EFFECT OF MERGERS AND ACQUISITIONS ON SHAREHOLDERS WEALTH OF COMMERCIAL BANKS IN KENYA

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Declaration

This research project report is my original work and has never been presented for a degree in any other university.

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Dedication

This work is dedicated to my Family Duncan, Stacey, Ashley and Ryan, for their un-relentless support, encouragement and patience with me as I spent time away from them to work on this project, without which I would not have been able to complete this challenging task.

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Abstract

The purpose of this study is to establish effect of mergers and acquisitions on shareholders wealth of commercial banks in Kenya. The population comprised of 43 commercial banks. The sample comprised of six firms that had been listed at the NSE at the time of merger announcement (or approval). They included National Industrial Credit Bank Ltd (NIC); Diamond Trust Bank (DTK); Barclays Bank of Kenya (BBK); Kenya Commercial Bank (KCB); CFC Bank (CFC); and Standard Chartered Bank (SCBK). The observations were centred within an 11-day event window surrounding when the announcement for merger was made. A data observation sheet was used to collect the following data for each firm: Bank name; actual calendar date surrounding the event dates; the event day; the average share price; and the daily market index. Following Brown and Warner (1985), this study employed event study market methodology to determine the effect of shareholders wealth. The Market Model was used and residuals were tested to determine whether or not merger events provided positive or negative abnormal returns to the participants. It also provided a basis for examining the issue of whether or not shareholder wealth was enhanced by mergers.

Key findings of the study were two-fold. First, the study established that the share prices of the six sampled firms did not exhibit significant changes within an 11-day event window. The results imply that the past Kenyan bank M&As were not wealth creating projects for the shareholders of both the bidding entity and the combined entity. Secondly, the findings showed that the shareholders' total cumulated return had not significantly changed due to announcement (or approval) of a takeover bid. The findings concurred to findings from recent studies. The study concludes that past Kenyan bank M&As were not wealth creating projects for the shareholders of both the bidding entity and the combined entity. The study recommends that listed companies should be careful when deciding to undergo merger and acquisition activity.

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List of Abbreviations and Acronyms

BBK	:	Barclays Bank of Kenya
CAR	:	Cumulated Abnormal Return
CFC	:	CFC Stanbic Bank
DTK	:	Diamond Trust Bank
EPS	:	Earnings Per Share
FCF	:	Free Cash Flow
KCB	:	Kenya Commercial Bank
MAAR	:	Market Adjusted Abnormal Return
M&A's	:	Mergers and Acquisitions
MP/BV	:	Market Price to Book Value
NBFIs	:	Non-Bank Financial Institutions
NIC	:	National Industrial Credit Bank Ltd
NSE	:	Nairobi Securities Exchange
R&D	:	Research and Development
ROCE	:	Return on Capital Employed
SCBK	:	Standard Chartered Bank (SCBK)

CHAPTER ONE

INTRODUCTION

1.1. Background to the Study

Mergers and Acquisitions, hereinafter referred to as M&A's is a general term used to refer to the consolidation of companies. A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another with no new company being formed (Cartwright and Schoenberg, 2006). A merger happens when one firm takes over all the assets and all the liabilities of another. The joint firm retains its identity, while the acquired firm lapses. For a merger to happen approval by majority vote of shareholders is ordinarily required. There are other varied ways that one company can acquire another among them purchasing some or all of the company's assets or buying up its outstanding shares of stock (DePamphilis, 2008).

M&A's, are universal, with `companies acquiring targets all over the world. Mergers and acquisitions represent massive reallocation of resources, both within and across industries and countries and therefore for many years has been the interest of empirical studies. There have been 3 merger waves in the 1960s with the conglomerate takeovers, in the 1980s with the hostile "bust-up" takeovers and in the 1990s the "strategy" or "global" takeovers. Historically, large number of these merger and acquisitions were concentrated in the USA and also in the UK. Extensive research has been undertaken on whether acquisition are wealth creating or wealth reducing events for shareholders and empirical studies have revealed that mergers appear to

provide at best a mixed performance to the various stakeholders involved. Target-firms shareholders generally enjoy positive short term returns, while investors in the acquiring firms often experience share price underperformance in the month following the announcement of a merger.

There are many and varied reasons why companies engage in M&A. The main underlying principle used to justify M&A activity is that combined firms pursue improved financial performance. The improved financial performance may be achieved through varied means including: Economy of scale: Largely this comes from lowered cost of doing business for the combined firm. The firm may be able to enjoy huge discounts on bulk buying. The new firm is also able to use the expert professionals to a larger capacity hence save on cost. Synergy: This refers to the fact that the combined company can often reduce its fixed costs by removing duplicate departments or operations, lowering the costs of the company relative to the same revenue stream, thus increasing profit margins. Increased revenue or market share: This assumes that the buyer will be absorbing a major competitor and hence expand its market power (by capturing increased market share) to set prices. Cross-selling: Incases were the M&A deal is vertical like cases where a bank acquires an investment bank or a securities firm the bank could be able to sell banking products to the investment bank customers like project financing, while the securities firm or the investment bank can sign up the bank's customers for capital markets transactions or transaction banking for the securities firms. In other instances a large scale miller can acquire shipping companies or bulk handling firms to handle the shipping and the loading of the supplies to the mills or the finished products shipping to different locations in the world.

Other factors that banks may pursue in their efforts to improve financial performance include: Taxation: In some instances a profitable firm may acquire a loss maker to utilize the target's accumulated tax losses to their advantage by reducing their tax liability. This move is however in check in many economies to control the ability of profitable companies to "shopping" for loss making companies, limiting the tax motive of the combined company (Barney, 1991; Carney, 2000). Geographical or other diversification: This is designed to smooth out the earnings results of a company, which over the long term smoothes the stock price of a company, giving conservative investors more confidence in investing in the company. However, this does not always deliver value to shareholders. Resource transfer: resources are unevenly distributed across firms and the interaction of target and combined firm resources can create value through either overcoming information asymmetry or by combining scarce resources (King, Slotegraaf, and Kesner, 2008). Vertical integration: Vertical integration occurs when an upstream and downstream firm merges (or one acquires the other). There are several reasons for this to occur. One reason is to internalize an externality problem. A common example is of such an externality is double marginalization. Double marginalization occurs when both the upstream and downstream firms have monopoly power; each firm reduces output from the competitive level to the monopoly level, creating two deadweight losses. By merging the vertically integrated firm can collect one deadweight loss by setting the upstream firm's output to the competitive level. This increases profits and consumer surplus. A merger that creates a vertically integrated firm can be profitable (Maddigan and Zaima, 1985).

In general, mergers and other types of acquisitions are performed with the intentions of realizing an economic gain which is expected in an efficient market to flow to the stock holders. For such

a transaction to be justified, the two firms involved must be worth more together than they were apart. Some of the potential advantages of mergers and acquisitions include achieving economies of scale, combining complementary resources, garnering tax advantages, and eliminating inefficiencies. Other reasons for considering growth through acquisitions include obtaining proprietary rights to products or services, increasing market power by purchasing competitors, shoring up weaknesses in key business areas, penetrating new geographic regions, or providing managers with new opportunities for career growth and advancement. Since mergers and acquisitions are so complex, however, it can be very difficult to evaluate the transaction, define the associated costs and benefits, and handle the resulting tax and legal issues (Carney, 2000).

The economic gains are expected to flow to stockholders of the acquirer company, but it's not always the case, sometimes they are harmed. This can be attributed to debt load, which accompanies acquisitions. This study aimed to establish the effects of mergers and acquisitions on stock performance of the involved firms within the Kenyan banking industry.

1.1.1. Mergers and Acquisitions in Kenya

Mergers and Acquisitions in Kenya are regulated by The Restrictive Trade Practices, Monopolies and Price Control Act (Cap 504 Laws of Kenya). The Act defines a merger as two or more independent business concerns dealing in the same or similar good/services combining to form one business concern. In the case of take-overs, one business acquires and controls 50 percent or more of the ownership of another business entity. In Kenya a prior approval of the Minister must be sort before a Merger and/or an acquisition can be accomplished. Sections 30(a), (b) and (c) of the Act sets out the criteria for determining whether mergers and acquisitions are prejudicial to the public interest or not. The act details increased productivity, competitiveness

and employment creation potential, the enhancement of capital intensive, as opposed to labor intensive technology as the criteria to be used (Republic of Kenya, 1990).

Merger and acquisition in Kenya are governed by Restrictive Trade Practices, Monopolies and Price Control Act section 27(1) (a), it states that businesses may combine through mergers whereby the assets of two or more companies become vested in or under the control of one company. Businesses may also combine through a takeover of one or more enterprises by another enterprise under section 27(1) (b) of the Restrictive Trade Practices, Monopolies and Price Control Act. The main laws governing business combinations include: ; Cap 486 Laws of Kenya (The Companies Act) that relates to the incorporation, regulation and winding-up of companies and other associations ; Cap 504 Laws of Kenya (Restrictive Trade Practices, Monopolies and Price Control Act), an act of parliament that encourages competition in the economy by prohibiting restrictive trade practices, controlling monopolies, concentration of economic power and prices and connected purposes; Cap 491 Laws of Kenya (Central Bank of Kenya Act) that governs and regulates the banking sector. It is applicable to mergers and takeovers involving financial companies ; Cap 485A (Capital Market Authority Act) and the Capital Markets (Take-overs and Mergers) Regulations 2002 that set out rules governing takeovers and mergers in Kenya for listed companies; and Cap 487 Laws of Kenya (The Insurance Act) which regulates in mergers and takeovers involving insurance companies.

M&A deals involving listed companies are governed by Cap 485A (the Capital Markets Authority Act) and the Capital Markets (Take-Overs and Mergers) Regulations which are made under the Act. The regulations prescribe the process to be followed in the transactions and also

timelines within which they must be done. Regulation 4 of the Capital Markets (Take-Overs and Mergers) Regulations 2002 provides that a company which intends to acquire or acquires effective control in a listed company shall not later than 24 hours from the resolution of its board to effective control in the company or not later than 24 hours prior to making a decision to acquire effective control in the company announce the proposed offer by press notice and serve a notice of intention, in writing of the takeover scheme to the: proposed offeree at its registered office; the Commissioner of Monopolies and Prices appointed under the Restrictive Trade Practices, Monopolies and Price Control Act, where the offeror is engaged in the same business as the offeree; securities exchange at which the offeree's voting shares are listed; Capital Markets Authority.

