



I&M Group Q3 2025 Earnings Note

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Summary

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



Source: Bloomberg

Last Price – 9 th December 2025 in KES	45.35
Valuation Estimate in KES :	46.50
Upside	2.5 %
Recommendation	HOLD
52-Week High	47.50
52-Week Low	29.50
52-Week Price Return	62.1%
Year-to-Date Price Return	32.2%
Price to Earnings Ratio (P/E)	6.59
Price to Book Ratio (P/B)	0.74

Source: Bloomberg and Faida Analysis

We recommend a **HOLD** on I&M Group with a fair value of KES 46.50, representing an **upside of 2.5%** on the 9th December 2025 closing price of KES 45.35.

Although the Bank is benefiting from stronger operational efficiency, healthier asset quality, and an improving economic environment boosted by the CBR reduction to 9.00%, the lower policy rate could slightly squeeze lending margins as market rates adjust. Even so, the Bank remains in a solid position to preserve asset quality and support steady, moderate growth in its loan portfolio.

Interest Income

Interest income saw a modest 0.6% gain to KES 49.3 billion in Q3 2025 from KES 49.0 billion in Q3 2024.

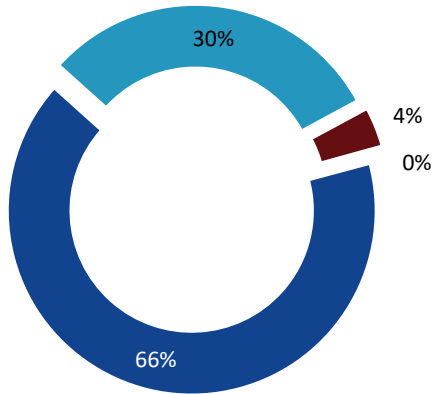
Loans and advances declined by 7.2% to KES 32.4 billion in Q3 2025 from KES 34.9 billion in Q3 2024.

Income from government securities grew by 47.6% to KES 15.0 billion from 10.2 billion in Q3 2024.

Deposits and placements within banking institutions edged down by 24.9% to 1.8 billion from 2.4 billion in Q3 2024.

Other interest income saw a significant 95.8% drop to KES 65.0 million from KES 1.5 billion in Q3 2024.

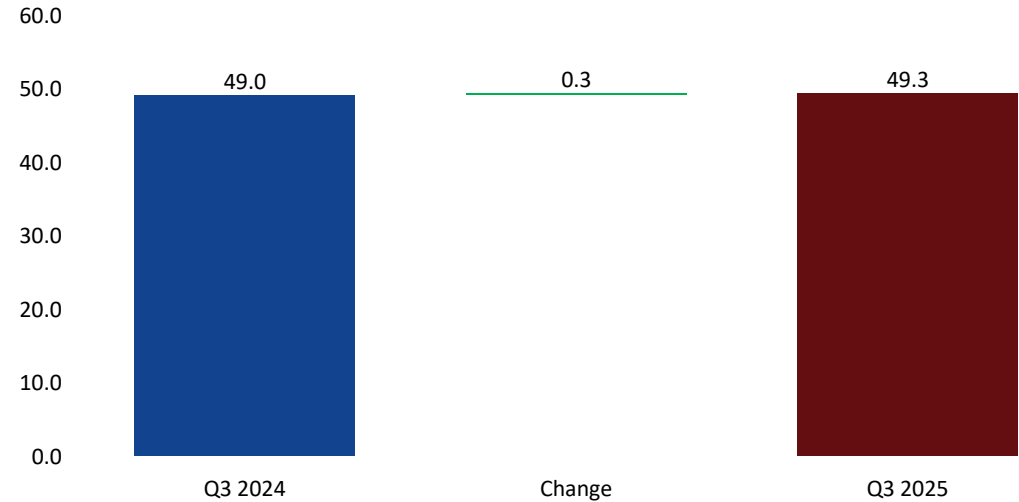
Interest income composition



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

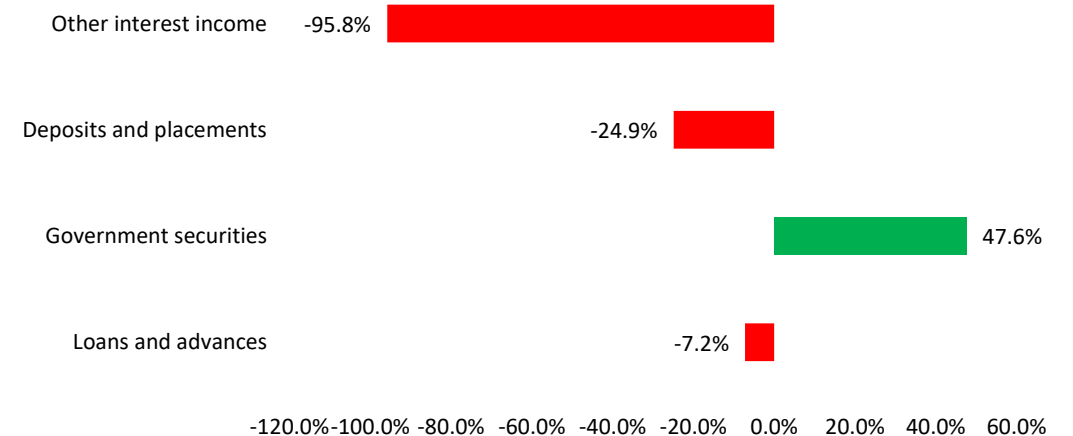
Source: Company Financials

Development in interest income (KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

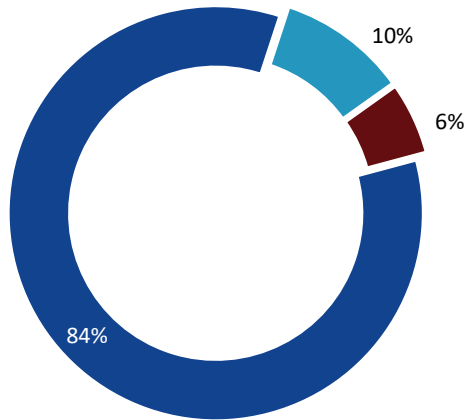
Interest Expense

Total interest expense declined by 23.1% to KES 17.5 billion in Q3 2025 from KES 22.7 billion in Q3 2024. This was largely driven by a significant 21.6% drop in interest on customer deposits which fell to KES 14.7 billion from 18.8 billion, a decrease of 4.1 billion.

