



BOSNIA AND HERZEGOVINA
Council of Competition

Number: 01-03-26-006-12-II/06
Sarajevo, 22 September 2006

Pursuant to Article 25, paragraph (1), item e), Article 42, paragraph (1), item d), in connection with Articles 12, 14, 16, 17 and 18 and pursuant to Article 24, paragraph (2) of the Act on Competition («Official Gazette of BiH», No.48/05) and upon the Notification on intended concentration between Privredna banka Zagreb, d.d., headquartered in Zagreb, Račkog 6, Republic of Croatia and LT Gospodarska banka d.d., headquartered in Sarajevo, Ferhadija 11, Bosnia and Herzegovina, received under the registered No. 01-26-006-II/06, dated on 02 June 2006, the Council of Competition on its 33rd session held on 22 September 2006 has adopted

DECISION

1. The concentration, that will be achieved in the banking and finance services market by acquisition of majority shares in LT Gospodarska banka d.d., headquartered in Sarajevo, Ferhadija 11, Bosnia and Herzegovina by Privredna banka Zagreb, d.d., headquartered in Zagreb, Račkog 6, Republic of Croatia, is assessed compatible.
2. The concentration relating to item 1 of this Decision is to be recorded at the Registry on concentrations.
3. Due to the fact that the Notification on intended concentration was not submitted within the legally determined time period, a fine is imposed to Privredna banka Zagreb in amount of (...)**¹% of the aggregate annual income according to the final account in 2005 (the year preceding the concentration), which corresponds to a sum of 75.000,00 KM, which is to be obligatory paid by Privredna banka Zagreb within 8 (eight days) starting from the day of receipt of this Decision.
4. This Decision is final and it shall be published in Official Gazette of BiH and in official gazettes of Entities and Brčko District.

Exposition

Privredna banka Zagreb, headquartered in Zagreb, Račkog 6, Republic of Croatia (hereinafter: the Applicant or PBZ) submitted to the Council of Competition a Notification on intended concentration by which PBZ intended to become a majority owner of LT Gospodarska banka d.d., headquartered in Sarajevo, Ferhadija 11, Bosnia and Herzegovina (hereinafter: the LTG banka), through the purchase of its stocks.

The Notification on intended concentration resulted from an obligation stipulated in Article 14, paragraph (1), item a) of the Act on Competition (hereinafter: the Act) because the aggregate annual income of the parties to the concentration earned through the provision of banking services in the worldwide market was over 100.000.000,00 KM, according to final

¹ The data in whole text of the Decision marked as (...)** denote a business secret

account in the year preceding the concentration. The Applicant was obliged to notify the concentration to the Council of Competition because the parties to the concentration earned the following consolidated income on 31 December 2005:

Table 1

Consolidated income (KM)	PBZ banka	LTG banka
Worldwide	(..)**	-
Bosnia and Herzegovina	-	(..)**

The Notification on intended concentration submitted to the Council of Competition on 02 June 2006 was not complete, pursuant to Article 31 of the Act, so the Applicant submitted supplements on 28 July 2006, 11 August 2006, and on 17 August 2006.

The Council of Competition, submitted on 11 September 2006 to the Applicant an Acknowledgement on receipt of the complete and adequate Notification No. 01-03-26-006-10-II/06, pursuant to Article 30, paragraph (1), item a) and b) of the Act.

During the assessment of the Notification on intended concentration, the following facts are established:

Legal basis for the concentration

Legal basis for the Notification on intended concentration is acquisition of majority stocks by means of Framework Agreements on sale of stocks between four sellers, who are majority shareholders in LTG banka and PBZ, as follows:

- 1) The Framework Agreement on sale of (...)** of LTG banka, that is (...)***% of total number of ordinary stocks of LTG banka, concluded on 9 February 2006 with a seller -an economic association Metković d.o.o. , MBS 4281003370007, headquartered in Livno, Splitska mn, Bosnia and Herzegovina.
- 2) Framework Agreement on sale of (...)** of stocks, that is (...)***% of total number of ordinary stocks of LTG banka, concluded on 29 March 2006, with a seller Hrvatska zajednica Herceg –Bosna (Croatian community Herceg- Bosna), headquartered in Mostar, Kneza Domagoja, Bosnia and Herzegovina, registered in the Registry of Citizens association of Federal Ministry of Justice, Sarajevo.
- 3) Framework Agreement on sale of (...)** of stocks, that is (...)***% of total number of ordinary stocks of LTG banka, concluded on 29 March 2006, with Franjevački provincijalat Bosne Srebrenе(Franciscan Province of Bosna Srebrena),a seller, headquartered in Sarajevo, M.Busuladžić 6, Bosnia and Herzegovina.
- 4) Framework Agreement on sale of (...)** of stocks, that is (...)***% of total number of ordinary stocks of LTG banka, concluded on 4 April 2006, with Mr. (...)**.

Total number of stocks which are intended to be acquired by PBZ through purchase from the afore said sellers is (...)***% of the total number of ordinary stocks of LTG banka with a voting right.

