

**Synergic Effect of Business Combination
on the Financial Position & Performance of H&B Development Bank Ltd.**

A

THESIS

Submitted by

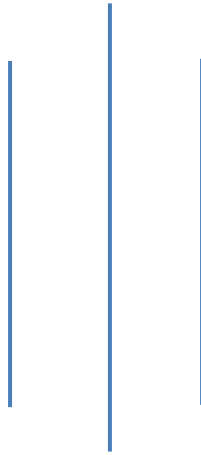
NIRJAL SHRESTHA

Shanker Dev Campus

T. U. Registration No: 7-1-049-907-99

Roll No. : 1792/062

Symbol No.: 3858



to
Office of the Dean
Faculty of Management
Tribhuvan University

**In Partial Fulfillment of the Requirement for The Degree of
Master of Business Studies (M.B.S.)
Kathmandu, Nepal**

April, 2013

RECOMMENDATION

This is to certify that the thesis is

Submitted by:

Nirjal Shrestha

Entitled:

**"Synergic Effect of Business Combination
on the Financial Position & Performance of H&B Development Bank Ltd."**

has been prepared as approved by this department in the prescribed format of Faculty of Management, T.U. This thesis is forwarded for examination.

.....
Yamesh Man Singh
(Thesis Supervisor)

.....
Prof. Dr. Kamal Deep Dhakal
(Head of Research Department)

.....
Prakash Singh Pradhan
(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted by:

Nirjal Shrestha

Entitled:

**"Synergic Effect of Business Combination
on the Financial Position & Performance of H&B Development Bank Ltd."**

*and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the Degree of **Master of Business Studies (M.B.S)***

Viva – Voce Committee

Head, Research Department:

Member (Thesis Supervisor):

Member (External Expert):

Date:

DECLARATION

I hereby declare that the work reported in this thesis entitled “**Synergic Effect of Business Combination on the Financial Position & Performance of H&B Development Bank Ltd.**” has been submitted to Shankar Dev Campus, Faculty of Management, Tribhuvan University, is my original work in partial fulfillment of the requirement for the degree of Master of Business Studies (M.B.S.) under the supervision of **Yamesh Man Singh**, Associate Professor of Shankar Dev Campus, Faculty of Management, T.U.

Date: **2nd April, 2013**

.....

Nirjal Shrestha

Researcher

Campus Roll No. 1792/062

T. U. Registration No: 7-1-049-907-99

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The general objective of conducting this research is to study the effect of M&A took place in the banking and financial market of Nepal and analysis of Merger's synergy effect. All efforts have been made to make this authentic and have tried to show this thesis easy and systematic as far as possible.

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Nirjal Shrestha

Researcher

Campus Roll No.: 1792/062

T. U. Registration No: 7-1-049-907-99

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ABBREVIATIONS

AD	:	Anno Domini
BFI	:	Bank and Financial Institution
BFL	:	Birgunj Finance Ltd.
BOD	:	Board of Directors
BS	:	Bikram Sambat
DDA	:	Due Deligence Audit
FY	:	Fiscal Year
HDB	:	Himchuli Development Bank
H&B	:	H&B Development Bank
K	:	Thousand
Ltd.	:	Limited
M&A	:	Merger and Acquisition
NBL	:	Nepal Bank Ltd.
NGO	:	Non Governmental Organization
NPR	:	Nepalese Rupees
NRB	:	Nepal Rastra Bank
PEG	:	Price Earning to Growth
PE <i>r</i>	:	Probable Error of coefficient of correlation
T.U.	:	Tribhuvan University
USD	:	United States Dollar

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nepal, a landlocked country, which is rich in natural beauty, inherits cultural diversity, and natural resources. Nepal is a developing country situated between the two Asian economic giants, India and China. Being the neighbor of these two Asian economic giants, one can expect growth to the periphery but the situation is in contrary. Although, Nepal inherits huge natural resources, but is disposed by lack of resources. Long time back, agriculture used to be the backbone of our economy but now, "it also has marginalized to somewhere around 34.9% of the GDP" (MF Milano Finanza, 2012: 25). Another hindrance to Nepalese economy can be said is due to the lack of its own sea port and dependence on the Indian peninsula.

The industrial development of the country began during 1940s AD after the successful establishment of manufacturing industries like textiles, cement factories, jute mills, and sugar factories. Consecutively, the need for financial institutions was felt during the time and this led to establishment of commercial banks and capital market institutions in support of the country's pace towards industrialization.

Since Nepal is listed as one of the least developed countries in South Asia, it is compelled to strive its available resources for possible outcomes. Towards this effort, capital plays a vital role in utilizing the financial resources efficiently for the elaboration of economic environment. On the contrary, the earning of people in the preceding years was based on agriculture but due to persistent deterioration in generating revenue, slow diversification took place from agro-based economy slowly and steadily towards the industry-based economy. Efforts for minimizing the economic gap between rich and poor were initiated by both from the government and non-government sectors. A sense of mobilizing available resources from unproductive or less productive sectors to a productive sector is considered necessary for the economic developed. To recapitulate, the effective mobilization of capital resources in

productive sector has now become base for development. So it can be said that banking sector is one the prominent source for the development of the country.

"Bank is a financial institution which acts as a financial intermediary. Bank pools together the saving of the community and lend them for the productive use"(https://www.wikipedia.org/bank). They accept deposits from public and provide same deposits to the public as loan and advances. In fact,they circulate the money and create credit. The concept of the banks made the economy strong. And now it's playing important role to make country economically strong. According to the dictionary "Bank" means a bank authorized to receive both demand and time deposits, to engage in trust services, to issue letter of credit, to rent time-deposit boxes, and to provide similar services.

1.2 Brief History of BFI in Nepal

The history of banking in Nepal may be described as a component of the gradual and orderly evolution in the financial and economic sphere of the Nepalese life. Even now the financial system is still in evolutionary stage. The extension of the unorganized money markets, consist of Landlords, Sahukars, Shopkeepers and other indigenous individual moneylenders have acted as barriers to institutionalized credit. Although their influence have been decreasing in the urban areas, the absence of banking institutions in the remote areas mean that the people living there still have to depend on the traditional lenders to meet their needs.

In the history of Nepal, banking activities in ancient time can be inferred. Guna Kam Dev did rebuilding of Kathmandu in 723 AD from borrowing. In the Nepalese chronicle, it was recorded that Shakhadhar and Sudra merchant of Kathmandu introduced a new era known as Nepal Sambat in 879 or 880 AD after having paid all the outstanding debts in the country. This is considered to be an adequate basis for a logical inference that the money lending operations were in practice during that period.

The reign of Jayasthiti Malla is recognized as the glorious age for codifying the law relating to commercial transaction and immovable property. This reform "has left a

lasting impression upon the Nepalese nation of even today; and it is from about King Jayasthiti Malla reign onward that the granting of loans against immovable property must have more commonly, if not newly, practiced in the country". He also classified the people in 64 classes on the basis of their occupations, which included a class called "Tanka dhari" meaning money dealers. This is lenders and bankers during the medieval period of Nepal. It is believed that money lending business, particularly for financing the foreign trade with Tibet, become quite popular during the reign of Mallas. Advance for commercial transactions against personal security or merchandise, remittance service for foreign trade (with India and Tibet) and loans for personal use were common with the increases in demand for these services. A large number of personal talking to this business, demoralization crept in the profession and consequently, several type of malpractice becomes their favourable technique. Thus, cheating and fraud were common in the absence of any regular measure during the Malla period and onward. The unscrupulous money was known to have charged exorbitant rates of interest and other extra dues on loans advanced. Also people were facing great inconveniences in obtaining loans at reasonable terms.

Ranodip Singh, the Prime Minister for 8 years from 1877 AD -1885 AD, took a concrete step by establishing a government institution called "Tejarath" for supplying easy and cheap credit at 5% interest to the public on the security of gold and silver ornaments. At the same time government servants were also provided the privilege of taking loans from this newly established office, repayable in investment from their salaries at source.

In the overall development of banking system in Nepal, the "Tejarath Adda" may be regarded as the father of modern banking institutions, and for quite a long time it rendered a good service to general public as well as to the government servants. Later on, with the evolution of some kind of systematic banking the government's cashier office had the primary responsibility of handling government accounts but not the public account.

Only in 1937 AD, during the time of Juddha Shamsheer, even with the non-existence of a central bank, the first commercial bank of the country, Nepal Bank Limited (NBL) was established on November 15 (Kartik 30, 1994 BS). This marked the

beginning of an era of formal banking in Nepal, thus "Tejarath" was replaced by a commercial bank. The establishment of NBL solved to the great extent the problem of commercial banking in Nepal. It made available facilities for depositing and borrowing money for commercial and agricultural pursuits. It also provided remittance facilities for settling internal and external transactions to create banking habits of the people, widening monetized areas and helped the government and business community in various ways.

Despite the above fact, NBL only was not in a position to handle with all problems due to its limitation in respect of financial position and scope of business. "The credit needs of the people are still predominantly met by informal money lenders and a very large portion of the productive activity of the community banking system". In order to overcome these difficulties the government established in 1956 AD, the first Central Bank, "Nepal Rastra Bank" under the NRB Act of 1954 AD. The setting up of this Central Bank marked another milestone in the history of growth of banking.

While the Nepal Bank Ltd. was facing the problem of utilization of funds mobilized by it, the government came forward with a proposal to set a new commercial bank in the public sector. Accordingly, to spread banking habits and to fulfill the growing credit requirements, a state commercial bank, known as Rastriya Banijya Bank was set up on July 23, 1966 AD. It contributes to the development of the banking system, particularly in the remote areas of the hilly regions.

But these institutions could not properly fulfill the demand of the public. There was a great need for more commercial banks. So, Nepal has adopted the policy of economic liberalization to develop the economic condition through the participation of the private sector equally in the market in the areas of industry, trade, business and banking. The government amended the Commercial Banking Act, 1974 in 1984 AD to increase competition between commercial banks, to develop their working capacity and also to open foreign joint-venture banks. As per the provision made in this act, the private sector, including foreign investors, was given freedom in opening commercial banks.

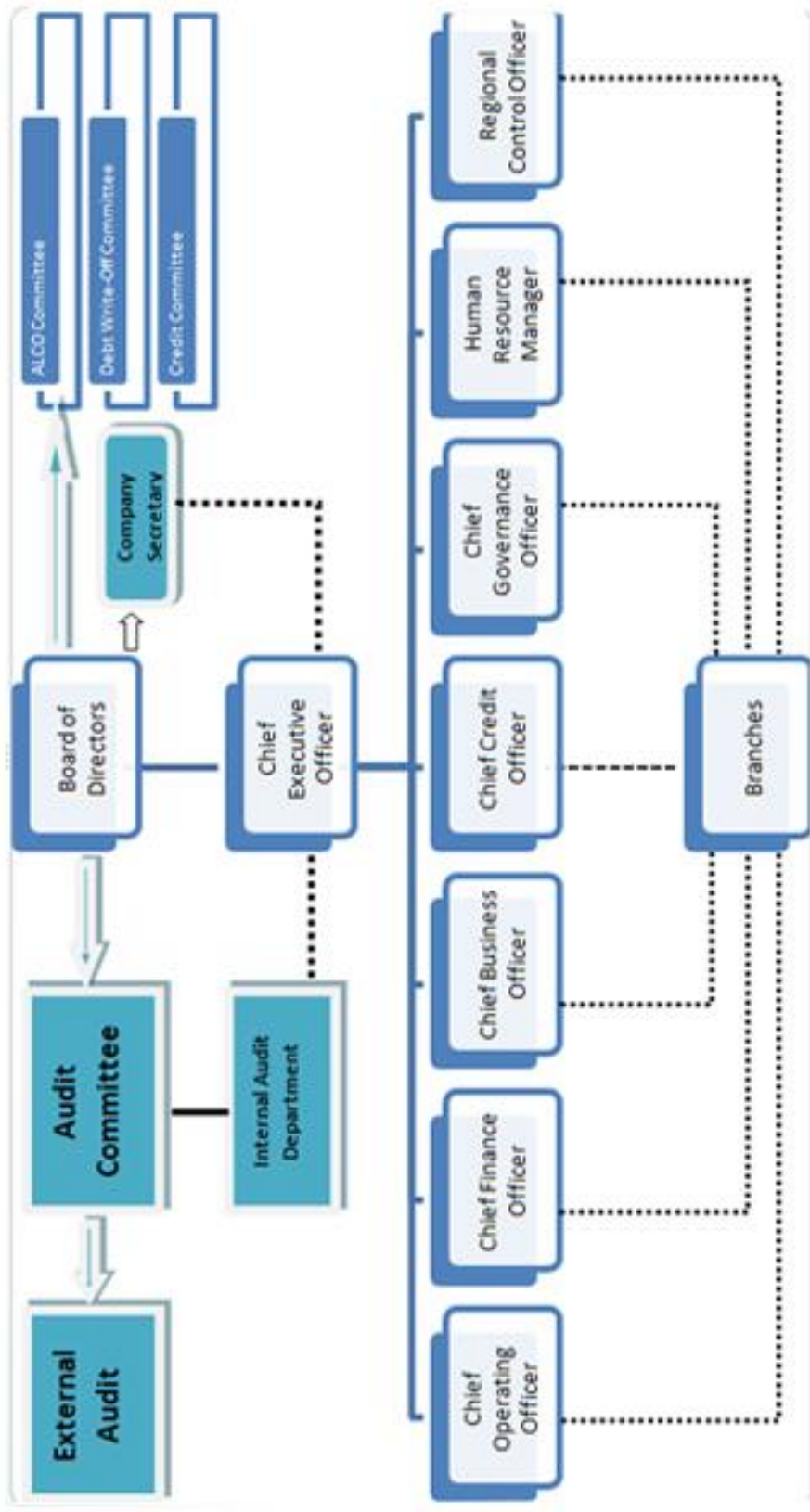
1.3 Profile of H&B Development Bank

H&B Development Bank came as a new development banking institute on 01/03/2068 after the merger of two financial institutions of Nepal, Himchuli Development Bank Ltd., Pokhara and Birgunj Finance Ltd., Birgunj. H&B Development Bank has been working as a national level development bank.

Table 1: *Profile of H&B Development Bank*

Name of the entity	H&B Development Bank Ltd.
Status of the entity	"B" Class licenced organization from Nepal Rastra Bank
Operation start date	1/03/2068
Registered Office	PO Box No. 2755 Kamaladi, Kathmandu(Nepal), 4th Floor, Kamaladi Complex
Number of branches	23 Branches
Chief Executive Officer (CEO)	Jasoda Saiju
Contact Address	Kamaladi, Kathmandu Bagmati Zone, Nepal
Contact Number	01- 42222730, 01-4222670
Authorized Capital	NPR 2,000,000,000.00
Issued capital	NPR 897,930,200.00
Paid up Capital	NPR 897,930,200.00

Figure 1: Organizational structure of H&B Development Bank



1.4 Banking and Financial Institutions in Nepal

A number of banking and financial institutions have been sharply increased since last two decades. The number of banking and financial institutions has increased by approximately 4 fold during last 10 years.

