

**UNAUDITED INTERIM CONDENSED FINANCIAL
STATEMENTS
SEPTEMBER 2016**

I&M HOLDINGS LIMITED			
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
FOR THE PERIOD ENDED 30 SEPTEMBER 2016	GROUP		
	UNAUDITED	AUDITED	UNAUDITED
	30-Sep 2016 KShs '000'	31-Dec 2015 KShs '000'	30-Sep 2015 KShs '000'
Interest income	17,723,318	21,869,337	15,540,011
Interest expense	(6,868,264)	(9,222,172)	(6,560,974)
Net interest income	10,855,054	12,647,165	8,979,037
Fee and commission income	1,955,470	2,499,460	1,860,323
Fee and commission expense	(142,026)	(134,529)	(100,889)
Net fee and commission income	1,813,444	2,364,931	1,759,434
Revenue	12,668,498	15,012,096	10,738,471
Other operating income	1,763,886	2,226,845	1,728,493
Operating income	14,432,384	17,238,941	12,466,964
Staff costs	(2,680,080)	(3,266,810)	(2,282,369)
Premises and equipment costs	(439,574)	(522,590)	(357,778)
General administrative expenses	(1,797,089)	(2,121,829)	(1,719,543)
Depreciation and amortisation	(360,476)	(501,019)	(329,103)
Operating expenses	(5,277,219)	(6,412,248)	(4,688,793)
Operating profit before impairment			
Losses and taxation	9,155,165	10,826,693	7,778,171
Net impairment losses on loans and advances	(1,019,083)	(982,495)	(803,877)
	8,136,082	9,844,198	6,974,294
Share of profit of Joint Venture	343,383	323,463	263,943
Profit before income tax	8,479,465	10,167,661	7,238,237
Income tax expense	(2,522,141)	(3,023,250)	(2,219,500)
Profit for the period	5,957,324	7,144,411	5,018,737
Other comprehensive income			
Items that will never be reclassified to Profit or loss			
Actuarial (losses)/gains on re-measurement of employees benefit scheme	-	3,156	-
Cancellation of shares - Rwanda		(815)	(815)
Items that may be classified to Profit or loss:			
Net change in fair value of available for sale financial assets	524,243	(173,028)	(593,901)
Foreign currency translation differences	(358,939)	(102,826)	181,723
Related tax	-	-	-
Related tax – prior period under provision	-	-	-
Revaluation surplus	-	-	-
Deferred Tax on revaluation surplus	-	-	-
Total other comprehensive income for the period	165,304	(273,513)	(412,993)
Total comprehensive income for the period	6,122,628	6,870,898	4,605,743
Profit attributable to:			
Equity holders of the company	5,585,318	6,717,452	4,742,169
Non controlling interest	372,006	426,959	276,568
	5,957,324	7,144,411	5,018,737
Total comprehensive income attributable to:			
Equity holders of the company	5,912,841	6,526,739	4,281,306
Non controlling interest	209,787	344,159	324,438
	6,122,628	6,870,898	4,605,744
Basic and diluted earnings Per share - (KShs)	14.24	17.12	12.09
Dividends Per share - (KShs) - Final	-	3.50	0.00

