

The Board of Directors of I&M Holdings Limited is pleased to announce the audited results of the group as at 31 December 2017.

STATEMENT OF FINANCIAL POSITION	COMPANY		GROUP	
	AUDITED 31 Dec 2016 (KSHS'000)	AUDITED 31 Dec 2017 (KSHS'000)	AUDITED 31 Dec 2016 (KSHS'000)	AUDITED 31 Dec 2017 (KSHS'000)
A ASSETS				
01. Cash (both local and foreign)	-	-	2,089,675	2,410,009
02. Balances due from Central Bank	-	-	8,994,201	9,469,806
03. Kenya Government and other securities held for dealing purposes	-	-	-	-
04. Financial assets at fair value through profit and loss	-	-	-	-
05. Investment securities:				
a) Held to maturity:				
a. Kenya Government securities	-	-	16,848,441	20,747,773
b. Other securities	-	-	6,927,101	8,365,208
b) Available for sale:				
a. Kenya Government securities	111,896	193,523	21,704,171	20,663,671
b. Other securities	-	-	354,747	1,069,615
06. Deposits and balances due from local banking institutions	-	-	1,083,504	10,551
07. Deposits and balances due from banking institutions abroad	-	-	5,865,203	6,369,422
08. Tax recoverable	3,954	5,799	12,541	606,193
09. Loans and advances to customers (net)	-	-	134,675,332	153,018,152
10. Balances due from banking institutions in the Group	-	-	-	-
11. Investment in associates	-	-	-	-
12. Investment in subsidiary companies	19,675,873	23,790,896	-	-
13. Investment in joint ventures	1,679,971	1,679,971	3,508,182	4,267,166
14. Investment properties	-	-	-	-
15. Property and equipment	105	11	3,906,899	5,335,853
16. Prepaid lease rentals	-	-	253,864	265,940
17. Intangible assets	-	-	1,440,453	3,500,520
18. Deferred tax asset	-	-	421,121	1,066,497
19. Retirement benefit asset	-	-	-	-
20. Other assets	100,831	154,451	2,456,958	2,944,365
21. TOTAL ASSETS	21,572,630	25,824,651	210,542,393	240,110,741
B LIABILITIES				
22. Balances due to Central Bank	-	-	-	-
23. Customer deposits	-	-	146,514,406	169,282,314
24. Deposits and balances due to local banking institutions	-	-	390,694	439,396
25. Deposits and balances due to foreign banking institutions	-	-	7,405,162	5,556,899
26. Other money market deposits	-	-	-	-
27. Borrowed funds	-	-	13,306,197	12,662,494
28. Balances due to banking institutions in the Group	-	-	-	-
29. Tax payable	-	-	139,813	290,630
30. Dividends payable	-	-	-	-
31. Deferred tax liability	-	-	-	-
32. Retirement benefit liability	-	-	-	-
33. Other liabilities	78,015	82,743	3,279,704	4,863,525
34. TOTAL LIABILITIES	78,015	82,743	171,035,976	193,095,258
C SHAREHOLDERS' EQUITY				
35. Paid up/Assigned share capital	392,362	413,405	392,362	413,405
36. Share premium/(discount)	17,331,510	18,805,359	17,331,510	18,805,359
37. Revaluation reserves - (Building)	-	-	718,074	805,901
38. Retained earnings/(Accumulated losses)	3,770,743	6,523,144	18,217,056	22,621,210
39. Statutory loan loss reserves	-	-	1,059,022	2,163,403
40. Other reserves	-	-	(400,280)	(211,397)
41. Proposed dividends	-	-	-	-
42. Translation reserve	-	-	(287,996)	(278,028)
43. TOTAL SHAREHOLDERS' EQUITY	21,494,615	25,741,908	37,029,748	44,319,853
44. Non-controlling interest	-	-	2,476,669	2,695,630
45. TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	21,572,630	25,824,651	210,542,393	240,110,741