Table 2: *Growth of Financial Institutions in Nepal in previous 2 decades*

Type of Financial Institutions	1990	1995	2000	2005	2006	2007	2008	2009	2010
Commercial Banks	5	10	13	17	18	20	25	26	27
Development Banks	2	3	7	26	28	38	58	63	79
Finance Companies	-	21	45	60	70	74	78	77	79
Micro Finance Development Banks	-	4	7	11	11	12	12	15	18
Saving & Credit Co-operative Limited Banking Activities	-	6	19	20	19	17	16	16	15
NGOs (Financial Intermediaries)	-	-	7	47	47	47	46	45	45
Total	7	44	98	181	193	208	235	242	263

Source: www.nrb.org.com/statistic

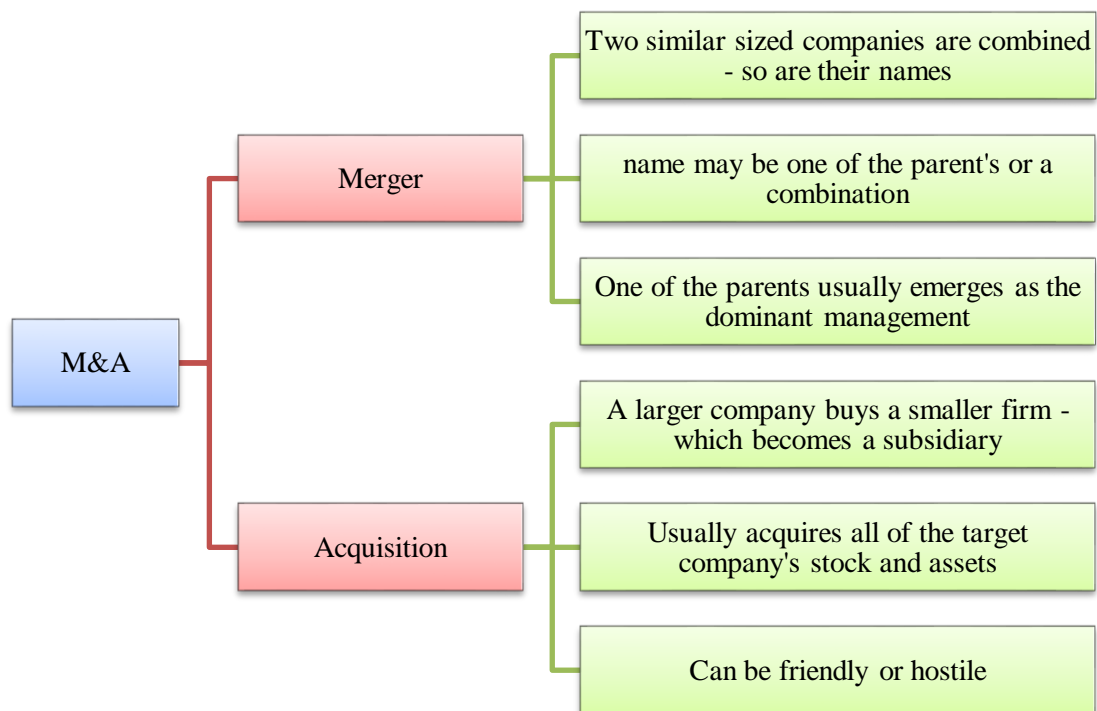
1.5 Introduction of Merger and Acquisition (M&A)

"Mergers and Acquisitions have always played a vital role in corporate history, ranging from 'greed is good' corporate raiders buying companies in a hostile manner and breaking them apart, to today's trend to use mergers and acquisition for external and industry consolidation"(Sherman & Hart, 2006:13).

Corporate restructuring is a process by which an entity does an analysis of itself at a point of time and alters it owns and owns, refocuses itself to specific tasks of performance improvements. Restructuring sometimes radically alter an entity's capital structure, assets mix and entity so as to enhance the value. Corporate restructuring has different implementation techniques, out of which M&A is one of the most used techniques for corporate restructure in global market.

"M&A refer to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling, dividing and combining of different companies and similar entities that can aid, finance, or help an entity grow rapidly in its sector or location of origin or a new field or new location without creating a subsidiary, other child entity or using a joint venture"(Kumar, 2011:1).

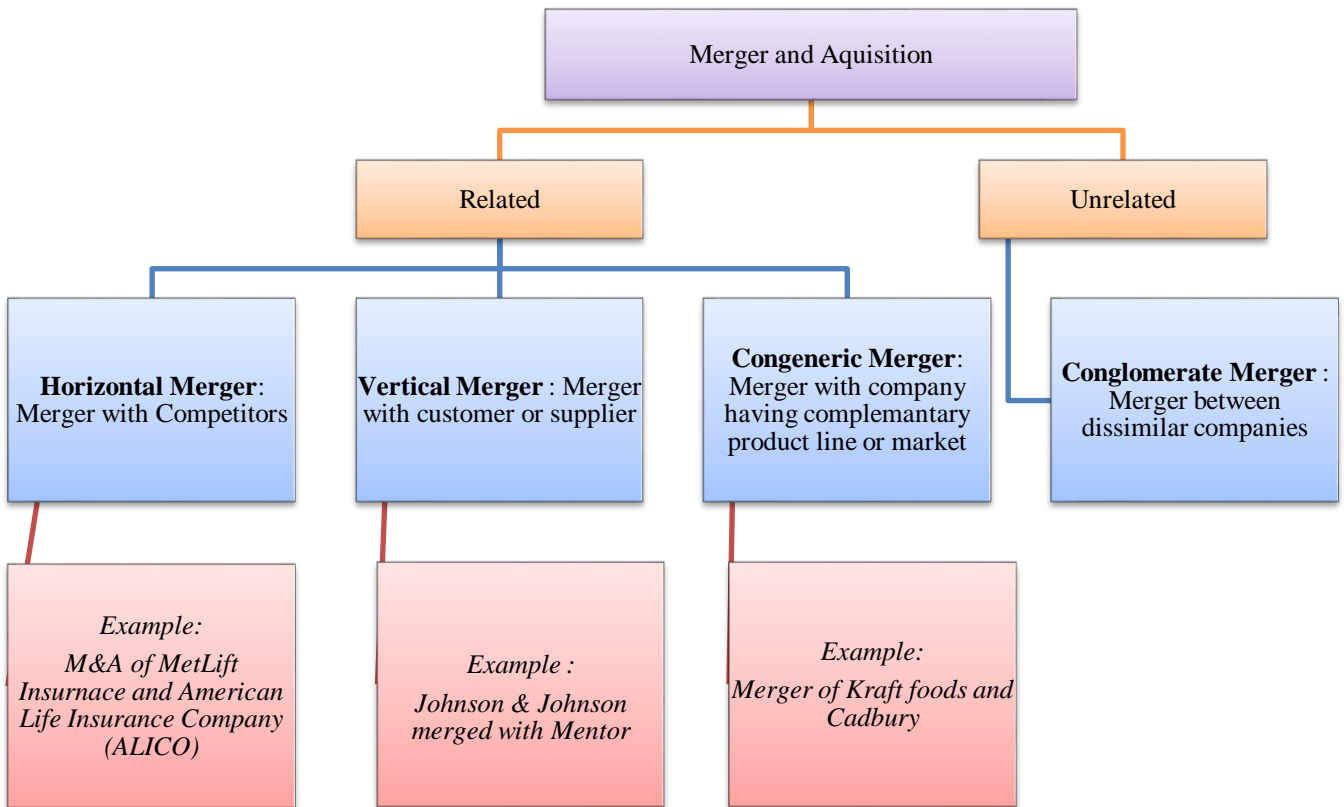
Figure 2: *Definition of Merger and Acquisition*



Merger denotes the situation where two or more companies, keeping in view their long term business interest, combine into one economic entity to share risk and financial rewards. Merger may be in the form of fusion of two or more existing companies to another existing company or bring the assets of two companies under the control of one company which may or may not be one of the original two companies. By merger two more companies combined to achieve certain strategic and business objectives; it has great significance not only to the companies themselves but also to all other stakeholders, employees, competitors, communities, finance provider, government and the economy.

Types of M&A

Figure 3: *Types of Merger and Acquisition*



i. Horizontal Merger

Combination of competitor companies produce similar product in the same industry. Horizontal merger increases market power and scope which will have anticompetitive effects. Example of horizontal merger is the business combination of Banking and financial institutions.

ii. Vertical Merger

Combination of companies that have buyer and seller relationship. In this type of merger the merging company shall be the seller or distributor of merging

company. Example of vertical merger is the business combination of softdrink and bottle production company

iii. Congeneric Merger

Combination of companies from the same general industry but have no mutual buyer or supplier relationship. Example of congeneric merger is the business combination of banking and financial industries with leasing company.

iv. Conglomerate Merger

Combination of companies from different industry sector or unrelated lines of business, it involve merging company into unrelated business activities. Example of conglomerate merger is the business combination of BFI with manufacturing company.

Banking industries accounted for more volumes of M&A than any other industries worldwide during the year 1998 AD. "More than fourth of the total M&A deals involved banks and were worth USD 102 billion" (The Economist, 1999:24).

The trend started in the US in the 1980s AD. The US banking industry saw more than 7000 mergers between 1980 AD and 1998 AD. The nineties saw some of the largest mergers in banking history in the US. The number of banks in the US declined by more than a third from 1980 AD to 1997 AD. Moreover, between 1994 AD and 2002 AD, more than 1300 new banks were opened in the US in direct response to the perceived decline in service resulting from a bank merger. Simultaneously, the proportion of banking assets, accounted for by the 100 largest banking organizations, increased from over 50% in 1980 AD to nearly 75% in 1997 AD. "The reasons for the mergers were a new statutory environment and allowed interstated ownership and branching; banking seeking scale economies, geographical diversification and increased competitive pressures" (Kumar, 2011: 296). Top M&A transactions based on value are presented below;

Table 3: *Top M&A transactions based on value*

S.N.	Purchaser	Purchased	Year	Transaction value (in USD) 'million
1	<i>Fusion:</i> AOL Inc. (America Online)	Time Warner	2000	164,747
2	Glaxo Wellcome Plc.	SmithKline Beecham Plc.	2000	75,961
3	Royal Dutch Petroleum Company	"Shell" Transport & Trading Co.	2004	74,559
4	AT&T Inc.	BellSouth Corporation	2006	72,671
5	Comcast Corporation	AT&T Broadband	2001	72,041
6	Pfizer Inc.	Wyeth	2009	68,000
7	<i>Spin-off:</i> Nortel Networks Corporation		2000	59,974
8	Pfizer Inc.	Pharmacia Corporation	2002	59,515
9	JPMorgan Chase & Co.	Bank One Corporation	2004	58,761
10	InBev Inc.	Anheuser-Busch Companies, Inc.	2008	52,000

Source: <http://www.wikipedia.org/mergerandacquisition>

The year 2003 AD was a resounding revival in M&A activity throughout the globe; while considering neighbour country India, according to statistic by the period ended October 2003 AD there were a total of 856 M&A with a total value of IRs. 18,291 crores.

Banking industry is the most risky area in service industry, hence Central Bank of Nepal has been strictly focusing on the capital adequacy of BFI in order to strengthening the company. Besides capital plan strategy and stiff competition imposed by the increment in the number of banking and financial institution within very short period made institution to rethink on their current business strategy. This situation lured banking institutions toward the profit or synergy that could be gained by polling the resource of two or more companies towards single economic entity. That's why many BFI of Nepal had tried to merge with other peer institution. However not all the attempts were successful, few mergers have been successfully done in the banking history of Nepal. Successful M&A cases of Nepal are cited below:

Table 4: *Successful M&A cases of Nepal*

S.N.	Resulting Company	Merging Company	Year
1	Laxmi Bank Ltd.	HISEF Finance Limited	2004
2	Narayani national Finance Ltd.	Narayani Finance and National Finance	2009 (http://www.ekantipur.com)
3	Nepal Bangladesh Bank Ltd.	Nepal Sri Lanka Merchant Bank Ltd (NSLMBL)&NB Finance Ltd (NBFL)	2011 (http://www.thehimalayantimes.com)
4	Global IME Bank	Global Bank, IME finance and Lord budhha finance	2012
5	NIC Asia Ltd	NIC Bank Ltd. and Bank of Asia Ltd.	2013

Source: <http://www.easymoney.com.np/finance-nepal>

While talking about the M&A, it would be awful if we don't talk about the most debated M&A proposals of two leading commercial banks of Nepal, Nepal Investment Bank Ltd. and Everest Bank Ltd. Unfortunately fusion of these two banking giants were not done due to several reasons.

However current economical and monetary policy of the government and strict regulation of Central Bank of Nepal lured many financial insitutions toward M&A. Following BFIs have took decision from their BOD to merger with other financial institution.

Table 5: *BFI's initiating process for M&A*

S.N.	License holder's name	Class of Financial Institution	Remarks
1	Infrastructure Development Bank	B Class	ID Bank Nepal has recently took decision from AGM for merger
2	Annapurna Bikas Bank, Suryadarshan Finance, Business Development Bank, Universal Finance	B, C, B & C Class	Nepal Rastra Bank has approved the application for M&A. Annapurna Bikas bank & Suryadarsha Finance have already started special due deligence audit for the purpose of M&A.
3	Pashupati Development Bank and Lord Buddha Finance	B & C Class	Nepal Rastra Bank has approved the application for M&A. Applicant financial institutions are planning to start specail due deligence audit (DDA).
4	Kist Bank and Vibor Development Bank	A & B Class	Decision of meger has been taken by AGM.

5	Surya Development Bank and Arniko Development Bank	B & B Class	Decision taken by third AGM of the company.
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Source: Local Newspapers, 2011 AD: various

1.6 Role of M&A

M&A is related with corporate restructuring, it is useful tool for optimum utilization of limited resource within competitive market. For this M&A pulled up resources of two or more entities within the control of single management to gain competitive advantage over rivals through cost reduction or increased market power. From the M&A value creation would be expected due to synergies between division. Economies of scale are cost savings that accrue directly for a large sized operations as it is generally seen that unit costs are lower in a large scale than in a smaller one, lower in a large distribution centre than in a small one, lower for large volume of purchased of components than for small volume of purchases. M&A could be used as strategic driver of the company which leads to increased size of business and improved financial performance through leveraging basic economies of scale.

M&A reshape the competitive scope in the global competitive market. It opens the opportunities for organization synergy to keeping pace with the change and technological development. M&A have paramount importance in the small and competitive market like Nepal in lessening the competition and respond to economic scenarios for accelerating financial performance of the company.

1.7 Statement of the Problems

This study is directed toward identification of importance of M&A in Banking and Financial Industry of Nepal. Banking and Financial Industry is high risk industry of any country, Nepal is not exceptional in this case indeed due to unproductive investment growth by BFI has created many institutional problems and provoke fraudster to initiate fraude.

Current scenario of BFI has raised question in the operation and future ability of BFI in general public due to which many M&A attempts have been taken in Nepal.

Eventually only few has been successful due to strict legal provision and limitation to avail tax benefit in case of M&A.

In order to mitigate the problems faced by Banking and Financial industry of Nepal, M&A of organization is best wayout. Likewise regulatory authority of BFI, NRB & Income Tax Authority of Nepal have encouraged M&A of BFI by clearing many difficulties procedures and providing benefits to lure the BFIs.

