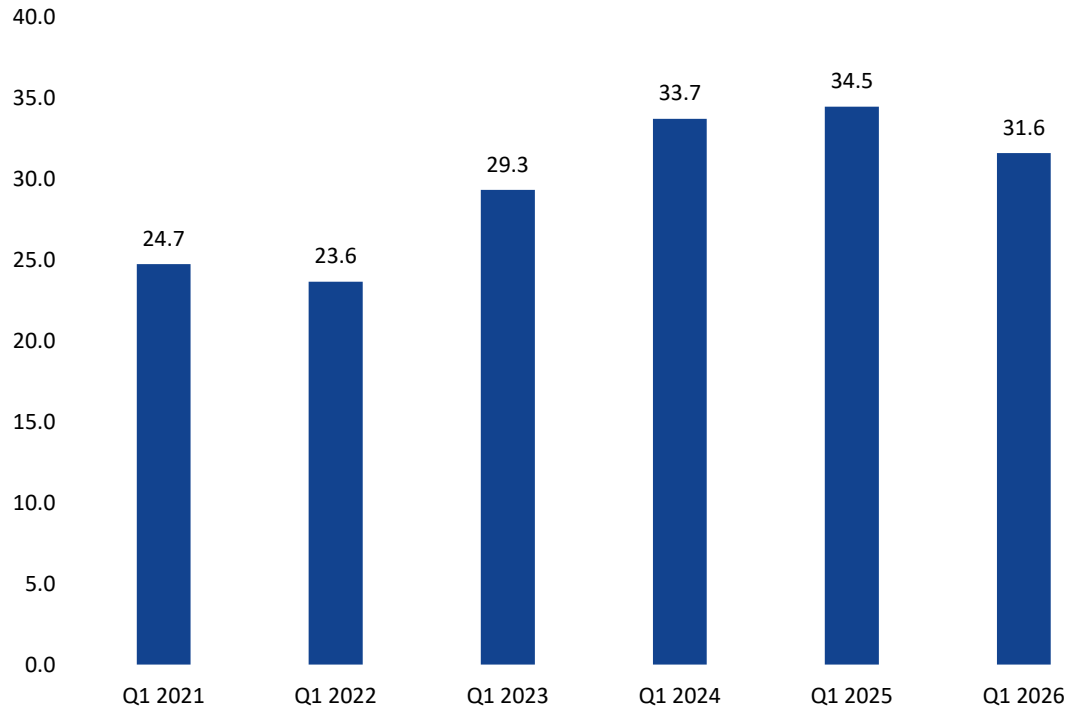
Asset Quality

Gross non-performing loans (NPLs) declined by 8.3% to KES 31.6 billion in Q1 2026 from KES 34.5 billion in Q1 2025, reflecting a drop of KES 2.9 billion.

Consequently, the NPL ratio edged down to 9.1% in Q1 2026 from 10.9% in Q1 2025, positioning it well below the industry average of 15.5%.

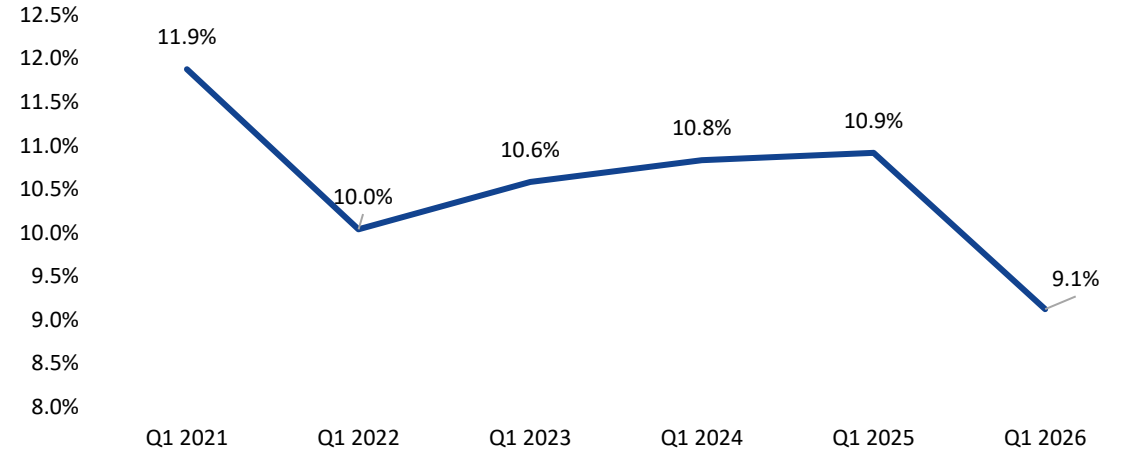
The NPL coverage ratio increased to 73.4% from 63.6% in Q1 2025, showing that the bank is strengthening its buffer against potential loan losses.

