



**I&M Holdings  
FY'24 Earnings  
Note**



## I&M Group FY'24 Earnings Note

March 28<sup>th</sup>, 2025

### Ticker Information

NSE Code:	IMH
Issued Shares (Bn):	1.65
52-week high:	KES 39.00
52-week low:	KES 15.80

Chart 1: Price Trend (Last 12 Months)



Source: NSE, AIB-AXYS Research

### Historical Share Performance

Last	1M	3M	6M	12M
Change	-7.4%	-7.5%	40.5%	48.7%

### Recommendation

BUY

### Current Price

KES 33.15

### Target Price

KES 38.84

### Summary

- **I&M Group registered a notable 24.8% y/y growth in net earnings to KES 16.65Bn in FY'24.** Earnings growth was supported by a 31.2% expansion in interest income, driven by higher yields on interest-earning assets amid a rising rate environment. This elevation in yields saw net interest margins swell 60bps to 7.2%. The trailing return on equity increased 150bps y/y to 16.8% while the trailing return on assets increased by 20bps to 2.6%.
- **The Board of Directors recommended a final dividend of KES 1.70 per share,** which coupled with the interim dividend of KES 1.30 per share, brings total dividend per share to KES 3.00 in FY'24.

### Key Highlights

- **Robust Net Interest Performance:** Net Interest income surged 31.2% y/y to KES 37.56Bn bolstered by a 32.3% y/y increase in interest income from loans and advances. This trend was partially attributable to the lender's expansion into new growth areas, including the oil and gas sector, with I&M emerging as the second player to enter the lucrative G2G deal after its competitor, KCB, ceded some of its existing position. Additionally, increased investments in government securities allowed the lender to capitalize on attractive yields offered during the high interest environment, with yields on interest earnings assets expanding 190bps to 13.9%- further driving net interest income growth. Conversely, the cost of funds witnessed a 130bps uptick to 6.7% as the high interest environment increased deposits mobilization costs.
- **Pressurized Asset Quality:** Gross Non-Performing Loans (NPLs) registered a 41bps y/y increase to KES 35.51Bn – resulting in a marginal 80bps increase in the NPL ratio to 11.7%. We believe that this increase in NPLs was driven by the elevation in the cost of credit that saw borrowers fail to contend with high repayments obligations. Conversely, NPL coverage registered a marginal rise, of 650bps to 62.3% with lender continue to enhance its capacity to cushion against potential credit losses. Additionally, loan loss provisions witnessed a 13.8% y/y uptick, with management continuing to adopt a cautious approach amidst heightened credit risks.

## Balance Sheet Dynamics

Customer deposits registered a modest decline of 1.1% y/y to KES 412.18Bn, as the appreciation of the shilling weighed down the value of foreign denominated deposits. Furthermore, the lender's loan book contracted by 7.8% y/y to KES 287.08Bn, with high interest rates deterring borrowers from amassing new credit. We, however, anticipate a reversal in loan book growth going forward, with the decline in interest rates expected to stimulate lending recovery in the upcoming financial year. Government securities witnessed a 40.2% uptick to KES 160.71Bn, with management strategically increasing its investment in government debt instruments to capitalize on the attractive yields offered. Additionally, favorable yield curve movements and strategic portfolio reallocations enabled the lender to realize KE 3.82Bn in mark-to-market gains, showcasing effective risk management and return optimization.

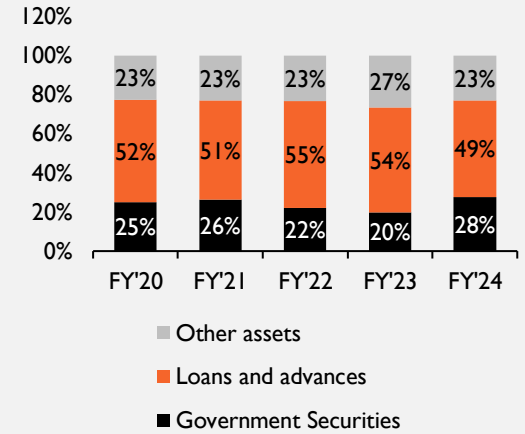
## Outlook

We anticipate growth for the lender to continue to be driven by its ongoing investment in brand expansion through the Imara 3.0 strategy. This initiative has already led to an increased branch presence across the country, resulting in 159,000 new customer acquisitions in 2024 alone. The growing customer base is expected to fuel loan book expansion, with the lender leveraging its short-term lending products to strengthen retail banking—a segment that saw a 26% y/y increase in income to KES 26.5Bn in 2024. Additionally, the rapid expansion of its subsidiaries is anticipated to further boost earnings momentum, with these subsidiaries already contributing 29% of total revenue in 2024. Net Interest Margins are however, expected to be compressed going forward, with declining interest rates expected to weigh on interest income, possibly limiting the upside potential of earnings.

## Recommendation

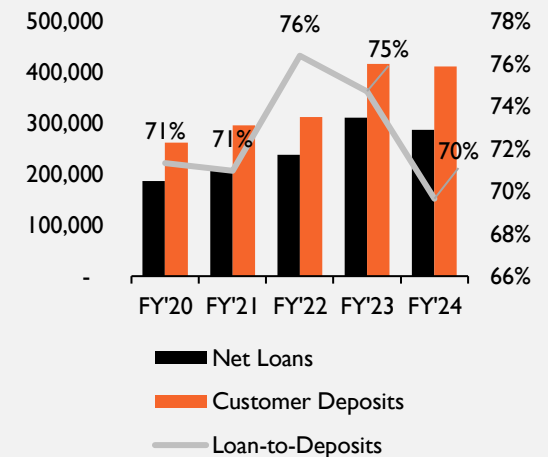
- **We maintain our BUY recommendation on I&M Group underpinned by its continued execution of strategic initiatives that are expected to sustain earnings and return on equity momentum.** At current market price, the stock is trading at P/E ratio of 3.2x and a P/B ratio of 0.6x. Our one-year target price for I&M Group currently stands at KES 38.84 - representing a c. 17.1% upside potential from current levels.