From other prospective, current competition of Nepalese Banking and Financial Industry is stiff to manage the profitability of any BFI to fulfill the demands of stakeholders. In 2010 AD, Nepal has entered into the global market by obtaining membership of World Trade Organization ; hence global competition may be felt in Nepalese somewhat after 2-3 years now onward when political scenario of Nepal will be recovered in healty position. Therefore to hold stake in competitive market of Nepal, corporate restructuring as M&A will be an effective tool of profit planning for Nepalese Banking and Financial Industry. M&A pool resources of two or more organizations to gain favourable economic benefits. In current scenario M&A has become topics of greate importance in the global as well as domestic coporate arena. Mergers and acquisition has become world-wide phenomena to achieve strategic and financial objectives.

1.8 Objectives of the study

The main motivational factor for initiating this study is that banking and financial market of Nepal has been saturated due to number of BFIs established in Nepal. Large number of BFIs create problems to supervising bodies and scatter the resources available in market. Ultimately these have created different problems in the financial market of Nepal. Hence this study tries to evaluate the rational and feasibility of M&A of BFI in Nepal.

After stating the various problems, the following are the specific objectives of the study

- To analyze the importance of M&A in Nepalese banking and financial market.
- To analyze the consequences of merger of HDB and BFL.

- To analyze the effect of merger on value of business, market share, profitability and financial position.
- To make recommendations to overcome the obstacles in M&A in Nepalese banking and financial market.

1.9 Significance of the Study

This research is very useful to all the parties who are involved in the banking and Financial market. Similarly, it is also very helpful to the university graduates and undergraduates who are keen to have knowledge about the M&A feasibility and procedures in banking and financial market of Nepal.

1.10 Limitations of the Study

The conclusion of research is based on the data obtained and scope of work covered by the study. Data and obtained results in this research were evaluated with some limitation. The limitations of this study are as follows:

- This study covers a M&A took place in Nepal between banking and financial market of Nepal i.e. HDB and BFL.
- Secondary data was used which was obtained from publication, audited or unaudited data of the concerned BFIs.
- Financial data of merged companies at the time of merger is not available for the analysis of pre and post effect of merger.
- This study does not cover other aspects of Banking and Financial institution or market.
- Return of M&A could be long but due to nature of study only short period of post merger effect has been considered in this study.

1.11 Organization of the Study

The main objective of the study is to find out the significance of M&A and consequences of merger between two BFIs took place in the FY 2067/068. This study has been divided into five chapters and they are as follows:

- Chapter I: Introduction.
- Chapter II: Review of literature.
- Chapter III: Research Methodology.
- Chapter IV: Data presentation and analysis.
- Chapter V: Summary, Conclusion and Recommendations.

The first chapter is “Introduction” where the general introduction, statement of the problem, significance of the study, objectives of the study, and limitation of the study and organization of the study were included.

The second chapter is “Review of Literature”. Here, the previous study done by different persons both individually and institutionally were reviewed. Similarly different articles, journals, books and periodical were also to be reviewed.

The third chapter deals with the “Research Methodology”. In this chapter, different statistical and financial tools were used to tabulate and analysis the data available from the primary and secondary sources on the basis of which the major finding were drawn.

The fourth chapter is the main body of research. It dealt with presentation and analysis of data.

Finally the fifth chapter provides summary, conclusion and recommendations of the study. The bibliography and annexures are incorporated at the last.

CHAPTER II

REVIEW OF LITERATURE

2.1 Conceptual /Theoretical review

Because the concept of M&A has been gradually enter into the corporate areana of Nepal, no research work has been done in the specific subject matter relating to merger and acquisition of financial institution of Nepal. However many research papers have mentioned M&As as a solution to gain synergy effect in order to compete in the current competitive market.

2.2 Article/Journals Review

During the course of research, many articles/journals relating to M&A pertinent to this research were reviewed. I have presented one of the review articles/journals in following paragraph.

Cognizant Case Study (2009) "Merger and Acquisition, cognizant case study" in which writer has focused in key challenges in M&A. Success of M&A lies in the successful integration prior to M&A and need to DDA to develop integration strategy. Writer has highlighted four aspects of M&A to gain the success in the process of integration that are strategy, people, process and technology and divided process of M&A into four stages. Which are depicted below;

Figure 4: *Process of M&A*



Source: Cognizant Case Study (2009)

In the first stage, the merging companies must assess and analyse the following subject matters

1. Identify and assess the sources of synergy, cost of synergy extraction and accrual of long term benefits,
2. Analyse the existing system of merging companies to decide if it is ready to accommodate the systems of the target organization.
3. Assess existing staff skills and carry out resource planning

in the Second stage, the merging companies should take the following steps:

1. Undertake DDA and plan integration effort
2. Plan deal structure to monetize the assets
3. Conduct communication with all stakeholders.
4. Fulfill the regulatory and legal requirement
5. Fine tune the execution plans.

In the third stage, the merging companies should conduct the following activities

1. Conduct workshop to develop common vision, strategy and experiential learning within senior management team
2. Create effective governance group within senior management team.
3. Develop new culture supporting new enterprise strategy
4. Implement the new organizational plan and governance plan
5. Execute HR policies and implement business process.

In the fourth stage, the merging company should conduct following activities.

1. Consolidation of books of accounts
2. Implementation of Governance Plans

2.3 Relevant Issues from the websites

During this study, I found few websites which contained facts and assessments which are relevant to this study. I have presented review of one of the relevant website in the following paragraph.

In www.youthvoice-srijana.blogspot.com, blogger has highlighted the need of M&A to overcome the problems prevail in financial market of Nepal. She presented low volume of turnover, high interest rate in lending, high interest rate spread, inefficient management, lack of practice of project financing, problem of inadequate working fund and unhealthy competition in Nepal as prevailing problem of Nepalese financial market. She added urgent need of M&A to cope with the possible problems when foreign banks entered into the Nepalese financial market.

2.4 Review of the relevant to the topic

Regarding review of relevant matter to the topic, I have attended an interaction programme "Appreciating Mergers and Acquisition" organized by Nepal Economic Forum on 22nd June 2010 AD in Kathmandu. In this programme two guest speakers Mr. Rameshwor Prasad Khanal "Secretary of MoF", Suman Rayamajhi "Co-Founder

of Beed Management Pvt. Ltd." have shared their perspective on the issue. Mr. Rameshwor Prasad Khanal presented the following two points regarding M&A issue.

Lack of Confidence in Domestic Institutions: Since Nepal's financial market has been opened for foreign companies from January 2010, market competition for local BFIs would be severe competitive when few international BFIs will enter in Nepal. However due to political instability and unfavorable economic environment, only one foreign bank has applied to start up banking bussiness in Nepal. Political instability and unfavorable economic environment has provided relief to the local BFIs. In case foreign BFI enters into the financial market of Nepal, capacity of local BFIs would be insufficient to compete the severe competition posed by the entrace of International BFIs. Mr. Rameshwor Prasad Khanal has tendered M&A as an essential wayout to cope with the possible severe competition if international BFI would entered into the financial market of Nepal. In addition Mr. Khanal has highlighted that sentiment of shareholders, management committee and employees create hinderance for the success of M&A.

Regulation Revision: Mr. Khanal added that taxation provision of Nepal has been creating big and serious problem for the M&A. A provision of Income Tax Act, 2058 requires to re-valuate whole assets and liabilities of resulting company which adversely hit the balance sheet of the resulting company. Likewise tax benefit of merging company could not claimed by the resulting company and double taxation in retained earning of the company have been discouraging the management to opt M&A concept. Government of Nepal has prioritized banking and insurance industry for the providing exemption in the above mentioned provision of Income Tax Act, 2058.

Mr. Suman Rayamajhi has explained about the technical aspect of M&A and highlighted the following benefits of M&A.

- Helps Company to fulfill regulatory framework.
- Company could gain competitive advantage
- Could acquire unique resources from merging companies
- Create bigger visibility.

Likewise last speaker Mr. Siddhant Raj Pandey has highlighted major legislative issues which hinder the process of M&A and need of reform in legal provision to promote M&A.

2.5 Review of the previous thesis

During my research I found that no research has been conducted for the partial fulfillment of the degree of the Master Level on the topic relating to M&A.

2.6 Research Gap

Since no research has been conducted in the area of M&A till now. This research paper has focused to clear the emerging concept of M&A which has just entered into the corporate area of Nepalese Economy, Environmental hinderance for M&A, benefit of M&A and synergy effect gain after the M&A. Therefore target of this research paper is to fill the huge research gap relating to M&A in the banking and financial market of Nepal.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

This research study is based on the historical data of two companies HDB and BFL of past two years prior to merger and one and half years historical data of H&B Development Bank "resulting company". The fiscal year of Nepalese Calendar has been taken as cut off data for the data analysis. This research is mainly focused on the synergic effect due to M&A, such analysis is based on the secondary data published by the companies for the fulfillment of legal provision. In order to reach to conclusion, I have used various types of financial, statistical tools and hypothesis for interpretation and analysis.

3.2 Population and Sample

This research is based on the M&A in banking and financial industry of Nepal. Till the date around 13 M&A have been completed in Nepal out of which 5 are from Banking and Financial industry. Hence this study has been opted as sample out of 5 population relating to M&A of Banking and Financial industry of Nepal. It covers the detail study of M&A of HDB and BFL. This covers 20% of the total population.

3.3 Data gathering Process

In order to gather data for the study, I have go through the different documents like, annual reports of the merged companies, Journal, article and blog relating to M&A. Likewise I have attended different interaction programme relating to topic in search of useful data and content.

Interview, interaction, discussion and questionnaire were used to collect primary data for the purpose of the study.

3.4 Sources of Data

In this study, most of data were gathered from the secondary sources like Annual report, Journal, Article, Newspapers, website blog, websites and books. However for some issues of merger, primary data was collected by interviewing the personnel of the concerned BFIs.

3.5 Tools of Analysis

The following analytical or statistical tools were used to analyse the data observed or obtained from this study.

a. Analytical Tools

- Ratio Analysis
- what if Analysis
- Value of Business analysis
- Stock Market trend analysis

b. Statistical Tools

- Regression Analysis
- Multiple bar diagrams
- Pie Chart
- Graph
- Growth rate ratio
- PEG

3.6 Research Variables

This research study is concentrated on the synergy effect of M&A, in order to study the synergy effect of M&A. The profit of BFI before and after the M&A were analysed. Therefore we can say that focal point of this study is profit of the studied organization and it is the research variable of this study.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

Data presentation and analysis refer to the work of analysis and presentation of data explored to draw relevant conclusion. For analysis purpose, various analytical and statistical tools were used as per necessity. The data collected from different sources were analysed and presented in the form of Performance analysis through accounting data, Value of business analysis and Correlation between accounting data and return.

4.1 Analysis of Pre Merger Financial Position of HDB

An exposure of the financial position of HDB immediately before merger helps to study synergistic effect of combination. Hence, the balance sheet of HDB and analysis thereafter are as follows:

4.1.1 Balance Sheet of HDB Ltd.

(Figures in Thousand)

Particulars	Ashad End (2066/067)	Unaudited Chaitra End 2066	Ashad End (2065/066)
<u>Sources of Fund</u>			
Share Capital	477,930	271,068	124,803
Reserve & Surplus	18,427	38,877	9,585
Debentures & Bond	-		-
Borrowing from Banks and Financial Institution	36,888	305,806	21,928
Deposit	2,266,877	1,926,798	1,300,787
Proposed Dividend	-		972
Tax Liability	2,319		2,516
Other Liabilities	15,890	66,335	80,701
Total Capital & Liabilities	2,818,331	2,608,884	1,541,292
<u>Application of Fund</u>			
Cash in Hand	54,635	419,986	55,785
Cash at NRB	123,030		62,877
Cash at Financial Institutions	29,234		33,701
Money at Call and Short Notice	541,257		269,997
Investment	7,800	57,906	18,630
Loans and Advances	1,998,911	2,053,953	1,070,524
Fixed Assets	49,220	39,802	16,155

Non-Banking Assets	-		-
Other Assets	14,244	37,236	13,623
Total Assets	2,818,331	2,608,884	1,541,292

The total deposit of the company has sharply increased in the fiscal year 2066/067 as compared to corresponding fiscal year. In the fiscal year 2066/067 the company's sources of fund from depositor holders has increased by 74.26%

The investment of the company has substantially decreased in the fiscal year 2066/067; decrement in investment was by 58.13% as compared to previous corresponding fiscal year. The loans and advances has increased by 86.72% as compared to previous corresponding fiscal year, however it increased by 91.86% at the end of Chaitra 2066. The amount of loans and advances decreased during the last three months of the fiscal year 2066/067.

The company held huge amount of its fund in liquid position, amount of liquid assets of the company at end of the fiscal year 2066/067 was 26.55% of total assets where as it was 27.40% at the end of the fiscal year 2065/066. Holding huge amount of assets in liquid position directly affects the profitability of the company.

4.1.2 Income Statement of HDB

(Figures in Thousand)

Particulars	Ashad End (2066/067)	Unaudited Chaitra End 2066	Ashad End (2065/066)
Interest Income	255,802	167,073	117,349
Interest Expenses	158,983	106,594	71,373
Net Interest Income	96,819	60,479	45,976
Fee, Commission and Discount	31,841	22,400	16,151
Other Operating Income	152	5,803	90
Foreign Exchange Gain/Loss (Net)	16	41	79
Total Operating Income	128,828	88,723	62,296
Staff Expenses	19,297	13,191	7,922
Other Operating Expenses	26,117	15,294	11,902
Operating Profit before provision	83,414	60,238	42,472
Provision for possible losses	10,387	14,175	4,242
Operating Profit	73,027	46,063	38,230
Non-Operating Income / Expenses (Net)	166	-	119
Write Back of Provision for Possible Loss	-	-	-

Profit from regular activities	73,193	46,063	38,349
Extraordinary Income/Expenses (Net)	-	-	-
Profit before bonus and taxes	73,193	46,063	38,349
Provision for Staff Bonus	6,363	4,187	3,486
Provision for Tax	18,525	12,562	10,421
Net Profit & Loss	48,305	29,314	24,442

The revenue of the company i.e. Interest income was sharply increased during the fiscal year 2066/067 by 117.98% as compared to corresponding previous fiscal year.

Interest expenses increased by 122.74% as compared to corresponding previous fiscal year.

Loan loss provision of the financial institution increased significantly during the fiscal year 2066/067 by 145%, it indicates inefficiency in recovery of the loan.

