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Performance of Malaysian Local Banks: Before & After Merger

By

Lum Chuen Aun (Matric No: 89167)

Abstract

Malaysia is experiencing another round of crisis brought about by the global credit crunch. With the impending weaker economy, the resiliency of Malaysian banking sector would again be tested. This paper will gain insights into the performance of Malaysian local banks after the consolidation of banking sector in year 2000 which was expedited by the Asian Financial crisis. The objective of this paper is to find out whether the local banks have achieved performance efficiency during the post merger period namely in the areas of profitability, cost savings and shareholders' wealth. Comparison and analysis of ratios are used to compare the performance of local banks during the pre-merger period (1999-2000) and post-merger period (2006-2007). Banks' mergers in Malaysia do not necessary improve their profitability as measured by return on asset (ROA). Cost savings as measured by expenses to revenue ratio indicated mixed result whereas almost all the banks had shown improvement in expenses to asset ratio. Most of the banks had improved in shareholders wealth.

JEL classifications: G21; G34

Keywords: Banks; Mergers & Acquisitions; Performance

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1.0 INTRODUCTION

1.1 Another round of crisis

Malaysia is experiencing another round of crisis brought about by the global credit crunch. The crisis has directly impact the world major economies namely America and European Union countries. Malaysia is now facing the contagion effect such as reduction in commodities prices, declined in trade (import & export) activities, exodus of foreign funds from share market, rising unemployment and risk of recession. With the impending weaker economy, the resiliency of Malaysian banking sector would again be tested. Some banks in US and European Union countries are already mulling the idea of mergers and acquisitions (M&As) in order to weather the crisis. In a recent study conducted by global management consultancy Arthur D. Little¹, it was predicted that within the next three years, ten of today's top fifty European banks would disappear due to consolidation.

1.2 Consolidation of Malaysian banking industry

Malaysian banking sector faced a major consolidation in 2000, mainly due to the aftermath of 1997 Asian Financial Crisis. Growing non-performing loans, vulnerabilities of smaller financial institutions and inherent weakness in the banking systems to contain the effect of financial crisis are some of the major reasons. In addition, there were increased pressures to liberalise the financial services in Malaysia from year 2003 under an agreement with World Trade Organization. On 29 July 1999, Bank Negara Malaysia (BNM) announced the consolidation of 54 financial institutions under six anchor banks namely Maybank, Bumiputra Commerce Bank, Public Bank, Perwira Affin Bank, Multi-Purpose Bank and Southern Bank. The planned consolidation was met with objections from various quarters and eventually BNM extended the number of anchor banks to ten banks. On 14 February 2000, BNM announced the 10 anchor banks which are depicted below:

¹ Arthur D. Little, founded in 1886, is a leading global management consulting firm that links strategy, innovation and technology to master complex business challenges while delivering sustainable results to their clients.

Banking Institutions in the Group		
Acquirers	Subsidiaries	Targets
Alliance Bank Malaysia Bhd	-	Sabah Bank Bhd International Bank Malaysia Bhd Bolton Finance Bhd Sabah Finance Bhd Bumiputra Merchant Bankers Bhd Amanah Merchant Bank Bhd
Am Bank (M) Bhd	Arab-Malaysian Finance Bhd	MBF Finance Bhd
Bumiputra-Commerce Bank Bhd	Bumiputra-Commerce Finance Bhd	Commerce International Merchant Bankers Bhd Bank Bumiputra
EON Bank Bhd	EON Finance Bhd	Oriental Bank Bhd City Finance Bhd Perkasa Finance Bhd Malaysian International Merchant Bankers Bhd
Hong Leong Bank Bhd	Hong Leong Finance Bhd	Wah Tat Bank Bhd Credit Corporation (M) Bhd
Malayan Banking Group	Mayban Finance Bhd Aseambankers Malaysia Bhd	PhileoAllied Bank Bhd The Pacific Bank Bhd Sime Finance Bhd Kewangan Bersatu Bhd
Perwira Affin Bank Bhd	Affin Finance Bhd Perwira Affin Merchant Bank Bhd	BSN Commercial Bank Bhd BSN Finance Bhd Asia Commercial Finance Bhd BSN Merchant Bank Bhd
Public Bank Bhd	Public Finance Berhad	Hock Hua Bank Bhd Advance Finance Bhd Sime Merchant Bankers Bhd
RHB Bank Bhd	RHB Sakura Merchant Bankers Bhd	Bank Utama (Malaysia) Bhd Delta Finance Bhd Interfinance Bhd
Southern Bank Bhd	Southern Finance Company Bhd / Southern Investment Bank Bhd	Ban Hin Lee Bank Bhd Cempaka Finance Bhd Perdana Finance Bhd United Merchant Finance Bhd Perdana Merchant Bankers Bhd

Source : Dr Rubi Ahmad, 2007

The completion of the exercise was set for December 2002. Merged banks were required to have a minimum capital of RM2 billion by 31 December 2001. But the deadline was later extended to 30 June 2002. The banks were also required to have an asset base of RM25 billion. The banking consolidation to ten anchor banks was completed by mid 2002 with the final merger between RHB Bank Bhd and Bank Utama (M) Bhd.