Gross Non- performing loans and advances (KES billions)



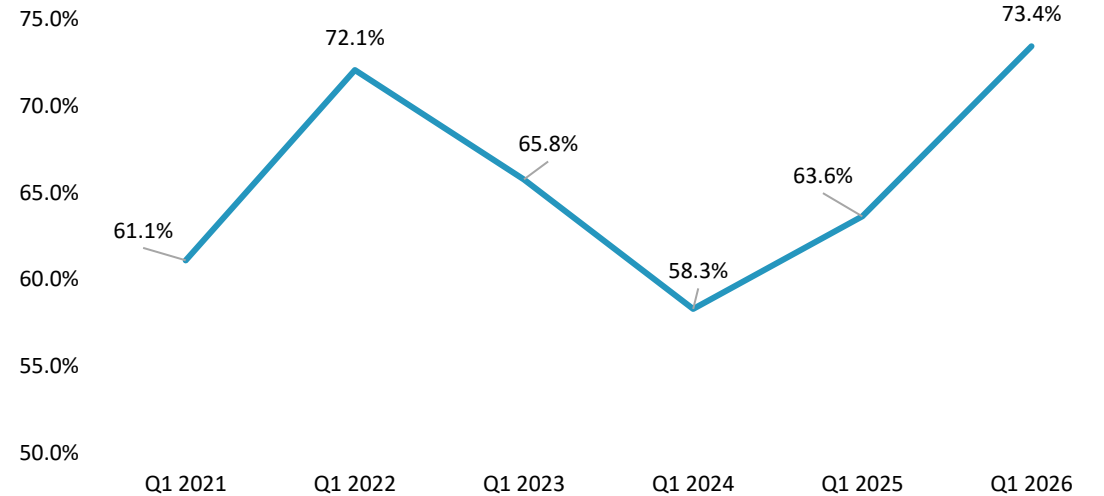
Source: Company Financials

Gross NPL Ratio (%)



Source: Company Financials

NPL Coverage Ratio (%)



Source: Company Financials

Outlook and Recommendation

I&M Group PLC’s outlook remains stable, supported by sustained growth in interest income, improving asset quality, and resilient profitability. The strong expansion in earnings from government securities, which rose by 49.9% during Q1 2026, continues to support interest income growth and provides a relatively stable income stream amid evolving credit market conditions.