The numbers of M&A deals in the Kenyan economy have increased over the last decades. In 1999 there were 24 M&A cases compared to 23 in 1998 and 11 in 1997. The Commission attributed this increase to both the poor state of the economy at the time which "…forced firms to combine resources in order to improve their survival rate" and "Increased awareness of the legal provisions of Cap 504 on the part of the business community" (Republic of Kenya, 1999). In the case of commercial banks, the Central Bank of Kenya's requirement for banks to increase their minimum capital base to Kshs. 200 million before the end of 1999, Kshs. 500 million before the end of 2002, Kshs. 700 million by end of December 2011 then to Kshs. 1 billion by end of December 2012.This has certainly played a big role in the flurry of merger applications to the Commission. In line with the outcome elsewhere, almost all the cases were approved. In the recent past, several listed firms have merged with, acquired other private firms, or performed stock swaps. A stock swap is a business taker over in which the combined company uses its own

stock to pay for the acquired company. This study sought to establish whether or not such actions accrue any significant benefits in regard to the stockholders of the banks involved in the transaction.

1.1.2. Mergers and Acquisitions in the Kenyan Banking Industry

The Kenyan banking sector had been controlled for many decades till 1995. It left room for the non-bank financial institutions (NBFIs) to establish which played a key role in providing financial services to the public and private sector. NBFIs had exhibited an ability to compete with commercial banks, particularly because of the less restrictive regulatory framework within which they operated. In 1995, the banking sector was liberalized and exchange controls lifted. In theory, NBFIs operated as merchant or investment banks. In reality, they operated as commercial banks, taking deposits and making short-term loans. In June 1994, the Central Bank instructed NBFIs to convert and operate as commercial banks. As a result, 18 NBFIS became commercial banks and 7 merged with parent commercial banks. Kenya, already a regional leader, is expected to develop one of the largest commercial banking industries in Africa. Despite the existence of a relatively developed and sophisticated financial system, Kenya's capital market has not matched the pace until 2011 when efforts were made to demutualise it with the aim of developing it. It is noted that the need to meet the increasing minimum core capital requirements has motivated most of the M&As while others are motivated by the need to enhance the institution's competitive advantage within local banking environment. Between 1994 and 2009 there were 25 successful mergers. It has been noted however, that in spite of the efforts made by the Central Bank to encourage mergers, the rate of mergers has not been as high as expected. This has been attributed to the inability of individual institutions to get to the negotiating table and integrate their diverse business philosophies and corporate cultures. The Central bank notes

that the convergence has been made difficult by the nature of ownership of banks in Kenya where shareholding is mainly family or community based.

1.2. Problem Statement

Many studies in M&A have been done in developed markets globally mainly in Asia, Europe and the USA. Healy, Palepu, and Ruback (1992) examined post-acquisition performance for 50 largest U.S. mergers between 1979 and 1984 by measuring cash flow performance, and concluded that operating performance of merging firms improved significantly following acquisitions, when compared to their respective industries. Lubatkin (1983) reviewed the findings of studies that investigated either directly or indirectly the question, "Do mergers provide real benefits to the combined firm?" The review suggested that combined firms might benefit from merging because of technical, pecuniary and diversification synergies. Ghosh (2001) examined the question of whether operating cash flow performance improves after corporate acquisitions, using a design that accounted for superior pre-acquisition performance, and the results showed that merging firms did not show evidence of improvements in the operating performance post-merger and acquisition.

There have been a number of empirical studies conducted in Kenya including; (Chesang, 2002; Katuu, 2003; Yash pal Bansal, 2005; Muya, 2006; Kiplagat, 2006; Wesonga, 2006; Nyagah, 2007; Njoroge, 2007; Kithinji, 2007 and Maranga, 2010, Ndura 2010, Ndung'u 2011, Ireri 2011) have all failed to show the effects of mergers and acquisitions on Financial performance of listed banks from the stockholder point of view.

In spite of the increased studies conducted related to mergers and acquisitions in Kenya, none has endeavored to examine performance of the acquiring firms after the merger to determine whether the shareholders of acquiring firms eventually lose or gain. In light of the gaps poised from these past studies, this study seek to establish if mergers and acquisitions create wealth for the shareholder within the banking sector in Kenya. The study hypothesis that the combined banks should exhibit improved financial performance which should translate to improved stock performance post announcement of merger and acquisition. This hypothesis is based on the claim that the newly formed firm enjoys synergy, is highly capitalized, expanded infrastructure, winded market share and a pool of technically equipped workforce. To address the above question, the study aimed to measure the stock performance prior and post M&A deal that includes all mergers and acquisitions of the listed commercial banks in Kenya. The empirical tests were based on event study methodology.

1.3. Objective of the Study

The objective of the study is to determine the effect of mergers and acquisitions on shareholders wealth of commercial banks in Kenya.

1.4. Significance of the Study

Investors

The study sought to educate investors on the rationality of M&A to enable them engage in informed discussion with the management when such a strategy is presented before them for approval. The investor will also be able to make a decision whether to hold their investments in

companies engaging in M&As. This ensures that that their interests are safeguarded during the M&A transactions.

Governance of commercial banks

This study further sought to inform the managers (Chief Executives and Chief Finance Officers) of the banks on how the mergers and acquisitions affect the stock performance of firms. This will enable them have an understanding of the expected outcome of M&A while they consider it as a strategy in their management practices.

Regulators

The findings of the study would be useful to the Government policy makers, through the Central Bank of Kenya, the Capital Markets Authority, the Nairobi Stock Exchange, and the Monopolies and Price Commission in regard to formulation of guidelines towards the approval of mergers and acquisitions amongst the listed commercial banks.

Researchers and Academicians

The study forms a basis for future researchers and academicians who may be conducting research on mergers and acquisitions.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The role of mergers and acquisition to the business community is of importance in nature. There have been varied and numerous studies on mergers and acquisitions globally to date and several theories have been proposed and tested for empirical validation. Researchers have studied the economic impact of mergers and acquisitions on industry consolidation, returns to shareholders following mergers and acquisitions, and the post-merger performance of companies, the achievement of the expected performance remains a critical question. Several measures have been proposed for analyzing the success of mergers. Such measures have included both short term and long-term impacts of merger announcements, effects on shareholder returns of aborted mergers hostile takeover attempts and open offers (Mantravadi and Reddy, 2008). When examining the effect of mergers and acquisitions it can be done from different point of views of the target shareholders, the acquiring shareholders or the firm as a hole.

According to very clear empirical evidence stating that mergers and acquisitions are wealth creating for target shareholders, therefore this paper will focus only on acquirer shareholders where it seems more uncertain as to whether it creates or destruct wealth for the shareholders. This chapter presents a review of the related literature on stock performance and M & As in the banking industry in Kenya. It presents the theoretical basis for the study, brief review on sources and indicators of commercial banks' stock performance, measuring stock performance of

banking firms, review on the post-merger characteristics of the combined firms and lastly summary of the chapter.

2.2. Theoretical Basis of Mergers and Acquisitions

2.2.1. The Value-Increasing Theories

The value increasing school of theory state that, mergers occur, broadly, because mergers generate ‘synergies’ between the acquirer and the target, and synergies, in turn, increases the value of the firm (Hitt et al., 2001). Value-increasing theories of mergers and acquisitions include the following: the market power theory, the efficiency theory, and the theory of corporate control. According to market power theory, increased ‘allocative’ synergies is said to offer the firm positive and significant private benefits (Feinberg, 1985) because, ceteris paribus, firms with greater market power charge higher prices and earn greater margins through the appropriation of consumer surplus. For a fact many of studies find increased profits and decreased sales after many mergers (Prager, 1992; Chatterjee, 1986; Kim and Singal, 1993; Sapienza, 2002; Cefis et al., 2008) - this finding has been interpreted as proof of increasing market power and allocative synergy gains (Gugler et al., 2003). From a dynamic point of view too, market power is said to allow for the deterrence of potential future entrants (Motta, 2004; Gugler et al., 2003), which can again afford the firm a significant premium, and so offer another long-term source of gain. Few bidders, of course, openly announce the goal of increased market power as an explicit merger motivation, but the fact that horizontal mergers – that is, mergers between competitors – dominate the M&A industry (Gugler et al., 2003) is surely indicative of just how popular it is as a merger motive.

On the other hand the theory of efficiency proposes that, mergers will only occur when they are expected to generate sufficient realizable synergies to make the deal beneficial to both parties. There are mutual balanced expectations of gains that result in a 'friendly' merger between the acquirer and the acquired. When the gains in value to the target is not positive, it is suggested, the target firm's owners would not sell or offer to the acquisition, and if the gains were negative to the bidders' owners, the bidder would not complete the deal. Hence, if we observe a merger deal, efficiency theory predicts value creation with positive returns to both the acquirer and the target. Banerjee and Eckard (1998) and Klein (2001) evidenced this suggestion. Following Chatterjee (1986), we must, however, distinguish between 'operative synergies' – or 'efficiency gains' achieved through economies of scale and scope – and 'allocative synergies' – or 'collusive synergies' resultant from increased market power and an improved ability to extract consumer surplus – when commenting on value creation in mergers and acquisitions. Most of the more recent literature concludes that operating synergies are the more significant source of gain (Devos et al., 2008; Houston et al., 2001; Mukherjee et al., 2004), although it does also suggest that market power theory remains a valid merger motive. Mukherjee et al. (2004) found that 90% of managers identify operative motives as a reason to merge, and Devos et al. (2008) suggested that, of a total 10.3% synergy gain, some 8.3% arise through operative synergies.

Lastly the theory of corporate control provides a third justification and which only works in an efficient merger market, beyond simply synergistic gains, for why mergers must create value. It suggests that there is always another firm or management team willing to acquire an underperforming firm, to remove those managers who have failed to capitalize on the opportunities to create synergies, and thus to improve the performance of its assets (Weston et

al., 2004). Managers who offer the highest value to the owners, it suggests, will take over the right to manage the firm until they themselves are replaced by another team that discovers an even higher value for its assets. Hence, inefficient managers will supply the 'market for corporate control' (Manne, 1965), and managers that do not maximize profits will not survive, even if the competitive forces on their product and input markets fails to eliminate them. 'Hostile' takeovers should, as a result, be observed amongst poorly performing firms, and amongst those whose internal corporate governance mechanisms have failed to discipline their managers. Once again the empirical evidence again seems to support this conclusion (Hasbrouck, 1985; Palepu, 1986). From the bidder's point of view, the theory of corporate control is partially based on efficiency theory, although there are two important differences. First, it does not assume, per se, the existence of synergies between the corporate assets of both firms, but rather between the bidder's managerial capabilities and the targets assets. Hence, corporate control predicts managerial efficiencies from the re-allocation of under-utilized assets. Second, it implies that the target's management team is likely to resist takeover attempts, as the team itself and its managerial inefficiency is the main obstacle to an improved utilization of assets. Typical bidders are either private investors – or 'corporate raiders'– who bring in more competent management teams, or more efficient firms, as measured by Tobin's Q, with better growth prospects and superior performance.