1.3 Motivation of study

Having the advantage of larger assets and capital base, the merged banks are expected to achieve synergies, have greater operational efficiency and better prepared to face

challenges from liberalisation of the banking industry. Operational efficiency could result in cost saving and improvement in banks' profitability. The cost savings could be fully realised within 2 to 3 years and a longer period should provide a better picture (Rubi Ahmad, 2007). Banks were urged to merge during Asian economic crisis because policy makers in Asia believed that merging two weak banks creates a healthier bank than both predecessor banks and merging a weak bank with a healthier bank one reduces the chance of a bank failure (Shih, 2003).

However, past empirical researches of M&As activities in the banking sector in the had indicated mixed results. Lin et al (2006), Berger et al (1999), Vernet (1996), Knapp et al (2006) and Diaz et al (2004) found that M&As can increase the profitability of merged banks. Pillof & Santomero (1996) commented there was no statistically significant gain in value or performance from merger activity while Amel et al (2004) found no clear evidence that M&As would result in cost reduction.

Malaysian banking industry was consolidated in a large scale post Asian Financial Crisis. As opposed to M&As in US and European countries whereby M&As were motivated by increasing market power or improving efficiency, the consolidation in Malaysian banking industry was driven and led by government. Prior to this 1999-2002 merger exercise, empirical studies on Malaysian financial institutions were scarce owing to rarity of mergers and acquisitions activities in the banking industry (Rubi Ahmad, 2004). Even if mergers do exist, the scale is not comparable to the 1999 to 2002 merger exercise. It will be interesting to study the performance efficiency of the merged banks as the mergers activities were done at the same time and all the banks were experiencing similar economic conditions. Perhaps, the differences were the management style and business strategies adopted by respective banks' management teams.

The *problem statement* in this study is the post-merger efficiency in Malaysian local banks by analysing their performance after the major consolidation of banking sector in year 2000. Though banks consolidation has taken place for eight years, there is no clear evidence to prove the effectiveness of bank mergers. However, there were two studies conducted by Krishnasamy et al (2003) and Sufian (2004). Both used Data

Envelopment Analysis (DEA)² and found that merged banks gained overall efficiency post merger. The methodology of this paper will be different from them, in which preliminary analysis will be carried out based on financial performance indicators or financial ratios.

1.4 Objective

The objective of this paper here is to find out whether Malaysian local banks have achieved performance efficiency in the post-merger period namely in the areas of profitability, cost savings and shareholders' wealth. In the case of banks' consolidation in Malaysia, the merging parties were not allowed to retrench employees for 2 years after the merger exercise was completed (Rubi Ahmad, 2007). Analysts were interested in the post-merger effects on loan growth, cost savings achieved, post-merger staff retrenchment, enhancement of return on equity and time lag for completion of mergers (Bala Shanmugam, 2003)

Campa & Hernando (2006) commented that merged banks are supposedly capable of improving operating costs by rationalization the branch network of merging banks, reducing back-office operations and common services, and achieve economies of scale in information technology, brand recognition and other fixed assets. Mergers also allow banks to improve their market positioning in the overall market and increase cross-selling of financial products. Amel et al (2004) supported that M&As can improve efficiency by gaining access to cost-saving technologies or spread their fixed costs over a larger base. Efficiency gains may derive from exploitation of economies of scope, allowing merging parties to enter new markets and cross-sell products to a wider customer base.

Berger et al (1999) contended² that the primary motive for consolidation in financial services is to maximise shareholders' value via increasing market power or increasing efficiency. A number of studies have found that in a substantial proportion of M&As,

² Data envelopment analysis (DEA), also known as frontier analysis was first introduced by Charnes, Cooper and Rhodes in 1978. It is a performance measurement technique which is used for evaluating the relative efficiency of decision-making units (DMU's) in organisations.

a larger and more efficient institutions tends to take over a smaller, less efficient institutions.

2.0 LITERATURE REVIEW

Rhoades (1998) studied nine large bank mergers occurred since the mid-to-late 1980s and early 1990s. The key findings were: (1) significant cost cutting objectives were achieved; (2) four of the nine mergers showed clearly efficiency gains and (3) seven of the nine mergers exhibited improvement in return on assets. All the merged firms indicated that actual savings met or exceeded their expectations. Most of the firms projected that cost savings would be fully achieved within three years after merger.

Lin et al (2006) found that merger and acquisitions (M&As) in US banking firms increased firms' performance. M&As can be an effective growth strategy for banking firms. Most banking mergers can contribute to firm productivity, shareholders value and profitability. Campa & Hernando (2006) evaluated the performance record of M&As that took place in the European Union financial industry during the period 1998-2002. They found that M&As usually involved targets with lower operating performance than their average in their sector. Target banks showed significant improvement in return-on-equity and net financial margin. These improvements were noted after two years the transactions were completed.

Vennet (1996) found that domestic merger among equal-sized partners significantly increase the performance of merged banks. This type of merger provides ample opportunities to reduce redundancies and exploit synergies, and thus raised the operational efficiency and profit level of the merged banks. The study was conducted based on 422 domestic banks takeovers in ten European countries.

Berger et al (1999) reviewed more than 250 references in the context of financial services industry consolidation and found that consolidation appears to increase profit efficiency. There was little or no cost efficiency improvement on average following M&As. Consolidations involving inefficient firms appeared to improve both cost and profit efficiency as the M&A event may have "woken up" management to the need for improvement.

