NCBA INVESTMENT BANKING EARNINGS UPDATE

I&M GROUP PLC KENYA HY25 EARNINGS UPDATE

I&M Group Kenya released HY25 results posting a **36%** increase in PAT to KES 8Bn attributable to a 24% increase in net interest income and 13% increase in non-interest income to KES 20.4Bn and KES 7.00Bn respectively. **Earnings Per Share** rose to **KES 4.51** from KES 3.27 in the previous financial year.

Looking ahead, I&M is well-positioned to sustain earnings momentum into the second half of the year. Growth is expected to be anchored by retail and MSME lending, digital adoption, and ecosystem partnerships, while regional subsidiaries provide diversification and incremental growth.

The Group remains on track to achieve its IMAR 3.0 targets, including return on equity above 20%, a customer base exceeding one million, and over 90% digital penetration by 2026. Execution on these fronts should support further re-rating of the franchise and entrench I&M's competitiveness in the regional banking landscape.

At the current market price of **KES 38.70,** the stock is trading below our **target price** of KES 44.19.

We recommend a **Neutral** on the stock with an upside of **14%** supported by resilient earnings, improving subsidiary contribution, disciplined risk management, and a well-capitalized balance sheet that underpins sustainable shareholder returns.

PERFORMANCE HIGHLIGHTS

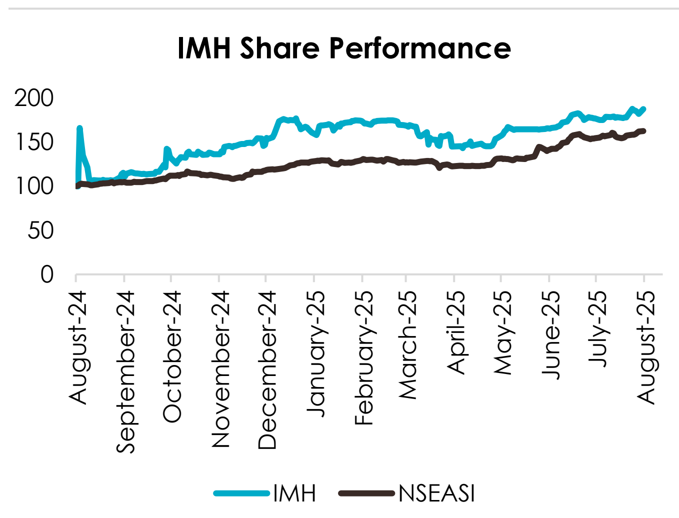
- **Earnings:** The bank's operating income increased by 21% to KES 28Bn supported by improved cost efficiency.

The Corporate and institutional segment contributed 31% to the lender's total operating income driven by growth in oil and gas sector, public sector, China desk and leasing.

The retail and business banking segment contributed 45% to the lender's total operating income driven by an increase in retail lending, especially **MSME, Agri, workplace banking, digital loans**.

Share Data	I&M
Ticker	IMH KN
Recommendation	Neutral
Current Price (KES)	38.70
Target Price (KES)	44.19
Upside (Inc. Div. Yield)	14.00%
52WK High (KES)	39.35
52WK Low (KES)	15.80
Market Cap (KES Bn)	67.34
EPS (An)	9.02
P/E	*4.16*
P/B	0.61x
current Price = VWAP as at 18TH August 2025	

Source: Bloomberg, NSE, NCBA IB Research



Source: NSE, NCBA IB Research

Analyst: Anjali Patel

Anjali.patel@ncbagroup.com

- **Efficiency:** The Group's operating expenses, excluding provisions, rose by 11% to KES12Bn driven by investments in staff and branch expansion. This underscores the bank's strategic shift toward **digital transformation** and **automation,** which has not only driven business expansion but also optimized cost structures. The group's digitally active customers increased by 4% to 86% in HY25.

- **Loan Book:** The bank's loans and advances increased marginally by **2% y/y** to KES 290Bn with mixed performance across the subsidiaries mainly driven by growth in retail and business banking loan portfolio in local currency across the subsidiaries.

  Kenya saw a decline in loan growth due to prudent lending decisions influenced by the challenging macro-economic conditions.

  Regionally, In Tanzania, loans and advances grew by 11% to KES 24Bn largely driven by demand on digital loans, whereas in Rwanda, Loans and advances grew by 13% to KES40Bn largely driven by intensified efforts by business and retail segments.

- **Customer deposits:** Customer deposits closed the half year at KES 429Bn, representing a marginal 2% growth compared to KES419Bn in the previous year.

  Deposits from customers in Kenya increased marginally by 0.4% to KES 315Bn because of the tough macro-economic environment with competitive rates across the industry.

  Regionally, In Tanzania Customer deposits saw a marginal decline year on year. The Bank has intensified mobilization efforts to support asset growth.

  In Rwanda, Customer deposits growth by 8% to KES 55,4Bn largely supported by inflows from the corporate business.

  In Uganda, deposit growth of 21% was driven by FCY deposits mobilization and inflows from corporate and retail clients.

