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I&M Group Plc – Q1 2026 Earnings Note

I&M Defies Sector Trends with Strong Interest Income growth – EPS jumps 16.5% to Kes 2.71

In Q1 2026, I&M Group stood out as one of the few lenders to defy prevailing industry trends and post double-digit growth in interest income. The growth in funded income, coupled with only a marginal increase in interest expense despite stronger deposit mobilization, significantly supported earnings expansion during the quarter. As a result, profitability remained strong, with Profit Before Tax (PBT) rising by 9.9% y/y to KES 6.24Bn from KES 5.68Bn, while Profit After Tax (PAT) climbed 19.4% to KES 5.04Bn from KES 4.22Bn. Consequently, Earnings Per Share (EPS) increased by 20.1% y/y to KES 2.71 from KES 2.26, underscoring strong bottom-line growth and improved shareholder returns.

At the bourse, the counter has maintained a sustained upward rally, although it has underperformed the Nairobi All Share Index (NASI) across most timeframes, except for the 3-month comparison.

We maintain a HOLD stance for recent entrants, while recommending profit-taking for investors currently sitting on double-digit gains.

Recommendation:	HOLD
Bloomberg Ticker:	IMH KW
Share Stats	
Current Price	50.25
3-Month Av	49.78
6 Month Av	47.38
12 Month Av	41.35
52 Week High	51.50
52 Week Low	29.55
Issued shares (Bn)	1.74
Market Cap (KES Bn)	87.44
Market Cap (USD Mn)	0.67
P/E	1.93
PB	0.07
EPS	2.71

Income Statement

Total Income: I&M Group delivered a strong Q1 2026 earnings performance, with total operating income rising by 24.4% y/y to KES 16.14Bn from KES 12.97Bn in Q1 2025.

Net interest income (NII) increased by 31.0% y/y to KES 12.29Bn from KES 9.38Bn, underpinned by strong interest income growth and a relatively stable funding cost base. Interest income rose by 19.3% y/y to KES 18.47Bn from KES 15.48Bn, while interest expense increased marginally by just 1.2% to KES 6.17Bn from KES 6.10Bn.

The growth in **interest income** was largely driven by a sharp increase in returns from government securities which surged by 49.9% y/y to KES 6.69Bn from KES 4.46Bn, reflecting increased allocation to high-yield fixed income assets and continued appetite for government paper. Interest income from loans and advances also rose by 6.0% to KES 11.08Bn from KES 10.46Bn, supported by growth in the loan book.

On the funding side, the relatively contained rise in **interest expense** was supported by lower deposit costs which declined by 6.7% y/y to KES 4.81Bn from KES 5.15Bn, reflecting the easing interest rate environment. However, interest expense on placements rose sharply by 65.2% to KES 1.04Bn from KES 0.63Bn.

Non-funded income (NFI) grew by 7.1% y/y to KES 3.85Bn from KES 3.59Bn, reflecting continued resilience in transactional revenues, fees, and commissions.

Operating Expenses: Cost pressures remained elevated during the quarter, with total operating expenses increasing by 35.8% y/y to KES 9.90Bn from KES 7.29Bn, outpacing revenue growth. The increase was largely driven by a sharp 63.1% rise in loan loss provisions (LLP) to KES 2.61Bn from KES 1.60Bn, reflecting a more cautious provisioning stance amid prevailing macroeconomic uncertainties.

Periods	I&M Group	NASI
3mtd Price Δ	2.34%	-4.51%
6mtd Price Δ	9.84%	12.47%
YTD Δ	18.51%	11.58%
Y/Y Δ	47.79%	55.08%

NII	31.04%
Provisions	63.14%
Opex	35.77%
Opex Excl. LLPs	28.08%
PBT	9.87%
PAT	19.41%
Loans	9.96%
Govt. Securities	33.59%
Shareholders' Funds	23.46%

Balance Sheet

Total Assets: The balance sheet expanded significantly during the quarter, with total assets rising by 30.6% y/y to KES 742.51Bn from KES 568.41Bn in Q1 2025.

The growth was supported by strong expansion in both government securities holdings and the loan book. **Loans and advances** increased by 10.0% y/y to KES 322.92Bn from KES 293.66Bn, reflecting improved credit uptake amid easing lending rates and improving business activity.

Government securities rose sharply by 33.6% y/y to KES 203.58Bn from KES 152.39Bn, underscoring increased allocation toward relatively lower-risk fixed income assets amid elevated uncertainty and higher entry points on other securities.

