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I&M Group Plc – 9M 2026 Earnings Note

I&M's PBT Rises 17.3% as Strong Funded Income Drives Earnings Growth

I&M Group delivered a strong 9M26 performance, supported by robust growth in both funded and non-funded income alongside continued balance-sheet expansion. PBT increased 17.3% y/y to Kes. 20.82Bn from Kes. 17.75Bn, while PAT rose 24.5% to Kes. 15.78Bn from Kes. 12.68Bn. Consequently, EPS increased 23.6% y/y to Kes. 8.38 from Kes. 6.78, supported by a 20.6% increase in NII to Kes. 38.37Bn and continued growth in lending. Asset quality also improved, with gross NPLs declining 13.7% to Kes. 28.64Bn, despite the strong expansion in the loan book.

At the bourse, the counter has maintained a strong upward rally, trading around Kes. 83.00 and nearly doubling year-to-date. While the strong share-price momentum reflects improving earnings and investor confidence, the significant rerating warrants greater caution on entry levels. The declaration of a Kes. 1.75 interim dividend, up 16.7% from Kes. 1.50, nonetheless provides additional support to the investment case.

*We therefore recommend **ACCUMULATE**, supported by strong earnings momentum, balance-sheet growth, improving asset quality and the higher dividend payout. However, following the counter's sharp rally, we favour staggered accumulation on market weakness rather than chasing the price at current levels.*

Recommendation:	ACCUMULATE
Bloomberg Ticker:	IMH KN
Share Stats	
Current Price	83.00
3-Month Av	82.20
6 Month Av	73.14
12 Month Av	60.57
52 Week High	92.00
52 Week Low	29.50
Issued shares (Bn)	1.74
Market Cap (KES Bn)	144.43
Market Cap (USD Bn)	1.11
P/E (9M EPS)	9.90x
PB	1.16x
9M EPS	8.38

Income Statement

Total Income: I&M Group delivered a strong 9M26 earnings performance, with total operating income rising by 20.3% y/y to Kes. 51.73Bn from Kes. 43.00Bn in 9M25, supported by strong growth across both funded and non-funded income.

Net Interest Income (NII) increased by 20.6% y/y to Kes. 38.37Bn from Kes. 31.82Bn, underpinned by robust interest income growth despite a higher funding cost base. Interest income rose by 18.9% y/y to Kes. 58.61Bn from Kes. 49.30Bn, while interest expense increased by 15.8% to Kes. 20.24Bn from Kes. 17.48Bn.

The strong growth in **interest income,** alongside continued loan-book expansion, supported the improvement in funded income during the period. Net loans and advances expanded 18.2% y/y, providing a larger interest-earning asset base, while NII growth of 20.6% outpaced the increase in both interest income and interest expense.

Non-Funded Income (NFI) also recorded a strong performance, increasing by 19.5% y/y to Kes. 13.36Bn from Kes. 11.19Bn, providing additional support to overall income growth and improving the diversification of the Group's revenue streams

Operating Expenses: Cost pressures remained elevated, with total operating expenses increasing by 21.8% y/y to Kes. 31.49Bn from Kes. 25.85Bn, slightly outpacing total income growth. The increase was partly driven by a 22.1% rise in loan loss provisions to Kes. 8.18Bn from Kes. 6.70Bn, alongside a 17.7% increase in staff costs to Kes. 9.13Bn.

Periods	I&M Group	NASI
3mtd Price Δ	5.06%	-3.31%
6mtd Price Δ	66.00%	14.73%
YTD Δ	95.75%	28.59%
Y/Y Δ	80.83%	25.90%

NII	20.58%
Provisions	22.08%
Opex	21.84%
Opex Excl. LLPs	21.75%
PBT	17.28%
PAT	24.48%
Loans	18.21%
Govt. Securities	-2.06%
Shareholders' Funds	9.07%

Balance Sheet

I&M Group's balance sheet expanded significantly in 9M26, with **total assets** rising by 26.0% y/y to Kes. 806.95Bn from Kes. 640.42Bn in 9M25.

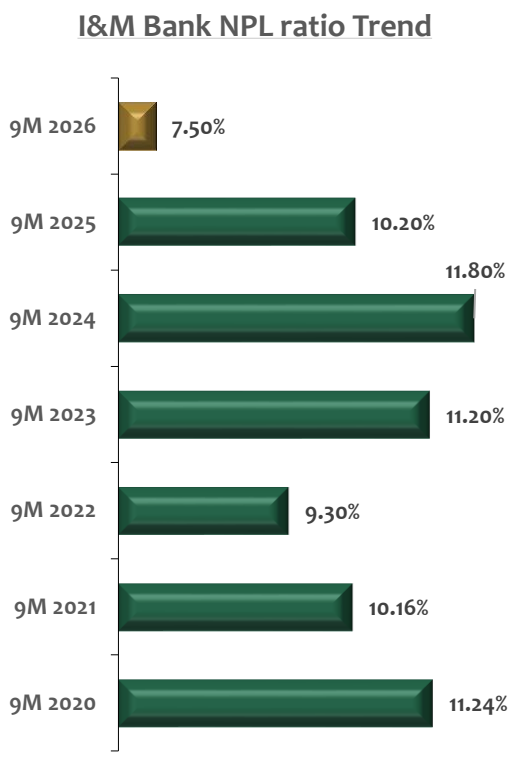
The growth was supported by strong expansion in the loan book, despite a marginal decline in government securities. **Loans and advances** increased by 18.2% y/y to Kes. 356.87Bn from Kes. 301.91Bn, reflecting sustained credit expansion during the period.