I&M HOLDINGS LIMITED**STATEMENT OF FINANCIAL POSITION**

AS AT 30 SEPTEMBER 2016	COMPANY			GROUP		
	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	AUDITED	UNAUDITED
	30-Sep 2016 KShs '000'	31-Dec 2015 KShs '000'	30-Sep 2015 KShs '000'	30-Sep 2016 KShs '000'	31-Dec 2015 KShs '000'	30-Sep 2015 KShs '000'
ASSETS						
Cash and balances with central banks	-	-	-	10,150,103	9,948,128	11,920,449
Items in the course of collection	-	-	-	1,180,023	527,596	1,221,507
Placements with financial institutions	-	-	-	5,514,597	4,981,777	6,728,125
Loans and advances to customers	-	-	-	135,587,559	127,823,778	129,260,906
Investment securities	121,002	-	-	46,354,652	39,135,807	36,072,368
Investment in Joint Venture	1,679,971	1,679,971	1,498,814	3,427,132	3,062,350	2,908,266
Investment in subsidiaries	19,693,747	19,604,666	19,604,666	-	-	-
Property and equipment	129	199	-	3,045,203	2,935,233	2,916,698
Intangible assets - Goodwill	-	-	-	1,207,048	1,174,601	1,174,601
Intangible assets - Software	-	-	-	247,292	245,434	309,292
Prepaid operating lease rentals	-	-	-	280,324	284,606	347,576
Tax recoverable	6,040	-	-	10,129	4,456	-
Deferred tax asset	-	-	-	545,794	515,997	575,493
Due from group companies	79,043	142,660	358,639	-	-	-
Other assets	751	23,825	615	1,944,908	1,083,779	1,217,830
TOTAL ASSETS	21,580,683	21,451,321	21,462,734	209,494,764	191,723,542	194,653,111
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Deposits from banks	-	-	-	7,506,206	7,971,475	9,366,280
Deposits from customers	-	-	-	145,394,245	132,980,678	133,991,906
Deferred tax liability	-	-	-	62,004	67,744	86,058
Tax payable	-	772	227	435,844	145,434	237,748
Due to group companies	11,337	11,715	-	-	-	-
Other liabilities	72,350	47,457	71,601	4,316,028	2,766,373	3,977,695
Long term borrowings	-	-	-	9,656,666	9,575,455	10,974,671
Subordinated debt	-	-	-	4,559,956	4,495,084	4,566,553
	83,687	59,944	71,828	171,930,949	158,002,243	163,200,911
Shareholders' equity						
Share capital	392,362	392,362	392,362	392,362	392,362	392,362
Share premium	17,331,510	17,331,510	17,331,510	17,331,510	17,331,510	17,331,510
Retained earnings	3,773,124	3,667,505	3,667,034	16,608,271	12,971,933	10,948,170
Revaluation reserve	-	-	-	446,744	446,744	446,744
Available-for-sale reserve	-	-	-	22,037	(502,206)	(927,148)
Translation reserve	-	-	-	(261,822)	(65,102)	118,684
Statutory credit risk reserve	-	-	-	971,526	912,617	961,086
Defined benefit reserve	-	-	-	(39,725)	(39,725)	(36,786)
Equity attributable to owners of the company	21,496,996	21,391,377	21,390,906	35,470,903	31,448,133	29,234,622
Non-controlling interest	-	-	-	2,092,912	2,273,166	2,217,578
TOTAL SHAREHOLDERS' EQUITY	21,496,996	21,391,377	21,390,906	37,563,815	33,721,299	31,452,200
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	21,580,683	21,451,321	21,462,734	209,494,764	191,723,542	194,653,111

I&M HOLDINGS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT SEPTEMBER 2016

Total Statutory Reserves

9 months period to 30 September 2016	Share capital Kshs '000'	Share premium Kshs '000'	Revaluation reserve Kshs '000'	Available for sale Reserve Kshs '000'	Statutory Loans reserve Kshs '000'	General Banking reserve Kshs '000'	Retirement reserve Kshs '000'	Total reserve Kshs '000'	Retained earnings Kshs '000'	Translation reserve Kshs '000'	Total Kshs '000'	Non controlling interest Kshs '000'	Total Kshs '000'
At 1 January 2016	392,362	17,331,510	446,744	(502,206)	780,829	131,788	(39,725)	872,892	12,971,933	(65,102)	31,448,133	2,273,166	33,721,299
Net profit after tax	-	-	-	-	-	-	-	-	5,585,318	-	5,585,318	372,006	5,957,324
Other comprehensive income	-	-	-	524,243	20,735	38,174	-	58,909	(58,909)	(196,720)	327,523	(162,219)	165,304
Total comprehensive income for the period	-	-	-	524,243	20,735	38,174	-	58,909	5,526,409	(196,720)	5,912,841	209,787	6,122,628
Dividends Paid	-	-	-	-	-	-	-	-	(1,373,267)	-	(1,373,267)	(103,810)	(1,477,077)
Other	-	-	-	-	-	-	-	-	(516,804)	-	(516,804)	(286,231)	(803,035)
Total transactions with owners for the period	-	-	-	-	-	-	-	-	(1,890,071)	-	(1,890,071)	(390,041)	(2,280,112)
Balance as at 30 September 2016	392,362	17,331,510	446,744	22,037	801,564	169,962	(39,725)	931,801	16,608,271	(261,822)	35,470,903	2,092,912	37,563,815