4.2 Analysis of Pre Merger Financial Position of BFL

4.2.1 Balance Sheet of BFL

(Figures in Thousand)

Particulars	Ashad End (2066/067)	Unaudited Chaitra End 2066	Ashad End (2065/066)
Share Capital	420,000	420,000	180,775
Reserve & Surplus	24,001	48,217	12,213
Debentures & Bond	-	-	-
Borrowing from Banks and Financial Institution	60,000	-	240,000
Deposit	2,467,790	2,059,279	1,243,909
Proposed Dividend	44,211	-	19,619
Tax Liability	1,705	-	1,106
Other Liabilities	51,895	134,605	27,580
Total Capital & Liabilities	3,069,602	2,662,101	1,725,202
Cash in Hand	72,544	408,548	5,422
Cash at NRB	38,689	-	22,830
Cash at Financial Institutions	519,462	-	193,788
Money at Call and Short Notice	-	-	-
Investment	47,500	112,769	7,500
Loans and Advances	2,224,166	1,934,474	1,427,548
Fixed Assets	117,489	86,438	51,005

Non-Banking Assets	-	1,167	-
Other Assets	49,752	118,705	17,109
Total Assets	3,069,602	2,662,101	1,725,202

The total Deposit of the company has sharply increased in the fiscal year 2066/067 as compared to previous corresponding fiscal year. In the year 2066/67 company has gained 98.39% increment in sources of fund from depositor holders.

The investment of the company has substantially increased in the fiscal year 2066/67; decrement in investment was by 533.33% as compared to previous corresponding fiscal year.

The figure of loans and advances has increased by 155.80% as compared to previous corresponding fiscal year; however such figure was greater at the end of Chaitra end 2066 of 35.51%. The amount of loans and advances decreased during the last three months of 2066/67.

The company held huge amount of its fund in liquid position, amount of liquid assets of the company at end of the fiscal year 2066/067 was 20.55% of total assets where as it was 12.87% at the end of fiscal year 2065/066. Holding huge amount of assets in liquid position directly affects the profitability of the company.

4.2.2 Income Statement of BFL

(Figures in Thousand)

Particulars	Ashad End (2066/067)	Unaudited Chaitra End 2066	Ashad End (2065/066)
Interest Income	300,121	194,395	139,232
Interest Expenses	184,816	124,944	85,041
Net Interest Income	115,305	69,451	54,191
Fee, Commission and Discount	8,665	4,275	3,955
Other Operating Income	30,749	21,874	14,859
Foreign Exchange Gain/Loss (Net)	-	-	-
Total Operating Income	154,719	95,600	73,005
Staff Expenses	19,556	12,841	8,730
Other Operating Expenses	40,074	21,109	13,979
Operating Profit before provision	95,089	61,650	50,296

Provision for possible losses	8,142	5,313	13,081
Operating Profit	86,947	56,337	37,215
Non-Operating Income / Expenses (Net)	242	241	-
Write Back of Provision for Possible Loss	-	-	2,093
Profit from regular activities	87,189	56,578	39,308
Extraordinary Income/Expenses (Net)	-	-	-
Profit before bonus and taxes	87,189	56,578	39,308
Provision for Staff Bonus	8,043	5,143	10,706
Provision for Tax	24,427	15,430	107
Net Profit & Loss	54,719	36,005	28,495

The revenue of the company i.e. Interest income was sharply increased during the fiscal year 2066/067 by 116% as compared to corresponding previous fiscal year.

Interest expenses increased by 117% as compared to previous corresponding previous fiscal year. We can see that proportionate increment in interest income and expenses during the year 2066/67.

Loan loss provision of the financial institution slightly decreased during the fiscal year 2066/067 by 25.9%, it indicates the efficiency in the recovery of the loan.

4.3 Post Merger Financial Position of H&B Development Bank

4.3.1 Balance Sheet of H&B Development Bank

(Figures in Thousand)

Particulars	Ashad End (2068/069)	Poush End 2068	Ashad End 2068
Share Capital	897,930	897,930	897,930
Reserve & Surplus	157,847	72,893	72,206
Debentures & Bond		-	-
Borrowing from Banks and Financial Institution	1,452	2,178	75,004
Deposit	7,204,901	6,431,149	5,791,498
Proposed Dividend		-	94,283
Tax Liability	22,088	7,039	9,857
Other Liabilities	422,414	475,909	95,766
Total Capital & Liabilities	8,706,633	7,887,098	7,036,544
Cash in Hand	2,174,594	1,878,926	98,665
Cash at NRB		-	347,176

Cash at Financial Institutions	-	-	699,835
Money at Call and Short Notice		-	
Investment	325,308	212,182	101,908
Loans and Advances	5,719,355	5,348,463	5,523,500
Fixed Assets	227,427	171,563	199,268
Non-Banking Assets	16,102	-	
Other Assets	243,848	275,964	66,193
Total Assets	8,706,633	7,887,098	7,036,544

Total Deposit of the company has steadily increased during the fiscal year 2068/89 by 24.40% as compare to corresponding value of previous fiscal year.

Company has substantially increased its investment in the fiscal year 2068/69; increment in investment was of 219% as compared to corresponding figure of previous fiscal year.

Loan and advance has slightly increased by 3.54% as compared to corresponding figure of previous fiscal year. Significant increment of 24.40% in deposit during the year and slight increment in loans indicates the poor performance in loan disbursement during the first year of merger which also affect the profitability of the company.

Company has held huge amount of its fund in liquid position, amount of liquid assets of the company at end of fiscal year 2068/69 was 25% of total assets where as it was 16.28% at the end of 2067/68 like merging BFIs in pre merger stage. Holding assets in liquid position directly affects the profitability of the company.

4.3.2 Income Statement of H&B Development Bank

Particulars (Figures in Thousand)	Ashad End 2069	Poush End 2068	Ashad End 2068
Interest Income	987,731	467,036	484,856
Interest Expenses	700,752	346,564	275,833
Net Interest Income	286,979	120,471	209,023
Fee, Commission and Discount	7,475	3,272	2,727
Other Operating Income	40,982	16,897	27,156
Foreign Exchange Gain/Loss (Net)	164	-	87
Total Operating Income	335,600	140,640	238,993

Staff Expenses	78,041	38,994	26,354
Other Operating Expenses	92,026	39,278	43,835
Operating Profit before provision	165,533	62,368	168,805
Provision for possible losses	85,218	41,058	7,877
Operating Profit	80,315	21,310	160,928
Non-Operating Income / Expenses (Net)	679	242	293
Write Back of Provision for Possible Loss	669	4,258	26,978
Profit from regular activities	81,662	25,810	188,198
Extraordinary Income/Expenses (Net)	(671)	-	-
Profit before bonus and taxes	80,991	25,810	188,198
Provision for Staff Bonus	7,363	2,346	16,946
Provision for Tax	22,088	7,039	64,037
Net Profit & Loss	51,540	16,425	107,216

The revenue of the company i.e. Interest income has sharply increased during the fiscal year 2068/69 by 103% as compared to previous corresponding previous fiscal year.

Interest expenses increased by 154% as compared to corresponding previous fiscal year. We can see that disproportionate increment in interest income as compared with expenses during the fiscal year 2068/69. This was due to poor performance of the company in loan disbursement or utilization of deposit liability in income yielding or productive areas.

Loan loss provision of the financial institution was significantly increased during the fiscal year 2068/69 of 85,218 K which was only 7,877 K in previous fiscal year. It indicates the inefficiency in the recovery procedure and poor loan management of the company.

4.4 Analysis of Financial position & Performance through ratio analysis

Ratios	H&B		HDB		BFL	
	Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
<u>A. Liquidity Ratios</u>						
Current Ratio	1.37	1.20	2.16	1.37	1.34	1.24
Debt to Equity Ratio	0.00013	0.08	0.07	0.16	0.14	1.24
<u>B. Efficiency Ratios</u>						
Non-Performing loan to total loan ratio	2.4	0.92	0.10	0.22	0.99	0.97
Total Employee exp. to Total operating Expenses	48.13%	49.69%	49.56%	48.94%	40.78%	46.81%
Total Operating Expenses to Total Assets	4.08%	1.24%	1.84%	1.51%	2.20%	1.52%
<u>C. Performance Ratios</u>						
Return on Net worth	4.88%	11.05%	9.73%	18.19%	12.32%	12.91%
Return on Assets	0.59%	1.52%	1.71%	1.59%	1.78%	1.44%
Net profit to total Income	4.97%	20.83%	16.78%	18.30%	16.12%	15.77%
Per Share Income	5.74	11.94	11.02	19.58	13.33	13.79
Price/Earning Ratio	17.94	12.40	16.88	90.68	13.95	95.75
Interest from Loan to Total Loan & Advances	16.64%	8.65%	12.66%	10.84%	13.34%	9.64%
Interest expenses to Total deposit & borrowing	9.72%	4.70%	6.90%	5.40%	7.31%	5.73%
Net Profit/Total Loan & Advances	0.87%	1.91%	2.39%	2.26%	2.43%	1.73%
Credit/Deposit Ratio	82.38%	95.52%	87.69%	81.82%	88.99%	97.33%
<u>D. Risk related Ratios</u>						
Primary Capital to Risk Weighted Assets	14.89	15.96	22.53	11.26	12.42	17.68
Supplementary Capital to Risk Weighted Assets	0.83	0.93	0.93	0.91	0.93	0.89
Total Capital to Risk weighted Assets	15.72	16.89	23.46	12.17	13.35	18.57

Comparative of Financial Indicators

a. Current ratio

Current ratio of the financial institution individually before merger was higher than after the merger of these two financial institutions. Current ratio has decreased slightly after the merger which indicates that current assets are transformed into other assets (Investments and Loans & advances etc) or current liabilities are increased during the merger process.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
1.37	1.20	2.16	1.37	1.34	1.24

b. Debt to equity ratio

Borrowings of the financial institutions were paid off by the resulting company after the merger. It strengthening the capital base of resulting company and decrease in debt leverage.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
0.00013	0.08	0.07	0.16	0.14	1.24

c. Non-performing loan to total loan ratio

Non performing loan to total loan ratio of the resulting company has been substantially increased after the merger which indicates the poor loan management and recovery by the resulting company. Since non performing loan negatively affects the profitability of the company, the acquiring company should strengthen its loan disbursement process and recovery of loan.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
2.4	0.92	0.10	0.22	0.99	0.97

d. Total employee expenses to total operating expenses

Total employees expenses were slightly increased after the merger of two financial institutions, this is very obvious that slight increment is observed after the merger of companies because merged company has to address human resource sentiments with financial payment and pay additional perks to motivate them in different work culture of resulting company.

H&B	HDB	BFL
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Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
48.13%	49.69%	49.56%	48.94%	40.78%	46.81%

e. Total operating expenses to total assets

Operating expenses to total assets of resulting company was substantially increased after the merger of two financial institutions this may be due to refurbishing of premises and restructuring of process of these two financial institutions with new branding and new work environment or culture.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
4.08%	1.24%	1.84%	1.51%	2.20%	1.52%

f. Return on Net worth

Return on net worth of resulting company was decreased as on Ashad end 2068; however performance of Poush end was disaster substantial decrement from 11.05% to to 3.38% was observed at the end of Poush 2068. Performance of resulting compnay was not so good on the fiscal year 2068/69 this indicates poor performance of resulting company or unable to maintain the business of previous two financial institutions after the merger take place.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
4.88%	11.05%	9.73%	18.19%	12.32%	12.91%

g. Return on Assets (ROA)

Resulting company has maintained the return during first year of merger however as on Poush end 2068 and as on Ashad end 2069 return were so low.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
0.59%	1.52%	1.71%	1.59%	1.78%	1.44%

h. Net profit to total Income

Net profit of the resulting company just after the merger was slightly increased; however such growth has not been last long net profit was significantly decreased to 4.95% within 12.5 months from the date of merger. In indicates poor performance after merger.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
4.97%	20.83%	16.78%	18.30%	16.12%	15.77%

i. Per Share Income

As we discussed in above three points, return of resulting company has been decreased as on Poush end 2068 and Ashad end 2069, which affect the per share income of the resulting company.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
5.74	11.94	11.02	19.58	13.33	13.79

j. Interest from loan to Total loan & Advances

Interest income from loan is satisfactorily maintained by the resulting company as it comes to 17.94% of total loan & advance value as on Ashad end 2069. This indicates that loans & advances fetch good return but poor performance of the resulting company may be due to high interest expenses that introduced to capture the market after merger.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
17.94	12.40	16.88	90.68	13.95	95.75

k. Interest expenses to Total Deposit & Borrowing

Interest expenses of resulting company has been substantially increased from average 7% to 10% as on Poush end 2068 and to 9.72% as on Ashad end 2069, this indicates that resulting company has inducting expensive scheme in market to gain the market share during initial years of merger. High interest expenses substantially decrease the return of the resulting company.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
9.72%	4.70%	6.90%	5.40%	7.31%	5.73%

l. Net Profit/Total Loan & Advances

Due to high interest expenses incurred by the resulting company, net profit to total loan & Advance ratio was sharply decreased to less than 1% from average 2% before merger. It indicates that the resulting company is less efficient to maintain or boost up the performance after the merger.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
0.87%	1.91%	2.39%	2.26%	2.43%	1.73%

m. Credit/Deposit Ratio

C/D ratio of the resulting company was maintained in ideal range of 80%-90%, which indicates that the company has utilize its deposits in optimum way in disbursement of loan after maintaining working capital for the operation.

H&B		HDB		BFL	
Ashad End 2069	Ashad End 2068	Ashad End 2067	Chaitra End 2066	Ashad End 2067	Chaitra End 2066
82.38%	95.52%	87.69%	81.82%	88.99%	97.33%

4.5 What if Analysis (*Estimated condition before merger and post merger actual condition*)

In order to analyse the performance of resulting company after the merger, we have drawn estimated financial value of merging two financial institution i.e. HDB and BFL, considering the scenario if they were not merged with each other and compare such with the financial values of resulting company. Comparison of what if financial value of merging companies and resulting company after merger could allow us to analyse the synergy effect exhibited in the financial value after the merger and to justify whether the resulting company could gain the empowerment after the merger or not.

4.5.1 Estimated financial position and post merger actual performance

(*Figures in Thousand*)

Particulars	Actual Performance of H&B		Estimated figure of HDL and BFL*	
	2068/69	2067/68	2068/69	2067/68
Share Capital	897,930	897,930	897,930	897,930
Reserve & Surplus	157,847	72,206	254,998	141,838
Debentures & Bond		-	-	-
Borrowing from BFI	1,452	75,004	62,008	77,510
Deposit	7,204,901	5,791,498	6,098,948	5,093,017
Proposed Dividend		94,283	-	-
Tax Liability	22,088	9,857	49,027	42,604
Other Liabilities	422,414	95,766	190,754	148,822
Total Capital & Liabilities	8,706,633	7,036,544	7,553,665	6,401,721
Cash in Hand	2,174,594	98,665	139,148	116,825
Cash at NRB		347,176	181,243	151,769
Cash at Financial Institutions	-	699,835	583,737	491,627
Money at Call and Short Notice		-	617,011	515,732
Investment	325,308	101,908	79,632	66,360
Loans and Advances	5,719,355	5,523,500	5,564,840	4,655,085
Fixed Assets	227,427	199,268	220,473	191,715
Non-Banking Assets	16,102	-	-	-
Other Assets	243,848	66,193	167,580	212,606
Total Assets	8,706,633	7,036,544	7,553,665	6,401,721

**estimated value is drawn from secular trend analysis of the past data*

Analysis of Estimated and Actual performance

Aggregated estimated total Deposit of merging company individually and relating actual performance of resulting company seems satisfactory in two consecutive years after the merger considering the growth rate of total deposits. Hence we can say that resulting company is able to satisfy the deposit holder and penetrate the growth rate of both merged companies.