2.2.2. The Value-Destroying Theories

Some Mergers fail to create value, it is suggested that, with somewhere between 60 and 80% classified as 'failures' (Puranam and Singh, 1999) a number of value destroying theories have been put forward to explain that situation. The impact of mergers and acquisitions on the performance of the combined firm remains, however, at best, "inconclusive" and, at worst,

"systematically detrimental" (Dickerson et al., 1997). The value-destroying theories can be broadly be divided into two groups: the first assumes that the bidder's management is 'boundedly rational', and thus makes mistakes and incurs losses due to informational constraints despite what are generally value-increasing intentions. The second assumes rational but self-serving managers, who maximize a private utility function, which at least fails to positively affect firm value.

Jensen's (1986) theory of managerial discretion claims that it is not over-confidence that drives unproductive acquisitions, but rather the presence of excess liquidity, or free cash flow (FCF). Firms whose internal funds are in excess of the investments required to fund positive net present value projects, it is suggested, are more likely to make quick strategic decisions, and are more likely to engage in large-scale strategic actions with less analysis than their cash-strapped peers. High levels of liquidity increase managerial discretion, making it increasingly possible for managers to choose poor acquisitions when they run out of good ones (Martynova and Renneboog, 2008). Indeed, several empirical studies demonstrate that the abnormal share price reaction to takeover announcements by cash-rich bidders is negative and decreasing in the amount of FCF held by the bidder (Harford, 1999). Moreover, it is suggested that the other stakeholders in the firm will be more likely to give management the benefit of the doubt in such situations, and to approve acquisition plans on the basis of fuzzy and subjective concepts such as managerial 'instincts', 'gut feelings' and 'intuition', based on high past and current cash flows (Rau and Vermaelen, 1998). Thus, like the hubris theory, the theory of FCF suggests that otherwise well-intentioned managers make bad decisions, not out of malice, but simply because

the quality of their decisions are less challenged than they would be in the absence of excess liquidity.

Of course, as the degree of managerial discretion increases in FCF, or in high market valuations (as in the case of 'glamour firms' above), or in other proxies, so, too, does the opportunity for self-interested managers to pursue self-serving acquisitions (Jensen, 2005). It is generally agreed that managerial self-interest does play a role in M&A; research has shown that bidder returns are, for example, generally higher when the manager of the combined firm is a large shareholder (Lewellen et al., 1985), and lower when management is not (Lang et al., 1991; Harford 1999). This suggests that managers pay more attention to an acquisition when they themselves are financially concerned. Further, it supports the notion of 'agency cost' and the 'managerial theories' of the firm' (Berle and Means, 1932; Marris, 1963), which broadly suggest that managers pursue self-serving acquisitions, and it is this fact that leads to value-destruction.

Other reasons for entrenchment include manager's ability to extract more wealth, power, reputation and fame. While entrenchment theory primarily explains the process of how managers position themselves to achieve these objectives, the theory of empire-building and other related, well-tested theories provide both the motivations and evidence behind these objectives (Marris, 1963; Ravenscraft and Scherer, 1987; Rhoades, 1983; Black, 1989). According to empire theory, managers are explicitly motivated to invest in the growth of their firm's revenues (sales) or asset base, subject to a minimum profit requirement (Marris, 1963). Mueller (1969) introduced mergers as a vehicle for growth maximization (not profit maximization), and Williamson (1964) complements this by introducing company cars, excess staff or prestigious investments as

complementary motives. Rhoades (1983) analyses the third merger wave, and shows that managerial power serves as an explanation of firm growth through M&A, and concludes that the power motive replaced the profit motive as the driving force behind large companies' behaviour.

The theory of managerial hubris (Roll, 1986) suggests that managers may have good intentions in increasing their firm's value but, being over-confident; they over-estimate their abilities to create synergies. Over-confidence increases the probability of overpaying (Hayward and Hambrick, 1997; Malmendier and Tate, 2008), and may leave the winning bidder in the situation of a winner's-curse, which dramatically increases the chances of failure (Dong et al., 2006). The winner's curse is a phenomenon that occurs in common value auctions with incomplete information. If the auctioned item is worth roughly the same to all bidders, the winner is the bidder who makes the highest estimate of its value. If we assume that the average bid is accurate, the winning bidder overpays. Empirically speaking, Berkovitch and Narayanan (1993) found strong evidence of hubris in US takeovers, and Goergen and Renneboog (2004) found the same in a European context. The latter estimated that about one third of the large takeovers in the 1990s suffered from some form of hubris. Malmendier and Tate (2005) showed that overly optimistic managers, who voluntarily retain in-the-money stock options in their own firms, more frequently engage in less profitable diversifying mergers, and Rau and Vermaelen (1998) find that hubris is more likely to be seen amongst low book-to-market ratio firm; that is, amongst the so-called 'glamour firms' than amongst high book-to-market ratio 'value firms'.

The theory of managerial entrenchment (Shleifer and Vishny, 1989), for example, claims that unsuccessful mergers occur because managers primarily make investments that minimize the risk

of replacement. This theory proposes that managers pursue projects not in an effort to maximize enterprise value, but in an effort to entrench themselves by increasing their individual value to the firm. Entrenching managers will, accordingly, make manager specific investments that make it more costly for shareholders to replace them, and value will be reduced because free resources are invested in manager self-serving assets rather than in a shareholder value was maximizing option. Amihud and Lev (1981) empirically supported this notion, and suggested that managers pursue diversifying mergers in order to decrease earnings volatility which, in turn, enhances corporate survival and protects their positions. Shleifer and Vishny (1991) suggested that during the third merger wave in the US, risk diversification played a large role in M&A policy – as prior to the 1980s managers had insufficient incentive to focus on shareholder concerns – and it has been suggested that the rise of the conglomerate may be an outgrowth of this principle agent problem (Martynova and Renneboog, 2008).

2.2.3. The Value-Neutral Theories

Mergers can occur even when no value effects. Target firms sells when bid is higher than target value of the firm. No value effects under the hubris hypothesis: wealth transfer from the bidding firm's owners to target shareholders. Roll (1986, p. 212): "the hubris hypothesis can serve as the null hypothesis of corporate takeovers" Under the Value-Neutral theories, the hubris hypothesis is advanced as an explanation of corporate takeovers. Managers who are excessive self- or over-confident put across very high bids to acquire firms. Under this theory it a winners curse, Competitive bidding has a distribution of value estimates, the Manager with most optimistic forecast wins bidding process. It's a cursed by fact that the winning bid more likely overvalues target Hubris on the part of individual decision makers in bidding firms can explain why bids are

made even when a valuation above the current market price represents a positive valuation error. Bidding firms infected by hubris simply pay too much for their targets. The empirical evidence in mergers and tender offers is reconsidered in the hubris context. It is argued that the evidence supports the hubris hypothesis as much as it supports other explanations such as taxes, synergy, and inefficient target management.

2.2.4. The Redistribution Theory

The agency theory states that the interests of the shareholders or owners are not parallel to the interests of management. The separation of capital and control induces managers to strive for their own interests. A reason for a merger may be 'Empire Building', where managers strive to expand the size of the company (Mueller, 1989). A big corporation gives more status and managerial salary is positively related to the size of the company. Similarly, a large corporation offers more possibilities for emoluments and management failures of the past are easier to conceal. Part of the agency theory is the theory of free cashflow. Free cashflow is that part of equity for which there are no profitable investments in the organization. These cashflows, which are generally found in the (free) reserves, could be distributed to the shareholders as dividends. However, according to the agency theory, these free reserves are used to fund merger activity that serve to meet the interests of the management. The conclusion of a merger seldom leads to an improvement in the cashflow of the involved corporations (Morck, Schleifer & Vishny, 1990).

The game theory, part of the agency theory, is applied to explain merger waves. The moment a competitor decides to merge, one has to decide whether to counter the attack on the current

market position by a similar move. The problem for management is that it does not know what was the driving force of the competitor's move to merge and whether this move was financially sensible. When one decides not to merge and the competitor's move to merge was value creation, then one runs the risk to become a target of a next takeover (Schenk, 1996). According to the game theory a company will make the move that minimizes regret. In other words, one will make the move to merge, even though the possible profit after the merger may be lower than can be attained individually. In the case that the returns of the merger are disappointing, then there is always the excuse that their behavior is no different from the rest of the industry. In this manner management's reputation is not damaged. This is what Keynes mentioned in 1936: “It is better for reputation to fail conventionally than succeed unconventionally.”

The mergers that follow the leader’s merger have a lower chance of success. Due to fierce competition in the merger and acquisition market and the limited time for preparation, the strategic trajectory needed for the determination of the expected synergy is shortened. These “forced mergers” are not highly valued by shareholders and management seems to be the only ones with interest in the transaction. The takeover premium will increase while the potential merger partners in the market are reduced due to speculation in the shares of potential targets. Likewise, corporations that do not want to become a target will take six protective measures, forcing the bidder to increase the takeover premium. The merger wave will contract when resources for engaging in merger activity are depleted. Usually it evolves into a period of divestment and reorganization until a new merger leader breaks the impasse again. Just like in the agency theory, one does not strive to maximize shareholder value. According to the game theory, management is preoccupied with the protection of its own.

De Jong (1998) does not follow this micro-economic explanation of merger waves. A merger is not only completed for the need to reduce insecurity. Leadership in organization and innovation is captured irrespective of the affiliated insecurity. The fact that not all companies participate in a merger wave is not consistent with the game theory. Likewise, several industries do not show any tendency of concentration regardless of their oligopolistic nature. De Jong explains merger waves by means of the market theory. A corporation passes four distinct phases; namely the pioneer phase, the expansion phase, the mature phase and the declining phase. The moment an organization or the industry reaches the mature phase, overcapacity and strong price competition in combination with lower profit margins arises. In these phases, corporations will engage in horizontal mergers to reduce cost. With persisting stagnation, one will also try to enter new markets through foreign acquisitions. In the decline phase, companies divest and sell off company assets to gather capital for other potential markets or cut losses. Hence, a merger wave is seen as a natural process.