OTHER DISCLOSURES	COMPANY		GROUP	
	AUDITED 31 Dec 2016 (KSHS'000)	AUDITED 31 Dec 2017 (KSHS'000)	AUDITED 31 Dec 2016 (KSHS'000)	AUDITED 31 Dec 2017 (KSHS'000)
01. NON-PERFORMING LOANS AND ADVANCES				
a) Gross Non-performing loans and advances	-	-	9,427,978	19,484,638
Less				
b) Interest in suspense	-	-	2,325,840	2,511,301
c) Total Non-performing loans and advances (a-b)			7,102,138	16,973,337
Less				
d) Loan loss provisions	-	-	3,063,213	5,280,228
e) Net Non-performing loans (c-d)			4,038,925	11,693,109
f) Discounted value of securities	-	-	4,038,925	11,693,109
g) Net NPLs exposure (e-f)			-	-
02. INSIDER LOANS AND ADVANCES				
a) Directors, shareholders and associates	-	-	1,372,898	2,184,849
b) Employees	-	-	2,005,039	1,847,950
c) Total insider loans and advances			3,377,937	4,032,799
03. OFF- BALANCE SHEET ITEMS				
a) Letters of Credit, guarantees, acceptances	-	-	31,503,091	40,094,223
b) Forwards, swaps and options	-	-	16,588,064	16,276,455
c) Other contingent liabilities	-	-	3,523,517	4,634,904
d) Total Contingent Liabilities			51,614,672	61,005,582
04. CAPITAL STRENGTH				
a) Core capital	-	-	34,380,344	39,698,915
b) Minimum statutory capital	-	-	1,000,000	1,000,000
c) Excess/(Deficiency)			33,380,344	38,698,915
d) Supplementary capital	-	-	5,785,222	4,786,173
e) Total capital (a+d)			40,165,566	44,485,088
f) Total Risk weighted Assets			186,539,045	211,923,572
g) Core capital/Total deposit liabilities	-	-	18.58%	19.19%
h) Minimum statutory ratio	-	-	8.00%	8.00%
i) Excess/(Deficiency) (g-h)			10.58%	11.19%
j) Core capital/Total risk weighted assets	-	-	18.43%	18.73%
k) Minimum statutory ratio	-	-	10.50%	10.50%
l) Excess/(Deficiency) (j-k)			7.93%	8.23%
m) Total capital/Total risk weighted assets	-	-	21.53%	20.99%
n) Minimum statutory ratio	-	-	14.50%	14.50%
o) Excess/(Deficiency) (m-n)			7.03%	6.49%
05. LIQUIDITY				
a) Liquidity ratio	-	-	37.24%	35.67%
b) Minimum statutory ratio	-	-	20.00%	20.00%
c) Excess/(Deficiency) (a-b)			17.24%	15.67%

STATEMENT OF COMPREHENSIVE INCOME	COMPANY		GROUP	
	AUDITED 31 Dec 2016 (KSHS'000)	AUDITED 31 Dec 2017 (KSHS'000)	AUDITED 31 Dec 2016 (KSHS'000)	AUDITED 31 Dec 2017 (KSHS'000)
01. INTEREST INCOME				
1.1 Loans and advances	-	-	19,217,129	18,879,611
1.2 Government securities	1,229	18,019	5,055,282	5,360,089
1.3 Deposits and placements with banking institutions	15,711	18,725	138,060	143,247
1.4 Other interest income	-	-	40,927	40,815
1.5 Total interest income	16,940	36,744	24,451,398	24,423,762
02. INTEREST EXPENSE				
2.1 Customer deposits	-	-	7,712,342	7,571,926
2.2 Deposits and placements from banking institutions	-	-	279,934	371,272
2.3 Other interest expenses	-	-	937,446	926,077
2.4 Total interest expense	-	-	8,929,722	8,869,275
03. NET INTEREST INCOME/(LOSS)	16,940	36,744	15,521,676	15,554,487
04. OTHER OPERATING INCOME				
4.1 Fees and commissions on loans and advances	-	-	1,852,600	2,259,757
4.2 Other fees and commissions	-	-	882,367	1,064,518
4.3 Foreign exchange trading income (Loss)	-	-	1,797,461	1,828,903
4.4 Dividend income	1,495,739	4,122,986	-	-
4.5 Other income	165	74,200	440,708	609,648
4.6 Total non-interest income	1,495,904	4,197,186	4,973,136	5,762,826
05. TOTAL OPERATING INCOME	1,512,844	4,233,930	20,494,812	21,317,313
06. OTHER OPERATING EXPENSES				
6.1 Loan loss provisions	-	-	2,956,979	4,133,170
6.2 Staff costs	-	-	3,595,375	3,752,209
6.3 Directors' emoluments	-	-	53,223	57,406
6.4 Rentals charges	-	-	571,381	693,479
6.5 Depreciation charge on property and equipment	94	94	373,489	406,884
6.6 Amortisation charges	-	-	115,486	154,726
6.7 Other operating expenses	32,790	29,922	2,669,659	2,779,830
6.8 Total other operating expenses	32,884	30,016	10,335,592	11,977,704
07. PROFIT/(LOSS) BEFORE TAX AND EXCEPTIONAL ITEMS	1,479,960	4,203,914	10,159,220	9,339,609
08. EXCEPTIONAL ITEMS	-	-	443,968	554,965
09. PROFIT/(LOSS) AFTER EXCEPTIONAL ITEMS	1,479,960	4,203,914	10,603,188	9,894,574
10. CURRENT TAX	(3,453)	(4,595)	(2,843,026)	(2,630,325)
11. DEFERRED TAX	-	-	-	-
12. PROFIT/(LOSS) AFTER TAX AND EXCEPTIONAL ITEMS	1,476,507	4,199,319	7,760,162	7,264,249
13. Non controlling interest	-	-	476,537	497,993
14. PROFIT/(LOSS) AFTER TAX, EXCEPTIONAL ITEMS AND NON-CONTROLLING INTEREST	1,476,507	4,199,319	7,283,625	6,766,256
15. OTHER COMPREHENSIVE INCOME				
15.1 Gains/(Losses) from translating the financial statements of foreign operations	-	-	(344,316)	(121,764)
15.2 Fair value changes in available for sale financial assets	-	-	148,041	281,520
15.3 Giro acquisition - Statutory loan loss reserve	-	-	-	-
15.4 Fair value changes on employee benefits	-	-	(7,019)	(39,361)
15.5 Income tax relating to components of other comprehensive income	-	-	392,552	23,016
16. OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX	-	-	189,258	143,411
17. TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,476,507	4,199,319	7,949,420	7,407,660
18. EARNING PER SHARE - DILUTE & BASIC (KSHS)	3.59	10.22	17.73	16.47
19. DIVIDEND PER SHARE - PROPOSED (KSHS)	3.50	3.50	3.50	3.50

SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS	COMPANY		GROUP	
	AUDITED 31 Dec 2016 (KSHS'000)	AUDITED 31 Dec 2017 (KSHS'000)	AUDITED 31 Dec 2016 (KSHS'000)	AUDITED 31 Dec 2017 (KSHS'000)
Net cash generated from operating activities	1,373,191	4,148,126	10,610,555	13,726,150
Cash flows from investing activities	(71,207)	(2,547,296)	(1,808,329)	(3,381,648)
Net cash used in financing activities	(1,373,269)	(1,519,753)	(1,311,531)	(1,579,671)
Net increase in cash and cash equivalents	(71,285)	81,077	7,490,695	8,764,831
Cash and cash equivalents at beginning of period	142,660	71,375	4,378,074	11,868,769
Cash and cash equivalents at end of period	71,375	152,452	11,868,769	20,633,600

SUMMARY OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	SHARE CAPITAL (KSHS'000)	SHARE PREMIUM (KSHS'000)	RETAINED EARNINGS (KSHS'000)	OTHER RESERVES (KSHS'000)	NON-CONTROLLING INTEREST (KSHS'000)	TOTAL (KSHS'000)
At 1 January 2016	392,362	17,331,510	12,971,933	752,328	2,273,166	33,721,299
Other comprehensive income	-	-	7,137,220	336,492	475,708	7,949,420
Transactions with owners	-	-	(1,892,097)	-	(272,205)	(2,164,302)
Audited at 31 December 2016	392,362	17,331,510	18,217,056	1,088,820	2,476,669	39,506,417
At 1 January 2017	392,362	17,331,510	18,217,056	1,088,820	2,476,669	39,506,417
Other comprehensive income	-	-	5,851,072	1,267,809	288,779	7,407,660
Transactions with owners	21,043	1,473,849	(1,446,918)	123,250	(69,818)	101,406
Audited at 31 December 2017	413,405	18,805,359	22,621,210	2,479,879	2,695,630	47,015,483

Message from the Directors,

Basis of preparation

These condensed financial statements are an extract from audited financial statements for the period ended 31 December 2017 which have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were audited by KPMG Kenya and received an unqualified opinion. The financial statements were approved by the Board of Directors on 27 March, 2018.

Dividends

The Directors recommend a dividend of KShs. 3.50 per share amounting to KShs.1,446,918,791 for the year ended 31 December, 2017. A dividend of KShs. 3.50 per share amounting to KShs. 1,446,918,791 in respect of the year ended 31 December 2016 was paid on the 25 May, 2017.

The dividend will be payable to shareholders registered on the Company's Register at the close of business on Monday 30 April 2018 and will be paid on or around Thursday, 24 May 2018. The Register of Members will be closed from Wednesday, 2 May 2018 to Monday, 7 May 2018 (both days inclusive) for the purpose of processing the dividend.

The complete set of audited financial statements can be accessed on the institution's website www.imbank.com as well as at the registered office at I&M Bank House, 2nd Ngong Avenue, Nairobi.

