

**BOSNA I HERCEGOVINA**

*Konkurencijsko vijeće*



**БОСНА И ХЕРЦЕГОВИНА**

*Конкуренијски савјет*

**BOSNIA AND HERZEGOVINA**

*Council of Competition*

No.: 01-1-26-360-39/06

Sarajevo, 14 July 2006

On the basis of Article 25, paragraph (1), item e), Article 42, paragraph (1), item d) and Article 43, paragraph (2) in relation to Articles 12,14,15,16 and 18 of the Act on Competition ("Official Gazette of BiH", No. 48/05) and Article 193, paragraph (2) of the Law on Administrative Procedure ("Official Gazette of BiH", No. 29/02) and upon a Notification of intended concentration of the undertaking UniCredito Italiano S.p.A., headquartered in Milan, Piazza Cordusio, Republic of Italia and undertaking Bayerische Hypo-und-Vereinsbank AG, headquartered in Munich, Kardinal-Faulhaber-Str.1, Federal Republic of Germany with registration number 01-05-26-377/05, dated on 29 August 2005, the Council Of Competition in its 31<sup>st</sup> session held on 14 July 2006 adopted the following

#### **DECISION**

The concentration, acquired in the market of the banking and financial services of Bosnia and Herzegovina as result of a merger between undertaking Bayerische Hypo-und-Vereinsbank AG, headquartered in Munich, Kardinal-Faulhaber-Str.1, Federal Republic of Germany and UniCredito Italiano S.p.A., headquartered in Milan, Piazza Cordusio, Republic of Italia, is assessed as compatible.

This Decision is final and it has to be registered in the Registry of concentrations.

This Decision will be published in the "Official Gazette of BH" and in official gazettes of the Entities and Brcko District of Bosnia and Herzegovina.

#### **EXPOSITION**

UniCredito Italiano S.p.A., headquartered in Milan, Piazza Cordusio, Republic of Italia represented on the basis of the authorisation by a lawyer Branko Marić, Mehmeda Spahe 24,Sarajevo (hereinafter: Applicant) submitted to the Council of Competition a Notification of intended concentration by which the UniCredito Italiano S.p.A.(hereinafter: UCI) intends to acquire control over the Bayerische Hypo-und-Vereinsbank AG, headquartered in Munich, Kardinal-Faulhaber-Str.1, Federal Republic of Germany (hereinafter: HVB).

The Notification of intended concentration submitted to the Council of Competition on 29August 2005 pursuant to Article 16, paragraph (1) of the Act on Competition (hereinafter: the Act) was incomplete within the meaning of Article 31 of the Act. The Applicant completed it on 30 September 2005, 24 October 2005, 25 October 2005, 24 October 2005, and 09 November 2005, on 22 December 2005, on 18 January 2006 and on 25 January 2005.

The Council of Competition delivered to the Applicant on 30 January 2006 a receipt of the complete and accurate notification (number: 01-5-50-360-14-1/06) within the meaning of Article 30, paragraph (1), items a) and b) of the Act.

On the basis of the submitted documentation by the Applicant the Council of Competition

carried out the preliminary analyses and assessed that the intended concentration should result in distortion of the freedom of the market competition in the market of banking and financial services of Bosnia and Herzegovina -in its significant part and due to that fact it passed a Conclusion on initiation of the proceedings on 14 February 2006 (Number: 01-05-50-360-19/06).

In the procedure of the assessment of the intended concentration the following facts are established:

### ***1. Legal base and type of the concentration***

The legal base of the Notification of the intended concentration is the Merger Agreement concluded between undertakings UCI and HVB on 12 June 2005 with the view to merging their banking operations.

The legal form of the concentration is the acquisition of the control by the undertaking UCI over the undertaking HVB and majority share in the legal capital with the view to acquiring the control over the whole HVB association, pursuant to Article 12 of the Act.

