

Banking |

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When Nedbank Chief Executive Jason Quinn arrived in Nairobi this week, he came prepared to justify a bold move.

The South African lender has offered about \$855m (Shs3.01 trillion) for a 66 percent stake in NCBA Group, valuing one of Kenya's largest banks at roughly 1.4 times book value.

The transaction is structured as 20 percent cash and 80 percent new Nedbank shares listed on the Johannesburg Stock Exchange, with the remaining 34 percent of NCBA continuing to trade on the Nairobi Securities Exchange.

In Kenya's recent banking deals, that 1.4x multiple stands out.

Before news of the bid emerged, NCBA's shares had traded for much of late 2025 below Ksh85 (Shs2,323.9), at times between Ksh78 (Shs2,132.5) and 80 (Shs2,187.2), levels close to book value.

Even after a rally to around Ksh88 (Shs2,405.9)–90 (Shs2,460.6) this month, the stock was only about 1.2 times book.

With a book value per share of roughly Ksh72.91 (Shs1,993.3), Nedbank's offer implies a price near Ksh102 (Shs2,788.6) per share, a clear premium to where the market had priced the bank.

Recent regional transactions have been lower. Access Bank's acquisition of National Bank of Kenya was reported at about 1.25 times.

A consortium's purchase of 39 percent of Sidian Bank came in at roughly 0.95 times, while Equity Group's acquisition of Rwanda's Cogebanque was priced near 1.26 times. By comparison, Nedbank's bid sits at the top end.

Paying for control

But Quinn argues that the multiple cannot be viewed in isolation.

"Value is in the eye of the beholder," he said in an interview with NTV Kenya, adding that control carries a premium.

Nedbank recently agreed to sell its 21.2 percent stake in Ecobank Transnational for \$100m, citing the difficulty of influencing strategy as a minority shareholder.

"It's quite hard to influence strategy with such a small stake," Quinn said.

That experience shaped the NCBA offer. Acquiring 66 percent ensures control and, in Quinn's view, justifies paying above book.

NCBA chief executive officer John Gachora rejects the idea that 1.4x is excessive. "I wouldn't say it's high," he said. "I would say that we are a premium institution."

A structure built for liquidity

Part of that premium lies in structure. The 20 percent cash and 80 percent share mix is unusual in Kenya's mergers and acquisitions market, but both sides argue it balances liquidity and capital efficiency.

NCBA shareholders gain access to a highly liquid Johannesburg Stock Exchange-listed stock while retaining flexibility over when to sell.

Minority investors who would receive fewer than 200 Nedbank shares, equiva-



Nedbank's \$855 million bid for NCBA values the Kenyan lender at 1.4 times book, reflecting a premium for control, digital scale and steady dividends amid accelerating regional banking consolidation. PHOTO/FILE

Why Nedbank is paying a premium for NCBA Bank

Key figures

\$855m

Nedbank has offered about \$855m (Shs3.01 trillion) for a 66 percent stake in NCBA Group.

66%

Nedbank says acquiring 66 percent ensures control and justifies paying above book.

Shs2,788.6

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The partnership is designed to be complementary. Gachora describes it as two-way: NCBA brings digital leadership, while Nedbank contributes depth in corporate and investment banking, property finance, and asset finance, areas where South Africa's market is more advanced.

Strong dividends

NCBA's dividend record adds another layer of attraction. For 2024, the bank paid a total dividend of Ksh5.5 (Shs5.5) per share, up 15.8 percent year-on-year.

That represented a payout of about Ksh21.9b (Shs598.74b), a payout ratio of about 41 percent. At pre-deal prices of Ksh85 (Shs2,323.9)–90 (Shs2,460.6), the yield ranged between 6 and 6.5 percent, competitive among tier-one Kenyan banks.

That consistency supports Quinn's description of NCBA as a "strong dividend payer." If Nedbank is paying a premium, it is paying for both control and

dependable cash flow. A dividend parity clause in the deal ensures shareholders are neither disadvantaged nor able to "double dip" during the transaction period.

Timing also matters

Kenya's banking sector is entering a consolidation phase following the Business Laws (Amendment) Act, 2024, which requires banks to raise minimum core capital from Ksh1b (Shs27.34b) to Ksh10b (Shs273.4b) by 2029. Ratings agency Fitch has said tougher capital requirements are likely to accelerate mergers and acquisitions.

Nedbank's bid fits that moment: rather than build gradually, it is buying scale in a market with solid macroeconomic fundamentals, strong demographics, and a strategic position as a trade corridor linking Africa to the Middle East and Asia.

Quinn argues global trade flows are "shifting east," with India and China expected to drive faster growth in Eastern and Southern Africa.

For NCBA, the deal answers a long-standing strategic question about expansion. Gachora says the partnership provides access to a large pool of capital to accelerate regional growth, including in Central Africa.

If the premium is bold, the logic is clear: control, technology, dividends, and timing. Nedbank is not simply buying a bank at 1.4 times book value. It is buying influence, scalable digital infrastructure, and a foothold in East Africa's next phase of consolidation.