Interest on deposits and placements with banking institutions dipped by 31.8% to KES 1.8 billion from KES 2.6 billion in Q3 2024.

Other interest expenses contracted by 27.3% to KES 992.8 million from KES 1.4 billion.

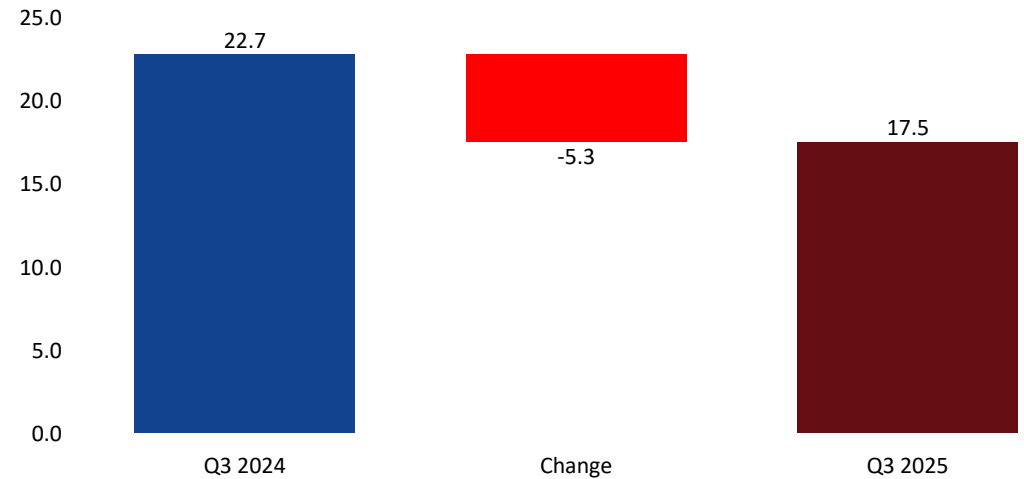
Interest expense composition



■ Customer deposits ■ Deposits and placements ■ Other interest expense

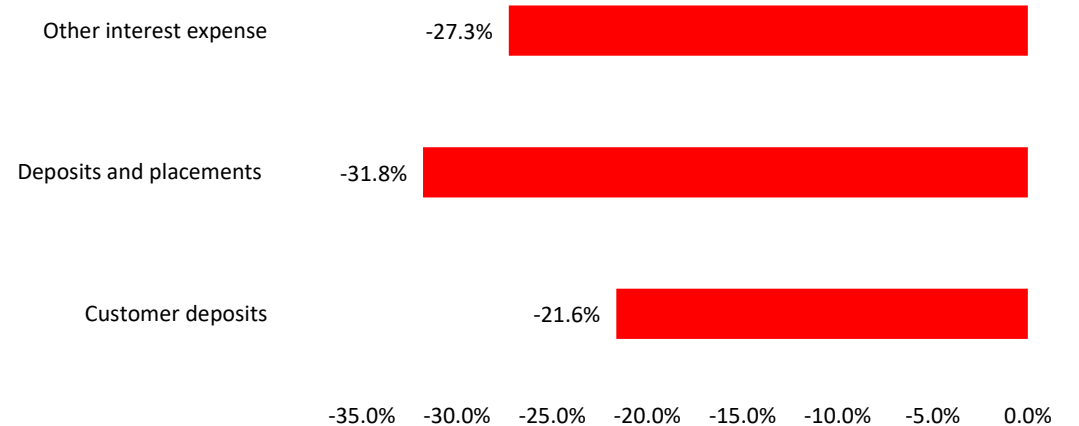
Source: Company Financials

Decline in Interest expense (KES billions)



Source: Company Financials

Interest expense composition



Source: Company Financials

Net Interest Income & Non-funded income

Net interest income (NII) rose 21.1% to KES 31.8 billion Q3 2025 from KES 26.3 billion in Q3 2024.

Non-funded income expanded by 17.9% to KES 11.2 billion in Q3 2025 from KES 9.4 billion, an increase of KES 1.7 billion. This was primarily driven by a significant 133.4% surge in other income which rose to KES 2.0 billion from KES 873.0 million.

Fees and commissions income on loans and advances grew 8.8% to KES 2.1 billion from KES 1.9 billion.