Krishnasamy et al (2003) examined the changes in productivity of the merged 10 Malaysian banks in the period of 2000 and 2001 by utilising non-parametric methodology, Data Envelopment Analysis (DEA) and Malmquist total factor productivity index (MPI). Results revealed that total factor productivity increased in all eight banks except for EON bank, which remained the same whilst Public bank recorded a decrease in productivity. These findings were supported by Sufian (2004) in which he used DEA analysis and concluded that Malaysian banks achieved overall efficiency during 1998 to 2003, in particular the small and medium size banks. Liu & Tripe (2001) also performed DEA analysis on six bank mergers cases in New Zealand and found that most banks achieved efficiency gains post merger.

Haynes & Thompson (1999) used a panel of 93 UK building societies over the period 1981 to 1993 and noted significant productivity gains, apparently rising over a period of six years or more subsequent to the acquisition itself. Knapp et al (2006) studied 80 mergers in US during the years 1987 to 1998. Results showed that bank holding company mergers do, on average benefit the shareholders of the acquiring bank. Acquirer is found to be more profitable after a merger. Diaz et al (2004) carried out empirical analysis of 181 acquisitions of European Union financial entities during the period 1993-2000. They observed acquisition of financial entities can increase profitability. There is a lag of at least two years between the acquisition and the increase in performance.

Altunbas & Marques (2008) examined 207 domestic M&As that took place in the EU banking sector between 1992 to 2001. They noted improvement in performance after a merger had taken place. Houston et al (2001) took a sample of 64 bank mergers in US during the period 1985 to 1996 and observed that post-merger operating performance of the banks had improved via increases in average pre-tax return on assets.

Pillof & Santomero (1996) pointed out that the research for post-merger performance gains in banks had focused on improvement in any one of the areas namely cost and revenue efficiency improvements, increased market powers, and value enhancing by raising the level of bank diversification via broadening the geographic reach or

increasing the range of the products and services offered. Greater diversification provides value by stabilising returns and hence raises shareholders' wealth. In their studies on literature reviews on the value of banks mergers and acquisitions, on average there was no statistically significant gain in value or performance from merger activity. Amel et al (2004) also found no clear evidence that M&As result in cost reduction. They noted that empirical evidence suggested commercial bank M&As did not significantly improve cost and profit efficiency. There was general consensus that consolidation in financial sector was beneficial up to certain size in order to reap economies of scale.

Avkiran (1999) analysed four cases of banks' mergers in Australia. Though acquiring banks were more efficient than target banks, the acquiring bank did not always maintain its pre-merger efficiency. Hence, the role of mergers in efficiency gains was not necessary positive. However, they noted that in one of the banks' mergers, there was a gradual rise in efficiency after the merger.

Shih (2003) contended that merging failing banks is likely to create banks more likely to fail than the predecessor banks but merging relatively healthy banks is likely to create banks less likely to fail. He added that when banking sector is relatively healthy, there is no urgency for policy makers to strengthen the banking sector. During the 1997-1998 Asian economic crisis, policy makers were likely to take interventionist measures, such as encouraging or forcing banks to merge. In this situation, bank mergers would likely create even weaker banks and worsen the banking sector crisis.

Rezitis (2008) used a Generalized Malmquist productivity index on five merged banks in Greece and concluded that banks that participated in merging activity experienced a decline in technical efficiency and in total factor productivity. Hence, merged banks did not experience an improvement in performance.

Cybo-Ottone & Murgia (2000) studied the stock market valuation of M&As in the European banking industry and noted that both acquirer and target banks had positive increase in share value at the time of the deal's announcement. However, in a recent study by Bendeck & Waller (2007) on bank acquisition in US, it was found that target

banks earned positive returns whilst bidding banks sustained negative returns at acquisition announcement.

A summary of literature review is appended at the end of this paper under Appendix II.

3.0 METHODOLOGY

3.1 Selection of pre merger and post merger period

Malaysian banking consolidation to ten anchor banks was completed in mid 2002 with the final merger between RHB Bank Bhd and Bank Utama (M) Bhd. Banks were required to have minimum capital of RM2 billion by 30th June 2002. In this study, the pre merger period is represented by year 1999 to 2000.

Most of bank mergers details were announced in mid 2000 and the last merger transaction was completed in mid 2002. Merged banks were not allowed to retrench employees for 2 years after the merger exercise was completed (Rubi Ahmad, 2007). With this restrictive action, banks are expected to achieve cost efficiency after 2 years. Rhoades (1998), Campa & Hernando (2006) and Diaz et al (2004) found that merged banks need at least 2 years to achieve cost efficiency or improvement in performance. Rubi Ahmad (2007) pointed out that a longer period of study should provide a better picture. Hence, I have selected the post merger period as year 2006 and 2007.

3.2 Financial ratios

There are three areas of analysis namely profitability, cost saving and maximisation of shareholders' wealth or value. These are measured by financial ratios as follows:

<i>Analysis of</i>	<i>Ratio (s) used</i>
Profitability	: Return on Asset
Cost saving	: Total expenses to total revenues : Total expenses to total assets
Shareholders' wealth	: Earnings per share : Dividends per share

Return on assets ratio reflects the ability of the bank's assets to generate profit. Rhoades (1998) highlighted that net income (after tax) to average assets as an indicator of profitability and a good overall indicator of a banking organization's performance. Instead of net income, I have chosen profit-before-tax as numerator to eliminate taxation effect on bank's income. I opined that taxation treatment on banks' earnings is a non reflection of banks' capabilities to generate profit and should be excluded.