  Lastly, In Mauritius offshore personal and private banking remain the main drivers of growth in deposits which recorded a 22% increase to close at KES 162Bn.

- **Asset Quality:** Non-performing loans decreased marginally by **1.4%** to **KES34Bn** primarily driven by prudence on asset quality. The NPL ratio improved marginally to **10.59%** lower than the industry average of 17.6%. – reflective of deteriorating asset quality.

  In Kenya, the NPL ratio eased marginally on the back of improved recoveries and enhanced collection efforts in the corporate and SME books, though pockets of stress persisted in the trade and construction sectors.

  Rwanda and Uganda maintained resilient asset quality, supported by cautious credit underwriting and ongoing economic recovery, while Tanzania experienced a slight uptick in delinquencies linked to MSME exposures. Mauritius continued to demonstrate prudent risk management with low NPL formation, anchored by its well-collateralized offshore portfolio.

Overall, while Group NPL coverage remained robust, management signaled continued focus on tightening credit controls, proactive client engagement, and expanding use of digital collection tools to mitigate emerging risks.

- **Subsidiary Contribution:** Profitability has been backed by strong and resilient performance across its subsidiaries. Subsidiaries' PBT contributed 24% to overall group with cross-border business revenues increasing by 104% to USD 5Mn in HY25. The wealth management and bancassurance continue to grow. Wealth assets under management were up 238% to close at KES 70Bn and Bancassurance revenues grew 15% to KES 353Mn.

- **Stable Balance Sheet:** Total assets grew marginally by 4% to KES 589Bn with slow growth especially in Kenya as improvements in economic conditions evolved much slower than expected.

  The balance sheet across the subsidiaries remain strong, highly liquid and well capitalized. The bank also maintained a strong capital position, with a total capital ratio of 18% and a robust liquidity ratio of 38%, ensuring financial resilience.

Financial Summary

HY 25 I&M Group Kenya PLC	Key Metrics Y/Y
Loans and Advances	Up 2.1% to KES 290Bn
Customer Deposits	Up 2.4% to KES 429Bn
Government Securities	Up 48% to KES 133Bn
Net Interest Income	**Up 23.7% to KES 20Bn**
Non-Funded Income	**Up 12.9% to KES 6.9Bn**
Forex trading income	Down 8.2% to KES 1.7Bn
Loan Loss Provisions	Up 17.4% to KES 4.1Bn
PBT	Up 35% to KES 11.3Bn
PAT	**Up 36% to KES 8.3Bn**
EPS	Up 38% to KES 4.51

I&M Group Kenya PLC	Key Ratios Y/Y
Loan Deposit ratio	Down to 67.60% from 67.76%
Net Interest Margin	**Up to 3.5% from 2.9%**
Cost to Income	Down to 44% from 48%
NPL Ratio	**Down to 10.59% from 10.92%**
ROE	Up to 7.80% from 7.06%
ROA	Up to 1.41% from 1.08%
Current Market Price	KES 37.55
P/E(Annualized)	4.16x
P/B	0.61x
Interim Dividend (H1)	**None**

Source: Company financials, NCBA IB Research

Outlook

We expect I&M record steady growth boosted by:

1. **Subsidiaries performance and contribution:** Regional subsidiaries continue to provide meaningful earnings diversification, contributing close to 26% of overall PBT. Kenya remains the anchor, but strong momentum in Rwanda and Uganda, supported by SME and retail growth, will drive incremental bottom-line contributions. The Group's Imara 3.0 (2024–2026) strategy emphasizes deeper regional transformation, positioning subsidiaries as engines of long-term growth.

2. **Digital transformation:** The Group's focus has been on investing in digital platforms to diversify revenue streams and scaling business opportunities. Digitalization has resulted in over 73% channel transactions, hence convenience to the client base.

3. **Segment expansion:** The bank continues to remain focused on developing leadership in their **core segments**: Corporate and commercial along with focus on building relevance in **asset finance, home loans, bancassurance, digital lending** and aim to develop and deepen leadership in **new target growth** areas in the oil and gas sector, public sector, China desk and leasing. The bank

remains focused on building inroads into MSME and retail banking by offering innovative solutions. Branch expansion will cement this strategy.

Investment recommendation:

I&M Group, under its Imara 3.0 (2024–2026) strategy, is driving growth through digital transformation, regional expansion, and stronger SME and retail penetration. Backed by a robust risk management framework and strong capitalization (CAR 18.3%), the Group is well-positioned for sustainable growth. Subsidiaries contributed 29% of PBT, highlighting diversification, while digital channels now account for 73% of transactions, enhancing efficiency.

Despite elevated NPLs (10.5%), coverage above 70% reflects prudent provisioning. Our blended fair value estimate of **KES 44.19 per share** implies **14.2% upside** from the current **KES 38.70**. We therefore initiate with a ***Neutral*** recommendation, offering investors both capital gains potential and attractive dividend returns.

