

I&M Holdings FY19 Earnings Update

I&M bank released their full-year 2019 results recording a **27%** increase in Profit After Tax(PAT) to **KES 10.8 billion** from KES 8.5 billion year-on-year. The increase in their bottom line was mainly as a result of an 83% in its loan loss provision.

The bank declared a final dividend of **KES 2.55** per share.

Key highlights

➤ **Net interest income marginally declined as the Banks cost of deposits increased.** Interest income increases 4% which was in line with the 5% growth in the loan book. Meanwhile, interest expenses accelerate 12% as the bank offered customers a higher deposit rate in a bid to grow its deposit book which registered a 7.8% growth.

➤ **Non-Funded income up 8.6% supported by a 23% increase in trading income.** The bank's net fees and commission income remained flat mainly due to a 21% increase in fees and commission expense.

➤ **Reduced efficiency as operating costs increase.** The bank's cost to income ratio increased to 39% from 36% in 2018 as operating costs recorded an 11% growth.

Our View

- The bank recorded a weak top line growth but reduced its credit impairment which led to the 27% PAT growth.
- The bank's cost of deposit is likely to remain elevated as it seeks to attract deposits while interest income is expected to remain subdued.
- We expect non-interest income growth to be supported by trading income as fees and commission income from loans and advances is likely to remain subdued this year as we expect a reduction in the bank's loan book growth as the bank is unlikely to lend in the current environment

March 26, 2020

Recommendation:
Under Review

52 week range:
KES 42.50 to KES 126.00

Earnings Per Share: KES 12.47

Latest Results: FY2019, 10.8Bn

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Income Statement 'KES Millions'	31-Dec-18	31-Dec-19	% Change
Interest income	25,999	27,164	4.48%
Interest expense	(10,404)	(11,654)	12.01%
Net interest income	15,595	15,510	-0.55%
Net fees & commissions income	3,678	3,680	0.05%
Net trading income	3108	3836	23.42%
Other operating Income	554	456	-17.69%
Non-interest income	7,340	7,972	8.61%
Total operating income	22,935	23,482	2.39%
Loan loss provision	(3,807)	(636)	-83.29%
Operating expenses	(8,223)	(9,148)	11.25%
Operating profit	10,902	13,698	25.65%
Share of profit of joint venture	595	905	52.10%
Profit Before Tax	11,497	14,603	27.02%
Tax Expense	(2,994)	(3,834)	28.06%
Profit After tax	8,503	10,769	26.65%

Balance sheet	31-Dec-18	31-Dec-19	% Change
Cash & balance with CBK	14,867	15,386	3.49%
Loans and advances to customers(net)	166,737	175,329	5.15%
Property and equipment	6,724	10,152	50.98%
Total assets	288,522	315,290	9.28%
Deposits due to other banks	5647	8005	41.76%
Customer deposits	213,139	229,736	7.79%
Other Liabilities	18,861	16,687	-11.53%
Total liabilities	237,647	254,428	7.06%
Shareholders' funds	50,874	60,862	19.63%

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