The Notification of the intended concentration in 2005 is submitted for assessment to the competent body for competition of the European Union and to competent bodies of Ukraine, Russia, Bulgaria and Republic of Croatia. The competent bodies of the European Union and all bodies of the above mentioned countries, apart from Republic of Croatia, assessed that there were no serious negative effects and on the basis of that assessment they gave a positive opinion about the implementation of intended concentration.

The European Commission adopted on 18 October 2005 a Decision (SG-Greffe-2005-D/205803) where the intended concentration was assessed as compatible in the European Union countries and thereby the UCI acquired direct control over the undertaking HVB and indirect control over the subsidiary associations controlled by HVB in the European Union countries.

Implementation of the concentration in Bosnia and Herzegovina will lead to the indirect change of control over the HVB Central Profit Bank and over the other subsidiary associations of the HVB operating in Bosnia and Herzegovina, and it will make an economic unity of the UniCredit Zagrebačka Banka and HVB Central Profit Bank and their connected legal persons and subsidiary association.

### ***2. The Parties to the Concentration***

#### ***2.1. The Parties to the Concentration in the World Market***

UCI is an international and universal bank, Piazza Cordusio, 20123, Milan, Republic of Italia, registered in the commercial registry in Geneva, Number 00348170101, and it provides a wide spectrum of the banking and financial services. The majority shares of the aggregate income it realises in Italy (80%), 15% of the income it realises in Central Europe and 5% in the Eastern Europe. The Bank is rated in the stock exchange Mercato Telematico Azionario in Milan, Republic of Italia.

HVB is an international and universal bank, registered in the registry in Kardinal-Faulhaber Str. 1, 80333 Munich, Federal Republic of Germany and it provides a wide spectrum of the banking and financial services. In the structure of the aggregate income of the association about 60 % is realised in Federal Republic of Germany, 25% of the aggregate income is realised by the subsidiary associations of the Bank Austria Creditanstalt AG in Republic of Austria and the rest 15% of the income is realised in the countries of the Central and Eastern

Europe. Bank is rated in the stock exchange in Frankfurt, Munich, Berlin, Bremen, Düsseldorf, Hamburg, Hanover, Stuttgart in Federal Republic of Germany and in Zurich, Vienna and Paris.

The aggregate annual income of the parties to the concentration (undertakings UCI and HVB) in the world market in the year preceding the concentration concerned (on 31 December 2004) amounts:

	UCI		HVB	
	EUR(mil)	KM (mil)	EUR(mil)	KM (mil)
World	(...)*	(...)*	(...)*	(...)*

## ***2.2. The parties to the Concentration in the Market of Bosnia and Herzegovina***

The merger of the undertakings HVB and UCI constitutes the extraterritorial concentration which has significant effects and outcomes on the banking and financial market of Bosnia and Herzegovina. The influence of the concentration in question on the banking and financial market of Bosnia and Herzegovina is realised through the subsidiary associations of the mentioned banks: UniCredit Zagrebacka Banka d.d.-Mostar (hereinafter: UniCredit Zagrebacka Banka), UPI Poslovni sistemi d.d.-Sarajevo (hereinafter: UPI Poslovni sistemi) and Zane BH d.o.o.-Sarajevo (hereinafter: Zane BH), HVB Central Profit Bank d.d.-Sarajevo (hereinafter: HVB Central Profit Bank), HVB Leasing CPB d.o.o.-Sarajevo (hereinafter: HVB Leasing), BACA Leasing Nekretnine (Properties) d.o.o.-Banja Luka (hereinafter: BACA Leasing Nekretnine), Bank Austria Creditanstalt Leasing-Sarajevo (hereinafter: Bank Austria Creditanstalt Leasing) and Nova Banjalucka Banka-Banja Luka (hereinafter: Nova Banjalucka Banka) and through other subsidiary associations and legal persons connected to them.

