Mergers and Acquisitions

"AFIBL Merged With FBL, 2002."

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EXECUTIVE SUMMARY

Mergers and acquisitions are not a new phenomena; it has been in practice since the dawn of business. A merger is a combination of two or more firms in which only one firm survives as a legal entity. Mergers have been categorized in four groups, horizontal, vertical, congeneric and conglomerate. The result of such fusions can be defined as synergy, where the performance of the combined firm surpasses that of its previously separate entities. The merger between Al- Faysal Investment bank and Faysal Bank was congeneric in nature. It took place due to the wishes of the parent company (Shamil Bank of Bahrain) and the main motive behind the merger was economies of scale. The merger occurred with a share swap.

The study conducted was descriptive in nature and the research instruments used to carry out the research were questionnaires, informal interviews, printed paraphernalia such as newspaper articles, books, business journals and annual reports of FBL. Informal interviews were conducted with the employees of the bank and the questionnaires were distributed to the customers to gauge their reactions towards the merger.

FBL's financial position has become stronger due to the merger. This is reflected in their share prices, which on 31st December 2001 was at Rs.7.95, and after the amalgamation it has increased to Rs.12. FBL has benefited monetarily from the merger, another advantage for FBL has been the customer satisfaction of the services being offered by the post merger bank.

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