2.3. Empirical Studies on Mergers and Acquisitions

M&A research has developed largely along disciplinary lines, finance scholars have primarily focused on the issue of whether acquisitions are wealth creating or wealth reducing events for shareholders. The weight of evidence shows that while takeovers unambiguously bring positive short-term returns for shareholders of target firms, the long-run benefit to investors in acquiring firms is more questionable. Agrawal and Jaffe’s (2000) comprehensive review of this literature suggests that in aggregate the abnormal returns accruing to acquiring firms in the years following an acquisition are negative or, at best, not statistically different from zero. Importantly, these studies also highlight the wide variation in acquisition performance at the firm level.

Approximately 35-45% of acquirers do achieve positive returns in the two to three year period following acquisition, with reported standard deviations in the order of 10% around the mean return (e.g. Conn et al., 2001).

The study by Chesang (2002) sought to determine the relationship between merger restructuring and financial performance of commercial banks in Kenya and using ratio analysis she concluded that although there was improved performance in some cases, the extent of the contribution was not significant. Marangu (2007) studied effects of mergers on financial performance of non-listed banks in Kenya from 1994-2001 and results of ratio analysis concluded that there was significant improvement in performance for the non-listed banks which merged compared to the non-listed banks that did not merge within the same period. In his study of effects of mergers and acquisitions on financial performance of oil companies in Kenya Ireri (2011), concluded that oil firms performed better financially after a merger and/or acquisition. He established that creation of economies of scale, need to gain a higher bargaining power, and business expansions are the main reasons as to why companies conduct M & A. The study also concluded that despite the process of M & A being smooth and the management orientation remaining the same, still uncertainty and confusion among the employees persisted and recommended that there is need for companies to merge to enhance creation of economies of scale, a higher bargaining power, and business expansions.

Njoroge (2007) conducted a survey of mergers & acquisitions experiences by financial institutions in Kenya. The analysis of the financial institutions performance for pre and post-merger periods sort to establish whether there was significant improvement of financial

performance on areas of profitability, investment and liquidity. The results of the data analyzed showed that Return on Asset and Return on Investment indicate an insignificant difference while Return on Equity and Debt Equity Ratio indicate significant difference between measures of performance before and after merger.

Maranga (2010) sought to determine the effect of mergers and acquisitions on the scale and cost efficiency of the combined commercial banks in Kenya. The findings indicated that firm which engaged in take-over of subsidiaries had no significant changes in levels of their cost efficiency after mergers. However, some of the firms that merged with other banking institutions demonstrated significant declines in their cost efficiency that would most likely be attributable factors such as overstaffing due to the combined workforce, the long learning curve of management on how to best use technology to reduce costs, and increase operational costs occasioned by the integration of operations from the two previously independent institutions. He also noted a decline (or no change) in cost efficiency does not necessarily translate to profit efficiency for the combined bank because the staff who are responsible for bringing new business are not able to generate revenues to offset their expenses which are fixed and this affects both the cost efficiency and profit efficiency. He also noted that after the mergers and takeovers, the combined commercial banks continued to realize profits against declining cost efficiency and relatively low profit efficiency because they are key players in lending to the government through the low risk treasury bonds and bills, from which they realize good returns.

Ndung'u (2011) sought to determine the effects of mergers and acquisitions on the financial performance of commercial banks in Kenya. The research focused on the financial performance

of commercial banks in Kenya which merged between 1999 and 2005. Comparative analysis of the bank's performance pre and post-merger periods was conducted to establish whether mergers lead to improved financial performance. He concluded that there was improvement in financial performance after banks merger. The study also found that there was general increase in the profitability of the banks after merger and also increase in solvency and capital adequacy.

In his article, Sudarsanam and Mahate (2006) consider the mood of the bid and investigate the effect of bidder type i.e. friendly, hostile, white knight, multiple hostile, on the long-term performance of over 500 UK takeovers by examining shareholder returns at various points over a three year period. Despite the negative press they tend to receive, the authors argue that their findings show that single hostile bids deliver higher financial returns than friendly, white knight or multiple hostile bidders. The strategic management research in the M&A field has been on the identification of strategic and process factors that may explain the performance variance between individual acquisitions. The 'strategic fit' literature has been concerned with the link between performance and the strategic attributes of the combining firms, in particular the extent to which a target company's business should be related to that of the acquirer. While little consensus has emerged from this work (King et al., 2004; Seth, 1990), recent extensions to this perspective have provided detailed insights into value creation mechanisms within acquisitions based on resource sharing (e.g. Capron and Piste, 2002) and knowledge transfer (e.g. Ahuja and Katila, 2001). However, explanations of M&A underperformance cannot be sufficiently accounted for by the "goodness of the strategic fit" alone without account being taken of the wider integration process.

Ajit Singh (1971) argued that after a two-year period of takeover, there was deterioration in their relative profitability records. He added that as in relation to the EPS, the biggest potential losers are shareholders in bidding companies who were sacrificing profits for future growth. He added that those acquiring firms could have maintained their profitability records if they were not involved in takeovers and large companies tended to engage in higher gearing and this led to higher retention ratio and eventually higher growth is attained. Firm size and financial performance of acquiring firms can be the determinants of poor performance in the post-acquisition period (Schmidt, Dennis, Fowler and Karen, 1990). Investors do not hold more favourable expectations for related mergers than for unrelated ones and stockholder value appreciates most for vertical mergers. Hence, acquisition involving vertical integration creates more value to large companies (Michael Lubatkin, 1987) despite the findings of many studies concluded that firms participated in related acquisitions experienced superior economic returns in comparison with unrelated acquisitions. Hence, the rationale for the superior economic performance was due to the synergetic effect especially via complementary resources.

Shareholders of target companies tend to benefit more from acquisition activities based on their cumulative average residuals (Kwansa 1994). Firth (1979) pointed out that there were no significant gains correlated to takeovers and surprisingly the companies could not sustain their gains during their post-acquisition period. With the view of considering types of shareholders, it seems long term shareholders do not gain significantly from merger and acquisitions (Loughran and Vijh, 1997). This point is also reiterated by Kiymaz and Mukherjee (2000) as the participating companies failed to realize gains once the mergers were completed. Kummer and

Hoffmeister (1978) found that share prices of the acquiring companies experience systematic deterioration during the post-merger period.

2.4. Measuring Performance in Banks through Stock

Stock market studies employ the event study methodology to predict the financial gains and losses resulting from M&As. It is assumed that the stock market is efficient and hence abnormal security returns for both the acquiring and the target companies, controlling for movements in the market in general and the systematic risk of the company, represent the economic impact of the M&A event. Market based studies that have focused on security returns in US and UK clearly conclude that target firms receive economically large and statistically significant wealth gains. A major problem with the event study approach is that changes in market valuations around the time of takeover could reflect not only the benefits of an efficiently operating market for corporate control, but also other factors such as undervaluation due to investors overlooking the stock or an overvaluation by those who acquire the firm . If shareholders wealth incorporate random valuation errors, then at any particular time a firm can be undervalued or overvalued. In the former case, acquisition may well occur and the rise in the share price of the target firm reflects not efficiency gains from the merger but merely a market correction. Also, the reliability of event studies is questioned on the grounds that it’s the longer term results that matter.

2.5. Post-Merger Characteristics of the Combined Firms

Beena (2004) analyzed the pre and post-merger performance of a sample of 115 combined firms in the manufacturing sector in India, between 1995-2000, using a set of financial ratios and t-test. The financial ratios used were Price - Cost Margin (Profit after Tax / Net Sales), Rate of return (Profit Before Tax /Total Capital Employed), Shareholders’ Profit (Profit After Tax /Net Worth),

Dividend per equity (Dividend Per Share / Earnings Per Share), Debt-equity ratio, Export intensity (Export/Gross sales), R&D intensity (R&D expenditure/Gross sales) and Capacity utilization (Net Sales/Total Assets). The study could not find any evidence of improvement in the financial ratios during the post-merger period, as compared to the pre-Merger period, for the combined firms.

Surjit Kaur (2002) compared the pre and post-takeover performance for a sample of 20 combined companies during 1997-2000, using a set of eight financial ratios, during a 3-year period before and after merger, using t-test. The ratios used were Modified Net Profit Margin, Return on Capital Employed (ROCE), Debt-Equity Ratio, Assets Turnover Ratio, Current Ratio, Cash Flow to Sales, and Market Price to Book Value (MP/BV). The study concluded that both profitability and efficiency of targeted companies declined in post- takeover period, but the change in post-takeover performance was statistically not significant. Mantravadi and Reddy (2008) undertook a study to test whether the industry type has an impact on the outcome of merger for the merging firm, in terms of impact on operating performance. The results from the analysis of pre- and post-merger operating performance ratios for the combined firms in the sample showed that there was a differential impact of mergers, for different industry sectors in India. Type of industry does seem to make a difference to the post-merger operating performance of combined firms.

Pawaskar (2001) analyzed the pre-merger and post-merger operating performance of 36 combined firms during 1992-95, using ratios 5 of profitability, growth, leverage, and liquidity, and found that the combined firms performed better than industry average in terms of profitability. Regression analysis however, showed that there was no increase in the post-merger

profits compared to main competitors of the combined firms. Thus, empirical testing of corporate performance following mergers of Indian companies has been quite limited so far, with some studies that were focused on mergers in manufacturing sector, and study of mergers during short time intervals.

A study by DeLong (2001) found that bank mergers increase shareholder (acquirer and target) wealth by 3.0% on average, but only if they focus the bank in terms of both activity and geography. The findings indicated that all other mergers types do not increase shareholder wealth. Houston and Ryngaert (1994) found that, on average, bank mergers do not change the overall wealth of all shareholders in the transaction. Target shareholders experience wealth gains, which are offset by combined shareholder losses. Rhoades (1994) presented a summary of event studies results from 1980 to 1993. In general, he reported positive returns to target firm shareholders, but inconclusive results for combined firm shareholders.

