

I&M Group PLC 1Q 2024 EARNINGS UPDATE

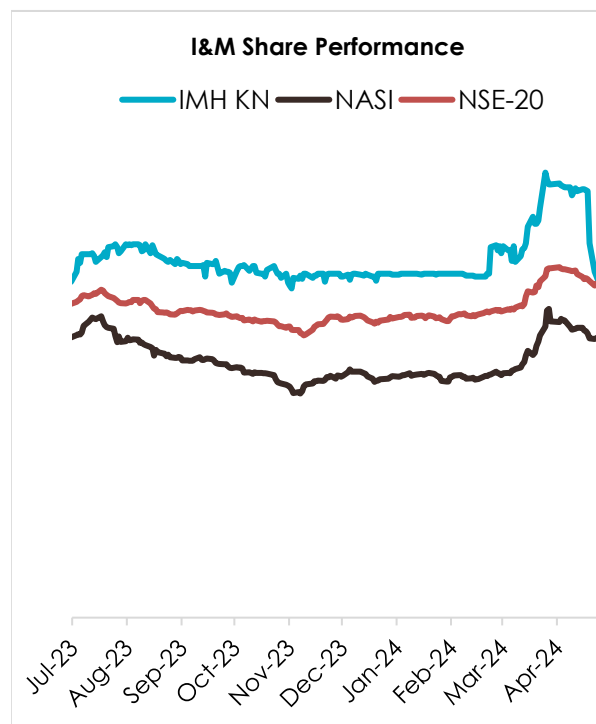
I&M Bank released its 1Q2024 results posting a **30.8%** increase in PAT to KES 3.3Bn partly attributable to 37.7% growth in Net interest income. Non-interest income however declined by 9.4% to KES 3.2Bn. The **Return on Equity** increased to **4.0%** while **Earnings Per Share** rose to **KES 2.01** from KES 1.54 in the previous financial year.

1Q2024 Performance

- Earnings:** Operating income grew by 20.6% y-o-y to KES 11.5Bn driven by a 37.7% growth in net interest income to KES 8.4Bn. On the other hand, fees and commission income grew marginally, by 1.4% to KES 0.6Bn while foreign exchange trading income declined by 34.4% to KES 0.9Bn eroding non-interest income during the period.
- Loan book:** The bank's loans and advances grew by 13.1% to KES 291.5Bn boosting overall assets, which grew by 12.5% to KES 533.0Bn. The loan to deposit ratio however declined to 75.7% from 79.4% in 1Q2023 attributable to faster growth in customer deposits.
- Customer deposits** grew by 18.2% to KES 383.9Bn supported by deposit mobilization targeting the different segments and digitalization. The bank also opened 8 new branches in 2023 and plans to open 12 more in FY2024. Notably, interest expense shot up by 76.0% to KES 7.2Bn reflective of the expensive deposits.
- Government securities:** Investment in government securities recorded a 0.8% increase to KES 73.3Bn.
- Efficiency:** Cost to income (CTI) ratio declined to 44.2% from 45.8% and Cost to Income ratio with Loan Loss Provisions dropped to 57.5% from 63.0% in 1Q2023 indicating improved efficiency in the management.
- Asset Quality:** The NPL ratio increased to 10.4% from 10.2% in 1Q2023 but still below the industry average of 16%. Loan loss provisions however declined by 6.4% to KES 1.5Bn from KES 1.6Bn in 1Q2023 indicating improved credit management.

Share Data	Co-op Bank Kenya
Ticker	IMH KN
RECOMMENDATION	BUY
Current Price (KES)	18.05
Target Price (KES)	22.02
Upside	22.00%
52WK High (KES)	24.50
52WK Low (KES)	15.80
Market Cap (KES Bn)	29.8
P/B	0.3x
P/E	9.0x
<i>Current Price = as of May 22, 2024</i>	

Source: Bloomberg, NSE, NCBA IB Research



Source: NSE, NCBA IB Research

Financial Summary

I&M Group	Key Metrics Y/Y	I&M Group	Key Ratios Y/Y
Loans and Advances	Up 13.1% to KES 291.5Bn	Loan Deposit ratio	Down to 75.9% from 79.4%
Customer Deposits	Up 18.2% to KES 383.9Bn	Net Interest Margin	Up 1.6% from 1.3%
Government Securities	Up 0.8% to KES 73.3Bn	Cost to Income	Down to 44.2% from 45.8%
Net Interest Income	Up 37.7% to KES 8.4Bn	NPL Ratio	Up to 10.4% from 10.2%
Non-Funded Income	Down 9.4% to KES 3.2Bn	Cost of Risk	Down to 0.5% from 0.6%
Forex trading income	Down 34.4% to KES 0.9Bn	ROE	Up to 4.0% from 3.1%
Loan Loss Provisions	Down 6.4% to KES 1.5Bn	Current Market Price	KES 18.05
PBT	Up 38.5% to KES 4.9Bn	P/E	9.0x
PAT	Up 30.8% to KES 3.3Bn	P/B	0.3x
EPS	Up 30.5% to KES 2.01	Dividend	Nil

Source: Company financials, NCBA IB Research

Outlook

We expect I&M Group to record gradual growth boosted by:

- 1. Subsidiaries performance and contribution:** The subsidiaries are expected to substantially contribute to the overall performance of the group. Notably, the bank will continue to drive transformation through its new Imara 3.0 2024-2026 strategy.
- 2. Digital transformation:** The Group's focus has been on investing in digital platforms to diversify revenue streams and scaling business opportunities. The digitalization has resulted to over 80% channel transactions compared to 67% in FY'2020.
- 3. Loan Book Growth:** The bank has sustained an average double-digit loan book growth. Net Loans and advances have recorded strong growth momentum on the back of corporate and retail business segments. The bank remains focused on building inroads into MSME and retail banking by offering innovative solutions. Branch expansion will cement this strategy.

Investment recommendation:

The Bank continues to execute a proactive Imara 3.0 2024-2026 strategy anchored on accelerating growth in key segments and digitalization. The bank also continues to grow its branch network across the country expected to drive deposit mobilization.

At the current market price, we believe the stock presents an opportunity for long-term investors to earn **capital gains** and an **attractive dividend yield**. I&M Group will continue to deliver long-term profitability on the back of digitalization and deposit mobilization through branch network expansion.

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HOLD – Total expected 12-month return (incl. dividends) between **0% - 10%**

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