Investment made by the resulting company after the merger is quite good while considering the estimated amount that merged companies could made individually.

Considering the satisfactory collection of deposit holder after the merger, resulting company also able to lend loans & advances compared to the estimated value that merged companies could made if they were not merged. Hence we can say that merger of these two companies create somewhat synergy effect in the collection and mobilization of the collected fund.

4.5.2 Estimated financial performance and post merger actual performance

(Figures in Thousand)

Particulars	Actual Performance of H&B		Estimated figure of HDL and BFL*	
	2068/69	2067/68	2068/69	2067/68
Interest Income	987,731	484,856	653,640	546,740
Interest Expenses	700,752	275,833	409,103	341,695
Net Interest Income	286,979	209,023	244,537	205,046
Fee, Commission and Discount	7,475	2,727	49,012	44,557
Other Operating Income	40,982	27,156	40,789	33,991
Foreign Exchange Gain/Loss (Net)	164	87	-	-
Total Operating Income	335,600	238,993	334,339	283,593
Staff Expenses	78,041	26,354	55,948	44,681
Other Operating Expenses	92,026	43,835	70,748	59,402
Operating Profit before provision	165,533	168,805	207,643	179,511
Provision for possible losses	85,218	7,877	28,371	23,744
Operating Profit	80,315	160,928	179,272	155,766
Non-Operating Income / Expenses (Net)	679	293	494	449
Write Back of Provision for Possible Loss	669	26,978		-

Profit from regular activities	81,662	188,198	179,766	156,215
Extraordinary Income/Expenses (Net)	(671)	-		-
Profit before bonus and taxes	80,991	188,198	179,766	156,215
Provision for Staff Bonus	7,363	16,946	16,342	14,201
Provision for Tax	22,088	64,037	49,027	42,604
Net Profit & Loss	51,540	107,216	114,396	99,410

**estimated value is drawn from secular trend analysis of the past data*

Analysis of estimated and actual financial performance

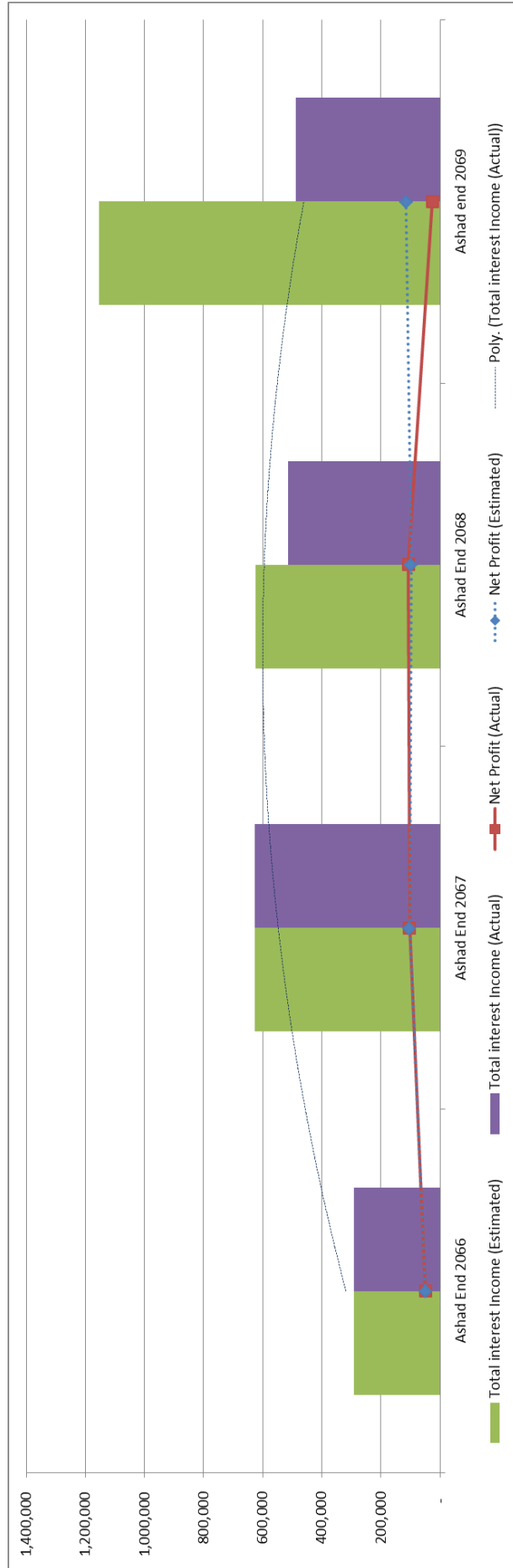
Actual interest income earned by H&B development bank was less than estimated figure of HDL and BFL as on Ashad end 2068 and exceeds the estimated amount as on Ashad end 2069. Figure was 88.86% at the end of fiscal year 2067/68, 155.63% as on Poush end 2068 and 151.11% at the end of fiscal year 2068/ 69 as compared to estimated figures. However if we look at the net interest income of H&B development bank, we can see that actual net interest income is more than estimated amount at the end of fiscal year 2067/68.

Actual interest expenses is 70% of interest earned during the fiscal year 2068/69, which is significant amount and indicates the inefficiency of resulting company in mobilizing the collected fund in revenue generating activities.

Staff and operating expenses less than they would be if merger not take place.

Loan loss provision provision was significantly less as on Ashad end 2068 than aggregated figure of merging BFIs which indicates that H&B development bank efficiently recovers the amount of loans & advances or manages the loan within the low risk areas. However the performance of the acquiring company decreases as on Ashad end 2069 by significant increase in loan loss provision as compared to estimated amount which directly affect the profitability of the company.

Figure 5: Estimated and actual financial performance



4.6 Capital Strength Analysis

Capital contributed by the shareholder is the longterm fund that is owned or managed by the company, which absorb the shock resulting from the fluctuation of financial performance or position. When company possess adequate or sufficient capital, it is taken as strong or capable company to absorb the minor fluctuation in financial market and minor losses that protects the financial strength and stability of the company. Recently NRB has implemented capital adequacy framework under which requires financial institutions to "implement risk management policies that align capital adequacy assessment with underlying credit risk, market risk and operational risk" (Capital Adequacy Framework 2007, 2007:3). So merger between BFIs also helps the management to implement the risk management policies based on risk associated with the operation of the company.

We have here consider the position of capital strength of the company before and after the merger to analyze the positive effect of the M&A because one of the objectives of M&A is to strengthen the capital power of the company.

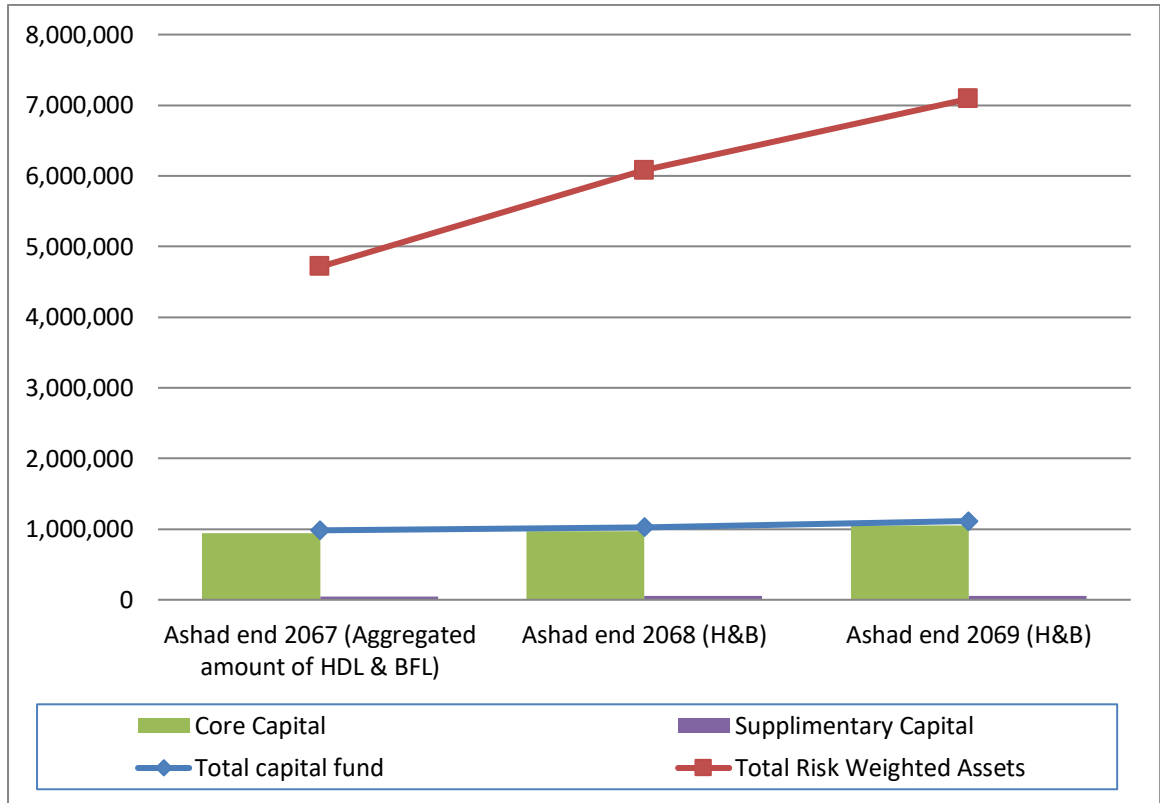
(Figures in Thousand)

Particulars	H&B		Aggregated amount of HDL and BFL (2066/67)
	Ashad end 2069	Ashad end 2068	
Total Assets	8,706,632.71	7,036,544.62	5,887,932.93
Total Risk Weighted Assets	7,089,527.59	6,079,564.79	4,712,988.48
Core Capital	1055,773.72	970,112.67	940,029.30
Supplimentary capital	58,747.77	56,588.99	42,856.48
Total Capital Fund	1,114,521.49	1,026,701.65	982,885.79

From above table we can see that capital base or strength of the company has been strengthened after the merger of two financial institutions. From the data we can see that aggregated capital base of two financial institutions was 982,885.79K, however this has been increased to 1,026,701.65K in the first year of merger and 1,114,521.49K in second year of merger. This indicates that merger has brought strong capital base in the resulting company with the capacity to absorb small fluctuations or losses. Moreover we can say that capital pillars of resulting company has been strengthened.

Total assets of the merged company has been substantially increased by 24.56% and 18.70% in first and second year respectively.

Figure 6: Capital strength of resulting and aggregated of merged BFI's



4.7 Value of Business Analysis (Pre and post Merger)

Value of business depends upon the assets that are owned by the company and future profitability that could be maintained over a period of time. When take over of company is occur there is changes in the value of business due to several factors like change in management personnel, changes in future maintainable profitability, increase in market share, capital strengthening etc.

"One plus one makes three; this equation is the special alchemy of a M&A" (Investopedia, 2010:2). The key principle behind merging companies is to create shareholder value over and above the sum of the merging companies.

There are different methods to calculate the value of business; for this research we have used combination of net assets valuation technique and price/earning ratio valuation technique.

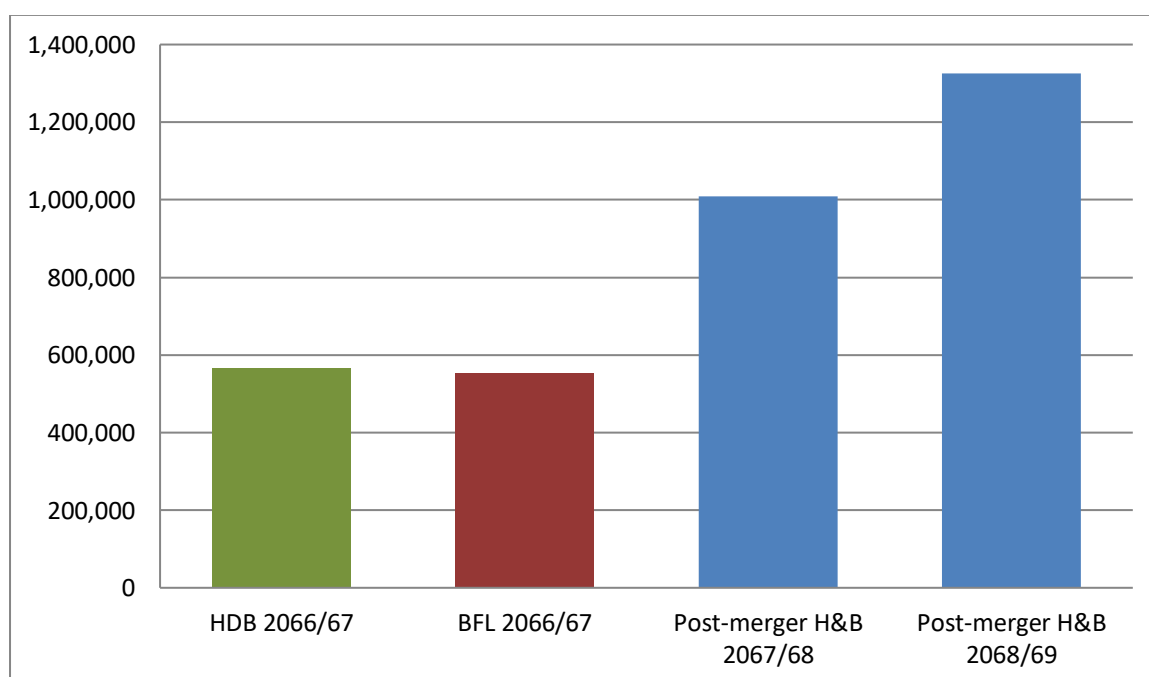
4.7.1 Calculation of Value of Firm

(Figures in Thousand)

Valuation Technique	Post-Merger H&B		Pre-Merger (Ashad end 2067)		
	Ashad end 2069	Ashad end 2068	Aggregated of HDB and BFL	HDB	BFL
Intrinsic value method	801,557	687,181	655,973	315,373	340,600
Price/Earning Ratio	<u>1,849,736</u>	<u>1,329,473</u>	<u>1,578,832</u>	<u>815,311</u>	<u>763,521</u>
Average of Above two	1,325,647	1,008,327	1,117,403	565,342	552,061

From above table we can observe that post merger value of company is less in the first year after the merger than accumulated pre merger value of business of two companies. However value of business is recovered and exceeded the pre merger value in the second year. Value of business at the end of fiscal year 2068/69 is 118.63% of aggregated of two merging companies. Hence we can say that resulting company has gained the expected synergy effect from the merger in the second year of operation after merger. Merger positively affect the shareholders wealth due to synergy effect of merger.

Figure 7: Average value of firm of resulting and merged BFIs



a. Value of Business under Intrinsic Value Method

Intrinsic value method considers total investment of business and take away liabilities of the company under going concern concept.