The participants to the concentration and their relevant attributes

The parties to the concentration are Privredna banka Zagreb d.d., Račkog 6, Republic of Croatia and LT Gospodarska banka d.d., Sarajevo, Ferhadija 11, Bosnia and Herzegovina.

Privredna banka Zagreb d.d., Zagreb, MBS 080002817 is registered at Commercial Court in Zagreb. It is subordinate to and controlled by Intesa Holding International S.A. Luxemburg, 19-21 Boulevard du Prince Henri, who is the owner of (...) **% of its shares capital.

Intesa Holding International S.A. Luxemburg, is a subsidiary association of Banca Intesa S.p.A. Banca Intesa S.p.A is the biggest bank in Italy and one of the biggest banks in Europe with the assets value of (...) **KM, (...) ** EURO on 31 December 2005.

Shares capital of PBZ amounts (...) **KM, (...) ** EURO and it presents one of the biggest banks in Republic of Croatia. Total assets value of PBZ on 31 December 2005 amounted (...) **KM, (...) ** EURO.

PBZ is not direct owner of stocks or any economic association in Bosnia and Herzegovina, but indirectly it is, through the economic association PBZ CARDS d.o.o. Zagreb, which is (...) **% owned by PBZ, the owner of (...) **% of shares in association Centurion finansijske usluge (financial services) d.o.o. Sarajevo. The main activity of the undertaking Centurion finansijske usluge d.o.o. Sarajevo (registered on 19 August 2005, under registration No. UF/I-1251/05) is performing of the intermediary services between traders (the suppliers of products and services with whom they have concluded agreement on acceptance of American Express cards) and users of American Express card. According to the data of the Notification, the shares of American Express card is insignificant and it is 0, 1 of the total number of issued cards in Bosnia and Herzegovina.

It is stated in the Notification in question, that Intesa Holding International S.A., Luxemburg is a majority owner of UPI banka d.d. Sarajevo, Obala Kulina Bana 9a(Decision of the Municipal Court in Sarajevo, No. UF/I-1487/05) with ownership shares of (...) **% (the Council of Competition has started an ex-officio procedure on assessment of the concentration between Intesa Holding International S.A and UPI banka d.d. Saarjevo, on 21 June 2006).

LTG banka, headquartered in Sarajevo, Ferhadija 11, is registered in the Cantonal Court in Sarajevo in 2003 (the court registry, No. 1-24039); it is created by merging Gospodarska banka Sarajevo and LT Komercijalna banka Livno. LTG banka is registered for performing banking activities and it is oriented to business activity in universal banking segment.

The shares capital of LTG banka amounts (...) **KM. Total market shares of LTG banka, on 31 December 2005 in total banking assets of Bosnia and Herzegovina were:

Table 2

	(000 KM)			Market shares of LTG banka in total banking assets (%)	
	BH	F BH	LTG banka	BH	F BH
Total credits	7.546.000,00	5.545.100,00	88.100,00	1,17	1,59
Total deposits	8.788.000,00	6.864.100,00	108.200,00	1,23	1,57
Total assets	16.334.000,00	12.409.100,00	196.300,00	1,20	1,58

The banking services for civilians (retail banking) comprises of deposits and accounts (current accounts, savings accounts, money deposits, checks, etc), money transactions services, issuing payment cards, transfer of credits, direct loans, credits (for natural entities, consumer credits, mortgage credits, and similar), common funds, pension funds, etc.

The structure of the market shares of LTG banka in the retail banking, on 31 December 2005 in Bosnia and Herzegovina, amounted:

Table 3

	(000 KM)			Market shares of LTG banka in the whole structure of retail banking (%)	
	BH	F BH	LTG banka	BH	F BH
Total credits	3.442.000,00	2.784.053,00	47.768,00	1,39	1,72
Total deposits	3.252.000,00	2.717.081,00	65.630,00	2,02	2,41

Corporative banking comprises wide spectrum of banking services offered generally to clients. This group of services includes deposits, credits, money transactions, credit letters, international payments, etc.

The structure of the market shares of LTG banka in the corporative banking, on 31 December 2005 in Bosnia and Herzegovina, amounted:

Table 4

	(000 KM)			Market shares of LTG banka in total structure of the corporative banking (%)	
	BiH	F BiH	LTG Banka	BiH	F BiH
Total credits	4.104.000,00	2.761.024,00	40.325,00	0,98	1,46
Total deposits	5.536.000,00	4.146.967,00	42.548,00	0,77	1,03

The Council of Competition, in the course of the relevant market analysis, appraises the concentration concerned through determination of the relevant market structure and market shares of the parties to the concentration in the relevant market.

Relevant market comprises of all particular products or services which are the subject to business activity of the Applicant in the particular geographic market.

Relevant market of services in the case in question is defined as a universal banking market, which includes the providing of retail and corporative banking services in the territory of Bosnia and Herzegovina.

Relevant market in geographic sense is whole territory of Bosnia and Herzegovina because all parties to the concentration concerned operate in the whole territory of Bosnia and Herzegovina (Table 5.)

Subsequently, a relevant market of the concentration concerned comprises of providing services in the universal banking segment in the whole territory of Bosnia and Herzegovina.