The aggregate annual income of the parties to the concentration, the above mentioned subsidiary associations in Bosnia and Herzegovina, in the year preceding the concentration on 31 December 2004 amounts:

	UniCredit Zagrebacka Banka		HVB Central Profit Bank	
	EUR(mil)	KM (mil)	EUR(mil)	KM (mil)
Bosnia and Herzegovina	(...)*	(...)*	(...)*	(...)*

Considering the shown data (in the world market and in the market of Bosnia and Herzegovina), the Council of Competition ascertains that the concentration concerned is obliged to be notified because the undertakings- parties to the concentration have met a condition relating to the aggregate income in the product market and/or services market of Bosnia and Herzegovina in the year preceding the concentration concerned, in a view of Article 14 of the Act.

UniCredit Zagrebacka Banka, registered No. 1-3251 in the Cantonal court Mostar, is subsidiary association directly owned by the undertaking UCI with a share of 4, 69% and it is under the indirect control of the undertaking Zagrebacka bank d.d., Zagreb which has a share of 93,98%. Zagrebacka bank d.d., Zagreb is under the direct control of the undertaking UCI which has a share of 81,91%.

UPI Poslovni sistemi, registered No. 1-6508 in the Cantonal court Sarajevo, is an association of the Group Zagrebacka Banka and it mainly operates with the immovable property used by the undertaking UniCredit Zagrebacka Banka.

Zane BH, registered no. 1-23290 in the Cantonal court Sarajevo, is a subsidiary association

totally owned by Zane d.o.o. Zagreb which is a subsidiary association totally owned by the undertaking Zagrebacka bank d.d., Zagreb. Zane BH is active through its offices in Sarajevo and Mostar providing the services in the property sector (sale and valuation of the property and consulting services in the property development field).

HVB Central Profit Bank, registered No. 1-1046 in the Cantonal court Sarajevo, is in the direct control of the Bank Austria Creditanstalt AG (hereinafter: BA-CA), which has a share of 80,71% and voting rights in the undertaking HVB Central Profit Bank. BA-CA is Shareholders Company registered in the Registry of associations in Ministry of Justice of Republic of Austria. BA-CA is under the direct control of HVB which holds 77,5% of the share in the BA-CA.

HVB Leasing, registered no. 1-24903 in the Cantonal court Sarajevo is under the direct control of the Bank Austria Creditanstalt Leasing which is directly controlled by the subsidiary association HVB, BA-CA. HVB Leasing provides the leasing services and it has no branches.

BA-CA Leasing Nekretnine, an association registered no. 1-15054-00 in the Cantonal court Sarajevo, is directly controlled by the Bank Austria Creditanstalt, which is directly controlled by the subsidiary association HVB, BA-CA. BACA Leasing Nekretnine is established in 2005; it provides the leasing services and has no branches.

Bank Austria Creditanstalt Leasing is directly controlled by the subsidiary association HVB BA-CA which has 100% of share and voting rights in the Bank Austria Creditanstalt Leasing. Bank Austria Creditanstalt Leasing is not established in Bosnia and Herzegovina but it operates through its branch which provides mainly the services of international leasing.

UniCredit Zagrebačka Banka and HVB Central Profit Banka are authorised to provide banking and financial services pursuant to the law on banking and other regulations of Bosnia and Herzegovina.

The Council of Competition issues a Decision on 27 December 2005 (Number 01-01-26-497-4/05) in which the concentration is assessed as compatible and thereby approves the acquisition of control of the undertaking Nova Banjalučka Banka, Marije Bursać 7, Banja Luka (hereinafter: Nova Banjalučka Banka) by the undertaking Bank Austria Creditanstalt AG, Vordere Zollamtsstrasse 13, Vienna, Republic of Austria which has become a majority share holder of Nova Banjalucka Banka.

Nova Banjalučka Banka is a commercial bank which operates in the banking and financing services market in Bosnia and Herzegovina through the network of the branches in all bigger towns of Republic of Srpska and through few branches in Federation of Bosnia and Herzegovina, pursuant to the law on banking and other regulations of Bosnia and Herzegovina.

In view of the Decision Nova Banjalučka Banka is connected with the parties to the concentration, that means that it is connected with the undertaking HVB and due to that reason the market share of Nova Banjalučka Banka is included in the analysis of the market share structure of the universal banking relevant market in Bosnia and Herzegovina.