(Figures in Thousand)

Particulars	H&B		Pre-merger (Ashad end 2067)		
	Ashad end 2069	Ashad end 2068	Aggregated of HDB and BFL	HDB	BFL
Total Assets	8,706,633	7,036,544	5,887,933	2,818,331	3,069,602
(-) Outsider Liabilities	<u>7,650,855</u>	<u>5,972,126</u>	<u>4,903,364</u>	<u>2,321,974</u>	<u>2,581,390</u>
Shareholders' Fund	1,055,778	1,064,418	984,569	496,357	488,212
Opening Shareholders' Fund	547,336	309,944	327,376	134,388	192,988
Net Book Value (Value of Business)	801,557	687,181	655,973	315,373	340,600

Formula is as follows;

$$\text{Value of Business} = \frac{\text{Opening Net assets} + \text{Closing Net Assets}}{2}$$

We have taken the value of all tangible and intangible assets at book value due to unavailability of net realisable value and considering the going concern status of the resulting company. Likewise all fictitious assets and goodwill of the company are ignored in this calculation

b. Value of Business under Price/Earning Ratio

This method consider the price and earning of the company to determine the value of business. In this method valuation of business is not based on assets owned by the company rather based on profit and cashflow of those assets that can generate income in future.

(Figures in Thousand)

Particulars	H&B		Pre-merger (Ashad end 2067)		
	Ashad end 2069	Ashad end 2068	Aggregated of HDB and BFL	HDB	BFL
Earning after Tax (A)	103,080	107,216	103,024	48,305	54,719

P/E Ratio (B)	17.94	12.40	31	16.88	13.95
Value of Business (A*B)	1,849,736	1,329,473	1,578,832	815,311	763,521

Formula is as follows;

$$\text{Value of Business} = \text{Earning After Tax} \times \left(\frac{\text{Market Price Per share}}{\text{Earning per Share}} \right)$$

4.8 Analysis of Stock Price reaction to M&A

Share price is the result of financial performance and position of the company. Announcement of merger generally affects the merging companies' share prices, as induced reaction in the stock market that cause investors to revise expectations about the company's future profitability. Generally there is spike in volume of merging companies' share trading due to merger announcement.

Merger of company often affects the share price as a response of market, usually share price of the resulting company decreased after the merger and when the merger synergic effect comes to materialize share price gradually rises. Analysis of pre merger and post merger share price trend is analysed as following:

Particulars	Share Price (NPR)		
	H&B Development Bank	HDB	BFL
<u>Pre-Merger Condition</u>			
1st Quarter of 2067/68		165	161
2nd Quarter of 2067/68		148	151
3rd Quarter of 2067/68		179	174
<u>Post-Merger Condition</u>			
4 th Quarter of 2067/68	N/A		
1 st Quarter of 2068/69	N/A		
2 nd Quarter of 2068/69	149		
3 rd Quarter of 2068/69	91		
4 th Quarter of 2068/69	105		
1 st Quarter of 2069/70	129		
2 nd Quarter of 2069/70	93		
3 rd Quarter of 2069/70			
4 th Quarter of 2069/70			

Source: www.nepalstock.com.np

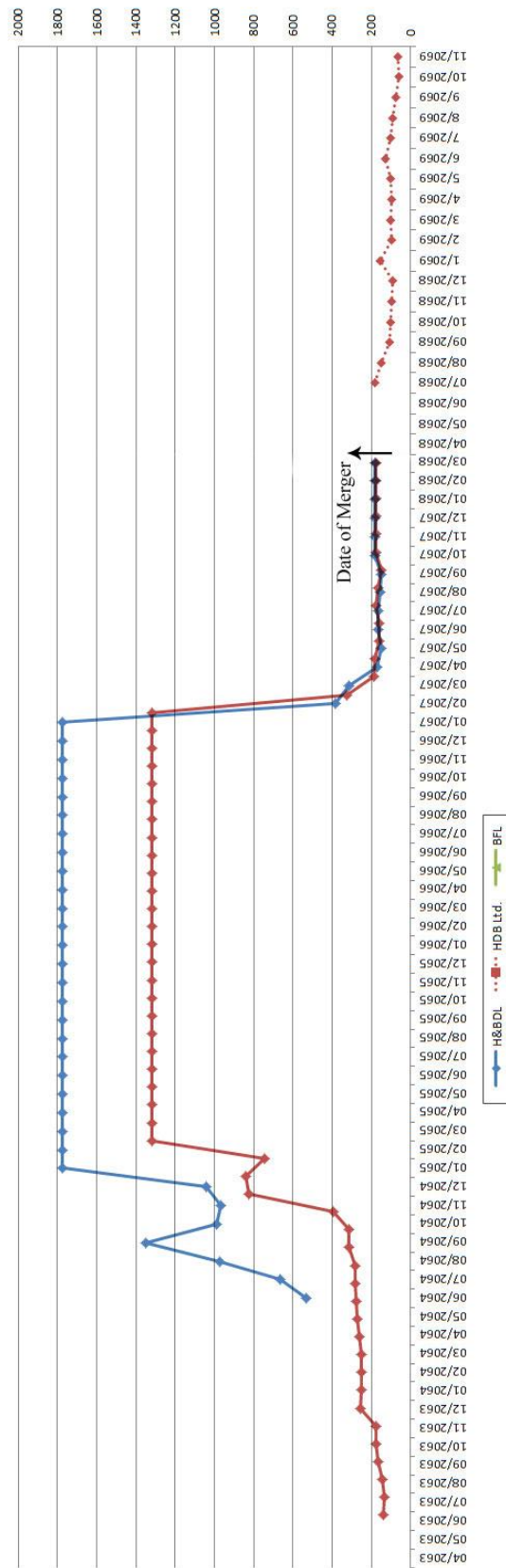
M&A impose certain predictable short term effect on the stock price of resulting company. In general case stock price of resulting company goes down as compare to stock price of merging company before merger. Reason for this effect is that the merger usually takes place on premium amount or higher purchase consideration and resulting company has to manage or integrate different culture, face power struggles in management, debt leverage and restructuring of the company.

However in case of M&A between HBL and BFL, merger was took place on 1:1 basis which was transferred to the shareholder of target company. Management issues which are occurred after the merger of the companies possibly affects the stock price of resulting company.

From the data we can observe that share price was sharpely decreased from average price of NPR 176.5 of merging companies to NPR 149 after the date of merger. Downfall was continued upto NPR 90 per share till 3rd quarter of fiscal year 2068/69 which is less than its face value (NPR 100); however recovery on share price was seen after the 3rd quarter of fiscal year 2068/69 by increment in share price upto NPR 105 per share.

Market price of resulting company was gone down below the face value of share as compared to previous pre merged phase's share price, this adverse price reaction is general reaction of market to the merger of HDB and BFL which will prevail upto 1st or 2nd year of the merger and some contribution to adverse reaction may be due to "Good For Payment" cheque scandel exposed in the FY 2068/69. But still share price is recovering, we may expect that reaction will be changed after 2nd year of merger or in case of better performance of the company.

Figure 8: Stock Price reaction to the Merger of HDB & BFL



4.9 Statistical Analysis

4.9.1 Coefficient of correlation between loans & advances and deposits

Coefficient of correlation analysis helps to measure the intensity of linear relationship between two variables. Loans & advances and deposits are taken as bases for this analysis to reveal the relationship between loans & advances and deposits of the BFIs using Karl Pearson's method. The result of coefficient of correlation is always between +1 to -1, when $r = +1$, it means there is perfect relationship between two variables and vice versa. When $r = 0$, it means there is no relationship between two variables. We have considered total deposits as independent variable and loans & advances as dependent variable for analysis.

Evaluation Criteria	HDB	BFL	H&BDL
Coefficient of correlation (r)	0.99880	0.98771	0.48796
Coefficient of determination (r^2)	0.99761	0.97558	0.23811
PE r	0.000721461	0.007367044	0.296698161
6 PE r	0.004328763	0.044202266	1.780188963
Significance	Highly Significant	Highly Significant	Significant

Detail analysis report is presented in Annex 1

The coefficient of correlations of loans & advances and total deposits of HDB, BFL were positive; however in post merger period correlation is less positive as compared to pre merger stage. Positive correlation indicates that movement of loans & advances and total deposits are at the same direction, in other words when deposit increases it results the increment in loan and advances and vice versa. Decreased value of r after the merger implies that the positive correlation between loans & advances and deposit is low than in pre merger stage. In other words collection of deposit may not result increment in the disbursement of loans and advances of the resulting company.

Coefficient of determination shows the percentage of impact contributed by the variance of deposit in the variation of loans and advances. Coefficient of determinations of HDB, BFL and H&B are 99.76%, 97.55% and 23.81% respectively. It means when the amount of loans & advances are different from expected amount, what amount of variation has occurred due to dependency of loans & advances on total deposits.

The probable error is a measure of as certainty the reliability of the value of a Pearson's coefficient of correlation. If the probable error is added to and subtract from the coefficient of correlation, it would give two such limits within which we can reasonably accept the value of coefficient of correlation to vary. The r value is much higher than 6 PE r in pre merger cases. Which indicates that the concerned companies had efficiently used the total deposit in lending loans and advances. In case of HDB & BFL, total deposit and loans & advances was highly significant, which means that HDB had efficiently mobilized its deposits in loans & advances before the merger of the concerned company. However post merger effect is not satisfactory value of r is less than 6 PE r which indicates that the merger company has not used the total deposits efficiently in lending the loans and advances and there is no evidence of correlation between loans & advances and total deposits of H&B development bank.

Above analysis found that coefficient of correlation of two companies HDB and BFL were positive before the merger. Which provide us the information about the efficient use of source of money collected from the depositor to invest in loans and advances, which ultimately fetch some good profit by maintaining the credit/deposit ratio. However the post merger scenario shows less positive correlation between total deposit and total loans & advances; It indicates that the resulting company is unable to use the deposit in efficient manner as loans & advances to have good return which ultimately affect the profitability of the company in near future.

4.9.2 Growth Ratio analysis

Growth ratio tells that how fast a company is growing, in this context it reveals the growth achieved by the resulting company after the merger or due to merger's synergic effect. We have considered growth ratio of loans & advances, deposit and net profit for this research based on following formula;

Formula :- $d_n = D_0(1+g)^{n-1}$

where,

d_n = n^{th} Amount

d_0 = Initial Amount

g = Growth

n = period

Following table shows the growth rate before the M&A of separate companies and growth achieved after the merger.

Year	Growth Ratio (%)					
	Loans & Advances		Deposit		Net Profit	
	HDB	BFL	HDB	BFL	HDB	BFL
2063/64	169	74	438	30	2185	60
2064/65	101	34	201	65	102	53
2065/66	54	77	106	56	104	54
2066/67	87	60	133	102	97	129
Average	99	60	197	61	269	71
<u>H&B</u>						
2067/68	32		22		3	

2068/69 (Annualized)			
Ashwin 2068	(8)	5	(100)
Poush 2068	(4.33)	23	(91)
Chaitra 2068	3	14.96	(81)
Asahd end 2069	7	24	(52)
Ashwin 2069	11	13	(69)
Poush 2069	3.73	(28.83)	(98.13)
Average	14.83	18.16	(24.56)

Growth ratio of individual financial institute and resulting company tells us that growth rate of resulting company was decreased to 32%, 22% and 3% at the end of fiscal year 2067/68, 7%, 24% and (52)% at the end of fiscal year 2068/69 and 3.73%, (28.83)% and (98.13)% at the end of Poush end 2069 of loan & advances, deposit and net profit respectively. This may be due to less aggressive move opted in investment as loans & advances, due to adjustment in its cultural and internal system and to maintain non performing loan within safe limit by the resulting company. However data shows that net profit of resulting company has been gradually decreased which shows that resulting company has failed to achieve the required growth in loans & advance in ratio of deposit, which ultimately negatively affect the financial performance of the resulting company.

4.9.3 Price/Earning to growth (PEG) ratio

This ratio considers stock value to acceleration of growth of profitability. Therefore it can be defined as a "valuation metric for determining the relative trade-off between the price of a stock, the earnings generated per share, and the company's expected growth" (http://en.wikipedia.org/wiki/PEG_ratio). PEG ratio of 1 represents fair trade-off between the value of cost and the value of growth, it indicates that a stock is reasonably valued given the expected growth. Company having PEG between 0 to 1 gives higher return and negative PEG indicates declining earning or no growth.

$$\text{PEG ratio} = \frac{\text{Market Price of share} / \text{Earning per share}}{\text{Annual EPS Growth}}$$

S.N.	BFI	2066/67	2067/68	2068/69	Poush 2069
1	Himchuli Development Bank	-43.73%			
2	Birgunj Finance Ltd	-3.31%			
3	H&B Development Bank		-0.33%	-51.93%	-86.24%

Above table shows negative PEG in pre and post merger period; we can observe that negative value of PEG ratio is gradually increased as the time passed after the merger. It indicates that earning of resulting company has been gradually decreased. However the cash flow of the resulting company has substantially increased. From this we can conclude that even though resulting company has higher negative PEG ratio as compared to pre merger stage, cashflow is in satisfactory condition, which indicates that company has sufficient fund to generate earning and company should consider its investment strategy.

4.10 Taxation benefit provided to financial institutions going to merger

Before Finance Ordinance 2067, merger of any company was taken as disposal of business and gain from such disposal shall have to calculate and included in taxable income. Moreover when M&A was considered as disposal by taxation authority, resulting company was not allowed to carry forward losses or unaborsed expenses or depreciation base of companies which are merged which means to say that taxation authority was not allowed to deferrals of tax attributes before the M&A of the company. In this situation resulting company is deem considered as fresh company for tax purpose, lossess or unaborsed expenses or depreciation based lapsed only due to changes in ownership of the company.

Finance Ordinance 2067 brought some magical provision for the financial institution which are egar to merged with other financial institution with taxation benefit. Benefit brought by Finance Ordinance 2067 is only for "financial institution & insurance and applicable in horizontal merger i.e. merge or acquisition of financial institution with other same nature company"(Finance Ordinance 2067, 2067:102). Provision states that if horizontal merger or acquisition takes place between two or more financial institution provision of section 57(2) clause (a), (b), (d), (e), (f), (g) and 57(3) of Income Tax Act, 2058 will not be applicable in such case, which provide greate benefit to shareholders of merging financial institutions in following ways.

Section	Transaction	Benefit to resulting company in case of merger
57(2) (a)	Interest expenses expended before the changes in owenership of the company which is carried forwarded u/s 14(3)	Interest expenses paid to controlled resident entity which is not unaborsed during an income year is allowed carry forwarded to following income year. If such is not allowed interest expenses which is expended by the company is disallowed and hence tax

		will be levied on expenses.
57(2) (b)	Unrelieved losses of the company before changes in ownership	Company which is suffered from losses can use its unrelieved losses after merger or acquisition to set the business operation. This type of benefit can motivate investor to acquire to merge sick company to use it losses to tax plan the tax liability of new company. Unrelived losses of merging company is allowed to set off within next 7 years from the date of merger. However this facility is restricted, if merged company is divided into two company. When merged company is divided then allowed unrelieved loss is taxed at the prevailing rate of year of merger.
57(2) (d)	Foreign exchange losses related with transaction before changes in ownership	
57(2) (e)	Adjustement of bad debt and doubtful debt	
57(2) (f)	Loss on disposal of assets or liabilities before changes in ownership	
57(2) (g)	Insurance premium treated as income before changes in ownership and paid afterward.	
57(3)	Income year should be treated as	period upto the date of M&A is treated

	two income years for tax purpose before and after changes in ownership	as one income year and period afterward upto the year end is treated as another income year. Resulting company or resulting company has to submit income return and pay income tax of the period after the merger.
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CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

M&A implies the strategic movement of the company which strengthen business by making their operations more synergetic. Through M&A two or more companies are merged or combined with another or with one of the company which called resulting or resulting company and company whose existence is collapsed after the merger is called merging company. In current market competition, M&A considers as an avenue to gain growth and long term prosperity through fusion of two or more companies.