Rhoades (1994) gave a summary of the studies gauging changes in operating performance following a bank acquisition for the period 1980 – 1993. He noted that some studies, such as Cornett and Tehranian (1992), may show an improvement in one performance measure while finding no change in others. His overall finding from the time period studied is that banking acquisitions did not result in improved operating performance. Berger, Demsetz, and Strahan (1999) in a survey of bank consolidation research indicated studies of performance effects of financial institution mergers, in particular efficiency effects, indicated some increased profit efficiency and diversification benefits, but little or no cost efficiencies. Later on, studies started focusing on X-efficiencies within the banking industry. These studies tend to focus on a bank's

expense ratios as measures of efficiency rather than return on assets or return on equity as used in prior studies of operating performance. The results of most of these studies find minimal cost efficiencies to be associated with bank mergers. For example, Peristiani (1997) and DeYoung (1997) found little to no improvement in X-efficiency following a bank merger. Berger, Demsetz, and Strahan (1999) provided a comprehensive overview of banking X-efficiency studies.

Frydman (2002) examined whether financial buyers are more likely to initiate takeovers of inefficient firms. The findings showed that they indeed are and thus conclude that takeovers by financial buyers play a potentially beneficial role in the allocation of corporate assets in the U.S. economy. The analysis of determinants of takeovers initiated by financial buyers used an application of the methodology developed in Trimbath, Frydman and Frydman (2001). As a significant improvement over the earlier approaches that had utilized probit and logit analysis, Frydman (2002) methodology employed the Cox regression model, which is particularly appropriate for the study of a time-varying risk profile. The Cox model is a dynamic technique that incorporates time-dependent covariates and estimates the hazard rate of takeover at any time during the study period as a function of these covariates. Using this methodology, the findings showed that the most significant determinant of a firm's risk of takeover by a financial buyer is its relatively inefficient use of resources. These results were consistent with the earlier results obtained in Trimbath, Frydman and Frydman (2001) for the Fortune 500 firms.

2.6. Chapter Summary

The available literature to date proposes that there is a significant potential for performance improvements from mergers and acquisitions of banks. The enhanced performance of the banks is expected to flow to the owners of the companies through divided payments but more immediately by improved stock performance. Whereas, impact of merger and acquisition activity in the improved performance by acquiring firm post acquisition, other times had been found absent i.e., synergies expected from the M&A are not practically realized by the acquiring firm after the merger (Kinget al, 2003). This study hypothesized that the acquirer firm demonstrate improved performance post announcement of the merger and acquisition. This hypothesis is based on the argument that the new company formed after merger or acquisition is highly capitalized and brings together a pool of technically equipped workforce, besides the infrastructure and should exhibit improved value through improved stock performance. To answer the above question, the study sought to measure the impact of Mergers and Acquisitions stock performance of post announcement of M&As in banks in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents an outline of the research methodology used in the study. Section 3.2 defines the study population; Section 3.3 explains the sample; Section 3.4 set down the data collection method and sources; and Section 3.5 details the data analysis tools and the research model to be applied.

3.2. Population

The commercial banking sector in Kenya is comprised of 43 banks (see Appendix I). These banks made the population of the study.

3.3. Sample

The sample comprised of listed 6 commercial banks which have had a merger or an acquisition during between January 1994 and June 2011 (See Appendix), while being listed at the NSE at the point of merger. The sample included listed banks documented mergers in the banking industry whose trading data are available since 1994. Banks that had not listed at the time of bidding (or announcement) were eliminated.

3.4. Data Collection

The study applied data from secondary sources. The data for the banks was extracted from the NSE stock prices database and banks' annual reports and financial statements for the fifteen-year

period 1994-2011. These were obtained from the NSE library, the respective banks' company secretaries, or the banks supervision department at the Central bank of Kenya. Wherever possible, the observations were centered on a one week period before merger (T-5) and acquisition and five days period after merger and acquisition (T+5).

3.5. Data Analysis

Following Brown and Warner (1985), this study employed event study market model analysis method to determine the effect of shareholders wealth. This methodology is based on the fundamental idea that stock prices represent the discounted value of firms' future stream of profits. Hence, when observing a stock market reaction to the announcement of a particular event (M&A), the change in the equity value of firms affected by this event (merging firms and their rivals) can then be taken as a measure of the (discounted) additional wealth that they are expected to accrue as a consequence of the event (M&A). Using the actual returns and the expected returns, the average accumulative abnormal returns over the select time were calculated.

The first step of the analysis was to determine the sample of firms to be included in the analysis and to determine an event window. For the purposes of this study, NSE-listed banks involved in M&A deals between 1994 and 2011 were selected. In order to mitigate the effect of other contemporaneous events on stock prices, any company with an announcement related to earnings, dividends were excluded from the analysis. The M&A approval dates were sourced from NSE bulletin.

The second step of the event study, 11-day (5 days prior to the event day and 5 days after the event date), 11-day, 5-day, and 5-day symmetric event windows was chosen. These window lengths were appropriate to capture any news that might have leaked shortly before the official announcement was made and also considers any short-term stock price reactions linked to the event after the announcement. In addition, several other window lengths were analyzed to check the results. One disadvantage of using longer windows is that other, unrelated events may be confounded with the event of interest. If other relevant events occurred during the event window, it was hard to isolate the impact of one particular event.

The third step was the prediction of a "normal" return during the event window in the absence of the event. The model used in this study to estimate the expected returns was the market model. It is a linear time-series model where dependent variable, security returns, is regressed against percentage changes in a market index. The market model used in this study for security *i* for the period *t* can be expressed by the following linear time-series model (Equation 1).

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad (1)$$

Where;

$R_{i,t}$ = daily return on the security *i* during time *t*

$\alpha_{i,}$, β_i = are market model parameters for security *i* , security-specific intercept and slope coefficients

R_{mt} = return of the market (NSE index) for time t

e_{it} = error term for security i for year j at period t. It is assumed that e_{it} fulfills the assumptions of the linear regression model. Namely e_{it} has the mean of zero over the regression period, and has

a variance independent over time. This yields estimates for β_i, the elasticity of returns on the stock against returns on the index. It is conventional in the finance literature to express returns on both sides of the market model as returns on zero-investment portfolios (Fama 1976). When the market model has returns on zero-investment portfolios on both sides of the equation, as is the case here, the null hypothesis $H_0 : \alpha = 0$ is a useful specification test.

The fourth step was the calculation of the abnormal return within the event window, where the abnormal return is defined as the difference between the actual and predicted returns. Abnormal returns, e_{it} for firm *i*, on day t are estimated as the difference between the actual return on day *t* and the return expected from the market model. It thus represents the impact of firm specific event (M&A announcements in this study) on shareholder wealth, net of market effects. If M&A announcements have an effect on company performance, the value of e_{it} should be different from zero. It can be obtained as in Equation (2) below.

$$e_{it} = (R_{it} - \alpha_i) - \beta_i R_{mt} \qquad (2)$$

By using Equation (2), daily residuals for each firm were computed over the event windows. Then, for any day *t* within the event period the average residuals mean abnormal return (MAR_t) across sample members was calculated. Average residuals are defined as in Equation (3) below.

$$(MAR)_{it} = \sum_{i=1}^{N_t} \frac{e_{it}}{N_t} \qquad (3)$$

Where

e_{it} = abnormal return of security *i* on day *t*

N_t = number of securities with abnormal returns on day *t*

Finally, cumulative abnormal returns over several holding periods from day t_1 to day t_2 were calculated according to the following formula (Equation 4).

$$(CAR)_{it} = \sum_{t=t_1}^{t=t_2} MAR_{it} \quad (4)$$

Under the null hypothesis, that M&A announcements have no impact on corresponding stock prices, cumulative abnormal returns have an expected value of zero. Finally to test the hypothesis, the following t-statistic was used (Equation 5).

$$t(AR)_{it} = \frac{(AR)_{it}}{S(e_{it})/\sqrt{Nt}} \quad (5)$$

Where

$S(e_{it})$ = the standard deviation of the excess returns on day *t* in the event period

N_t = number of securities with abnormal returns on day *t*

Table 3.1: The Research Model

Model	**Inputs (Before & after acquisition announcement)**	**Outputs (Before & after acquisition announcement)**
Market Model	Stock market prices Return on security	- Average cumulative abnormal returns

3.6. Diagnostic Tests

The t-test was used to test the changes in average abnormal earnings pre-merger and post-merger announcement periods. The T-test is based on the one-way analysis of variance techniques which compares changes in observations between groups or periods.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1. Introduction

This chapter provides an analysis of data collected from various sources. The results are presented in tables to highlight the major findings. They are also presented sequentially on effect of mergers and acquisitions on shareholders wealth of commercial banks in Kenya. This chapter provides various sections. Section 4.2 provides the descriptive statistic for mergers and acquisitions on shareholders wealth, Section 4.3 provides trading activity ratio against days around mergers and acquisitions, and section 4.4 presents abnormal returns, section 4.5 presents discussion of findings.

4.2. Sample Characteristics

The sample comprised of six firms that were listed at the time of bidding for merger. These included National Industrial Credit Bank Ltd (NIC); Diamond Trust Bank (DTK); Barclays Bank of Kenya (BBK); Kenya Commercial Bank (KCB); CFC Bank (CFC); and Standard Chartered Bank (SCBK). Banks that had not listed at the time of merging were excluded from the sample since the market value of their shares could not be explicitly established. Table 4.1 below shows the profiling of the mergers as well as the market reactions during the 11-day event windows. The findings in Table 4.1 indicate that both the shareholders and the market exhibited mixed reaction to each specific merger announcement.

Table 4.1: Market Reactions around the Select Event Dates

Bank Merger	T_0 (Event date)	% change in Share price from		% change in market index from days	
		T-5 to T_0	T_0 to T+ 5	T-5 to T_0	T_0 to T+ 5
National Industrial Credit Bank Ltd **Vs.** African Mercantile Banking Corp	14th June 1997	-0.461%	0.916%	0.994%	-0.738%
Diamond Trust Bank (K) Ltd **Vs.** Premier Saving & Finance Ltd	12th February 1998	0.778%	1.074%	0.684%	-0.237%
Barclays Bank of Kenya Ltd **Vs.** Barclays Merchant Finance Co.	22nd November 1999	1.389%	-0.005%	0.205%	-0.029%
Kenya Commercial Bank **Vs.** Kenya Commercial Finance Co.	21st March 2001	-4.398%	1.595%	-0.331%	-0.647%
Cfc Bank Ltd **Vs.** Stanbic Bank Ltd	1st June 2008	2.679%	1.034%	2.375%	-0.942%
Standard Chartered Bank (K) Ltd **Vs.** Barclays Bank Custodial Services	27th April 2010	2.116%	-0.103%	2.460%	-1.232%

For instance, four out of the six firms exhibited a marginal price increase in the period preceding the event date, while a similar number exhibited a marginal price slide after the event dates. The market index had marginal increments in 5 of the 6 sampled mergers, except for KCB where a marginal 0.3% decline was notable. The increase in market indices prior to event date was attributed to the increased bid activities by investors positioning themselves to gain from the benefits of the impending merger as well as the skeptical investors who engage in profit-taking. The marginal percentage declines noted after the event dates are attributed to the market correction behavior exhibited after major corporate announcements.