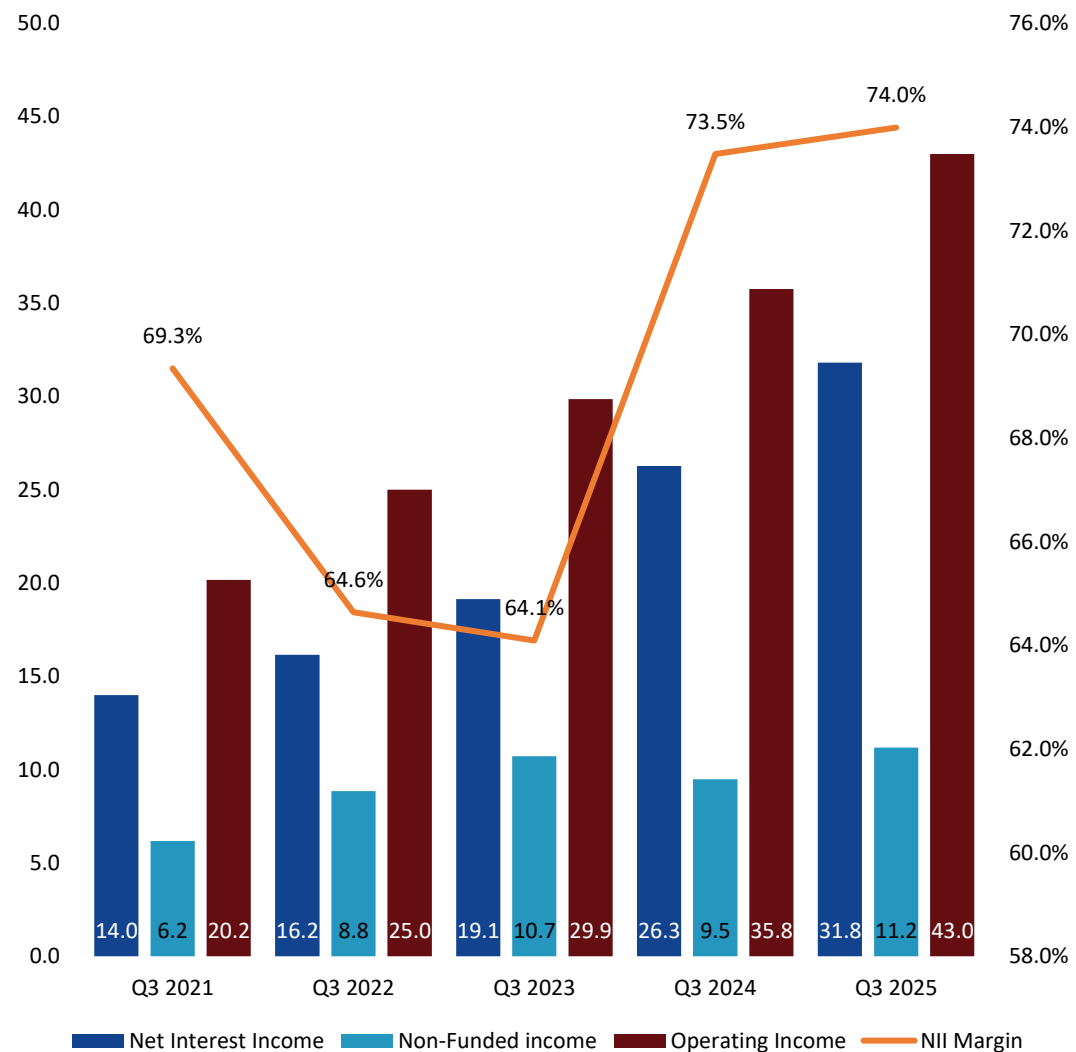
Other fees and commissions expanded by 19.1% to KES 4.7 billion from KES 3.9 billion.

Foreign exchange trading income edged down by 13.5% to KES 2.4 billion from KES 2.8 billion.

As a result, total operating income increased by 20.2% to KES 43.0 billion from KES 35.8 billion in Q3 2024.

The Net Interest Income (NII) Margin rose by 0.5 percentage points to 74.0% from 73.5%. In contrast, the Non-Funded Income (NFI) Margin eased to 26.5% from 26.0% in H1 2024.

Net Interest Income, Non-funded Income & Operating Income (KES billions)



Operating expenses

Total operating expenses rose by 15.6% to KES 25.8 billion in Q3 2025, from KES 22.4 billion in Q3 2024. This was largely driven by significant 20.7% increase in staff costs to KES 7.8 billion from KES 6.4 billion.

Loan loss provisions surged by 21.9% to KES 6.7 billion from KES 5.5 billion.

Director emoluments saw a significant 28.3% decline to KES 95.5 million from KES 133.1 million.

Rental charges increased by 4.1% to KES 527.0 million from KES 506.3 million.

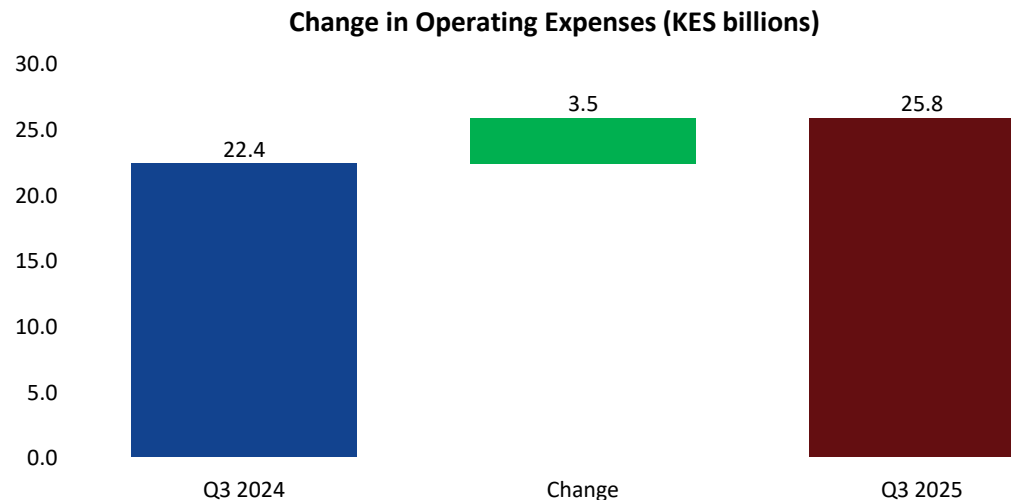
Depreciation on property and equipment edged down by 4.7% to KES 1.37 billion from KES 1.44 billion.

Amortization charges contracted by 8.2% reaching KES 721.0 million from KES 785.6 million.