Global market accpets M&A as a solution to achieve strategic and objective advantages by combining their resource into one entity. History shows that banking and financial industry around the global accounted more volume of M&A than any other industry. Banking and financial industry has to operate in risky environment and controlled environment imposed by central bank through capital adequacy framework to strengthening the risk bearing capacity. Stiff compition and strict regulation of central bank lured many BFIs to gain synergic effect by pooling their resources towards unified objective. M&A reshape the competitive scope of the company in the competitive market for accelarating financial performance through synergic effect.

In Nepal M&A is new concept, which barely has a history of one decade, within this short span of time or we can say that at the end of this short period large number financial institutions have tried to merged with other insitution due to stiff competition and to stabalize it performance. Number of interested financial institutions were applied for M&A in Nepal only after the introduction of M&A policy by Nepal Rastra Bank and taxation benefit introduced by Ministry of Financial through Finance Act 2067.

In fiscal year 2067/68, two BFI's i.e. Himchuli Development Bank Ltd. and Birgunj Finance Ltd. were merged forming a new "B" class licensed BFI called H&B Development Bank. H&B Development bank came into existence after completion of merger process on 01/03/2068 with the authorized capital of NPR 2,000,000,000.00 and issued and paid up capital of NPR 897,930,200.00. This research study was conducted to study the synergic effect or benefit gained by the resulting BFI took place between Himchuli Development Bank Ltd. and Birgunj Finance Ltd, importance of M&A in Nepali banking and financial industry and obstacles faced by the merging companies. As per the nature and demand of the study, survey was conducted through primary & secondary sources of information and analysis.

To analyse the scenario, I have applied different analysis and statistical tools like financial indicator analysis, what if analysis, value of business analysis and stock market trend analysis, regression analysis, growth rate analysis and PEG etc. This study covers the pre merger financial position of two BFIs and post merger financial position and performance of resulting BFI to analyse the synergic effect of merger, increment in the value of business due to merger and market reaction to merger through share price fluctuation. Using statistical tools, research has tried to reveal the linear relation between loans & advances in pre and post merger situation and growth achieved by resulting company after merger.

5.2 Conclusion

After analysing the primary and secondary information gathered during the research from reports, newspaper, website etc. and major findings indicated in Chapter IV "DATA PRESENTATION AND ANALYSIS" following conclusions are made;

- Banking and financial industry of Nepal has been saturated due to large number of BFIs operating in small market. It creates problems to regulatory authority to monitor the activities of operating BFIs and scatter the resources available in market. Current political situation of the country stopped the new investment opportunities for the BFI and create unfair competition between operating BFIs. Due to current stiff competition and strict regulatory environment prevail in Nepalese banking and financial industry, M&A is the strategic solution to achieve market competitive advantage and ease to achieve objective of the company by pooling scattered resources into one economic entity.

- M&A requires merging of different cultures whether they are from different countries or from the same country having different organizational culture like M&A of DaimlerChrysler. Cultural merger involve combining elements of two different cultures like, management style, products, customer etc. Cultural merger is bit of difficult, costly and not always possible. Hence if we look at the operating and employee cost of H&B Development bank after merger, value have substantially increased from the normal trend of merging companies. Though we are talking about the economies of cost and scale due to fusion of resource after merger, cultural merger costs more in case of H&B Development to settle.
- Regarding merger of H&B Development Bank Ltd., post-merger financial indicators shows that resulting company's liquidity position has improved; however efficiency, performance and risk related indicator of the resulting company has debased after the merger. This indicates that financial position of resulting company relating to risk absorbing capacity has not improved; likewise efficiency in management of non-performing loan, cost reduction regarding employee expenses and operating expenses has not achieved by the resulting company. Debased performance indicators of resulting company indicate the poor performance in investment of loan in proportion with the growth in deposit achieved after the merger and management of non-performing loan. In other words deposit has increased substantially but the company is unable to utilize such deposit in optimum way by transforming into loans & advances, which ultimately increases the interest expenses of resulting company than the increment in interest income from investment. Gradually loan loss provision of the resulting company has increased, which hit the profitability and performance. The financial performance of the resulting company has improved though at a slow rate and both ROA and ROE have been positive so far.
- Performance of resulting company has analysed with the estimated performance of merging company assuming if they were not merged. Overall performance of resulting company is satisfactory but the true synergy effect of fusion not seen in the performance of the company as compared to estimated financial figure of HDB and BFL in what if condition. Resulting company is able to collect sources of fund by introducing new deposit scheme; however it is unable to utilize such collected amount in loans & advances. Regarding financial position following are observed
 - Decrement in borrowing signifies that resulting company has less debt leverage than pre-merger stage.

- Deposits increased as compared to estimated financial value, which signifies that effective collection of source of fund that can be used to generate income through investment strategic.
- Resulting company has collected substantial sources of fund after the merger but less investment as loans & advances results high liquid assets. High cash flow could be turned into income generating investment through proper investment strategy.
- In loans & advances resulting company's performance has been gradually increased, however such increment is less than the increment of deposit collection which affect the profitability of the resulting company. Actual performance of resulting company is better than estimated financial value of HDL and BFL.
- Before merger individual BFIs didn't have any non-banking assets, however in the FY 2068/69 resulting company has 16,102 K non-banking assets. It indicates that after merger non-performing loans have increased and substantial loan amount has converted into bad loans.
- Interest income of resulting company in the FY 2067/68 was less than estimated value of HDL and BFL which may be due to merger of HDL and BFL. However such has increased in the FY 2068/69, in FY 2068/69 value of interest income of resulting company is 151.11% of estimated value of HDL and BFL.
- Interest expenses trend of resulting company is same as interest income; however increment of interest expenses in the FY 2068/69 was more than interest income which is due to high collection of deposit but less investment as loans & advances. Increment in interest expenses in FY 2068/69 is 171.2% as compared to estimated figure.
- Administrative expenses of resulting company in the first year after the merge have decreased as compared to estimated financial figure of HDB and BFL; however such has been increased in second year which may be due to address the cultural issues and introduction of new deposit schemes.
- Non-performing loan in resulting company has substantially decreased in first year after the merger as compared to estimated financial figure of HDB and BFL; however such has increased in second year which indicates poor performance of resulting company in recovery of loan and loan management.

- Profitability of the resulting company is higher than estimated figure of HDB and BFL in the first year after the merger; however such has decreased in second year which may be due to low disbursement of loans and advances and higher non-performing loan of resulting company as compared to estimated figure of HDB and BFL.
- Fusion of two BFIs leads to a company having strong capital base. Strengthen the capital pillars is one of the synergic effect and positive aspect of M&A. Capital fund of resulting company has increased by 4% in first fiscal year (2067/68) and by 13.4% in second fiscal year of merger as compared to aggregated capital amount of merging two BFIs. Likewise we can also observe the increment in risk weighted assets of resulting company as compared to aggregated amount of HDL and BFL which indicates that resulting company has investing collected fund into risky assets and investment sectors as well.
- Through value of firm we have tried to see whether the merger between two BFI has introduced any increment in the value of resulting business. We have used two methods i.e. Intrinsic value method and price/earning ratio method to analyse the value of business before and after the merger. We can conclude from finding of previous chapter that intrinsic value of resulting company has gradually increased after the merger which indicates that the net assets portfolio of the resulting company has been strengthen. However under price/earning ratio valuation method value of business has decreased by 15.79% in first fiscal year after the merger and then in second fiscal year such has increased by 17.15% on pre-merger value of business. This indicates that average value of business has increased after the merger which is the result of synergic effect of fusion between two BFIs.
- While reviewing the market reaction to the share value after the merger, we can observe that market price of share of resulting company has sharply decreased to NPR 93 per share as on 2nd quarter 2069/70 from average market price of NPR 176.5 per share before merger. Such kind of decrement in share value after merger can be seen for short term which is due to merger's purchase consideration, management power struggle issue, restructuring of the company and cultural issues of the merger. This kind of reaction of market towards the merger is seems normal, it will be gradually increased when resulting company address the different issues of merger and reform the investment strategies.

- From correlation of coefficient of resulting company is less than individual BFIs before merger; hence we can conclude that linear relationship between loans & advances and deposits decreased after the merger. In other words growth in loans & advances is not in same proportion of growth in deposit or growth of these two financial values is not in same proportion.
- Average growth rate up to Poush 2069 of resulting company is not satisfactory as compared to growth rate of HDL and BFL before merger. Average growth rate of loans & advances in resulting company is 14.83% as of Poush 2069 where as it was 99% in HDL and 60% in BFL up to the FY 2066/67. Likewise average growth rate of deposit in resulting company is 18.16 as of Poush 2069 it was 197% in HDL and 61% in BFL before merger. Growth rate of resulting company in net profit is negative, which indicates the income after the merger has been decreased substantially. From these we can conclude that growth rate after the merger is not satisfactory, synergic effect of merger is not seen in the growth rate of resulting company.
- PEG ratio also shows same result as growth rate analysis; PEG ratio of resulting company shows negative growth after the merger.
- Taxation authority of Nepal has provided certain benefit to the BFIs going to merger through finance ordinance, 2067. Merger creates many issues to the management of the resulting company to address or resolve, therefore these kinds tax based synergy will provide great relief to merging company.

About the merger of HDL and BFL, it could be said that given the intensity of competition, fast changing business environment and controlled regulatory environment in the banking industry of Nepal, undoubtedly it is a strategic fit for both merging companies to acquire the market share and also make it inroads to be a commercial bank.

5.3 Recommendations

From above finding and analysis, we can conclude that synergic effect of merger in financial performance of resulting company yet not achieved. Though tax based synergy, capital strengthen and increased value of business etc synergies have achieved by the resulting company; yet full

synergic effect not visible in the financial performance and position. Therefore following recommendations we want to brought into highlight to overcome such inefficiency;

- Many resulting BFIs had faced different post-merger problem in which they seek guidance and facilitation of Central Bank. Hence post-merger desk should be established by the Central Bank of Nepal to cater the required guidance and facilitation to its license BFIs after merger
- During the merger process, shareholder's right on its investment is seized for short term, loan disbursement is ban until the merger is completed and merger process requires huge expenses to complete. Hence regulatory body should fix the period for merger process in which merging BFIS should be merged at any cost; in order to save the financial interest of shareholder and future prospective of the resulting company.
- Financial Position and Performance of resulting company after merger is purely dependent on the financial position and performance of merging companies before merger. While reviewing stock price reaction of H&B Development Bank (resulting company) after the merger, it is less than pre-merger stage and market price goes down to less than its face value. Such kind of negative reaction of market is partly due to "Good for Payment" Cheque scandal revealed in the FY 2068/69. After scandal many speculate that this type of malfunctioning might be the previous practice of pre-merger company. Negative practice or culture of pre-merger companies will strike the financial position and performance of resulting company, hence due diligence audit for audit should be comprehensive to reveal the actual worth and performance of the company going to merger.
- H&B should reconsider its investment policy regarding disbursement of loans & advances to utilize the collected fund from depositor holders.
- Growth ratio of H&B Development Bank (Resulting Company) is lower than that of merging companies (in pre-merger stage). It has very much fluctuating growth rate and resulting company is recommended to increase its growth ratio into deposits, loans and advances, investment and net profit by designing new products and services to the depositors in order to attract them.
- Profit is a key of success of any businesses; company cannot survive without the profit. Therefore H&B should keep in the mind for profit maximization and for long term business should consider about shareholder's wealth maximization and customer satisfaction.

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ANNEXURES

1. Calculation of coefficient of correlation between loans & Advances and Deposit of H&B Development Bank Ltd.

Year	Deposit (x)	Loan & Advances (y)	$X = x - \bar{x}$	$Y = y - \bar{y}$	XY	X^2	Y^2
Ashad End 2068	5,791,498.13	5,603,569.69	(235,797.79)	79,487.59	(18,742,998,572.86)	55,600,597,878.92	6,318,277,301.04
Ashad end 2069	7,204,900.51	6,005,396.64	846,663.69	96,982.68	82,111,715,327.68	716,839,398,517.55	9,405,640,660.93
Poush end	6,078,311.83	6,116,275.54	(279,924.99)	207,861.58	(58,185,652,007.87)	78,358,001,827.35	43,206,437,385.17
	6,358,236.82	5,908,413.96			65,564,367,850.09	372,130,049,043.52	48,514,034,557.70

$$\begin{aligned}
\text{Correlation coefficient } (r) &= \frac{\sum XY}{\sqrt{\sum X^2 \times \sum Y^2}} \\
&= \frac{65,564,367,850.09}{134,363,425,303.38} \\
r &= 0.48796 \\
r^2 &= 0.23811 \\
\text{PE } r &= \frac{0.6745 \times (1-r^2)}{\sqrt{N}} \\
&= 0.296698161 \\
6\text{PE } r &= 1.780188963
\end{aligned}$$

2. Calculation of coefficient of correlation between loans & Advances and Deposit of Himchuli Development Bank Ltd.

Year	Deposit (x)	Loan & Advances (y)	X= x - \bar{x}	Y= y - \bar{y}	XY	X ²	Y ²
2062/63	163,069.00	130,111.00	(842,154.80)	(726,709.20)	612,001,640,984.16	709,224,707,163.04	528,106,261,364.64
2063/64	419,090.00	349,740.00	(586,133.80)	(507,080.20)	297,216,844,530.76	343,552,831,502.44	257,130,329,232.04
2064/65	876,297.00	701,890.00	(128,926.80)	(154,930.20)	19,974,654,909.36	16,622,119,758.24	24,003,366,872.04
2065/66	1,300,787.00	1,082,208.00	295,563.20	225,387.80	66,616,339,408.96	87,357,605,194.24	50,799,660,388.84
2066/67	2,266,876.00	2,020,152.00	1,261,652.20	1,163,331.80	1,467,720,124,799.96	1,591,766,273,764.84	1,353,340,876,891.24
	1,005,223.80	856,820.20			492,705,920,926.64	549,704,707,476.56	442,676,098,949.76

$$\begin{aligned} \text{Correlation coefficient } (r) &= \frac{\sum XY}{\sqrt{\sum X^2 \times \sum Y^2}} \\ &= \frac{492,705,920,926.64}{493,296,194,471.48} \\ r &= 0.99880 \\ r^2 &= 0.99761 \\ \text{PE } r &= \frac{0.6745 \times (1-r^2)}{\sqrt{N}} \\ &= 0.000721461 \\ 6\text{PE } r &= 0.004328763 \end{aligned}$$