### ***2.3. Associations connected with the parties to the concentration in Bosnia and Herzegovina***

The Applicant cited the following associations connected directly or indirectly with the BA-CA in Bosnia and Herzegovina:

- Bosna Reosiguranje (Bosnia Reinsurance) d.d., Zelenih beretki 24, Sarajevo (...)\*\*;

- Bamcard d.d. Sarajevo, Trg heroja 10, Sarajevo (...)\*\*;
- Nova Banjalučka Banka AD ,Marije Bursać 7, Banja Luka (...)\*\*;
- BLB Export Import d.o.o., Marije Bursać 7, Banja Luka (...)\*\*;
- Društvo za upravljanje privatizacijskim investicionim fondovima (The Association for the privatization and investment funds management), Marije Bursać 7, Banja Luka (...)\*\*;
- Banjalučka burza vrijednosnih papira a.d. (Banjaluka stock market of securities) , Petra Kočića bb, Banja Luka (...)\*\*;
- Central Register of Securities, Bana Milosavljevića 4, Banja Luka (...)\*\*.

Shares owns by Nova Banjalučka Banka in the associations of Bosnia and Herzegovina:

- BLB Mangement-Invest a.d. Banja Luka (...)\*\*;
- BLB Export-Import d.o.o Banja Luka (...)\*\*;
- PIF BLB Profit a.d. Banja Luka (...) \*\*.

### **3. Assessment of the Concentration**

#### **3.1. Analysis of the relevant market**

The Council of Competition, in its analysis of the relevant market by means of determination of the relevant market structure, assessed the compatibility of the concentration which implied the determination of the market shares of the parties to the concentration and determination of the relevant market concentration.

Since the parties to the concentration concerned operate at the same level of the relevant market in Bosnia and Herzegovina, the Council of Competition estimates that the concentration concerned falls under the horizontal concentration.

In Article 3 of the Act and Articles 4, 5 and 6 of the Regulation on the Definition of a Relevant Market (“Official Gazette of BIH”, No. 18/06), the relevant market is defined as a market of the particular products/services which are a subject of business operations of the undertakings in the geographic relevant market.

In the analysis of the relevant market of the parties to the concentration concerned and in the analysis and estimations of the market shares, the Council of Competition used the data provided by the Agency for Banking of Federation of Bosnia and Herzegovina, Agency for Banking of Republic of Srpska, its own data and the analysis and data provided in the Notification of the intended concentration.

The Council of Competition finds out that the relevant market of services of the concentration concerned is comprised of more segments as result of wide range of the business operations performed by UCI Zagrebačka Banka and HVB Central Profit Bank in the banking-financial market and realized through the subsidiary associations connected with those banks. Considering that, the relevant market of services for the concentration concerned is defined as a market of the universal banking and leasing market. The analysis of the universal banking implies the determination of the market shares on a basis of assets, retail banking (deposits and credits) and corporative banking services (deposits and credits).

The Council of Competition defines the whole territory of Bosnia and Herzegovina as the relevant geographic market for this concentration, considering the spread of their business network, branches (table7), realization of profits and their importance to whole banking sector. In the light of all set out above, the Council of Competition defines that the relevant market for the concentration concerned is universal banking market and leasing market.

### 3.1.1. Market Share of the Parties to the Concentration on a basis of Assets

Individual market shares of the parties to the concentration and their main competitors based on figures of assets in Bosnia and Herzegovina are determined on 31 December 2004 (Table 1) and on 31 December 2005 (Table 2):

Table 1.

	Name of the bank	Bosnia and Herzegovina-assets
1.	Raiffeisen bank	22,0%
2.	Hypo Alpe-Adria Bank-Mostar	14,1%
3.	UniCredit Zagrebačka Banka	14,0%
4.	HVB Central Profit Bank	8,0%
5.	UPI Banka	4,1%
6.	Volksbank	3,3%
7.	CSB Banka	2,8%
8.	Other banks	31,6%
	Total-joint share of the parties to the concentration (3+4)	22,0%

Table 2.