DISCLAIMER AND DISCLOSURES

1. General Disclaimer
This research report (Report) has been prepared by NCBA Investment Bank (NCBA-IB) and contains detailed industry analyses, statistics and forecasts exclusively for informational purposes and is intended solely for the use of NCBA-IB clients and may not be distributed, published, or reproduced, in whole or in part, nor may its contents be disclosed to any other party without the express written consent of NCBA-IB. While this Report contains analyses and insights aimed at assisting customers in making investment decisions regarding various securities, it does not constitute an offer, solicitation, or recommendation to buy or sell any securities, and it is not intended to provide the basis for any evaluation of the securities discussed herein. NCBA-IB expressly disclaims any responsibility for errors and omissions in this Report. The Information set forth in this Report has been obtained from sources believed reliable and developed through the application of independent judgement, but NCBA-IB does not warrant its completeness or accuracy. Opinions expressed in this Report are current viewpoints as of the date of issue and are subject to change without notice. Furthermore, NCBA-IB is under no obligation to update or keep the information current. While every effort has been made to ensure the accuracy and completeness of the information provided, no representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained herein, and nothing contained herein is, or shall be relied upon as, a promise or representation as to the future performance of any securities or financial product and market conditions which may change and this might materially impact the accuracy and validity of such analysis.

2. Use of Information
The information presented in this Report is intended solely for informational purposes and is not a comprehensive treatment of the topic at hand. NCBA-IB makes every effort to use reliable, comprehensive information, but we do not represent that the information is accurate or complete. NCBA-IB is not responsible for errors or omissions nor for results obtained from the use of this information. All information is provided "as is", without warranty of any kind, express or implied.

3. No Guarantees on Performance
NCBA-IB, its affiliates, employees, or any associated entities provide no guarantee, warranty, or representation regarding the potential performance or expected outcomes of any investment or financial transaction referenced within this document. Investment values can fluctuate, and the past performance of a security, industry, sector, market, financial product, trading strategy, or individual investment does not guarantee future results or returns.

4. Independent Decision Making
Recipients of this Report are strongly advised to make investment decisions based on their own investment objectives, careful consideration of their financial situation, operational capacity, and the availability of resources. It is recommended that all clients conduct thorough due diligence and, where appropriate, consult independent financial, legal, tax, or other professional advisors to assess the suitability of any potential investment.

5. Limitation of Liability
The Bank, its affiliates, and their respective officers, directors, employees, or agents accepts no liability whatsoever for any direct or consequential loss or damage arising from the use of this Report or the information contained herein. Past performance is not necessarily indicative of future results, and NCBA-IB does not undertake that the recipient of this report will obtain profits or avoid incurring losses. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in these reports is suitable for their particular circumstances and, if necessary, seek professional advice, including tax advice.

6. Authority to Enter Contracts
Please be advised that legally binding obligations on behalf of NCBA-IB can only be established through formal written agreements, duly signed by authorized representatives of NCBA-IB. No electronic communications or implied agreements through informal communications shall be considered binding under any circumstances.

7. Disclosure Statement
NCBA-IB may, from time to time, participate or invest in transactions with the companies mentioned herein, perform services for or solicit business from company(s) mentioned, and/or have a position or effect transactions in the securities or options

thereof. Members of NCBA-IB, its principals or affiliates, may have a financial interest in securities of the companies mentioned in this report.

8. Conflicts of Interest

NCBA-IB may engage in transactions in a manner that is inconsistent with the recommendations made in this Report, and it may have commercial relationships with entities mentioned in this Report. NCBA-IB may have provided advice or investment services relating to the investments concerned or a related investment to any company mentioned in this Report prior to its publication. Further, NCBA-IB may receive compensation for these services and acts as a market maker or liquidity provider in the securities that are the subject of this report. NCBA-IB does not prepare research on entities within its corporate group ("the NCBA Group") or other entities where a real or perceived conflict of interest may exist.

9. Confidentiality

This Report is confidential and is intended only for the person or entity to which it is addressed. It may contain confidential, proprietary, or legally privileged information. No confidentiality or privilege is waived or lost by any misdelivery or transmission errors. If you are not the intended recipient, please immediately delete it and all copies of it from your system, destroy any hard copies of it, and notify the sender. You must not, directly or indirectly, use, disclose, distribute, print, or copy any part of this report if you are not the intended recipient.

10. Intellectual Property Rights

All content, data, analyses, graphics, and logos provided in this Report are the exclusive property of NCBA-IB and/or its affiliates, unless otherwise noted, and cannot be copied, distributed, transmitted, displayed, published, or broadcast without the prior written permission of NCBA-IB.

11. Regulatory Compliance

This Report is also subject to regulatory restrictions and obligations that may affect its use. NCBA-IB produces research reports which adhere to regulatory standards. This document may not be distributed in any jurisdiction where its distribution may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

12. Use and Distribution

These materials are intended only for clients of NCBA-IB, and may not be reproduced, redistributed, or copied in whole or in part for any purpose without the express written consent of NCBA-IB