3. Calculation of coefficient of correlation between loans & Advances and Deposit of Birgunj Finance Ltd.

Year	Deposit (x)	Loan & Advances (y)	$X = x - \bar{x}$	$Y = y - \bar{y}$	XY	X^2	Y^2
2062/63	370,000.00	340,000.00	(700,000.00)	(729,000.00)	510,300,000,000.00	490,000,000,000.00	531,441,000,000.00
2063/64	480,000.00	590,000.00	(590,000.00)	(479,000.00)	282,610,000,000.00	348,100,000,000.00	229,441,000,000.00
2064/65	790,000.00	790,000.00	(280,000.00)	(279,000.00)	78,120,000,000.00	78,400,000,000.00	77,841,000,000.00
2065/66	1,230,000.00	1,395,000.00	160,000.00	326,000.00	52,160,000,000.00	25,600,000,000.00	106,276,000,000.00
2066/67	2,480,000.00	2,230,000.00	1,410,000.00	1,161,000.00	1,637,010,000,000.00	1,988,100,000,000.00	1,347,921,000,000.00
	1,070,000.00	1,069,000.00			512,040,000,000.00	586,040,000,000.00	458,584,000,000.00

$$\begin{aligned}
 \text{Correlation coefficient } (r) &= \frac{\sum XY}{\sqrt{\sum X^2 \times \sum Y^2}} \\
 &= \frac{512,040,000,000.00}{518,409,652,070.64} \\
 r &= 0.98771 \\
 r^2 &= 0.97558 \\
 \text{PE } r &= \frac{0.6745 \times (1-r^2)}{\sqrt{N}} \\
 &= 0.007367044 \\
 6\text{PE } r &= 0.044202266
 \end{aligned}$$

4. Stock price of H&B Development bank after merger

Date	Total Transactions	Total Traded Shares	Total Traded Amount	Open Price	Max. Price	Min. Price	Close Price
3/14/2013	32	32577	2188659	67	68	67	67
3/13/2013	21	20195	1323675	66	67	65	66
3/11/2013	23	22724	1500084	68	69	64	65
3/7/2013	32	54257	3424771	61	67	60	67
3/6/2013	20	77822	4674320	60	61	60	61
3/4/2013	8	4250	255100	60	61	60	60
3/3/2013	13	6008	361573	61	62	60	60
2/28/2013	7	23000	1380000	60	60	60	60
2/27/2013	6	2756	165290	60	60	59	60
2/26/2013	14	27789	1649818	59	62	59	60
2/25/2013	31	34114	2042240	61	61	58	60
2/24/2013	14	10696	647915	61	62	60	60
2/21/2013	2	1000	61500	62	62	61	61
2/20/2013	1	500	31500	63	63	63	63
2/19/2013	4	3176	191160	60	63	60	63
2/14/2013	7	5500	330500	60	61	60	60
2/13/2013	13	13300	806300	62	63	60	60
2/12/2013	7	7500	467000	63	63	62	63
2/10/2013	5	3000	190000	63	64	63	63
2/7/2013	20	5483	338394	61	64	61	63
2/6/2013	9	3845	238445	63	63	60	60
2/5/2013	9	3733	236679	63	64	63	64
2/4/2013	13	7828	491906	64	65	62	62
2/3/2013	6	8285	525069	65	65	63	63
1/31/2013	9	1703	109743	62	66	62	66
1/30/2013	20	12240	770832	66	66	61	63
1/28/2013	20	25814	1710580	68	68	65	67
1/27/2013	12	9814	685884	71	71	67	69
1/24/2013	7	4024	285904	73	73	71	71
1/23/2013	17	6623	471283	72	73	71	72
1/22/2013	5	2747	197784	72	72	72	72
1/21/2013	8	3665	264980	72	73	72	73
1/20/2013	4	1677	121244	73	73	72	72
1/17/2013	5	1500	111500	75	75	74	74
1/16/2013	13	2240	168218	76	77	74	74
1/15/2013	6	2150	163450	77	77	75	77
1/13/2013	5	2093	162101	77	78	77	78
1/10/2013	7	3404	258604	74	78	74	78
1/9/2013	10	4480	331800	75	75	73	73
1/8/2013	6	3237	247552	77	77	76	76
1/7/2013	11	8321	649538	79	79	77	77
1/6/2013	10	4739	381220	82	82	80	80
1/3/2013	12	4107	337455	84	84	81	83
1/2/2013	21	11200	919400	81	84	79	83
1/1/2013	16	6211	505882	85	85	79	82
12/31/2012	59	28,657	2,243,073	82	86	76	86
12/27/2012	55	12,646	1,070,326	91	93	83	83
12/16/2012	1	500	46,000	92	92	92	92
12/13/2012	31	16,804	1,525,993	93	93	88	93
12/12/2012	104	59,603	5,585,430	102	102	93	94
12/11/2012	1	43	4,429	103	103	103	103
12/10/2012	1	1,607	162,307	101	101	101	101

12/9/2012	2	668	68,274	104	104	102	102
12/6/2012	7	4,991	511,962	104	105	102	102
12/4/2012	1	500	52,000	104	104	104	104
12/3/2012	2	1,548	158,156	102	103	102	103
11/29/2012	3	1,312	135,448	103	104	103	103
11/28/2012	1	1,000	103,000	103	103	103	103
11/27/2012	4	1,320	137,882	105	105	103	103
11/26/2012	54	23,661	2,416,635	103	103	101	103
11/25/2012	11	2,528	270,075	108	110	105	105
11/22/2012	1	280	29,680	106	106	106	106
11/21/2012	2	188	20,204	108	108	106	106
11/20/2012	1	520	55,640	107	107	107	107
11/18/2012	3	1,250	133,250	105	109	105	109
11/11/2012	5	3,081	323,348	108	108	103	103
11/8/2012	7	7,951	844,206	106	108	106	106
11/7/2012	10	25,082	2,615,866	104	108	104	108
11/6/2012	20	6,866	724,647	115	115	104	105
11/1/2012	8	313	37,373	125	125	115	115
10/31/2012	1	1,438	182,626	127	127	127	127
10/18/2012	1	10	1,270	127	127	127	127
10/15/2012	4	90	11,370	123	129	123	129
10/14/2012	2	70	8,570	123	123	121	121
10/11/2012	9	243	27,064	108	118	108	118
10/10/2012	3	80	8,600	106	110	106	110
10/9/2012	2	40	4,280	106	108	106	108
10/8/2012	4	613	63,024	102	108	102	108
10/4/2012	2	20	1,990	99	100	99	100
10/3/2012	5	3,351	334,898	102	104	98	98
10/2/2012	1	93	9,300	100	100	100	100
10/1/2012	1	109	10,791	99	99	99	99
9/30/2012	6	5,895	573,385	98	99	97	98
9/27/2012	2	1,000	98,000	98	98	98	98
9/26/2012	1	1,000	98,000	98	98	98	98
9/25/2012	1	467	46,700	100	100	100	100
9/20/2012	4	1,480	146,866	99	102	99	102
9/19/2012	5	1,386	138,058	101	101	99	99
9/18/2012	34	2,289	225,042	98	102	98	102
9/17/2012	2	33	3,214	97	98	97	98
9/16/2012	11	4,616	445,090	96	102	95	102
9/13/2012	7	297	28,280	91	97	91	97
9/6/2012	10	70,450	6,492,100	98	98	90	90
9/5/2012	1	43	4,214	98	98	98	98
9/4/2012	5	2,202	215,368	98	98	97	97
9/3/2012	5	1,562	153,163	98	99	98	98
9/2/2012	4	871	85,217	98	98	97	98
8/30/2012	24	51,239	4,845,159	95	99	93	99
8/28/2012	32	6,025	577,024	95	97	95	96
8/27/2012	4	1,909	184,164	97	97	95	95
8/23/2012	8	393	37,688	96	98	95	98
8/21/2012	7	4,217	398,334	95	95	94	95
8/19/2012	2	264	25,495	97	97	96	96
8/15/2012	6	1,843	179,449	98	98	97	97
8/14/2012	2	237	23,326	99	99	98	98
8/13/2012	5	1,443	138,571	95	98	95	98
8/8/2012	2	1,000	96,500	97	97	96	96
8/7/2012	4	1,269	124,362	98	98	98	98
8/6/2012	1	8,000	792,000	99	99	99	99
8/1/2012	3	540	51,900	96	98	96	98

7/30/2012	7	9,125	868,665	99	99	95	95
7/29/2012	1	500	49,000	98	98	98	98
7/26/2012	2	500	50,000	100	100	100	100
7/25/2012	3	1,800	181,600	102	102	100	100
7/24/2012	36	1,461	146,627	101	102	99	100
7/23/2012	6	1,894	190,313	99	101	99	101
7/22/2012	8	2,375	236,600	100	101	98	98
7/19/2012	11	3,431	340,869	100	101	98	100
7/18/2012	6	935	92,639	98	100	98	99
7/17/2012	3	794	78,410	101	101	98	98
7/16/2012	1	10	1,030	103	103	103	103
7/15/2012	9	3,171	360,868	118	118	105	105
7/12/2012	5	60	6,680	108	116	108	116
7/11/2012	1	20	2,120	106	106	106	106
7/10/2012	6	209	21,116	98	104	98	104
7/9/2012	2	20	1,930	96	97	96	97
7/8/2012	16	7,954	756,934	96	97	95	95
7/5/2012	22	13,223	1,266,514	97	102	95	96
7/2/2012	3	8,323	774,372	95	95	93	93
7/1/2012	5	8,480	789,720	93	96	93	96
6/27/2012	2	4,310	409,625	96	96	95	95
6/26/2012	7	2,400	231,000	96	97	96	97
6/25/2012	1	500	48,000	96	96	96	96
6/21/2012	5	970	95,390	99	99	97	97
6/20/2012	6	4,313	411,152	95	98	95	98
6/19/2012	20	5,808	556,014	100	100	94	95
6/18/2012	15	8,072	755,678	92	102	92	102
6/17/2012	10	28,389	2,709,689	103	103	95	96
6/14/2012	24	2,957	293,604	107	107	99	99
6/13/2012	2	510	55,610	111	111	109	109
6/12/2012	2	70	7,930	115	115	113	113
6/11/2012	2	2,010	235,190	119	119	117	117
6/10/2012	7	70	8,830	132	132	121	121
6/7/2012	5	50	6,900	142	142	134	134
6/6/2012	5	50	7,410	153	153	144	144
6/5/2012	4	40	6,420	165	165	156	156
5/17/2012	1	10	1,680	168	168	168	168
5/16/2012	3	1,510	241,630	163	163	160	160
5/15/2012	2	91	14,196	156	156	156	156
5/10/2012	1	13	2,067	159	159	159	159
5/9/2012	2	60	9,390	159	159	156	156
5/8/2012	4	1,184	182,020	155	155	152	152
5/7/2012	5	2,010	301,480	148	152	148	152
5/3/2012	6	1,173	165,207	139	141	139	141
5/2/2012	4	229	31,513	141	141	137	137
4/30/2012	12	1,510	199,010	133	141	131	141
4/29/2012	24	18,398	2,362,154	125	135	122	135
4/26/2012	23	14,660	1,799,080	126	132	120	123
4/25/2012	2	6,800	814,000	118	120	118	120
4/24/2012	9	640	70,860	112	116	110	116
4/22/2012	2	359	40,088	112	112	110	110
4/19/2012	7	255	27,960	108	114	108	114
4/18/2012	9	484	50,716	104	110	104	110
4/17/2012	17	610	61,900	96	104	96	102
4/15/2012	4	200	18,700	92	95	92	95
4/12/2012	1	1,929	175,539	91	91	91	91
4/11/2012	8	2,778	253,920	92	93	90	90
4/9/2012	1	324	29,484	91	91	91	91

4/8/2012	13	640	59,545	95	95	90	90
4/5/2012	14	666	62,847	93	96	93	95
4/4/2012	4	299	27,876	93	94	92	92
4/3/2012	36	3,450	321,879	95	95	92	92
4/2/2012	2	8,010	760,960	96	96	95	95
3/29/2012	3	1,130	111,640	99	99	97	97
3/28/2012	168	9,330	896,384	94	100	94	98
3/27/2012	66	9,629	920,168	95	99	93	93
3/26/2012	41	26,678	2,513,784	97	98	93	94
3/25/2012	18	1,135	110,448	99	99	96	96
3/21/2012	39	6,490	642,174	106	106	98	98
3/19/2012	2	77	8,316	108	108	108	108
3/15/2012	13	3,258	334,849	97	110	97	110
3/14/2012	15	689	69,589	101	101	101	101
3/13/2012	11	2,193	224,270	103	103	100	100
3/12/2012	1	161	16,261	101	101	101	101
3/11/2012	2	261	26,461	101	102	101	102
3/6/2012	2	5,400	540,800	102	102	100	100
3/5/2012	1	2,000	204,000	102	102	102	102
3/4/2012	3	2,757	277,957	101	101	100	100
3/1/2012	11	1,639	166,798	103	103	101	102
2/29/2012	3	224	22,624	101	101	101	101
2/28/2012	13	3,480	350,862	100	106	100	101
2/27/2012	3	689	67,850	100	100	98	99
2/26/2012	19	3,200	319,309	100	100	99	99
2/23/2012	6	1,350	136,150	104	104	100	100
2/16/2012	18	1,814	185,832	102	105	101	105
2/15/2012	2	180	18,360	102	102	102	102
2/14/2012	3	2,059	206,496	104	104	100	100
2/13/2012	4	960	97,420	102	102	101	102
2/12/2012	8	2,300	236,040	105	105	102	102
2/9/2012	6	1,305	135,720	104	104	104	104
2/8/2012	16	7,121	721,328	102	104	101	104
2/7/2012	7	1,674	171,609	103	104	102	102
2/6/2012	11	2,526	260,678	103	104	103	103
2/5/2012	13	7,012	717,148	104	104	101	103
2/2/2012	13	2,858	297,047	107	108	103	103
2/1/2012	17	4,830	500,150	104	105	103	105
1/31/2012	11	1,100	115,748	106	106	105	106
1/29/2012	12	1,032	109,204	107	107	105	105
1/26/2012	37	6,287	661,994	106	106	105	105
1/25/2012	7	1,641	173,202	106	106	105	105
1/23/2012	14	2,371	249,598	106	106	104	106
1/22/2012	74	11,959	1,286,082	109	109	105	106
1/19/2012	3	244	26,227	108	108	107	108
1/18/2012	63	3,116	340,936	110	110	107	110
1/17/2012	34	3,618	392,890	110	112	107	109
1/16/2012	12	14,079	1,482,974	106	112	105	112
1/12/2012	92	18,398	1,923,244	113	113	104	108
1/11/2012	9	197	23,925	125	125	115	115
1/10/2012	7	461	60,869	139	139	127	127
1/5/2012	4	196	28,208	145	145	141	141
1/4/2012	3	735	109,341	149	149	147	147
1/3/2012	1	324	48,276	149	149	149	149
12/15/2011	1	10	1,490	149	149	149	149
12/13/2011	4	3,520	541,160	161	161	152	152
12/5/2011	2	1,010	165,670	167	167	164	164
12/1/2011	5	3,105	528,030	176	176	170	170

11/30/2011	1	10	1,790	179	179	179	179
11/27/2011	1	40	7,280	182	182	182	182
11/21/2011	6	160	29,250	180	188	180	185