31 December 2005 Name of the bank*	Bosnia and Herzegovina		Federation of BH		Republic of Srpska	
	Amount KM	%	Amount KM	%	Amount KM	%
Total Amount	(...)**	1,00,0%	(...)**	100,0%	(...)**	100,0%
1. Raiffeisen bank	(...)**	21,15%	(...)**	26,6%	(...)**	0,0%
2. UniCredit Zagrebačka Banka	(...)**	13,38%	(...)**	16,8%	(...)**	0,0%
3. Hypo Alpe-Adria Bank-Mostar	(...)**	11,33%	(...)**	14,3%	(...)**	0,0%
4. HVB Central Profit Bank	(...)**	9,17%	(...)**	11,5%	(...)**	0,0%
5. UPI Bank	(...)**	3,73%	(...)**	4,7%	(...)**	0,0%
6. Volksbank	(...)**	3,21%	(...)**	4,0%	(...)**	0,0%
7. Nova Banjalučka Bank	(...)**	2,28%	(...)**	0,0%	(...)**	11,54%
Total (2+4+7) joint share of the parties to the concentration	(...)**	24,83%	(...)**	28,35%	(...)**	11,54%

\*Financial records (incomes) are determined and calculated in the Entity where the bank in question is headquartered (registered) - (that refers to the financial effects- retail, corporate banking, etc. realized in the branches of other Entity).

The joint market share of the parties to the concentration on a basis of assets on Bosnia and Herzegovina level on 31 December 2004 (table 1) amounts 22,0% and on 31 December 2005 (table2) amounts 24,83% of the total assets of the banking sector of Bosnia and Herzegovina.

Raiffeisen bank has the largest market share of 21, 15% on a basis of assets in 2005 on Bosnia and Herzegovina level. According to the shown indicators of the joint market share of the parties to the concentration on a basis of assets, table 2, this concentration will ensure that the future group will take up a leading position from the undertaking Raiffeisen bank in the relevant market.

However, this concentration will not establish or enhance the dominant position of the parties to the concentration because they can not behave significantly independently from the actual competitors in the relevant market because the market shares owned by the competitors stated in the table 2 show the strong competition in that relevant market.

### 3.1.2. Retail Banking

Banking services for population (retail banking ) includes products as those are deposits and accounts (current accounts, savings accounts, deposit money and checks, etc), services of money transmission including cash machines, issuing of the credit cards of payment, transfer of credits, direct debentures, maturity of orders and checks, credits (personal credits, consumer credits, excess possibility, mortgage credits), joint funds, retirement funds and brokerage services in the market of securities, distribution of dividends, etc.

A structure of the particular market share of the parties to the concentration and main competitors in the retail banking services (private deposits and credits) on 31 December 2004 (Table 3) and on 31 December 2005 (Table 4):

Table 3.

	Name of a bank	Retail banking on 31 December 2004		
1.	Raiffeisen bankd.d.	26,3%	23,3%	24,8%
2.	<b>UniCredit Zagrebacka Banka</b>	<b>24,0%</b>	<b>16,6%</b>	<b>20,3%</b>
3.	Hypo Alpe-Adria Bank-Mostar	10,5%	11,9%	11,2%
4.	<b>HVB Central Profit Bank</b>	<b>3,1%</b>	<b>8,1%</b>	<b>5,6%</b>
5.	UPI Bank	2,2%	1,9%	2,1%
6.	Others	33,9%	38,2%	36,0%
Total (2+4) joint market share of the parties to the concentration		27,1%	24,7%	25,9%

Table 4.