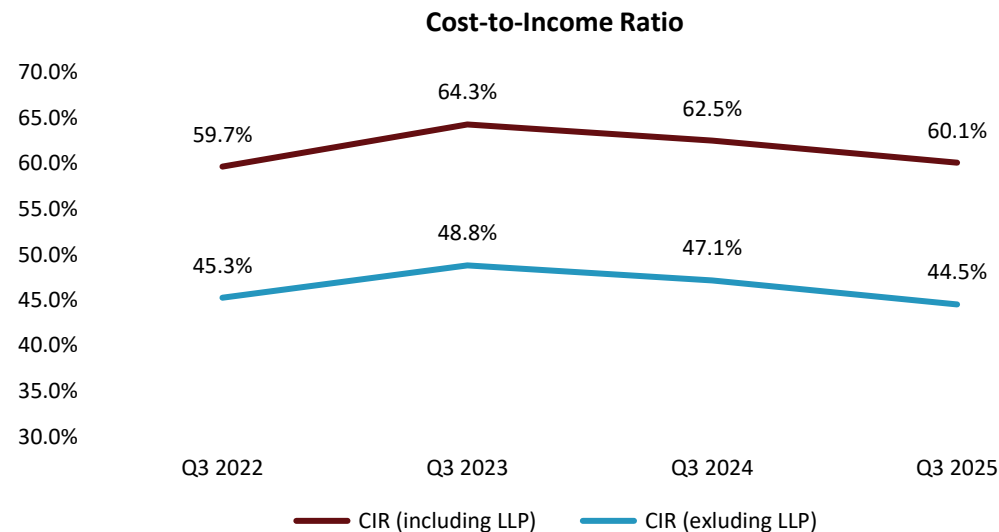
Other operating expenses expanded by 14.5% to KES 8.7 billion from KES 7.6 billion in Q3 2024, an increase of KES 1.1 billion.

I&M's efficiency improved, with the cost-to-income ratio (including provisions) easing to 60.1% from 62.5%, while the ratio excluding provisions declined to 44.5% from 47.1%, reflecting better cost management and stronger income growth.

**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.*



Source: Company Financials



Source: Company Financials

Profitability

Profit before tax climbed 28.0% reaching KES 17.2 billion in Q3 2025 from KES 13.4 billion in the same period the previous year.

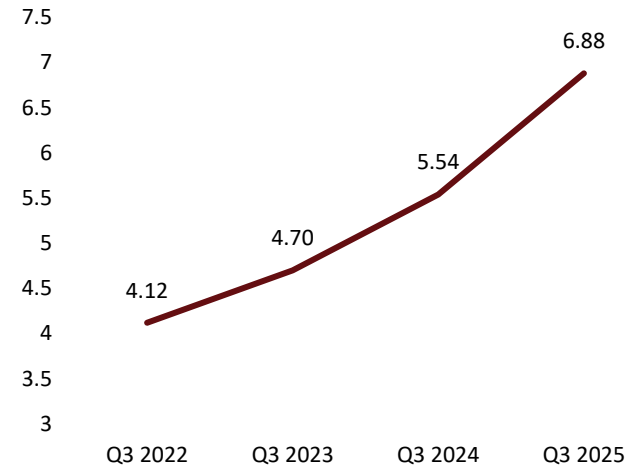
Profit after tax increased by 27.4% to KES 12.7 billion in Q3 2025 from KES 9.9 billion in Q3 2024.

Total comprehensive income surged by 573.7% to KES 18.4 billion from KES 2.7 billion, an increase of KES 15.7 billion.

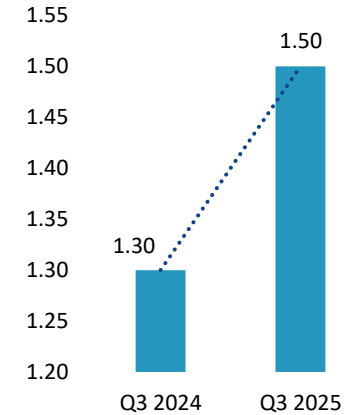
Earnings per share (EPS) improved by 24.2% rising to KES 6.88 from KES 5.54.

The Board of Directors declared an interim dividend of KES 1.50, with the book closure set for 15th December 2025 and the payment scheduled for on or about 14th January 2026. As a result, dividend per share rose by 15.4% to KES 1.50 from KES 1.30 in Q3 2024.

Earnings Per Share (KES)

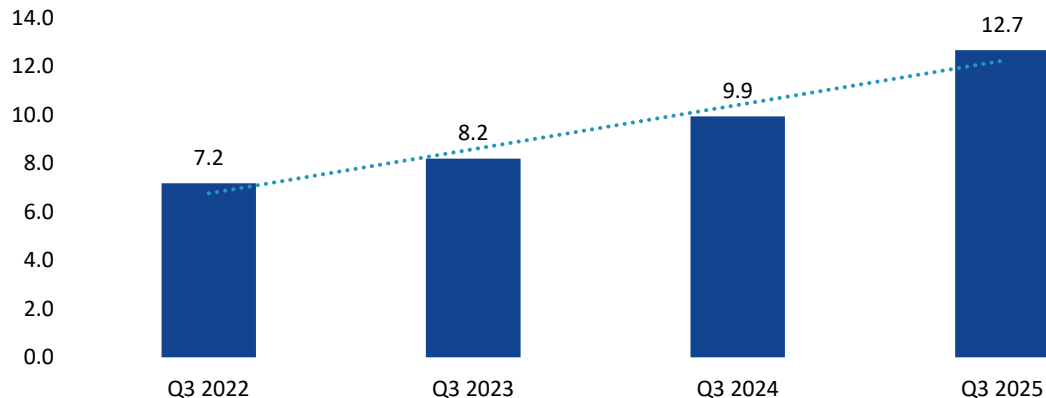


Dividend per share (KES)