For the year ended 31 December 2015	Share capital Kshs '000'	Share premium Kshs '000'	Revaluation reserve Kshs '000'	Available for sale Reserve Kshs '000'	Statutory Loans reserve Kshs '000'	General Banking reserve Kshs '000'	Retirement reserve Kshs '000'	Total reserve Kshs '000'	Retained earnings Kshs '000'	Translation reserve Kshs '000'	Total Kshs '000'	Non controlling interest Kshs '000'	Total Kshs '000'
At 1 January 2015	392,362	17,331,510	448,726	(342,834)	773,698	131,788	(42,881)	862,605	7,360,529	6,346	26,059,244	2,046,898	28,106,142
Net profit after tax	-	-	-	-	-	-	-	-	6,717,452	-	6,717,452	426,959	7,144,411
Other comprehensive income	-	-	(1,982)	(159,372)	-	-	3,156	3,156	38,933	(71,448)	(190,713)	(82,800)	(273,513)
Total comprehensive income for the period	-	-	(1,982)	(159,372)	-	-	3,156	3,156	6,756,385	(71,448)	6,526,739	344,159	6,870,898
Statutory credit risk	-	-	-	-	7,131	-	-	7,131	(7,131)	-	-	-	-
Transactions with owners:													
Dividends Paid	-	-	-	-	-	-	-	-	(1,137,850)	-	(1,137,850)	(117,891)	(1,255,741)
Total transactions with owners for the year	-	-	-	-	-	-	-	-	(1,137,850)	-	(1,137,850)	(117,891)	(1,255,741)
Balance as at 31 December 2015	392,362	17,331,510	446,744	(502,206)	780,829	131,788	(39,725)	872,892	12,971,933	(65,102)	31,448,133	2,273,166	33,721,299

9 months period to 30 September 2015	Share capital Kshs '000'	Share premium Kshs '000'	Revaluation reserve Kshs '000'	Available for sale Reserve Kshs '000'	Statutory Loans reserve Kshs '000'	General Banking reserve Kshs '000'	Retirement reserve Kshs '000'	Total reserve Kshs '000'	Retained earnings Kshs '000'	Translation reserve Kshs '000'	Total Kshs '000'	Non controlling interest Kshs '000'	Total Kshs '000'
At 1 January 2015 - As previously reported	392,362	17,331,510	446,744	(333,248)	773,698	131,789	(36,786)	868,701	7,399,909	(14,813)	26,091,166	2,012,593	28,103,759
Net Profit after taxation	-	-	-	-	-	-	-	-	4,742,169	-	4,742,169	276,568	5,018,737
Other comprehensive income	-	-	-	(593,900)	-	55,599	-	55,599	(56,058)	133,497	(460,863)	47,870	(412,993)
Total comprehensive income	-	-	-	(593,900)	-	55,599	-	55,599	4,686,111	133,497	4,281,306	324,438	4,605,744
Dividends Paid	-	-	-	-	-	-	-	-	(1,137,850)	-	(1,137,850)	(119,453)	(1,257,303)
Total transactions with owners for the year	-	-	-	-	-	-	-	-	(1,137,850)	-	(1,137,850)	(119,453)	(1,257,303)
Balance as at 30 September 2015	392,362	17,331,510	446,744	(927,148)	773,698	187,388	(36,786)	924,300	10,948,170	118,684	29,234,622	2,217,578	31,452,200