000 KM		Bosnia and Herzegovina on 31 December 2005					
		Private deposits		Private credits		Average	
		Amount KM	%	Amount KM	%	Amount KM	%
	Total Amount	(...)**	100,0%	(...)**	100,0%	(...)**	100,0%
1.	Raiffeisen bankd.d.	(...)**	26,49%	(...)**	20,76%	(...)**	24,14%
2.	UniCredit Zagrebacka Banka	(...)**	21,75%	(...)**	14,77%	(...)**	18,08%
3.	Hypo Alpe-Adria Bank-Mostar	(...)**	7,49%	(...)**	11,89%	(...)**	9,95%
4.	HVB Central Profit Bank	(...)**	6,66%	(...)**	9,0%	(...)**	7,89%
5.	Volksbank	(...)**	4,55%	(...)**	5,27%	(...)**	4,93%
6.	UPI Bank	(...)**	2,32%	(...)**	2,03%	(...)**	2,17%
7.	Nova Banjalucka Banka	(...)**	2,13%	(...)**	1,40%	(...)**	1,75%
Total (2+4+7) joint market share of the parties to the concentration		(...)**	30,54%	(...)**	25,18%	(...)**	27,73%

The joint market share of the parties to the concentration in the retail banking on Bosnia and Herzegovina level on 31 December 2004 was 27, 1% within the area of private deposits and 24, 7% within the area of private credits; the joint market share on 31 December 2005 (table 4) was 30, 54% within the area of private deposits, 25, 18% within the area of private credits and average market share was 27, 73% of the total retail banking in Bosnia and Herzegovina.

Pursuant to the table 4, the largest market share (average) in the retail banking on Bosnia and Herzegovina level in 2005 had the Raiffeisen Bank with the shares of 23, 47%.

After the implementation of the concentration, according to the shown indicators of the joint

market share of the parties to the concentration in the retail banking, this concentration will ensure that the future group will take up a leading position from the undertaking Raiffeisen bank in the retail banking relevant market.

However, this concentration will not establish or enhance the dominant position to the parties to the concentration because they can not behave significantly independently from actual competitors in the relevant market because the market shares of the competitors stated in the table 2 show the strong competition in that relevant market.

### 3.1.3. Banking corporative services

A banking corporative service includes a wide area of banking services which are provided generally to corporative clients. This group of services includes deposits, credits, money transmissions, letter of credits, international paying, etc.

The structure of the market share of the parties to the concentration and their main competitors in the banking corporative service market (deposits and credits) on 31 December 2004 (table 5) and on 31 December 2005 (table 6):

Table 5.

	Name of a bank	Retail banking on 31 December 2004		
		Corporative deposits	Corporative credits	Average
1.	Raiffeisen bankd.d.	21,0%	17,7%	19,35%
2.	UniCredit Zagrebacka Banka	12,1%	12,1%	12,1%
3.	Hypo Alpe-Adria Bank-Mostar	8,3%	15,0%	11,65%
4.	HVB Central Profit Bank	11,9%	5,1%	8,5%
5.	UPI Bank	8,0%	4,9%	6,45%
6.	Others	38,7%	45,2%	41,95%
Total (2+4) joint market share of the parties to the concentration		23,0%	17,2%	20,6%

Table 6.

000 KM		Bosnia and Herzegovina on 31 December 2005					
		Corporative deposits		Corporative Credits		Total/Average	
		Amount KM	%	Amount KM	%	Amount KM	%
No.	Total Amount	(...)**	100,0%	(...)**	100,0%	(...)**	100,0%
1.	Hypo Alpe-Adria Bank-Mostar	(...)**	20,51%	(...)**	16,75%	(...)**	18,95%
2.	Raiffeisen Bank	(...)**	16,55%	(...)**	18,72%	(...)**	17,63%
3.	HVB Central Profit Bank	(...)**	15,03%	(...)**	8,63%	(...)**	12,29%
4.	UniCredit Zagrebacka Banka	(...)**	10,85%	(...)**	9,84%	(...)**	10,42%
5.	UPI Bank	(...)**	6,11%	(...)**	4,56%	(...)**	5,44%
5.	Volksbank	(...)**	1,54%	(...)**	1,68%	(...)**	1,96%
6.	Nova Banjalucka Banka	(...)**	1,37%	(...)**	2,76%	(...)**	1,97%
Total (2+4+7) joint market share of the parties to the concentration		(...)**	27,25%	(...)**	21,23%	(...)**	24,67%