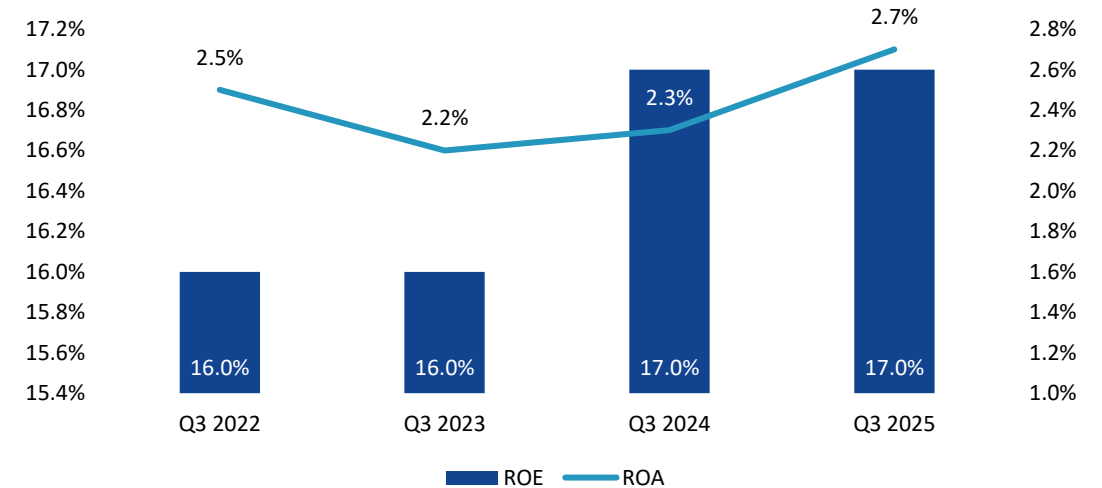
Source: Company Financials

Profit after Tax (KES billions)



Source: Company Financials

Profitability Ratios (%)



Source: Company Financials

Balance Sheet Rundown

Total assets grew by 12.8% to KES 640.4 billion in Q3 2025 from KES 567.7 billion in Q3 2024, reflecting an increase of KES 72.7 billion.

Kenyan government securities held at amortised cost edged down by 13.3% to KES 35.4 billion from KES 40.8 billion, while Kenya government securities held at fair value through other comprehensive income (FVOCI) surged by 122.9% to KES 123.5 billion from KES 55.4 billion.

Deposits and balances due from local banking institutions recorded a sharp decline of 44.3% to KES 2.3 billion from KES 4.1 billion.

Similarly, balances due from foreign banking institutions dropped by 15.2% to KES 39.8 billion from KES 46.9 billion.

Loans and advances to customers expanded by 7.3% to KES 301.9 billion in Q3 2025 from 281.3 billion, an increase of KES 20.6 billion.

Total liabilities rose by 9.6% to KES 519.2 billion from KES 473.6 billion.

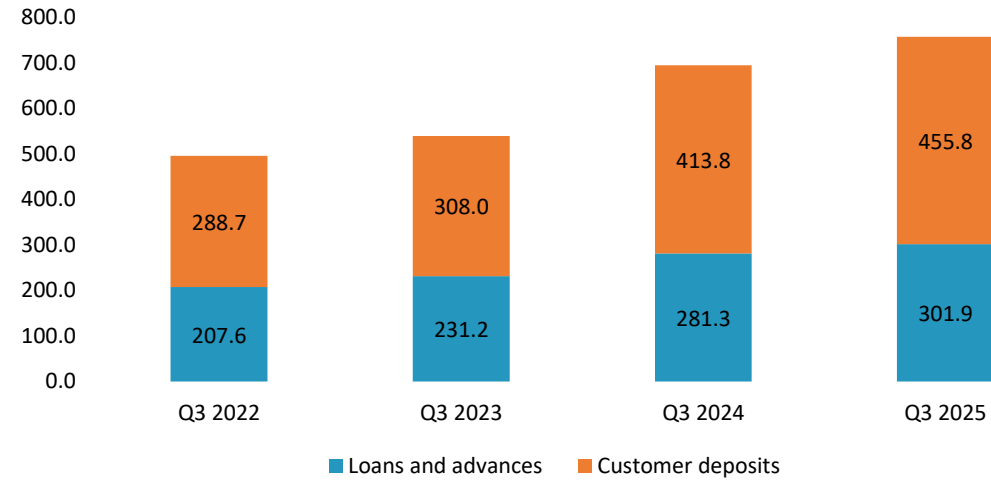
Customer deposits increased by 10.2% to KES 455.8 billion in Q3 2025 from KES 413.8 billion in Q3 2024, representing an uptick of KES 42.0 billion.

Borrowed funds declined by 24.5% to KES 10.5 billion from KES 13.9 billion.

As a result, the loan –to-deposit ratio dropped from 68.0% in Q3 2024 to 66.2% in 2025 reflecting deposit growth outpaced loan expansion.

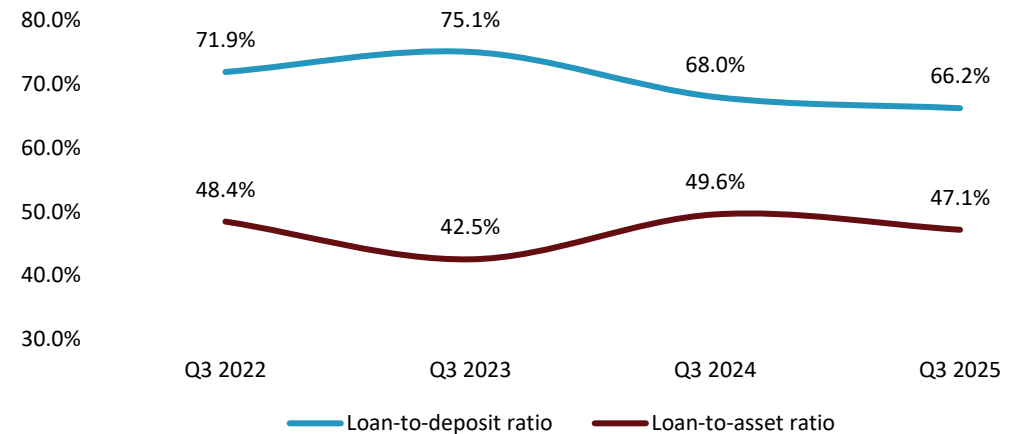
Total shareholders’ funds advanced by 29.9% to KES 11.8 billion from KES 87.6 billion in Q3 2024. This was driven by a significant 21.7% increase in retained earnings to KES 73.0 billion from KES 60.0 billion.