I&M HOLDINGS LIMITED
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 REPORTING ENTITY

I&M Holdings Limited (the "Company"), a non-operating holding company licensed by the Central Bank of Kenya under the Kenyan Banking Act (Chapter 488) and its subsidiaries (together, the "Group") provide banking, Bancassurance, Real Estate services and Corporate Financial advisory services. I&M Holdings Limited is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya. The Bank's shares are listed on the Nairobi Securities Exchange (NSE). I&M Holdings Limited and its subsidiaries operate in Kenya, Tanzania, Rwanda and Mauritius. The address of its registered office is as follows:

I&M Bank House
2nd Ngong Avenue
P O Box 30238
00100 Nairobi GPO

The Company owns the following entities directly:

- (i) I&M Bank Limited – 100% shareholding;
- (ii) I&M Bank (Rwanda) Limited – effective interest of 54.99% in I&M Bank (Rwanda) Limited through a 68.742% holding in BCR Investment Company Limited (Mauritius) which owns 80% shareholding in I&M Bank (Rwanda) Limited.
- (iii) I&M Capital Limited
- (iv) Bank One Limited - 50% interest in Bank One Limited, a joint venture in a bank licensed in Mauritius; and
- (V) I&M Realty Limited (incorporated on 30 October 2014) – 100% shareholding;
- (V) I&M Burbidge Capital Limited – 65% shareholding;

It also owns the following entities through I&M Bank Limited:

- (i) 55.03% (2013 - 55.03%) shareholding in I&M Bank (T) Limited; and
- (ii) 100% shareholding in I&M Insurance Agency Limited (incorporated on 23 July 2014).

2 BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of these consolidated interim financial statements are consistent with those used in the Audited Annual Financial Statements for the year ended 31 December 2015.

These semi annually financial statements should be read together with the 2015 Audited Annual Financial Statements.

3 DIVIDEND PER SHARE

At the Annual General Meeting held on 18 May 2016, a final dividend in respect of the year ended 31 December 2015 of Shs 3.50 per share [2014 - 2.90] amounting to a total of Shs 1,373,267,137 was approved by the shareholders and paid.

4 SEGMENT REPORTING

The group operations are within four geographical segments: Kenya, Tanzania, Rwanda and Mauritius. The table below contains segmental information provided to the Group Executive Committee.

30-September-2016	Kenya Shs `000	Tanzania Shs `000	Rwanda Shs `000	Mauritius Shs `000	Total Shs `000
Statement of Profit or Loss Disclosures					
Operating income	11,459,669	935,214	2,037,501		14,432,384
Profit before tax	6,972,423	406,438	757,221		8,136,082
Share of profit of Joint Venture				343,383	343,383
Profit after tax	4,787,280	335,931	490,730	343,383	5,957,324
Financial Position Disclosures					
Loans and advances to customers	107,655,720	13,862,103	14,069,736		135,587,559
Investment in Joint Venture				3,427,132	3,427,132
Customer deposits	113,834,121	14,118,167	17,441,957		145,394,245
Total Assets	166,287,170	18,561,372	22,899,061	1,747,161	209,494,764

30-September-2015	Kenya Shs `000	Tanzania Shs `000	Rwanda Shs `000	Mauritius Shs `000	Total Shs `000
Statement of Profit or Loss Disclosures					
Operating income	9,461,529	1,018,292	1,987,143		12,466,964
Profit before tax	6,007,095	325,426	641,773		6,974,294
Share of profit of Joint Venture				263,942	263,943
Profit after tax	4,139,969	230,120	384,705	263,942	5,018,736
Financial Position Disclosures					
Loans and advances to customers	103,040,605	13,200,978	13,019,323		129,260,906
Investment in Joint Venture				2,908,266	2,908,266
Customer deposits	104,791,765	12,233,126	16,967,015		133,991,906
Total Assets	153,927,901	17,415,751	21,900,008	1,409,451	194,653,111