Chart 2: Asset Composition



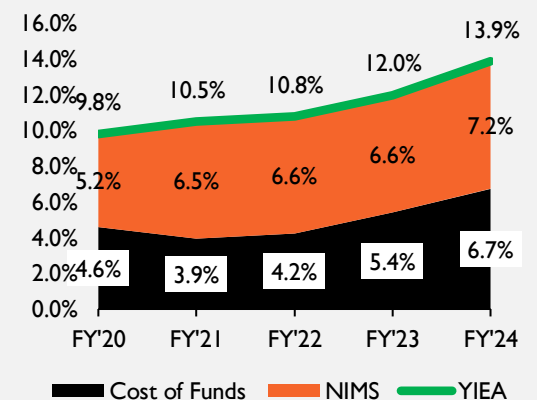
Source: Company filings, AIB-AXYS Research.

Chart 3: Slowdown in Deposit Mobilization



Source: Company filings, AIB-AXYS Research.

Chart 4: Widening Net Interest Margin



Source: Company filings, AIB-AXYS Research.

Income Statement (KES Mn)	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
Net Interest Income	15,599.6	20,876.9	22,944.5	28,630.5	37,562.4	▲ 31.2%
Net non-Interest Income	8,637.8	8,735.6	12,723.6	14,051.3	13,656.5	▼ (2.8%)
<b>Total Operating income</b>	<b>24,237.3</b>	<b>29,612.5</b>	<b>35,668.1</b>	<b>42,681.7</b>	<b>51,218.9</b>	▲ 20.0%
Provision for Impairment	(2,472.8)	(4,199.6)	(5,245.0)	(6,869.5)	(7,818.3)	▲ 13.8%
Total Operating expenses	(12,606.4)	(17,748.5)	(21,337.9)	(27,205.0)	(31,339.5)	▲ 15.2%
<b>Profit before tax</b>	<b>11,631.0</b>	<b>11,864.0</b>	<b>14,330.2</b>	<b>15,476.7</b>	<b>19,879.4</b>	▲ 28.4%
<b>Profit after tax</b>	<b>8,412.6</b>	<b>8,623.9</b>	<b>11,583.7</b>	<b>13,345.2</b>	<b>16,653.7</b>	▲ 24.8%
Core EPS Annualized	4.88	4.92	6.77	7.63	9.30	▲ 21.9%

Balance Sheet (KES Mn)	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
Government Securities	89,841.9	109,167.0	96,709.5	114,637.2	160,713.6	▲ 40.2%
Loans and Advances	187,391.3	210,619.7	238,590.1	311,330.8	287,082.6	▼ (7.8%)
<b>Total Assets</b>	<b>358,099.8</b>	<b>415,180.7</b>	<b>436,599.6</b>	<b>579,719.4</b>	<b>581,280.3</b>	▲ 0.3%
Customer Deposits	262,681.4	296,746.5	312,335.9	416,674.4	412,179.5	▼ (1.1%)
<b>Total Liabilities</b>	<b>290,036.7</b>	<b>341,132.6</b>	<b>354,950.1</b>	<b>484,019.2</b>	<b>479,633.2</b>	▼ (0.9%)
<b>Shareholder's Funds</b>	<b>64,189.3</b>	<b>69,593.0</b>	<b>76,517.5</b>	<b>88,173.1</b>	<b>94,474.1</b>	▲ 7.1%

Ratio Analysis	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
<b>Spreads Analysis</b>						
Yield on Assets	9.8%	10.5%	10.8%	12.0%	13.9%	▲ 1.9%
Cost of Funds	4.6%	3.9%	4.2%	5.4%	6.7%	▲ 1.3%
Net Interest Margin	5.2%	6.5%	6.6%	6.6%	7.2%	▲ 0.6%
ROaE	13.2%	12.2%	15.3%	15.3%	16.8%	▲ 1.5%
ROaA	2.4%	2.1%	2.6%	2.5%	2.6%	▲ 0.2%
Profit Margin	34.7%	29.1%	32.5%	31.3%	32.5%	▲ 1.2%

Operating Efficiency	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
Cost to Income Less LLP	41.8%	45.8%	45.1%	47.6%	45.9%	▼ (1.7%)
Cost to Assets less LLP	2.8%	3.3%	3.7%	3.5%	4.0%	▲ 0.5%
Loan to Deposit	71.3%	71.0%	76.4%	74.7%	69.6%	▼ (5.1%)

Asset Quality	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
NPL	11.9%	9.6%	9.9%	10.8%	11.7%	▲ 0.83%
NPL Coverage	66.8%	71.4%	71.9%	55.8%	62.3%	▲ 6.5%
Cost of Risk	1.3%	2.0%	2.2%	2.2%	2.7%	▲ 0.5%

Capital Adequacy	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
Core Capital/TRWA	18.6%	18.6%	16.3%	14.5%	16.8%	▲ 2.3%
Total Capital /TRWA	22.0%	22.0%	20.5%	18.9%	20.2%	▲ 1.3%
Liquidity	50.5%	50.5%	46.1%	44.7%	51.6%	▲ 6.9%

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