Loan book and Customer deposits (KES billions)



Source: Company Financials

Loan-to-Deposit and Loan-to-Asset Ratios



Source: Company Financials

Subsidiary Performance

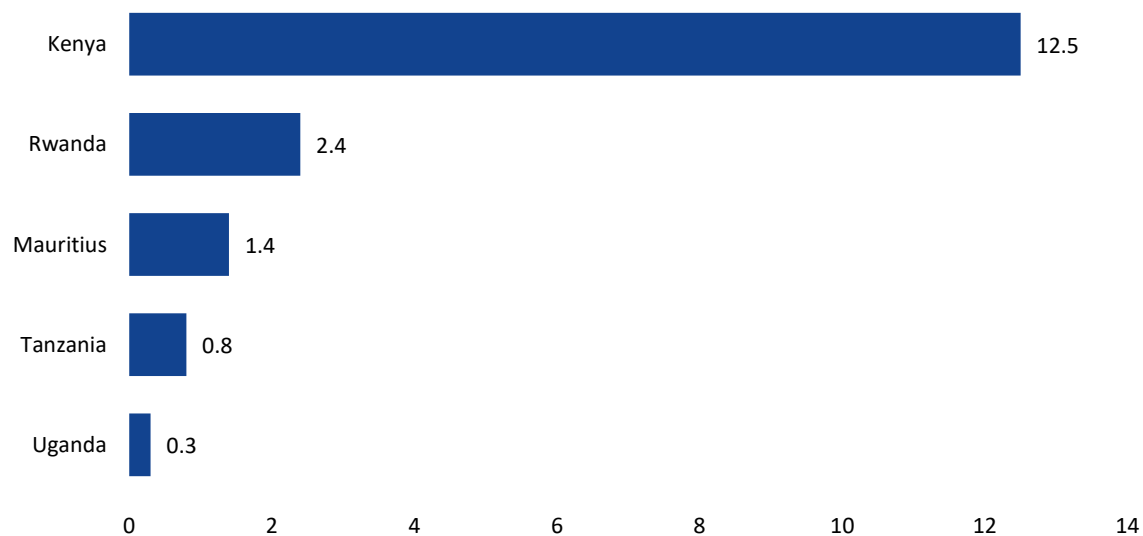
Subsidiary performance remained anchored in the Kenyan market, which delivered KES 12.5 billion in PBT and accounted for 75% of the Group's overall profitability.

Rwanda contributed a solid 15% contributing KES 2.4 billion, reflecting sustained business momentum and improving operational efficiency.

Tanzania and Mauritius posted modest PBT contributions of 5% and 4% representing KES 0.8 billion and KES 1.4 billion, respectively, while Uganda made a marginal contribution, accounting for 2% of PBT, equivalent to KES 0.3 billion.

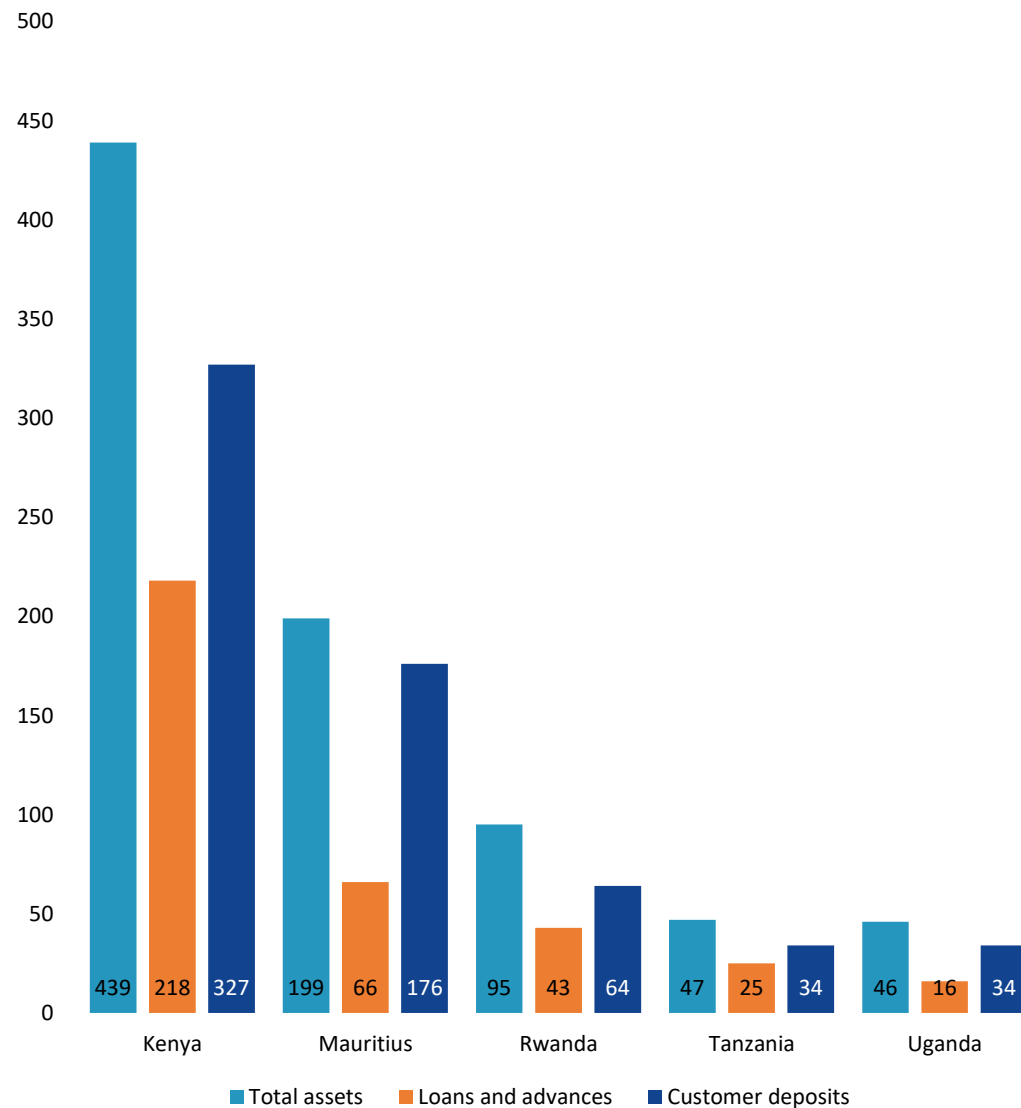
Overall, the regional markets are strengthening the Group's earnings diversification, even as Kenya remains the dominant profit driver.