4.3. Effect of Mergers and Acquisitions on Shareholders' Wealth

4.3.1. Effect on Stock Valuation

In order to study the impact of M&A on market value of shares, the daily market-adjusted abnormal return was used (Uddin, 2003). The market adjusted abnormal return (MAAR) shows the change in individual stock's value after a major corporate event's announcement date. They were computed from Equation (2) in page 34. As the percentage change in market index (average market price) is deducted, the remainder gives the unsystematic portion of the value change, which is specific to that particular stock resulting from its merger with a new entity. MAAR was calculated over a period of 11 days starting from the event date (day 0).

Parametric T-test was applied to establish whether there were significance deviations in the mean values of MAAR over the five days before the event dates, when compared to the MAAR of the five days after the event dates. T-test is used in comparing the changes in means across various events or groups. The event date was excluded because the trading rules are relaxed on the first day of trading to allow for market forces of demand and supply to determine the value of shares of the newly-merged entity. The findings are presented in Table 4.2 below. Table 4.2 presents t-test statistics that were used to determine whether the changes in MAAR (hence market valuation of shares), were significantly different within the 5 days preceding the event date as well as the 5 days after the event date.

Table 4.2: T-test for changes in MAAR after Event Date

Firm	Mean Change in MAAR over T-5 days	Mean Change in MAAR over T+5 days	T-statistic	Decision
NIC	-0.0011516928834	0.0060461124948	$t_{(8)} = -0.995$	Accept H_0
DTK	-0.0032796350337	0.0007132491031	$t_{(8)} = -0.231$	Accept H_0
BBK	0.0038213878066	0.0001124184998	$t_{(8)} = 1.241$	Accept H_0
KCB	-0.0228268449738	0.0070107980257	$t_{(8)} = -0.498$	Accept H_0
CFC	-0.0014226422715	0.0035808481914	$t_{(8)} = -0.413$	Accept H_0
SCBK	0.0033353146968	0.0034845889456	$t_{(8)} = -0.027$	Accept H_0

H_0: There was no significant change in valuation of shares before and after the event date
H_1: There was significant change in valuation of shares between pre-event and post-event dates
**** Denotes significance at 1% level (P-values < 0.01)**

The findings indicate that the null hypotheses were accepted for all the six firms at both 95% and 99% levels of confidence. The P-values (smallest values of probability at which the null hypothesis is rejected) were greater than the critical level of the test of 1% (0.01). Hence the null hypotheses were accepted based on this criterion. This indicates that the share prices had not exhibited significant changes over the 11-days event windows. This implies that there were no significant deviations in the values of shares around the merger events.

4.3.2. Effect on Investors' Total Return

The second measure used was cumulative abnormal returns (CAR), which measured the investors' total return over a period over the 11-days event windows for each firm. CAR was computed as shown in Equation (4) page 35. The changes in cumulated abnormal return were tested using t-test against the value of zero, to find out whether or not there was significant gain

in the total investors' returns over the sample event windows. The findings are presented in Table 4.3 below.

Table 4.3: Average Market Adjusted and Cumulative Abnormal Returns

	MAARt **(t = -5 days)**	***MAARt*** **(t = day 0)**	***MAARt*** **(t = +5 days)**	***CARt*** **11 days**	**T-statistic**	**Decision**
NIC	-0.011188	-0.013046	0.006764	0.011425823	$t_{(9)}$ =-0.497	Accept H_0
DTK	-0.000997	0.014722	0.024524	0.001890725	$t_{(9)}$ =-1.474	Accept H_0
BBK	0.007002	0.0017160	-0.004580	0.021385120	$t_{(9)}$ =1.708	Accept H_0
KCB	-0.023518	-0.003218	-0.003217	-0.082299100	$t_{(9)}$ =-1.208	Accept H_0
CFC	-0.024306	0.0041422	0.0000498	0.014933451	$t_{(9)}$ =-1.308	Accept H_0
SCBK	0.003546	-0.001435	0.005985	0.032663979	$t_{(9)}$ =1.900	Accept H_0

H_0: There was no significant increase in CARt over the event window
H_1: There was significant increase in CARt over the event window

The findings presented in Table 4.3 indicate that the null hypotheses for no significant change in the CARs over the 11-day event windows were accepted for all the six sampled firms. The findings concur with earlier findings in Table 4.2 above which had shown that the share valuation over the event windows had not significantly changed. The findings therefore indicate that the shareholders' total cumulated return had not significantly changed due to announcement (or approval) of a takeover bid.

4.4. Summary and Interpretation of Findings

The aim of the study was to explore the effect of mergers and acquisitions on shareholders wealth. Table 4.1 assesses whether or not the bidding banks realized capital gains over the event windows and whether or not the markets exhibited a bullish or a bearish trend over the event

windows. We observe that prior to merger and acquisition announcement and especially five days before [-5; 0], the shareholders of the bidders receive considerable and significant positive cumulative abnormal returns (CARs), statistically significant at 5% in four out of the six sampled banks. The bidders realized capital gain of around between 0.7 and 2.7%, mainly resulting from the speculative information leaking into the markets prior to the release of bid details. The next stage of analysis approached the subject matter from two perspectives. First was to explore the effect of mergers and acquisitions on shares valuation and secondly was the effect of mergers and acquisitions on total investors' return. The results are presented in Tables 4.2 and 4.3 where changes in share valuation and total shareholders' returns are examined and tested for significance using t-test. The findings from both approaches showed that the sampled mergers had no significant effect on changes in the bidding firms' share prices and the changes in total investors' returns.

Key findings of the study were two-fold. First, the study established that the share prices of the six sampled firms did not exhibit significant changes within an 11-day event window. The results imply that the past Kenyan bank M&As were not wealth creating projects for the shareholders of both the bidding entity and the combined entity. The findings are consistent to a recent study by Barasa (2008) which had sought to evaluate market efficiency in relation to information content of merger announcement by companies quoted on the NSE. The study had showed that a majority of the companies' stock returns did not experience a significant reaction to merger announcement which is not typical of stock markets in developing countries. The main conclusion drawn from both studies is that the price reaction to the merger announcements was not significant. Some reactions to the merger announcements were positive while some were

negative in both studies. Thus given that the market is efficient, investors cannot expect significant variations in the stock prices/returns after merger announcement by firms.

There are a number of reasons why a bank will merge with, acquire, or be acquired by another bank. Sometimes, banks can provide services more efficiently if they combine their efforts and facilities. These efficiency gains may come simply by virtue of the size of the combined bank; it may be cheaper to serve customers on a larger scale. Collaborating or sharing expertise may achieve gains in efficiency, or a bank might have underutilized assets the other bank can better use. Also, a change in management may make the new banking entity more profitable. Other reasons for acquisitions have to do more with hubris and power. The management of an acquiring bank may be motivated more by the desire to manage ever-larger banks than by any possible gains in efficiency. The first finding above shows that mergers and acquisitions in Kenya are motivated by non-market-based fundamentals, but rather to gain more efficiency and to enjoy the benefits of large-scale production.

The other reason for lack of significant price reactions around the event dates would be attributed to the fact that a number of bank mergers in Kenya involve an entity acquiring another domiciled entity. For example, Bank of India versus Bank of India Finance Ltd; Barclays Bank of Kenya Ltd versus Barclays Merchant Finance Ltd; CBA Financial Services versus Commercial Bank of Africa Ltd; First American Finance Ltd versus First American Bank Ltd; among many others. These are done mainly as a way of merging operational units with the view of enhancing focus on the core business of providing banking services with little attention being accorded to non-core business. Past stock market studies have consistently found that lower returns tend to be

associated with negotiated mergers, and higher returns with tender offer takeovers. All the sampled mergers were negotiated takeovers. The question of whether or not the stockholders of the acquiring firms gain is much less certain. Most studies have found that acquiring firms' stockholders receive small or zero abnormal returns from mergers; some even find negative abnormal returns.

Secondly, the findings showed that the shareholders' total cumulated return had not significantly changed due to announcement (or approval) of a takeover bid. These findings concur to a recent study by Omayio (2012) which had sought to examine the information content of mergers and acquisitions announcement for companies quoted at the Nairobi Securities Exchange. Testing for significance using 95 % confidence level, both studies have found that there was weak relationship between company returns for the period before and after the mergers and acquisition announcements.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary

This chapter presents summary of findings, conclusions and recommendations based on the findings. The aim of the study was to explore the effect of mergers and acquisitions on shareholders wealth. The chapter is organized as follows: Section 5.2 presents a discussion of findings; Section 5.3 presents the conclusions; and Section 5.4 presents recommendations for policy and further research.

5.2. Conclusions

The study concludes that bank merger announcement had no significant effect on the valuation of shares in the secondary market. In addition, the announcements have no significant effect on the total cumulated return for shareholders. This leads to the conclusion that past Kenyan bank M&As were not wealth creating projects for the shareholders of both the bidding entity and the combined entity. The findings of the study concur with past studies conducted at the NSE which had shown that a majority of the companies' stock returns did not experience a significant reaction to merger announcement which is not typical of stock markets in developing countries. The main conclusion drawn from the study was that the reaction to the bank's merger announcements did not result to significant build-up of shareholders' wealth for both the bidding and the combined entities.

Having compared this study's results to other findings in the bank merger literature, mainly in developed countries, it is evident that in many cases the present results for bidder's shareholder returns are lower. In principle the market reaction to an M&A announcement should be to reflect the value of the expected benefit to each party from the merger, the purpose of event studies being to measure the abnormal share price changes around the announcement date as an indicator of the perceived economic effects of the merger (Jensen and Ruback, 1983). The return to the bidding entity's shareholders is a function of two main factors, namely the offer terms and the expected synergy gains from the merger, the latter reflecting the forces of change that have affected the competitive environment in the banking industry.