The joint market share of the parties to the concentration on Bosnia and Herzegovina level on 31 December 2004 was 23, 0% within the area of corporative deposits and 17, 2% within the area of corporative credits; the joint market share on 31 December 2005 (table 6) was 27, 25% within the area of corporative deposits and 21, 23% within the area corporative credits, and average market share was 24, 67% of the total corporative banking services (deposits, credits) in Bosnia and Herzegovina.



Pursuant to the table 6 , the largest market share ( the average) in the retail banking on Bosnia and Herzegovina level in 2005 was realized by Hypo Alpe-Adria Bank-Mostar with the shares of 18,63 % and Raiffeisen Bank with the share of 17,43%.

After the implementation of the concentration, according to the shown indicators of the joint market share of the parties to the concentration, the concentration concerned will ensure that the future group will take up a leading position in the relevant market of banking corporative service.

### 3.1.3.1. Business network

A structure of the branches of the parties to the concentration and spreading rate in the territory of Bosnian and Herzegovina (table 7) on 31 December 2005 was:

Name of the bank	Bosnia and Herzegovina		Federation of Bosnia and Herzegovina		Republic of Srpska	
	Number	%	Number	%	Number	%
Total number of branches	825	100,0%	470	100,0%	355	10,0%
UniCredit Zagrebacka Banka	63	7,6%	59	12,6%	4	7,6%
HVB Central Profit Bank	35	4,2%	34	7,2%	1	4,2%
Nova Banjalucka Banka	72	8,7%	4	0,9%	63	8,7%
Joint market shares of the parties to the concentration	170	20,6%	97	20,6%	73	170

UCI Zagrebacka Banka, HVB Central Profit Banka and Nova Banjalucka Banka have 170 branches in Bosnia and Herzegovina that is 20, 6% of all branches of the registered banks in Bosnia and Herzegovina.

UniCredit Zagrebacka Banka practices about 6% of all activities within the retail banking sector and about 2% of all activities within the sector of banking corporative service in Republic of Srpska ; HVB Central Profit Banka practices about 3% of activities within retail banking sector and about 1% activities within the banking corporative service sector of Republic Srpska. Nova Banjalucka Banka practices about 2% of activities within the retail banking sector and about 2, 1% of activities within the sector of banking corporative service in Federation of Bosnia and Herzegovina.

### 3.1.4. The Market Share within the leasing service in Bosnia and Herzegovina

The subsidiary associations of the undertaking UCI were not dealing with the leasing service in Bosnia and Herzegovina in 2005 and undertaking HVB, BA-CA Leasing was established in the end of 2005.

The market shares of the parties to the concentration within the leasing service on Bosnia and Herzegovina level on 30 September 2005 (table 8) were insignificant and accounted:

Table 8.

Leasehold assets	Total in the Market		BA-CA Leasing		%
	000 EUR	000 KM	000 EUR	000 KM	
Vehicles	(...)**	(...)**	(...)**	(...)**	(...)**
Machines	(...)**	(...)**	(...)**	(...)**	(...)**
Other	(...)**	(...)**	(...)**	(...)**	(...)**
Total amount of a leasing	(...)**	(...)**	(...)**	(...)**	(...)**

### 3. Main Financial Data and Development Plans

The parties to the concentration (and subsidiary companies connected to them) in 2006 continue the expansion and rise of incomes, mainly within the retail and corporative banking operations and within the leasing operations. Strategic goals are to expand the activities in the whole territory of Bosnia and Herzegovina, to put into service new products and services, to improve quality of services and to increase efficiency aimed to be closer to end-users/clients.

Table 9.