PBT (KES billions)



Source: Company Financials

Total assets, Loan and advances and Customer deposits (KES billions)



Source: Company Financials

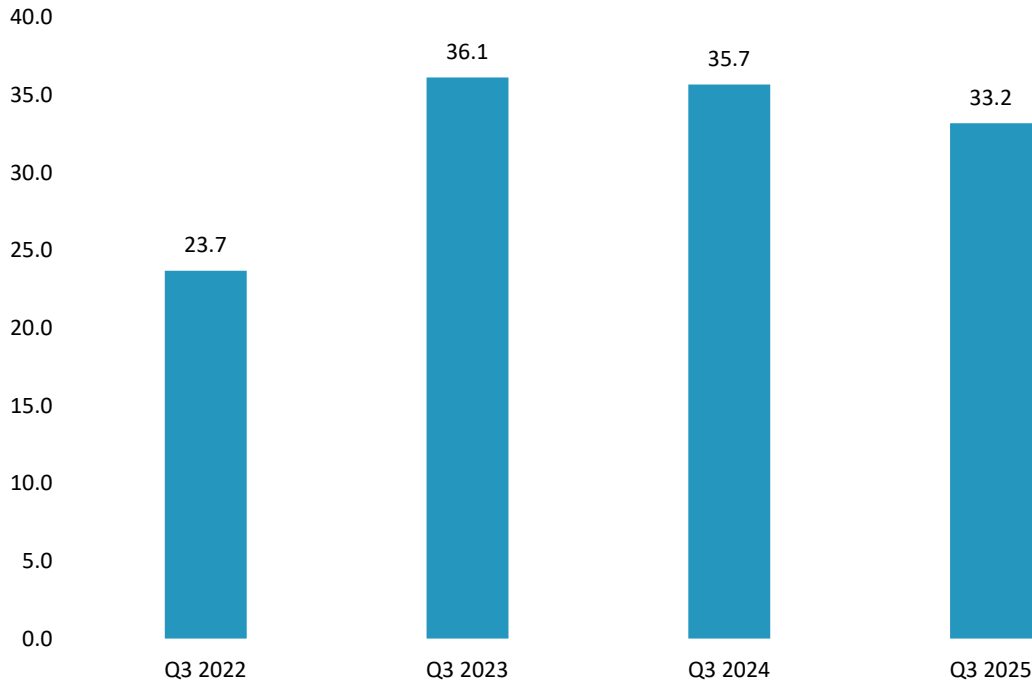
Asset Quality

Gross non-performing loans (NPLs) declined by 7.0% to KES 33.2 billion in Q3 2025 from KES 35.7 billion in Q3 2024, reflecting a drop of KES 2.5 billion.

Consequently, the NPL ratio edged down to 10.2% in Q3 2025 from 11.8% in Q3 2024, positioning it well below the industry average of **16.5% as of December 9th, 2025**.

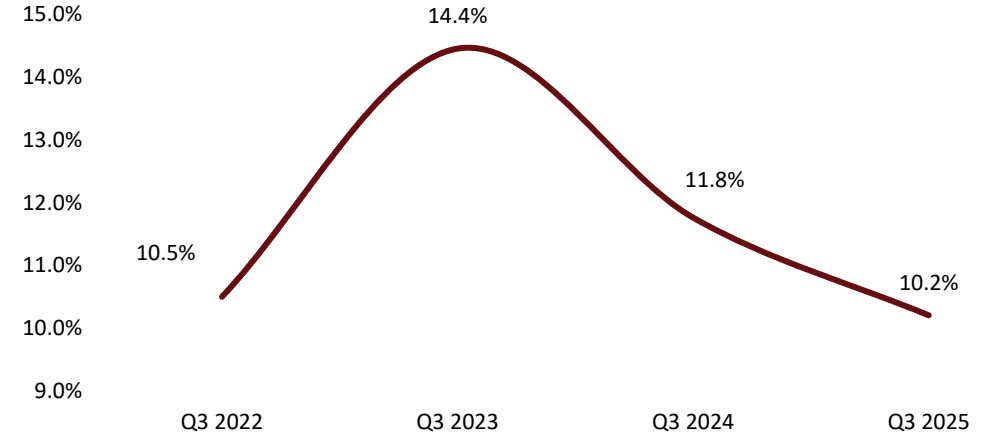
The NPL coverage ratio increased to 69.5% from 61.3% in Q3 2024, showing that the bank is strengthening its buffer against potential loan losses.

Gross Non-performing loans (KES billions)



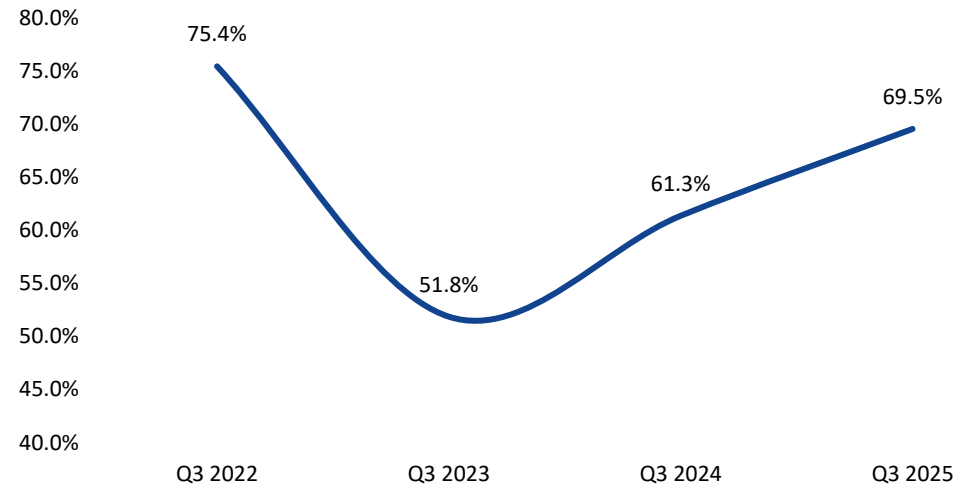
Source: Company Financials

Gross NPL Ratio (%)