Government securities declined marginally by 2.1% y/y to Kes. 206.94Bn from Kes. 211.29Bn, indicating a moderation in allocation to government paper as lending activity strengthened.

Customer deposits recorded robust growth of 25.1% y/y to Kes. 570.27Bn from Kes. 455.85Bn, highlighting strong deposit mobilisation and continued customer confidence in the franchise. Borrowings increased significantly to Kes. 32.22Bn from Kes. 10.51Bn, reflecting increased utilisation of external funding to support balance-sheet expansion.

Consequently, **total liabilities** rose by 30.0% y/y to Kes. 674.90Bn from Kes. 519.17Bn.

Shareholders' funds increased by 9.1% y/y to Kes. 124.10Bn from Kes. 113.79Bn, supported by sustained profitability and earnings retention.



Key Ratios

- **Yield on interest-earning assets** eased marginally to 13.36% from 13.48%, reflecting continued repricing of earning assets amid the softer interest-rate environment.
- **Cost of funds** improved significantly to 4.47% from 5.39%, reflecting lower funding costs despite the strong growth in customer deposits.
- Consequently, **Net Interest Margin (NIM)** expanded to 8.93% from 8.64%, highlighting stronger margin performance as funding costs declined faster than asset yields.
- **NII contribution to operating income** declined to 76.03% from 78.05%, while NFI contribution increased to 23.97% from 21.95%, reflecting greater diversification of the Group's income mix.
- **Cost-to-income ratio (CIR)** deteriorated marginally to 60.87% from 60.10%, reflecting operating expenses growing slightly faster than income. Similarly, CIR excluding loan loss provisions increased to 45.05% from 44.51%, indicating modest underlying cost pressures.
- **Cost of risk** increased marginally to 3.06% from 2.96%, consistent with the 22.1% y/y increase in loan loss provisions despite the improvement in asset quality.
- **Asset quality** strengthened significantly, with the NPL ratio declining to 7.54% from 10.21%, reflecting lower problem loans despite continued expansion in the loan book.
- **Liquidity** improved, with the loan-to-deposit ratio declining to 62.58% from 66.23%, as customer deposits grew faster than loans and advances.
- **Profitability** strengthened, with ROaE improving to 18.13% from 17.24%, while ROaA increased to 2.98% from 2.87%, reflecting stronger earnings generation.

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Balance Sheet	9M 2025	H1 2026	9M 2026	%Δ Y-Y
Government Securities	211.29	204.37	206.94	-2.06%
Loans and Advances	301.91	333.81	356.87	18.21%
Total Assets	**640.42**	**746.31**	**806.95**	**26.00%**
Customer Deposits	455.85	505.16	570.27	25.10%
Borrowing	10.51	26.77	32.22	206.57%
Total Liabilities	519.17	619.14	674.90	30.00%
Shareholder's Funds	**113.79**	**119.41**	**124.10**	**9.07%**

Income Statement	9M 2025	H1 2026	9M 2026	%Δ Y-Y
Interest Income	49.30	38.16	58.61	18.88%
Interest Expense	17.48	13.12	20.24	15.79%
NII	31.82	25.04	38.37	20.58%
NFI	11.19	8.66	13.36	19.46%
Total Income	**43.00**	**33.69**	**51.73**	**20.29%**
Loan Loss provision	(6.70)	(5.60)	(8.18)	22.08%
Staff Costs	(7.76)	(5.91)	(9.13)	17.72%
Total Operating expenses	(25.85)	(20.56)	(31.49)	21.84%
Opex excl Provision	(19.14)	(14.96)	(23.31)	21.75%
PBT	**17.75**	**13.46**	**20.82**	**17.28%**
PAT	**12.68**	**10.17**	**15.78**	**24.48%**
EPS	**6.78**	**5.35**	**8.38**	**23.63%**
DPS	**1.50**	**-**	**1.75**	**16.67%**

Ratios	9M 2025	H1 2026	9M 2026	Δ Y-Y (ppts)
Yield from interest-earning assets	13.48%	13.78%	13.36%	-0.13%
Cost of funds	5.39%	4.64%	4.47%	-0.92%
Cost of risk	2.96%	2.84%	3.06%	0.10%
Net Interest Margin	8.64%	9.26%	8.93%	0.29%
Net Interest Income as % of operating income	78.05%	75.86%	76.03%	-2.02%
Non-Funded Income as a % of operating income	21.95%	24.14%	23.97%	2.02%
Cost to Income Ratio	60.10%	61.02%	60.87%	0.77%
CIR without LLP	44.51%	44.41%	45.05%	0.54%
Cost to Assets	2.99%	2.00%	2.89%	-0.10%
NPL Ratio	10.21%	8.45%	7.54%	-2.67%
Loan to Deposit Ratio	66.23%	66.08%	62.58%	-3.65%
Return on average equity	17.24%	18.01%	18.13%	0.89%
Return on average assets	2.87%	3.05%	2.98%	0.11%

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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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