Millions of KM	UniCredit Zagrebacka Banka	HVB Central Profit Banka	Nova Banjalicka Banka
Assets	(...)**	(...)**	(...)**
Deposits of clients	(...)**	(...)**	(...)**
Retail-civil	(...)**	(...)**	(...)**
Corporations	(...)**	(...)**	(...)**
Credits to clients (brut)	(...)**	(...)**	(...)**
Retail-civil	(...)**	(...)**	(...)**
Corporations	(...)**	(...)**	(...)**
Incomes	(...)**	(...)**	(...)**
Operative expenses	(...)**	(...)**	(...)**
Incomes before taxation	(...)**	(...)**	(...)**
Number of employees	(...)**	(...)**	(...)**

### 4. Passing on information to the third parties on the concentration in question

During the proceedings the Council of Competition requested an opinion on the concentration in question from Central Bank of Bosnia and Herzegovina, Agency for Banking of Federation of Bosnia and Herzegovina, Agency for banking of Republic of Srpska, the Bank Association in Bosnia and Herzegovina and from the direct competitors in the banking services market. The Bank Association in Bosnia and Herzegovina gave a positive opinion on the concentration concerned but the direct competitors didn't respond to the request of the Council of Competition.

### 5. Conclusion of the data analysis on the concentration

The Council of Competition analyzed the positive and negative effects of the concentration concerned in 2004-2005 in the sense of Article 17 of the Act, taking into account a structure of the relevant market, effects of the concentration to actual and potential competitors, market shares of the parties to the concentration, economic and legal barriers to entry in the universal banking market, interests of customers, etc.

Article 9 of the Act and the Regulation on the Definition of a Dominant Position ("Official Gazette of BH", No.18/06) prescribes that two or more undertakings are assumed not to be dominant if their market share does not exceed 60%.

The Council of Competition analyzes the data shown in tables 1-7 referring to separate/joint market shares in the isolate relevant markets of Bosnia and Herzegovina and assesses that the concentration in question is compatible because it fulfills criteria of the Regulation on definition of a dominant position.

Article 43, paragraph (7) of the Act determines that the Council of Competition may use appropriately the European Court case law and decisions of the European Commission for the purpose of estimating the forms of prevention, restriction and distortion of the market competition. Subsequently, estimating the concentration concerned, the Council of Competition uses a criteria and standards of the EC Directives for assessment of the

horizontal concentration (OJ 2004/C 31/03). That relates to, before all, the Herfindahl-Hirschmanov index (HHI) which regulates the proportions between the total number of the undertakings operating in the relevant market and their relative size expressed as a percentage of the market shares in that market.

By the HHI index analysis before the implementation of the concentration and after the implementation of the concentration, the Council of the Competition estimates that the universal banking market on Bosnia and Herzegovina level in 2005-2006 is moderately concentrated. Also, the analysis (the market shares of the five biggest banks - CR 5) and the HHI prove that the implementation of the concentration will not have significant negative effects in the relative market of the universal banking services in Bosnia and Herzegovina.

The Applicant stated a variety of indicators in Table 9. (Increase of the retail credits, spreading out the network of branches, number of employees, etc), showing that the implementation of this concentration will generate the positive effects on the economy and customers. Also, the parties to the concentration assume that this concentration will ensure further strengthening of the competition in the banking market, further consolidation of the banking sector in Bosnia and Herzegovina and additional increase of the quality of services (ex. to reduce the prices of some services, to provide rational usage of resources, consistent services and procedures and more effective business activity and managing, etc.)

Considering all mentioned data and facts the Council of Competition assesses that the concentration concerned is compatible in the sense of Article 18, paragraph (2) of the Act, as it is stated in the enacted terms of this Decision.

#### **Administration tariffs**

On this Decision the Applicant, pursuant to the Article 2, paragraph (1), tariff number 107, item d) 2) of the Regulation on administration taxes relating to the practices before the Council of Competition, is obliged to pay administration tariff of KM 25.000,00 for the benefit of the budget of Institutions of Bosnia and Herzegovina

#### **Legal remedy**

This Decision is final. 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 the Official Gazette of BiH.

**President**

**Gordan Raspudić a.p.**