The trend of increasing profitability in developed nations for mergers in banking has been lauded by past researchers as an indicator that acquirers would be tempted to pay higher prices for the targets, causing the market to react more favourably to a merger announcement leading to high target abnormal returns. Conversely, given the scenario of stagnated or marginal profitability increases in the Kenyan banking markets post-merger, acquirers in bank mergers have not demonstrated willingness to pay high prices for the target banks (or internal entities), leading to lower returns for the target bank compared to those in the developing world. This explains the concurrence of the present findings to recent findings by Barasa (2008) and Omayio (2012).

From the findings, the local banks seem to have planned to benefit from in-market consolidation and 'mergers of equals/inferior' type of deals to exploit scale economy and synergistic gains rather than economies of scope. However, a point of note in this study is the low positive abnormal returns to the bidder's shareholders which is consistent with related local studies. The

high competition in the banking markets, stiff regulatory environment, and the pattern of decreasing or stagnated growth in profitability in the banking industry in Kenya is spreading a gloomy picture of the future of performance in general.

5.3. Recommendations

In light of the study's findings, fund managers, investment banks, the Nairobi Stock Exchange and other stakeholders in financial services sectors should not be jittery about proposed bank mergers in regards to the anticipated markets reaction. The findings show that a bank merger announcement should not be treated as an unbiased predictor of short-term capital gains for both the bidding and the combined entities. Therefore, the study recommends that companies should be careful when deciding to undergo merger and acquisition activity.

Past studies have shown that a merger can bring about enthusiasm or despair as demonstrated by the reaction of the stock prices of the listed firm after the announcements of the mergers and acquisitions. However, the present study has shown a possibility of disquiet. Therefore, the regulators ought to enforce full disclosure by the bidding firms on the reasons behind the impending takeovers since this could be the reason why the announcements did not trigger notable significant reactions.

The goal of this study was to determine if mergers and acquisitions affect shareholder wealth in order to invest accordingly. In the sample of mergers studied, there is evidence that an investor should not be jittery to invest in banks that are planning to acquire another because the market fundamentals do not significantly change. This leads to assertion that that the merging banks are

mature, and they could have undertaken these mergers to gain a new product or region to continue to perform at growing company levels. Therefore, future bank mergers should be pegged on the benefits to be realized from the post-merger synergies.

Finally, the study recommends that the regulators should further deploy non-market based assessment tools that will help in assessing past performance of both the bidding bank and the bank to be acquired as a way of establishing possible reasonable for markets skepticism before and after the event dates.

5.4. Limitations of the Study

The study was limited to six commercial banks (bidders) that had been listed at the NSE during the announcement (or approval) dates. Companies that had not listed at the time of bidding were excluded from the sample since the market statistics (e.g. share price) could not be explicitly established.

Data was only available for listed banks leaving out a big proportion of the M&A's that happed for the reason that they are privately owned and therefore share prices could not be objectively established. This significantly lowered the number of deals analyzed.

The study was limited in regard to scope. Data on firms that had listed before 1996 could not have their daily historical data sourced from the NSE since it is not expressly documented. Such firms were technically eliminated from the sample, even though they could have been listed at the time of the merger. In addition, one must also look at long-run effects verses short-run

effects. This study only looked at a short time frame after the merger; it might be that the motivation was in the long-term, longer than 5 days. It would be interesting to look at these firms in the long run – a year or longer – to see if the results might be different.

The study was also limited to effects of speculative tendencies that are characterized by information leakages around the event windows, where the trading patterns are at times not driven by market fundamentals but speculative behaviour due to huge participation by retail investors engaging in profit-taking and those positioning themselves for the post-merger purchase bids.

5.5. Suggestions for Further Research

Further future research could be done to study the long-term return to the bidder of firms where it is assumed that the markets take time to evaluate the consequence from a merger. In a long-term study of mergers, the results were highly affected by the model chosen to calculate the normal returns, and it is highly recommended to adjust for beta risk and firm size (Raghavendra 1998). Future studies may consider making improvements to the current model approaches applied.

This study made use of a simple methodology based on the market model to determine abnormal returns. There is need for further study in this area and a need to include more independent variables such as those relating to firm size and dividend expectations so as to determine whether when other factors are considered there market would still react positively to mergers and acquisitions announcements.

The dominant rationale used to explain M&A activity is that acquiring firms seek improved financial performance. Apart from this, other important reasons are, economy of scale, economy of scope, cross-selling, synergy, tax benefit, geographical or other diversification, resource transfer, vertical integration, hiring, absorption of similar businesses under single management, diversification, Manager's hubris etc. In light of the present findings, further research may be sought to identify the motivational factors behind mergers for listed banks.

Furthermore, past studies have shown that payment of the acquisition in cash in comparison to payment in shares provides better returns on average to both the shareholders of the bidding company and the takeover target. Mergers in Kenya have been characterized by both cash and shares payouts. Further researcher may be conducted to assess the effect of the merger payout policy on shareholders' wealth.

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Appendix I: Data Observation Sheet

Bank	Date	Event Day	Average Share Price	Market Index

Appendix II: List of Commercial Banks in Kenya as at June 2012

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank
6. Brighton Kalekye Bank
7. CFC Stanbic Bank
8. Chase Bank (Kenya)
9. Citibank
10. Commercial Bank of Africa
11. Consolidated Bank of Kenya
12. Cooperative Bank of Kenya
13. Credit Bank
14. Development Bank of Kenya
15. Diamond Trust Bank
16. Dubai Bank Kenya
17. Ecobank
18. Equatorial Commercial Bank
19. Equity Bank
20. Family Bank
21. Fidelity Commercial Bank Limited
22. Fina Bank

23. First Community Bank
24. Giro Commercial Bank
25. Guardian Bank
26. Gulf African Bank
27. Habib Bank
28. Habib Bank AG Zurich
29. I&M Bank
30. Imperial Bank Kenya
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank Kenya
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank (Kenya)
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank for Africa[2]
43. Victoria Commercial Bank

Source: Central Bank of Kenya (2012)

Appendix III: M & As in the Banking Industry

No	Institution	Merged with	Current Name	Date approved
1	9 Financial Institutions	All 9 Financial Institutions Merged together	Consolidated Bank of Kenya Ltd	1989
2	Bank of India	Bank of India Finance Ltd.	Bank of India (Africa) Ltd.	15.11.1995
3	Barclays Bank of Kenya Ltd.	Barclays Merchant Finance Ltd.	Barclays Bank of Kenya Ltd.	22.11.1999
4	Biashara Bank Ltd.	Investment & Mortgage Bank Ltd.	Investment & Mortgage Bank Ltd.	01.12.2002
5	Bullion Bank Ltd.	Southern Credit Banking Corp. Ltd.	Southern Credit Banking Corp. Ltd.	07.12.2001
6	CBA Financial Services	Commercial Bank of Africa ltd	Commercial Bank of Africa ltd	26.01.1996
7	CFC Bank Ltd.	Stanbic Bank Ltd.	CFC Stanbic Bank Ltd.	01.06.2008
8	Citibank NA	ABN Amro Bank Ltd.	Citibank NA	16.10.2001
9	City Finance Bank Ltd.	Jamii Bora Kenya Ltd.	Jamii Bora Bank Ltd.	11.02.2010
10	Co-operative Merchant Bank ltd	Co-operative Bank ltd	Co-operative Bank of Kenya ltd	28.05.2002
11	Delphis Finance Ltd.	Delphis Bank Ltd.	Delphis Bank Ltd.	17.01.1996
12	Diamond Trust Bank (K) Ltd.	Premier Savings & Finance Ltd.	Diamond Trust Bank (K) Ltd.	12.02.1999
13	East African Building Society	Akiba Bank ltd	EABS Bank ltd	31.10.2005
14	Equatorial Commercial Bank Ltd	Southern Credit Banking Corporation Ltd	Equatorial Commercial Bank Ltd	01.06.2010
15	First American Bank ltd	Commercial Bank of Africa ltd	Commercial Bank of Africa ltd	01.07.2005
16	First American Finance Ltd.	First American Bank Ltd.	First American Bank (K) Ltd.	05.09.1995
17	Giro Bank Ltd.	Commerce Bank Ltd.	Giro Commercial Bank Ltd.	24.11.1998
18	Guardian Bank Ltd.	First National Finance Bank Ltd.	Guardian Bank Ltd.	24.11.1998
19	Guilders Inter. Bank Ltd.	Guardian Bank Ltd.	Guardian Bank Ltd.	03.12.1999
20	Habib A.G. Zurich	Habib Africa Bank Ltd.	Habib Bank A.G. Zurich	30.11.1999
21	Indosuez Merchant Finance	Banque Indosuez	Credit Agricole Indosuez	10.11.1994
22	Ken Baroda Finance Ltd.	Bank of Baroda (K) Ltd.	Bank of Baroda (K) Ltd.	02.12.1994
23	Kenya Commercial Bank	Kenya Commercial Finance Co.	Kenya Commercial Bank Ltd.	21.03.2001
24	Mercantile Finance Ltd.	Ambank Ltd.	Ambank Ltd.	15.01.1996
25	National Bank of Kenya Ltd.	Kenya National Capital Corp.	National Bank of Kenya Ltd.	24.05.1999
26	National Industrial Credit Bank Ltd.	African Mercantile Banking Corp.	NIC Bank Ltd.	14.06.1997
27	Prime Capital & Credit Ltd.	Prime Bank Ltd.	Prime Bank Ltd.	01.01.2008
28	Savings and Loan (K) Limited	Kenya Commercial Bank Limited	Kenya Commercial Bank Limited	01.02.2010
29	Stanbic Bank (K) Ltd.	Stanbic Finance (K) Ltd.	Stanbic Bank Kenya Ltd.	05.01.1996

30	Standard Chartered Bank (K) Ltd.	Standard Chartered Financial Services	Standard Chartered Bank (K) Ltd.	17.11.1999
31	Transnational Finance Ltd.	Transnational Bank Ltd.	Transnational Bank Ltd.	28.11.1994
32	Trust Finance Ltd.	Trust Bank (K) Ltd.	Trust Bank (K) Ltd.	07.01.1997
33	Universal Bank Ltd.	Paramount Bank Ltd.	Paramount Universal Bank	11.01.2000
Acquisitions				
No.	**Institution**	**Acquired by**	**Current Name**	**Date approved**
2	Credit Agricole Indosuez (K) Ltd.	Bank of Africa Kenya Ltd.	Bank of Africa Bank Ltd.	30.04.2004
3	EABS Bank Ltd.	Ecobank Kenya Ltd.	Ecobank Bank Ltd.	16.06.2008
1	Mashreq Bank Ltd.	Dubai Kenya Ltd.	Dubai Bank Ltd.	01.04.2000