Source: Company Financials

NPL Coverage Ratio (%)



Source: Company Financials

Outlook and Recommendation

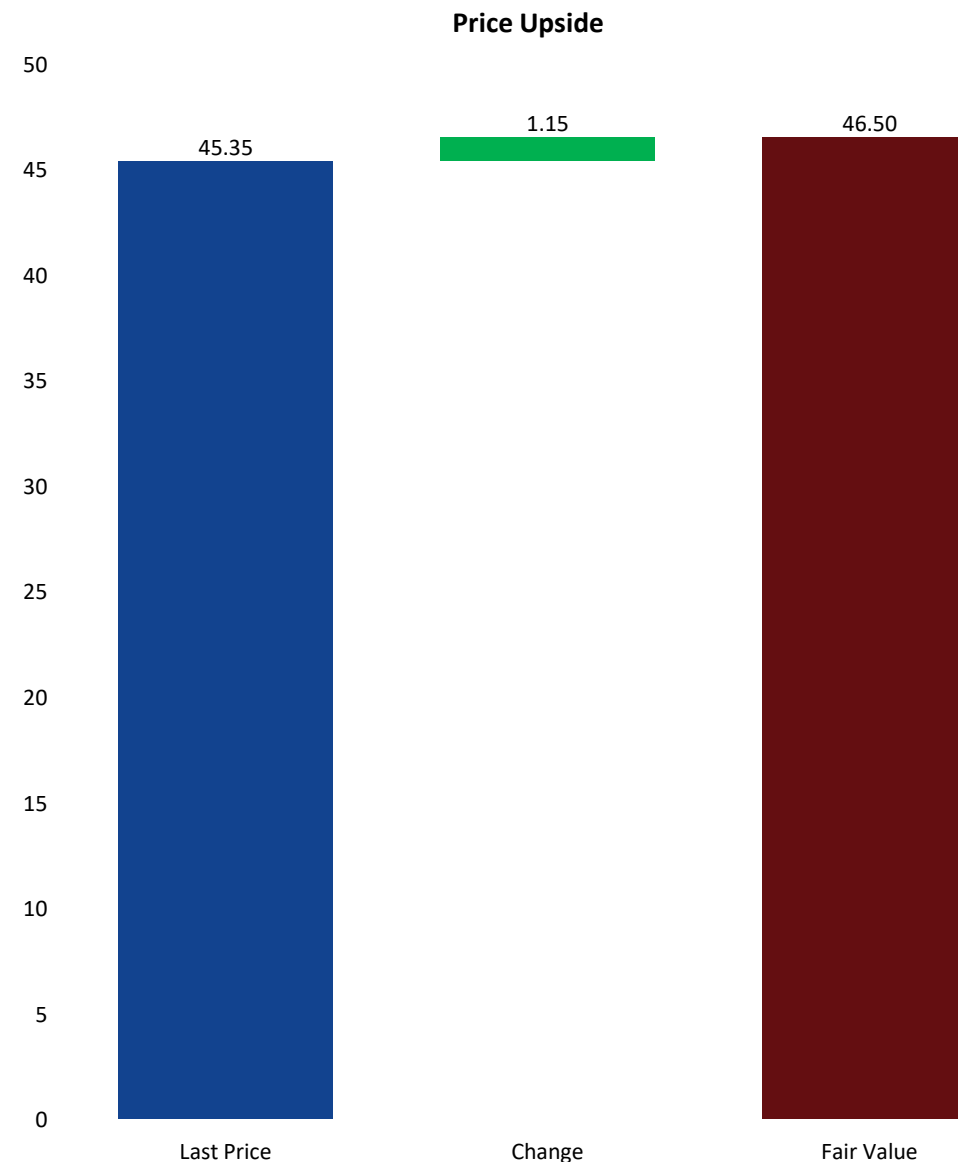
I&M Bank is positioned to maintain a steady and progressive performance trajectory over the coming quarters, supported by disciplined balance sheet management, a solid regional footprint, and continued execution of its **iMara 3.0 Strategy (2024–2026)**. The strategy’s focus on strengthening leadership in Corporate and Commercial Banking, enhancing relevance in Retail and SME segments, and building ecosystem-led solutions is expected to accelerate customer growth, deepen digital engagement, and diversify revenue streams across the Eastern Africa region.

Operational efficiency remains a key strength for the Bank. The cost-to-income ratio (including provisions) improved to **60.1% from 62.5%**, while the ratio excluding provisions declined to **44.5% from 47.1%**, reflecting disciplined cost optimization and stronger income generation. Ongoing digital transformation, automation initiatives, and a streamlined operating model are expected to drive further improvements through 2026.

Asset quality has shown meaningful progress, with the NPL ratio easing to **10.2% in Q3 2025** from **11.8% in Q3 2024**, significantly outperforming the industry average of **16.5% as of December 9th, 2025**.

The **recent ninth cut in the Central Bank Rate (CBR), from 9.25% to 9.00%**, creates a more favorable economic environment. For I&M, the lower policy rate is expected to reduce funding costs especially on wholesale and repricing deposits offering some relief on interest expenses. While lending yields may gradually decline as market rates adjust, potentially putting slight pressure on interest margins, the rate cut is likely to boost credit demand among corporates and SMEs. This should support moderate loan growth, ease repayment pressures, and further strengthen the Bank’s improving asset quality trend.

The more accommodative monetary environment, combined with the momentum of iMara 3.0, positions the Bank for steady medium-term growth despite a challenging economic landscape.



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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 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.

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