Cost savings ratio is represented by total expense to total revenue and total expenses to total assets. Rhoades (1998) highlighted that revenue when used as denominator reflects the ability of the firm to generate revenue from its expenditure. He added that both revenues and expenses reflect interest rate changes whilst assets do not. Furthermore, off-balance sheet items can affect both revenues and expenses whereas expenses to assets ratio could be misleadingly high for those banks with significant off-balance sheet items. Nevertheless, ratio of total expenses to total assets would also be analysed in view that assets reflect the earnings base of the bank and they are generally not highly variable as compared to revenue (Rhoades, 1998). In this study, total expenses are the sum of interest expense, non-interest expense and overhead expenses. Total revenues are the sum of interest income, income from Islamic banking and non-interest income.

The most appropriate measurement for shareholders' wealth is the share prices of the banks. However, not all the banks are listed on Bursa Malaysia. Only Maybank, Public bank and Hong Leong bank are listed on Bursa Malaysia. Public bank's share price had surged from RM2.94/share in 2000 to RM11/share in 2007³. Market price to book value had jumped from 1.95x to 4.48x⁴. The surge in share prices could be largely due to better economic conditions and increased in performance efficiency. Before the merger, share prices of local banks were severely impaired by the Asian Financial Crisis. Better economic conditions in 2007 as opposed to year 2000 could have pushed the share prices to higher level. This reason could be applied to Maybank and Hong Leong bank whereby it can be conjectured that their share prices are higher

³ Closing share prices as stated in Public Bank's annual report for year 2000 and 2007.

⁴ Market price to book value is derived from market capitalization over tangible net worth (shareholders' funds less intangibles).

in 2007. Their share prices in 2000 could not be obtained as this information is not published in their annual reports.

Local banks other than the three banks mentioned above are subsidiaries of listed holding companies. For example, CIMB bank is a subsidiary of Bumiputra Commerce Holdings Bhd; Alliance Bank, a subsidiary of Alliance Financial Group Bhd and EON bank, a subsidiary of EON Capital Bhd. Besides bank, these holding companies also have other companies, normally in the businesses related to financial services like insurance or investment banking in its stable. Hence, the movement of share prices of the listed holding companies may not reflect shareholders' value of the banks. In addition, share prices of banks are largely influenced by market sentiment on economic conditions which may not reflect their true fundamental values. In this study, ratios like earnings per share (EPS) and dividends per share (DPS) of the banks are used as an alternative indicator of shareholders' wealth. Higher EPS or DPS reflect greater shareholders' value.

3.3 Collection of data

Data are collected from the respective banks' annual reports for two periods ie pre merger (year 1999 & 2000) and post merger (year 2006 & 2007). Currently, there are nine local banks. Southern bank was acquired by CIMB bank on March 2006. In view of this acquisition that may distort its financial during the post merger period, CIMB bank is excluded from the study. Thus, there are only eight local banks in this analysis.

3.4 Method of analysis

Data like profit-before-tax, total assets, total revenue, total expenses, net income, dividend and number of shares of eight local banks are keyed into Microsoft Excel and ratios are then computed. Average ratios are computed for two periods ie pre merger and post merger. For example, average ROA in pre merger period is computed and compared with average ROA in post merger period. Increase in average ROA, EPS, DPS, and reduction of cost saving ratios are assessed as an improvement. Lower ROA, EPS, DPS and higher cost saving ratios are marked as weakened.

3.5 Analysis of findings

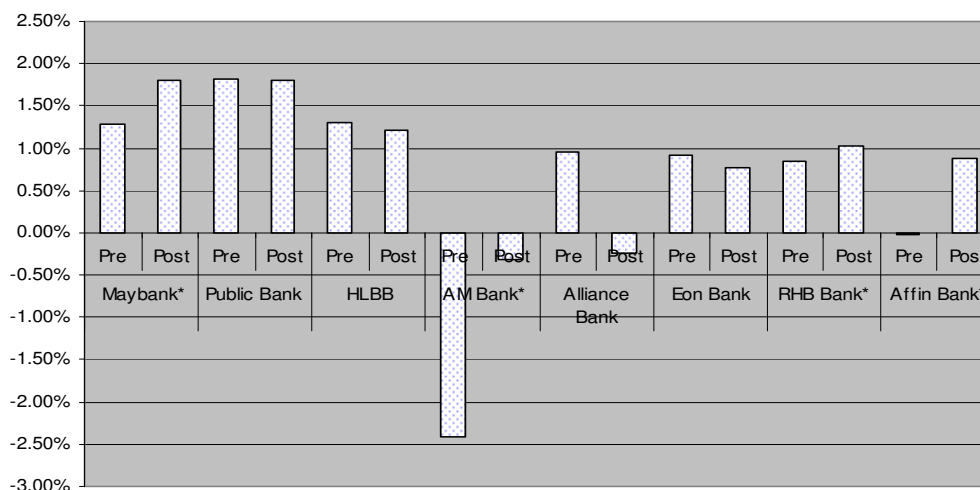
The data and ratios of all eight banks are attached in the Appendix I of this paper.