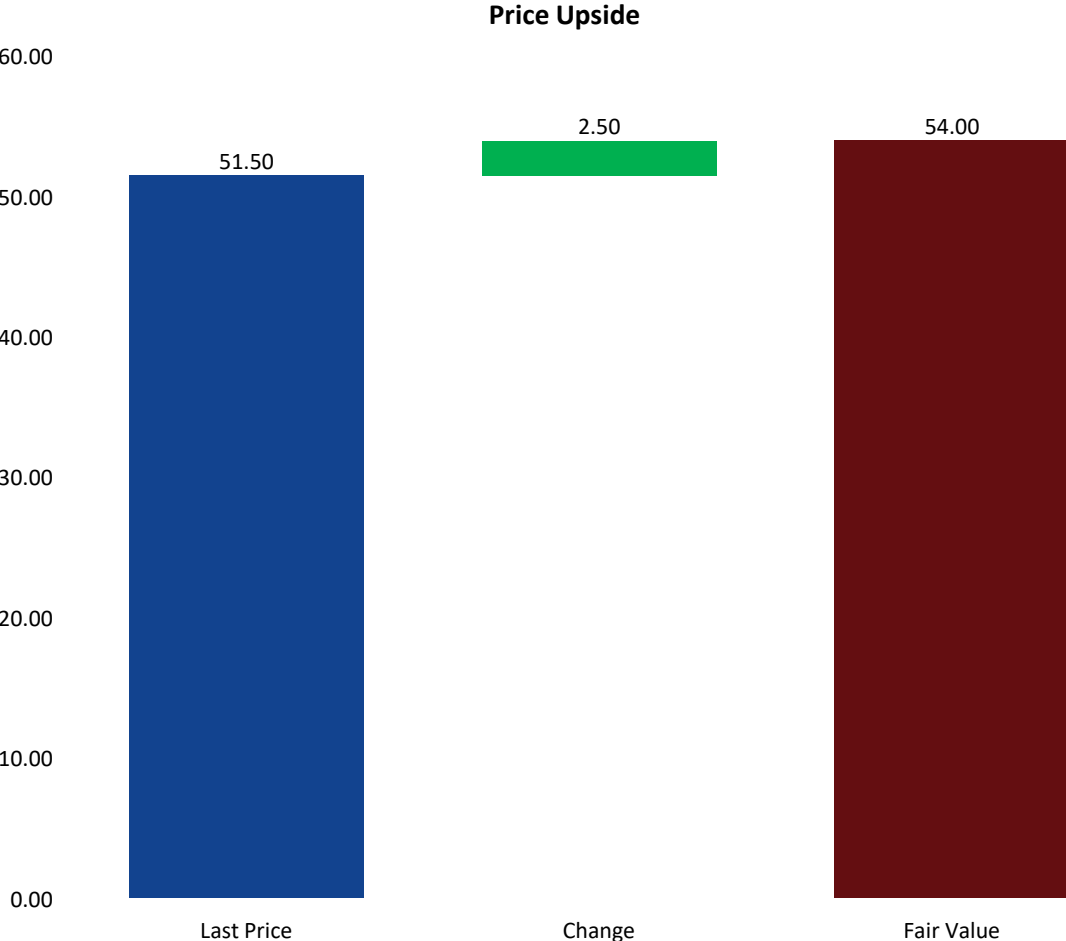
The Group’s profitability profile also remained strong, with Profit After Tax growing by 19.4% and earnings per share increasing by 16.3%, reflecting resilient core earnings performance despite rising operating and provisioning expenses. However, the increase in the cost-to-income ratio to 61.3% from 56.2%, alongside the rise in the ratio excluding provisions to 45.2% from 43.9%, points to pressure on operational efficiency arising from elevated operating costs and higher provisioning charges during the period.

Asset quality indicators continued to improve, with gross non-performing loans declining by 8.3% and the NPL ratio easing to 9.1%, remaining significantly below the industry average of 15.5%. In addition, the increase in the NPL coverage ratio to 73.4% reflects a strengthened provisioning buffer and prudent risk management approach, enhancing the Group’s resilience against potential credit deterioration.

The maintenance of the Central Bank Rate at 8.75% continues to provide a relatively stable interest rate environment supportive of lending activity and balance sheet growth. However, inflationary pressures, partly driven by elevated fuel prices, continue to pose risks to household disposable income and business operating costs, which may affect credit demand and repayment capacity across some sectors.

Overall, I&M Group remains well-positioned to sustain earnings growth, supported by strong capital buffers, improving asset quality, diversified income streams, and disciplined risk management, although operational efficiency and evolving macroeconomic conditions remain key areas to monitor in the medium term.

We recommend a **HOLD** on I&M Group with a fair value of KES 54.00, representing an **upside of 4.9%** on the 3rd June 2026 closing price of KES 51.50.



Source: Company Financials and Faida Forecasts

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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 $\text{Total Interest Expense} / \text{Average Interest Earning Liabilities}$.

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

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as $\text{Net Impairment Provisions} / \text{Average Gross Loans}$ 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 $\text{Gross NPLs} / \text{Gross Loans}$.

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.

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