In the analysis of the relevant market of the parties to the concentration concerned, that is to say, in the analysis and in estimation of the market shares, the data of the Banking Agency of FBH and RS and of the Notification were used.

Business network of LTG banka on 31 December 2005 in Bosnia and Herzegovina was:

Table 5

Business network	Markets		LTG banka		Market shares of LTG banka (%)	
	BH	F BH	F BH	RS	BH	F BH
Number of branch offices and branches	850	490	25	1	3,06	5,10

LTG banka does not perform leasing activities so it does not have shares in those business activities in the market of Bosnia and Herzegovina.

UPI banka is connected with the parties to the concentration through Intesa Holding International S.A., Luxemburg, that is Banca Intesa S.p.A. and due to that reason the market shares of UPI banka are taken into account in the analysis of the market shares structure in the relevant market of universal banking in Bosnia and Herzegovina in 2005.

The market share of UPI banka on 31 December 2005 in Bosnia and Herzegovina was:

Table 6

	(mil. KM)			Market shares of UPI banka in total banking assets (%)	
	BH	F BH	UPI banka	BH	F BH
Total credits	7.546,4	6.032,4	213,2	2,83	3,53
Total deposits	6.894,5	5.581,5	353,8	5,13	6,34
Total assets	11.878,6	9.645,6	439,8	3,70	4,56

The joint market shares of Grupa Intesa in assets of Bosnia and Herzegovina after implementation of concentration will be 4,87% (LTG Banka 1,17% and UPI Banka 3,70%), in FBH 6,15% (LTG Banka 1,59% and UPI Banka 4,56%).

Assessment of the concentration

In assessment and analysis of all established data and facts, individually or correlatively, during the decision making procedure, the Council of Competition ascertained that the intended concentration of the undertakings in question should not prevent, restrict or distort the market competition in the relevant market but that it should strengthen market competition in the field of the provision of banking services in Bosnia and Herzegovina. Due to that reason, the Council of Competition assessed the concentration concerned compatible, pursuant to Article 18, paragraph (2) of the act and it decided as stated in the enacted terms of this Decision.

Subsequently, during the decision making procedure, the Council of Competition had in mind particularly that the existing market shares of the parties to the concentration in the relevant market of banking services would not be increased as result of the intended concentration (shown in the Tables 2., 3. and 4.) and according to this, there was no dominant position which would result in distortion of the market competition in Bosnia and Herzegovina pursuant to the Act on Competition.

Fine penalty

The Council of Competition imposed to the Applicant a fine as it is stated in enacting terms of the Decision, pursuant to Article 49, paragraph (1), item b) of the Act, in connection with Article 16, paragraph (1) of the Act.

Namely, the Applicant concluded four draft agreements with stockholders of LTG banka: Draft sale agreement of (...)** of stock of LTG banka, (...)***% of total number of ordinary stocks of LTG banka on 9 February 2006, Draft sale agreement of (...)** of stock, (...)***% on 29 March 2006, Draft sale agreement of (...)** of stock, (...)***% on 29 March 2006 and Draft sale agreement of (...)** of stock, (...)***% on 4 April 2006.

The Applicant acquired over (...)***% of total number of stocks of LTG banka by conclusion of the first Draft agreement (on 9 February 2006); pursuant to Article 12, paragraph (1) of the Act and in accordance with provision of Article 16 (1) of the Act on Competition the Applicant was obliged to submit a Notification on intended concentration to the Council of Competition in eight days, starting on the day of the conclusion of that Draft agreement, but it failed to do it. After that, the Applicant concluded three more Draft agreements on purchase of stocks of

LTG banka, which was finalized on 4 April 2006, and it submitted the notification on intended concentration to the Council of Competition on 2 June 2006.

In the event of failure of the undertaking to submit a notification, pursuant to Article 49, paragraph (1), item b) of the Act, the Council of Competition may impose a fine on that undertaking which does not exceed 1% of the total annual income realized in the year preceding the year when the abuse of the Act happens, pursuant to Article 16 of the Act.

Consequently, the Council of Competition imposed a fine as it is stated in the enacting terms of this Decision.

The Council of Competition has imposed a fine having in mind that the punishment of the Applicant for failure to submit a Notification within the legally determined time period, is not the primary aim but that the imposed fine serves as a warning to the Applicant on obligatory application of the Act on Competition. Besides, the Council of Competition has considered a fact that the Applicant acts in a country of developed competition practice where the same sanctions are applied for the same violation of the competition.

Administration tariffs

On this Decision the Applicant, pursuant to the Article 2, paragraph (1), tariff number 107, item d) 1) of the Regulation on administration taxes relating to the practices before the Council of Competition («Official Gazette of BIH», No. 30/06), is obliged to pay administration tariff of 2.500,00 KM for the benefit of the budget of Institutions of Bosnia and Herzegovina

LEGAL REMEDY

This Decision is final and no appeal is allowed against it. Unsatisfied party shall be entitled to bring an administrative dispute before the Court of Bosnia and Herzegovina within thirty days (30 days) from the date of acceptance of this Decision, i.e. from the date of its publication in «Official Gazette of BIH».

President

Gordan Raspudić