Results are summarised below:

Banks	Profitability	Cost Saving		Shareholders' wealth	
	ROA	Expenses/Revenue	Expenses/Assets	EPS	DPS
MBB	Improved	Improved	Improved	Improved	Improved
PBB	Unchanged	Improved	Improved	Improved	Improved
RHB	Improved	Unchanged	Improved	Improved	Improved
AM bank	Improved	Improved	Improved	Improved	n/a*
HLBB	Weakened	Weakened	Improved	Improved	Improved
Alliance	Weakened	Weakened	Improved	Weakened	Improved
EON	Weakened	Improved	Improved	Improved	Improved
Affin bank	Improved	Weakened	Weakened	Improved	Improved

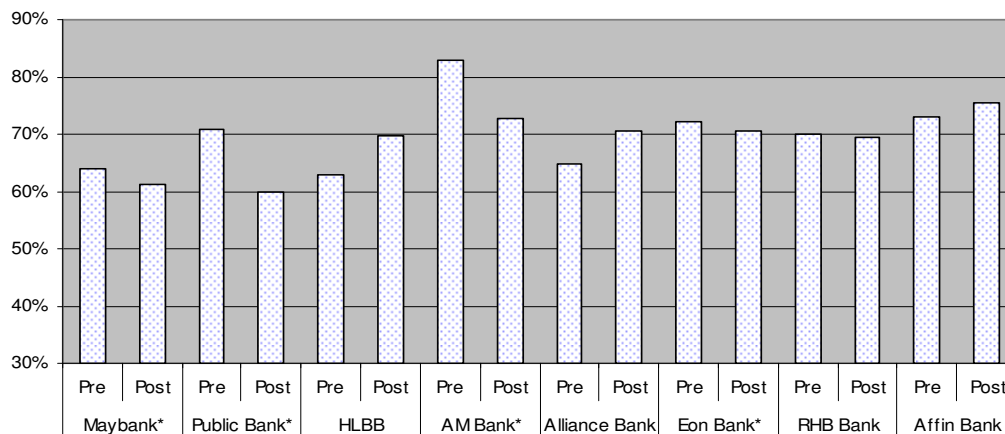
*no comparable data

Chart 1: Return on Asset Ratio

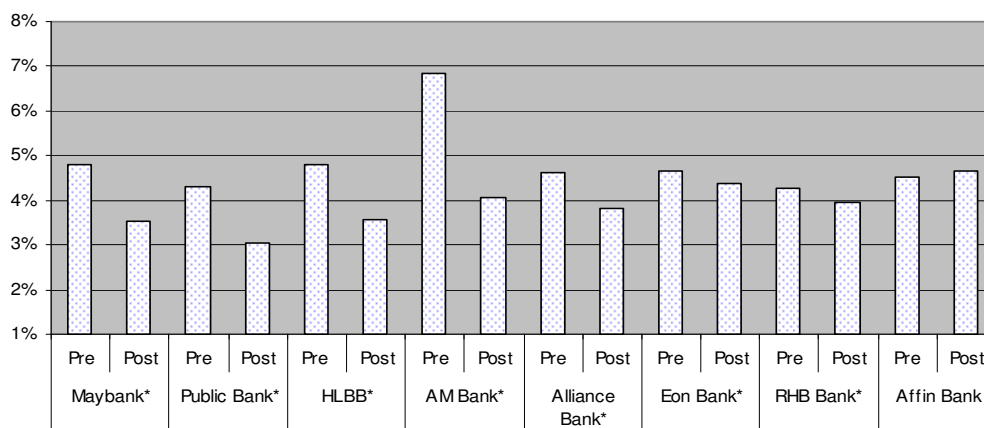


*improvement in ROA

Only four banks showed improvement in ROA, three banks had weaker ROA and one bank exhibited unchanged in ROA. This implied that mergers in Malaysia do not necessary improve a bank's ROA. Though Rhoades (1998), Houston et al (2001) had found that most banks' ROA had increased and Knapp et al (2006) concluded that M&As could contribute to bank's profitability, Malaysian banks had shown mixed result. Four out of eight banks had improved their ROA while three banks recorded lower ROA, indicating decline in profitability level.