BY ORDER OF THE BOARD } DANIEL NDONYE
CHAIRMAN
27 MARCH 2018



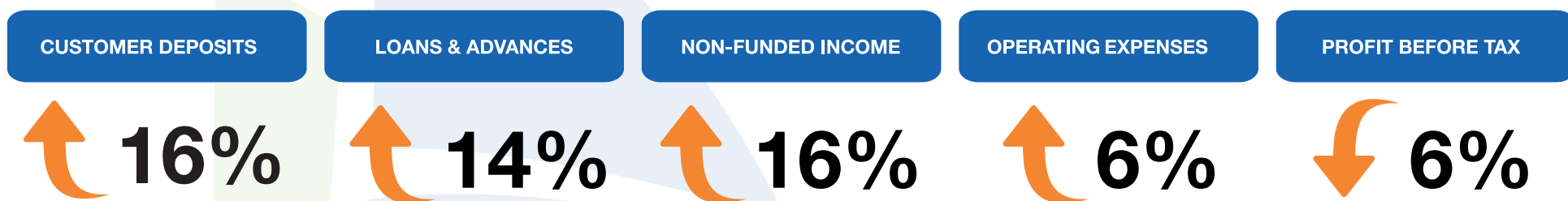
Key Highlights in 2017

Customer Deposits Growth

COMMENTARY

The Board of Directors of I&M Holdings Ltd is pleased to announce the Group's audited full year results for the year ended 31 December 2017.

Financial Highlights



Banking Sector Performance

Slowdown of credit growth rates across the region:

- In Kenya, our host and home country, according to the Central Bank of Kenya, the local Banking Sector continued to suffer from adverse weather conditions, a prolonged electioneering period as well as subdued credit growth to the private sector arising from underscoring the effects of interest rate capping.
- The Tanzanian banking sector exhibited significance resilience despite the economic and regulatory turbulence witnessed during the year.
- As earlier reported by the National Bank of Rwanda, the Rwandan economic growth slowed to 3.4%, on average, in 2016/2017 compared to 8.6% recorded in 2015/2016 following the negative impact of the prolonged dry season and the completion of some big infrastructure projects.
- Mauritius remained the island of calm in a turbulent environment, ranking #1 in Sub-Saharan Africa, on the World Bank's Doing Business Report.
- Across our operating markets, the credit growth parameters remained subdued due to a number of economic factors.

Financial Overview

- In our 44 years of existence, our performance has, as and when always closely mirrored that of the Kenyan economy; when the country suffers, we suffer; and as it prospers we prosper. As a responsible banking sector player and conscious of the prevailing challenges, we had established a fully-fledged unit to help our customers navigate through the hard times by providing a much needed shoulder to lean on. This has worked well and we expect better results from the workout initiatives that are on-going.
- At an operating income level, we have managed to maintain performance at the same level as the prior year. In addition, we have set aside KShs. 4.1 billion from our profit by way of provisions to deal with certain sectors in our book that have demonstrated signs of stress in late 2017.
- We believe the spirit of the IFRS 9 standard, coming on the back of adverse impact of the interest capping has come at an appropriate time that dove-tails with our heightened desire to ensure utmost prudence and appropriate pricing of risk.
- As part of its revised Strategy, I&M Group also revamped and refined its Group Operating Model in 2017 aimed at exploiting synergies from unlocking additional revenues and cost savings through greater integration, improved coordination and control, enhancing risk management across the group, driving talent mobility and sharing of best practises. This is steadily being ingrained through the senior leadership and the various group functionaries.
- The growth in the non-funded income stream due to unique value propositions to our customers underpins the efficacy of the iMara strategy as we already see early successes
- In 2017, the Group embarked on an ambitious project to upgrade its core banking system to Finacle version 10 across all the banking entities in Kenya, Tanzania, Rwanda, and Mauritius. This is expected to be completed in 2018 and will vastly enhance user experience as customers continue to interact with our various products and services.
- It is heartening to note the erstwhile Giro Commercial Bank Limited was successfully integrated within I&M Bank. This was not an easy task by any standard and the Board congratulates the Bank's leadership in steering this process with minimal disruptions and loss of business.

Looking Ahead

- The Group has gained significant traction from the clinical rollout of our new corporate strategy. Going forward, the prospects are bright as we continue to deliver to market a wider portfolio of solutions.
- In particular, we expect more than double digit growth against our non-funded income stream due to strategic customer value propositions. We shall also maintain a strong focus on regional top-line growth, focusing on strong values and key strengths of innovative service and strong customer relationships. Through these pillars, I&M Holdings aspires to be the banking powerhouse in East Africa for middle to large and premium clients through provision of innovative and market driven banking solutions for its target segments.

We are on your side!

For and on behalf of the Board
Daniel Ndonge (Chairman)
27 March 2018

