

5. SUMMARY, CONCLUSION & RECOMMENDATION

5.1 SUMMARY

The above study of three major banks in Malaysia, namely Maybank, CIMB and Public Bank are significantly stated that the Mergers and Acquisitions (M&A) have been a priority associated with the strengthening of a bank's financial position and increasing bank value. Banks involved in a consolidation program should benefit operationally and financially as a result of M&A activity the objectives for M&A include:

- (1) Operating synergy;
- (2) Financial synergy and diversification;
- (3) Bankruptcy avoidance;
- (4) Financial slack;
- (5) Hubris; and
- (6) Self-interest of the bidder's management.

5.2 CONCLUSION

Despite the challenges of the economy and increased competition, the solid foundation in terms of capabilities, resources and financial strength, it puts Maybank in good stead to achieve the goals in the near and long term. The bank confident with the continued support of employees in executing performance improvement initiatives, customers and shareholders, Maybank emerge stronger as continue pursuit to seek new grounds and opportunities for greater growth in Malaysia and abroad. Moving forward, the bank

optimistic that overall financial performance will improve both domestically and internationally as reflected in our target ROE of 11% on our enlarged capital base (post our RM6 billion rights issue) for the financial year ending 30 June 2010.

The success of the CIMB & SBB merger integration and overall consumer business transformation that gives rise to the bank optimism about 2008 as they are seeing encouraging momentum in asset and deposit growth and anticipating lower credit losses in the consumer business. Although global capital markets remain volatile, the bank remained positive about activity levels in domestic and regional capital and global Sukuk markets in 2008. The Group also pleased with the progress in enlarging our international platform which offers significant growth potential, for the longer term.

Looking further ahead, the Public Bank Group is challenged to remain relevant in its way of doing business, as globalisation, liberalisation and customer expectations for improvement intensifies competition in the financial sector. The Group will therefore continue to develop and bring the right products and solutions to anticipate the needs of its customers. The Public Bank Group's unwavering commitment towards achieving world class banking excellence will fortify its determined effort to meet the challenges ahead.

Overall, the studies are supportive of the argument that M&A activity in the banking industry provides positive effects in these three cases based on the perception of the market. This evidence provides justification for the central bank's consolidation program for the domestic banking sector to improve the financial strength of the remaining banks.

5.3 RECOMMENDATION

Based on the financial results of the three individual anchor banks, due to the announcement of the completion of the M&A exercise, the overall empirical results indicate that the M&A completion announcements are treated as positive information. Even though in the case of the Maybank, the results are less strong. This evidence suggests that there might be a leakage or anticipation of information or that the market could easily anticipate the information of the completion of a progressing M&A.

The overall results of this analysis provide evidence to support the M&A in the banking industry has a positive impact based on the perception of the market. The results of this study provide justification to the Central Bank of Malaysia for the consolidation program of the domestic banking sector with the goal of improving the financial strength of remaining individual banks in Malaysia.