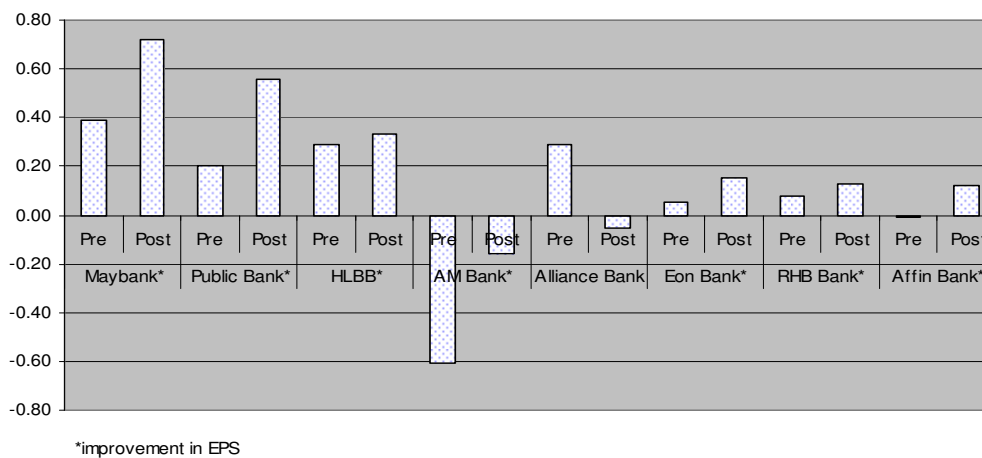
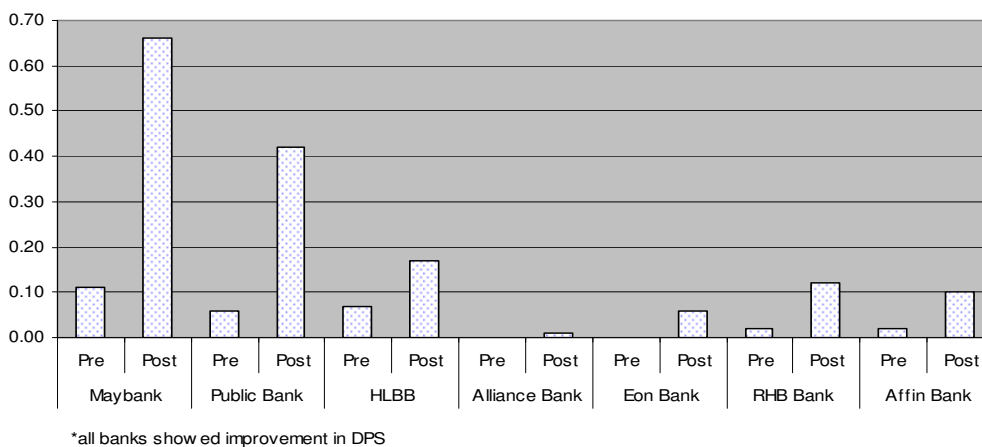
Chart 2: Total Expenses to Total Revenue Ratio

*improvement in total expenses to total revenue ratio

Chart 3: Total Expenses to Total Assets Ratio

*improvement in total expenses to total asset ratio

The banks' expenses to revenue ratio also indicated mixed result whereas all the banks showed improvement in expenses to assets ratio with the exception of Affin bank. As highlighted by Rhoades (1998), assets are generally not highly variable as compared to revenue. This could explain why the banks showed consistent results in expenses to assets ratio. Malaysian banks could have higher variation in revenue and when revenue-based ratio is used, results could be mixed as shown by the expenses to revenue ratio. Malaysian banks had achieved cost saving as measured by expenses to asset ratio. This supported the views of Rhoades (1998), Berger et al (1999) and Houstan et al (2001) but contradicts with Amel et al (2004).

Chart 4: Earnings per share (EPS)**Chart 5: Dividend per share (DPS)**

Most of the banks had seen improvement in shareholders' wealth as indicated by EPS and DPS. This finding is consistent with Lin et al (2006). However, it must be highlighted that Malaysian banking consolidation was prompted by the Asian Financial Crisis. The aftermath of the crisis had affected banks' earnings. Hence, it is understandable that EPS and DPS during the pre merger period were generally lower. The economic conditions during the post merger period were no doubt better than the pre merger period and could have boosted the banks' earnings.

4.0 LIMITATIONS OF STUDY

4.1 Time lag effects

This study analysed the post merger performance efficiency of eight banks. The timing of post merger efficiency among the banks could have varied. Some banks could have achieved better performance in a shorter period and some may need a longer time frame. Theoretically, smaller banks could have seen the effect of merger in a shorter period as compared to larger banks. This is due to smaller asset size, lower duplication of resources in terms of staff workforce and number of branches, as well as lesser complications that could arise in merging smaller banks. Larger banks may need longer gestation period to realise their performance goals.

4.2 Possible indicators from various financial ratios

There are various financial ratios that could measure the banks' profitability and costs savings. Besides ROA, banks' profitability could be measured using operating profit margin, net profit margin, return on equity, total revenue to total assets and other ratios. Cost savings could also be represented by total expenses per employee and projection of expenses vs actual expenses. There is no definite answer which ratios are the most appropriate representations. In addition, using different profitability ratios may have shown mixed results that give inconclusive evidence. Selected ratios are at best used as proxy indicators only.

4.3 Influence of external factors

This study used four years of financial information data. The earliest is year 1999 and the latest is year 2007. During this nine years period, there are other events that could reduce the effectiveness of ratios comparisons like changes in management teams or major shareholders, liberalisations of financial services, intense competitions among the banks, economic climate, investment in latest technologies and other external factors. Changes in management teams or major shareholders could chart business directions that are different from predecessor management teams. In this study, economic climate between pre merger and post merger period were very different

from each other. The pre merger period was recovery years post Asian Financial Crisis whereas the post merger period depicted full recovery of the economy.

5.0 CONCLUSION

5.1 Brief review of findings

Most of the empirical researches on M&As were driven by market forces. On the contrary, consolidation in Malaysian banking industry in 2000 was led and driven by the government. By comparing ROA in pre-merger period (1999-2000) and post merger period (2006-2007), Malaysian banks had exhibited mixed results. Cost saving as measured by expense to revenue ratio is also inconclusive. However, seven out of eight banks had achieved cost savings as measured by expenses to assets ratio. Most of the banks had increased shareholders value by using indicators such as EPS and DPS. This study has several limitations that could reduce the effectiveness of ratio comparisons namely time lag effects, possible indicators from various financial ratios and influence from external factors. The findings using ratios are purely indicative. Other ratios like operating profit margin, net profit margin, return on equity and total revenue to total assets, to name a few, could be used to measure the post merger performance of banks.