Source: Central Bank of Kenya (2012)

Appendix IV: Time series Data

Bank	Date	Day	Average Price	Market Index	r_{it}	r_{mt}	alpha	beta	MAAR	CART
NIC	9-Jun-97	-5	55.500000	3480.55	-0.010342368	0.001308976	0.000289616	0.424836491	-0.011188085	-0.011188085
NIC	10-Jun-97	-4	55.395833	3486.32	-0.001876877	0.001657784	0.000289616	0.424836491	-0.00287078	-0.014058865
NIC	11-Jun-97	-3	56.264706	3494.00	0.015684800	0.002202896	0.000289616	0.424836491	0.014459313	0.000400448
NIC	12-Jun-97	-2	55.388889	3502.12	-0.015566010	0.002323984	0.000289616	0.424836491	-0.01684294	-0.016442492
NIC	13-Jun-97	-1	56.090909	3516.14	0.012674387	0.004003289	0.000289616	0.424836491	0.010684027	-0.005758464
NIC	16-Jun-97	0	55.472222	3530.43	-0.011030074	0.004064116	0.000289616	0.424836491	-0.013046275	-0.018804739
NIC	17-Jun-97	1	56.125000	3523.61	0.011767651	-0.001931776	0.000289616	0.424836491	0.012298724	-0.006506015
NIC	18-Jun-97	2	56.923077	3513.44	0.014219633	-0.002886245	0.000289616	0.424836491	0.015156199	0.008650184
NIC	19-Jun-97	3	57.062500	3502.48	0.002449324	-0.003119450	0.000289616	0.424836491	0.003484964	0.012135149
NIC	20-Jun-97	4	56.600000	3494.89	-0.008105148	-0.002167036	0.000289616	0.424836491	-0.007474128	0.004661021
NIC	23-Jun-97	5	56.944444	3486.92	0.006085591	-0.002280472	0.000289616	0.424836491	0.006764803	0.011425823
DTK	4-Feb-98	-5	22.500000	3341.56	0.000000000	0.001665301	0.000289616	0.424836491	-0.000997097	-0.000997097
DTK	5-Feb-98	-4	22.000000	3338.09	-0.022222222	-0.001036217	0.000289616	0.424836491	-0.022071615	-0.023068712
DTK	6-Feb-98	-3	22.187500	3338.49	0.008522727	0.000118874	0.000289616	0.424836491	0.008182609	-0.014886103
DTK	9-Feb-98	-2	23.000000	3338.49	0.036619718	0.000000000	0.000289616	0.424836491	0.036330102	0.021444
DTK	10-Feb-98	-1	22.250000	3377.34	-0.032608696	0.011637096	0.000289616	0.424836491	-0.037842175	-0.016398175
DTK	12-Feb-98	0	22.562500	3369.65	0.014044944	-0.002276940	0.000289616	0.424836491	0.014722655	-0.00167552
DTK	13-Feb-98	1	23.000000	3362.23	0.019390582	-0.002200699	0.000289616	0.424836491	0.020035903	0.018360382
DTK	16-Feb-98	2	22.000000	3343.52	-0.043478261	-0.005565551	0.000289616	0.424836491	-0.041403428	-0.023043045
DTK	17-Feb-98	3	22.083333	3353.26	0.003787879	0.002913655	0.000289616	0.424836491	0.002260436	-0.02078261
DTK	19-Feb-98	4	22.000000	3335.81	-0.003773585	-0.005206232	0.000289616	0.424836491	-0.001851404	-0.022634013

DTK	23-Feb-98	5	22.571429	3344.91	0.025974026	0.002729689	0.000289616	0.424836491	0.024524738	0.001890725
BBK	15-Nov-99	-5	100.857143	2276.07	0.005855618	-0.003380346	0.000289616	0.424836491	0.007002097	0.007002097
BBK	16-Nov-99	-4	100.460417	2283.52	-0.003933546	0.003273186	0.000289616	0.424836491	-0.005613731	0.001388366
BBK	17-Nov-99	-3	100.833333	2282.46	0.003712076	-0.000464196	0.000289616	0.424836491	0.003619667	0.005008033
BBK	18-Nov-99	-2	101.588235	2288.01	0.007486631	0.002431587	0.000289616	0.424836491	0.006163988	0.011172021
BBK	19-Nov-99	-1	102.588235	2296.73	0.009843660	0.003811172	0.000289616	0.424836491	0.007934918	0.019106939
BBK	22-Nov-99	0	102.666667	2290.02	0.000764526	-0.002921545	0.000289616	0.424836491	0.001716089	0.020823028
BBK	23-Nov-99	1	103.095238	2299.95	0.004174397	0.004336207	0.000289616	0.424836491	0.002042602	0.02286563
BBK	24-Nov-99	2	103.105263	2314.21	0.000097241	0.006200135	0.000289616	0.424836491	-0.002826419	0.020039211
BBK	25-Nov-99	3	102.785714	2289.41	-0.003099249	-0.010716400	0.000289616	0.424836491	0.001163853	0.021203064
BBK	26-Nov-99	4	103.375000	2293.08	0.005733148	0.001603033	0.000289616	0.424836491	0.004762505	0.025965569
BBK	29-Nov-99	5	103.000000	2296.66	-0.003627570	0.001561219	0.000289616	0.424836491	-0.004580448	0.02138512
KCB	14-Mar-01	-5	26.089286	1864.73	-0.024699599	-0.003463000	0.000289616	0.424836491	-0.023518007	-0.023518007
KCB	15-Mar-01	-4	25.545455	1867.43	-0.020845000	0.001447931	0.000289616	0.424836491	-0.02174975	-0.045267757
KCB	16-Mar-01	-3	24.583333	1864.30	-0.037663108	-0.001676100	0.000289616	0.424836491	-0.037240655	-0.082508413
KCB	19-Mar-01	-2	24.325000	1864.98	-0.010508475	0.000364748	0.000289616	0.424836491	-0.010953049	-0.093461462
KCB	20-Mar-01	-1	23.796875	1859.15	-0.021711202	-0.003126039	0.000289616	0.424836491	-0.020672763	-0.114134225
KCB	21-Mar-01	0	23.720588	1857.94	-0.003205747	-0.000650835	0.000289616	0.424836491	-0.003218865	-0.11735309
KCB	22-Mar-01	1	23.843750	1853.17	0.005192188	-0.002567360	0.000289616	0.424836491	0.00599328	-0.111359809
KCB	23-Mar-01	2	24.090909	1837.37	0.010365781	-0.008525931	0.000289616	0.424836491	0.013698292	-0.097661518
KCB	26-Mar-01	3	24.140625	1831.05	0.002063679	-0.003439699	0.000289616	0.424836491	0.003235373	-0.094426145
KCB	27-Mar-01	4	24.500000	1827.83	0.014886731	-0.001758554	0.000289616	0.424836491	0.015344213	-0.079081932
KCB	28-Mar-01	5	24.437500	1829.45	-0.002551020	0.000886297	0.000289616	0.424836491	-0.003217168	-0.0822991
CFC	27-May-08	-5	112.000000	5094.21	-0.026086957	-0.004871903	0.000289616	0.424836491	-0.024306811	-0.024306811
CFC	28-May-08	-4	114.000000	5101.04	0.017857143	0.001340738	0.000289616	0.424836491	0.016997932	-0.007308878
CFC	29-May-08	-3	111.000000	5090.36	-0.026315789	-0.002093691	0.000289616	0.424836491	-0.025715929	-0.033024808
CFC	30-May-08	-2	113.000000	5175.83	0.018018018	0.016790561	0.000289616	0.424836491	0.010595159	-0.022429649

CFC	2-Jun-08	-1	115.000000	5201.33	0.017699115	0.004926746	0.000289616	0.424836491	0.015316437	-0.007113211
CFC	3-Jun-08	0	116.000000	5253.53	0.008695652	0.010035895	0.000289616	0.424836491	0.004142422	-0.00297079
CFC	4-Jun-08	1	118.000000	5341.41	0.017241379	0.016727800	0.000289616	0.424836491	0.009845183	0.006874394
CFC	5-Jun-08	2	118.000000	5401.76	0.000000000	0.011298515	0.000289616	0.424836491	-0.005089638	0.001784756
CFC	6-Jun-08	3	117.000000	5477.70	-0.008474576	0.014058381	0.000289616	0.424836491	-0.014736706	-0.012951949
CFC	9-Jun-08	4	120.000000	5445.67	0.025641026	-0.005847345	0.000289616	0.424836491	0.027835575	0.014883625
CFC	10-Jun-08	5	119.000000	5334.50	-0.008333333	-0.020414384	0.000289616	0.424836491	4.98259E-05	0.014933451
SCBK	20-Apr-10	-5	189.000000	4109.86	0.005319149	0.003491586	0.000289616	0.424836491	0.00354618	0.00354618
SCBK	21-Apr-10	-4	189.000000	4148.09	0.000000000	0.009302020	0.000289616	0.424836491	-0.004241454	-0.000695274
SCBK	22-Apr-10	-3	190.000000	4181.41	0.005291005	0.008032613	0.000289616	0.424836491	0.001588842	0.000893568
SCBK	23-Apr-10	-2	192.000000	4226.03	0.010526316	0.010671042	0.000289616	0.424836491	0.005703252	0.00659682
SCBK	26-Apr-10	-1	195.000000	4278.31	0.015625000	0.012370949	0.000289616	0.424836491	0.010079753	0.016676573
SCBK	27-Apr-10	0	195.000000	4289.85	0.000000000	0.002697327	0.000289616	0.424836491	-0.001435539	0.015241035
SCBK	28-Apr-10	1	198.000000	4280.80	0.015384615	-0.002109631	0.000289616	0.424836491	0.015991247	0.031232282
SCBK	29-Apr-10	2	198.000000	4270.87	0.000000000	-0.002319660	0.000289616	0.424836491	0.00069586	0.031928142
SCBK	30-Apr-10	3	199.000000	4233.24	0.005050505	-0.008810851	0.000289616	0.424836491	0.00850406	0.040432202
SCBK	3-May-10	4	196.000000	4217.18	-0.015075377	-0.003793784	0.000289616	0.424836491	-0.013753255	0.026678947
SCBK	4-May-10	5	197.000000	4205.54	0.005102041	-0.002760138	0.000289616	0.424836491	0.005985032	0.032663979