Deposits: Customer deposits recorded robust growth of 25.8% y/y to KES 512.10Bn from KES 407.04Bn, highlighting strong deposit mobilization and continued customer confidence in the franchise. Borrowings increased by 37.1% y/y to KES 13.46Bn from KES 9.82Bn, indicating a higher reliance on external funding to support balance sheet expansion.

Consequently, total liabilities rose by 32.6% y/y to KES 611.92Bn from KES 461.46Bn.

Shareholders' funds Shareholders' funds increased strongly by 23.5% y/y to KES 123.30Bn from KES 99.87Bn, supported by retained earnings and sustained profitability growth.

Interest Income	Q1 2025	Q1 2026
Loans	10.46	11.08
Government Securities	4.46	6.69
Placements	0.54	0.55
Other Interest Income	0.02	0.14
Total	**15.5**	**18.5**

Interest Expense	Q1 2025	Q1 2026
Deposits	5.15	4.81
Placements	0.63	1.04
Other Expenses	0.32	0.32
Total	**6.10**	**6.17**

Key Ratios

- **Yield on interest-earning assets** declined to 13.38% from 14.80%, reflecting the easing interest rate environment and repricing of earning assets during the period.
- **Cost of funds** improved significantly to 4.48% from 6.85%, largely driven by lower deposit costs and improved funding efficiency.
- Consequently, **Net Interest Margin** (NIM) expanded by 48bps to 9.06% from 8.57%, highlighting stronger margin performance despite lower asset yields.
- Net interest income contribution to operating income moderated slightly to 76.95% from 78.04%, while non-funded income contribution improved to 23.05% from 21.96%, reflecting gradual diversification of the group's revenue streams.
- **Cost-to-income ratio** (CIR) deteriorated to 61.33% from 56.21%, mainly due to elevated provisioning costs and higher operating expenses during the quarter. Similarly, CIR excluding loan loss provisions rose to 45.16% from 43.87%, indicating underlying operational cost pressures.
- **Cost of risk** increased to 16.17% from 12.34%, reflecting a more cautious provisioning stance amid prevailing macroeconomic uncertainties despite improving asset quality metrics.
- **Asset quality** strengthened, with the NPL ratio declining to 9.99% from 10.92%, reflecting easing credit risk pressures and improved loan book performance.
- **Liquidity** improved significantly, with the loan-to-deposit ratio declining to 63.06% from 72.15%, driven by stronger growth in customer deposits relative to loans and advances.
- **Profitability** remained strong, with return on average equity (ROaE) improving to 17.54% from 16.39%, while return on average assets (ROaA) rose to 2.99% from 2.78%.

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Balance Sheet	Q1 2025	Q1 2026	%Δ Y-Y
Government Securities	152.39	203.58	33.59%
Loans and Advances	293.66	322.92	9.96%
Total Assets	**568.41**	**742.51**	**30.63%**
Customer Deposits	407.04	512.10	25.81%
Borrowing	9.82	13.46	37.10%
Total Liabilities	461.46	611.92	32.61%
Shareholder's Funds	**99.87**	**123.30**	**23.46%**

Income Statement	Q1 2025	Q1 2026	%Δ Y-Y
Interest Income	15.48	18.47	19.29%
Interest Expense	6.10	6.17	1.21%
NII	9.38	12.29	31.04%
NFI	3.59	3.85	7.14%
Total Income	**12.97**	**16.14**	**24.43%**
Loan Loss provision	(1.60)	(2.61)	63.14%
Staff Costs	(2.37)	(2.92)	23.15%
Total Operating expenses	(7.29)	(9.90)	35.77%
Opex excl Provision	(5.69)	(7.29)	28.08%
PBT	**5.68**	**6.24**	**9.87%**
PAT	**4.22**	**5.04**	**19.41%**
EPS	**2.33**	**2.71**	**16.45%**

Ratios	Q1 2025	Q1 2026	pp. Δ Y-Y
Yield from interest-earning assets	14.80%	13.38%	-1.41%
Cost of funds	6.85%	4.48%	-2.36%
Cost of risk	12.34%	16.17%	3.84%
Net Interest Margin	8.57%	9.06%	0.48%
Net Interest Income as % of operating income	78.04%	76.95%	-1.09%
Non-Funded Income as a % of operating income	21.96%	23.05%	1.09%
Cost to Income Ratio	56.21%	61.33%	5.12%
CIR without LLP	43.87%	45.16%	1.29%
Cost to Assets	1.00%	0.98%	-0.02%
NPL Ratio	**10.92%**	**9.99%**	**-0.93%**
Loan to Deposit Ratio	72.15%	63.06%	-9.09%
Return on average equity	16.39%	17.54%	1.16%
Return on average assets	2.78%	2.99%	0.20%

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Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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