5.2 Future research

Further research could be undertaken to compare both the assets size of acquiring banks and target banks on the effectiveness of post merger efficiency. Lately, Malaysian banks are increasing their presence in overseas countries, mainly in Asia Pacific region by acquiring majority or strategic stakes in foreign target banks. It would be interesting to study the effectiveness of these cross-border acquisitions which I opined, is still at infancy stage and have not been analysed by any researchers yet.

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- Annual Report of EON Bank FYE Dec 2000 and 2007.
- Annual Report of RHB Bank FYE June 2000 and 2007.

Annual Report of Affin Bank FYE Dec 2000 and 2007.

Appendix I: Data and ratios of all eight banks

Pre merger period	Maybank			Public Bank			HLBB		
	2000	1999	Average	2000	1999	Average	2000	1999	Average
PBT	1,544	869		634	521		313	137	
Total Assets	97,057	87,592		32,305	30,898		18,506	15,095	
ROA	1.59%	0.99%	1.29%	1.96%	1.69%	1.82%	1.69%	0.91%	1.30%
Interest expense	2,573	4,078		863	1,112		443	707	
Overhead expenses	1,114	996		391	360		233	187	
Total expenses	3,687	5,074		1,254	1,472		676	894	
Interest income	5,136	6,529		1,588	1,742		915	1,134	
Income from Islamic	93	70		20	15		4	-1	
Non-interest income	852	922		255	226		206	152	
Total revenue	6,081	7,521		1,863	1,983		1,125	1,286	
Expenses/Revenue	60.63%	67.46%	64.05%	67.31%	74.23%	70.77%	60.09%	69.54%	64.82%
Expenses/Assets	3.80%	5.79%	4.80%	3.88%	4.76%	4.32%	3.65%	5.92%	4.79%
Net income	1,020	810		456	518		222	118	
Dividend	304	199		179	95		56	29	
No of shares	2,338	2,308		2,390	2,366		577	577	
EPS	0.44	0.35	0.39	0.19	0.22	0.20	0.38	0.20	0.29
DPS	0.13	0.09	0.11	0.07	0.04	0.06	0.10	0.05	0.07
Post merger period	Maybank			Public Bank			HLBB		
	2007	2006	Average	2007	2006	Average	2007	2006	Average
PBT	4,152	3,535		2,851	2,440		759	697	
Total Assets	227,447	197,135		158,471	134,267		66,161	55,139	
ROA	1.83%	1.79%	1.81%	1.80%	1.82%	1.81%	1.15%	1.26%	1.21%

Interest expense	5,273	3,849		3,712	2,955		1,716	1,399	
Overhead expenses	3,164	2,784		1,217	1,071		686	527	
Total expenses	8,437	6,633		4,929	4,026		2,402	1,926	
Interest income	10,099	8,076		6,410	5,303		2,882	2,412	
Income from Islamic	846	860		478	428		0	0	
Non-interest income	2,448	2,179		1,254	1,077		439	450	
Total revenue	13,393	11,115		8,142	6,808		3,321	2,862	
Expenses/Revenue	63.00%	59.68%	61.34%	60.54%	59.14%	59.84%	72.33%	67.30%	69.81%
Expenses/Assets	3.71%	3.36%	3.54%	3.11%	3.00%	3.05%	3.63%	3.49%	3.56%
Net income	3,051	2,490		2,106	1,789		547	503	
Dividend	2,099	2,984		1,595	1,313		256	269	
No of shares	3,889	3,796		3,528	3,462		1,580	1,580	
EPS	0.78	0.66	0.72	0.60	0.52	0.56	0.35	0.32	0.33
DPS	0.54	0.79	0.66	0.45	0.38	0.42	0.16	0.17	0.17

Appendix I: Data and ratios of all eight banks (Cont)

Pre merger period	AM Bank			Alliance Bank			Eon Bank		
	2000	1999	Average	2000	1999	Average	2000	1999	Average
PBT	80	-630		156	72		86	68	
Total Assets	11,731	11,415		13,552	9,330		8,685	8,039	
ROA	0.68%	-5.52%	-2.42%	1.15%	0.77%	0.96%	0.99%	0.85%	0.92%

Interest expense	460	925		370	349		218	327	
Overhead expenses	102	91		194	123		124	105	
Total expenses	562	1,016		564	472		342	432	
Interest income	690	999		822	645		460	511	
Income from Islamic	17	3		0	0		10	8	
Non-interest income	104	50		85	56		31	50	
Total revenue	811	1,052		907	701		501	569	
Expenses/Revenue	69.30%	96.58%	82.94%	62.18%	67.33%	64.76%	68.26%	75.92%	72.09%
Expenses/Assets	4.79%	8.90%	6.85%	4.16%	5.06%	4.61%	3.94%	5.37%	4.66%
Net income	45	-465		108	72		61	61	
Dividend	0	0		0	0		0	0	
No of shares	379	348		395	230		1,168	1,114	
EPS	0.12	-1.34	-0.61	0.27	0.31	0.29	0.05	0.05	0.05
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Post merger period	AM Bank			Alliance Bank			EON Bank		
	2007	2006	Average	2007	2006	Average	2007	2006	Average
PBT	-574	252		156	-243		265	278	
Total Assets	53,584	56,359		24,338	21,688		35,638	34,499	
ROA	-1.07%	0.45%	-0.31%	0.64%	-1.12%	-0.24%	0.74%	0.81%	0.77%
Interest expense	2,009	1,308		498	486		1,061	980	
Overhead expenses	592	548		409	353		559	483	
Total expenses	2,601	1,856		907	839		1,620	1,463	
Interest income	3,210	2,473		1,041	937		1,936	1,818	
Income from Islamic	0	0		125	67		0	0	
Non-interest income	283	149		154	152		331	284	
Total revenue	3,493	2,622		1,320	1,156		2,267	2,102	
Expenses/Revenue	74.46%	70.79%	72.62%	68.71%	72.58%	70.64%	71.46%	69.60%	70.53%

Expenses/Assets	4.85%	3.29%	4.07%	3.73%	3.87%	3.80%	4.55%	4.24%	4.39%
Net income	-460	264		112	-172		179	207	
Dividend	0	0		7	7		90	81	
No of shares	610	610		598	598		1,330	1,330	
EPS	-0.75	0.43	-0.16	0.19	-0.29	-0.05	0.13	0.16	0.15
DPS	0.00	0.00	0.00	0.01	0.01	0.01	0.07	0.06	0.06

Appendix I: Data and ratios of all eight banks (Cont)

Pre merger period	RHB Bank			Affin Bank		
	2000	1999	Average	2000	1999	Average
PBT	501	326		-100	91	
Total Assets	48,891	49,454		15,644	15,012	
ROA	1.02%	0.66%	0.84%	-0.64%	0.61%	-0.02%
Interest expense	1,341	1,885		366	513	
Overhead expenses	617	357		268	232	
Total expenses	1,958	2,242		634	745	
Interest income	2,601	2,678		753	832	
Income from Islamic	19	13		34	28	
Non-interest income	312	362		109	129	
Total revenue	2,932	3,053		896	989	
Expenses/Revenue	66.78%	73.44%	70.11%	70.76%	75.33%	73.04%

Expenses/Assets	4.00%	4.53%	4.27%	4.05%	4.96%	4.51%
Net income	330	308		-102	91	
Dividend	82	68		0	23	
No of shares	3,900	3,900		650	650	
EPS	0.08	0.08	0.08	-0.16	0.14	-0.01
DPS	0.02	0.02	0.02	0.00	0.04	0.02
	RHB Bank			Affin Bank		
Post merger period	2007	2006	Average	2007	2006	Average
PBT	1,022	715		251	218	
Total Assets	85,064	85,949		26,233	26,181	
ROA	1.20%	0.83%	1.02%	0.96%	0.83%	0.89%
Interest expense	2,358	2,158		850	738	
Overhead expenses	1,166	1,111		462	396	
Total expenses	3,524	3,269		1,312	1,134	
Interest income	4,361	3,995		1,484	1,337	
Income from Islamic	0	0		0	13	
Non-interest income	748	669		223	185	
Total revenue	5,109	4,664		1,707	1,535	
Expenses/Revenue	68.98%	70.09%	69.53%	76.86%	73.88%	75.37%
Expenses/Assets	4.14%	3.80%	3.97%	5.00%	4.33%	4.67%
Net income	645	392		181	159	
Dividend	863	120		264	28	
No of shares	3,990	3,990		1,439	1,290	
EPS	0.16	0.10	0.13	0.13	0.12	0.12
DPS	0.22	0.03	0.12	0.18	0.02	0.10

Appendix I: Data and ratios of all eight banks (Cont)

Period	Maybank		Public Bank		HLBB	
	Pre	Post	Pre	Post	Pre	Post
ROA	1.29%	1.81%	1.82%*	1.81%*	1.30%	1.21%
Expenses/Revenue	64.05%	61.34%	70.77%	59.84%	62.82%	69.81%
Expenses/Assets	4.80%	3.54%	4.32%	3.05%	4.79%	3.56%
EPS	0.39	0.72	0.20	0.56	0.29	0.33
DPS	0.11	0.66	0.06	0.42	0.07	0.17

Period	AM Bank		Alliance Bank		Eon Bank	
	Pre	Post	Pre	Post	Pre	Post
ROA	-2.42%	-0.31%	0.96%	-0.24%	0.92%	0.77%
Expenses/Revenue	82.94%	72.62%	64.76%	70.64%	72.09%	70.53%
Expenses/Assets	6.85%	4.07%	4.61%	3.80%	4.66%	4.39%
EPS	-0.61	-0.16	0.29	-0.05	0.05	0.15
DPS	0.00	0.00	0.00	0.01	0.00	0.06

Period	RHB Bank		Affin Bank	
	Pre	Post	Pre	Post
ROA	0.84%	1.02%	-0.02%	0.89%
Expenses/Revenue	70.11%	69.53%	73.04%	75.37%
Expenses/Assets	4.27%	3.97%	4.51%	4.67%
EPS	0.08	0.13	-0.01	0.12
DPS	0.02	0.12	0.02	0.10

*concluded as unchanged basis in view of small changes.