



REPUBLIC OF ALBANIA
-THE COMPETITION AUTHORITY-
The Competition Commission

DECISION

No.64, Dated 03 . 12. 2007

On the authorization of the concentration realized through the acquisition of 36.25% of the shares of ProCredit Bank sh.a. by ProCredit Holding A.G.

The Competition Commission, on its meeting held on 03.12.2007, with the participation of:

- Mrs. Lindita Milo (Lati) Chairwoman
- Mrs. Servete Gruda Member
- Mr. Lush Përpali Member
- Mr. Koço Broka Member

Discussed the following issue:

Subject The authorization of the concentration realized through the acquisition of 36.25% of the shares of ProCredit Bank sh.a. by ProCredit Holding A.G.

Legal basis: Law No. 9121, dated 28.07.2003, titled “On Protection of Competition”, Article 24, letter “d”, Article 73, paragraph 1, letter “b”, Articles 10-12, in particular Chapter IV “Concentration of Undertakings”, Articles 53-56, Article 58 and Article 80, Regulation “On the implementation of concentration procedures of the undertakings”, Guideline “On the form of notification of a concentration and the option for a simplified form of notification”, and the “Notification of Concentration Form”, Article 74, letter “ç”.

Upon review of the notification of the concentration, the Competition Commission,

NOTED THAT:

1. ProCredit Bank sh.a. is a joint-stock company, which is organized and functions in compliance with the effective legislation in Albania. ProCredit Bank sh.a. is part of the banking system, holds a license based on Decision No. 12, dated 15.03.1999, issued by the Bank of Albania. Its headquarters are located in Tirana and it has 21 branches and one agency which allow it to extend its operations, nearly on all the banking market of Central, Southeastern, and Western Albania, specifically in the following cities: Tirana, Durrës, Fier, Elbasan, Korçë, Shkodra,

Lezha, Lushnja, Pogradec, Saranda, Berat, Vlora, Gjirokastra, Bilisht, Kuçova and Laç.

The founding capital of ProCredit Bank sh.a. includes 160.000 shares at a nominal value of 73.90 Euro each.

The structure of ProCredit Bank sh.a. includes four shareholders: ProCredit Holding A.G (43.75%); FEFAD (25%); IFC (11.25%) and ComerzBank AG (20%).

The total turnover of ProCredit Bank sh.a. in the national market is: 2 894 985 925 Lek.

2. The parties involved in the transaction:

- ProCredit Holding A.G, the buyer, of the share equal to 36.25% of the owners' capital of ProCredit Bank sh.a, which constitutes 25% of the owners' capital of FEFAD and 11.25% owners' capital of IFC, is the main company of the group holding the same name as the company. It is organized and operates in compliance with the effective legislation in Germany. Its headquarters are located at Kischwaldstraße 19, 60435 Frankfurt Am Main, Germany. According to the Commercial Registrar of Frankfurt Commercial Court, is authorized to participate in financing institutions of developing countries, to support and lead all the institutions which ProCredit Group has invested, by influencing their business policies, and also by recognizing and protecting the interest of the minor shareholders at such institutions.

ProCredit Holding A.G owns the majority of the shares at 23 financial institutions and indirectly controls business policies at another four institutions of ProCredit Holding Group.

In the Albanian market, ProCredit Holding A.G operates through ProCredit Bank sh.a., where it owns 43.75% of the owners' capital, equivalent with 70.000 shares, with a value of 5.173.000 Euro;

In the year 2006, the total turnover of ProCredit Holding AG in the international market is : 259.675.000 Euro= 31.940.025.000 Lek.

- The Foundation for the Financing and Development of Small and Medium Private Enterprises (FEFAD), the seller, of the share equal to 25% of the owners' capital, equivalent with 40.000 shares, with a value of 2.956.000 Euro, with headquarters in Tirana, is organized and operates in compliance with the effective legislation in Albania. It was founded on August 1995 pursuant to the Law on Commercial Companies in effect in Albania. At present, the foundation does not exercise any economic activity, except the participation as shareholder/owner of 40.000 shares at ProCredit Bank sh.a.
- The International Financing Corporation (IFC), the seller of the share equal to 11.25% of the owners' capital, equivalent with 18.000 shares, with a value of 1.330.200 Euro in ProCredit Bank sh.a, is part of the World Bank Group, founded by its member states, with headquarters in Washington D.C, US. In compliance with the agreement entered between the member states, the purpose of this institution is the

promotion of economic development, through the encouragement of the creation of private businesses in the production sector, especially in the more remote areas. IFC is the shareholder / owner of 18.000 shares at ProCredit Bank sh.a.

on date **8 June 2007** have entered an agreement for the acquisition of control by Procredit Holding AG, of 36.25% of the owners' capital at ProCredit Bank sh.a.

This agreement has been notified to the Competition Authority on **16.08.2007**, which is beyond the one-week limit determined by Article 12, paragraph 2 of Law No. 9121, dated 28.07.2003, titled "On the Protection of Competition".

3. The notified transaction consists in the acquisition of control over 36.25% of the shares of ProCredit Bank sh.a., which pertain, respectively 25% and 11.25% to FEFAD and IFC, by ProCredit Holding A.G., by enabling thus the acquisition of majority control, (80%) over the owners' capital and of the voting rights of the shareholders.

The remaining 20% of the shares of the owners' capital at ProCredit Bank sh.a, that represent 32.000 shares, shall be owned by CommerzBank AG.

This transaction, that consists on the acquisition of majority control, (80%) over the owners' capital and of the voting rights of the shareholders, is a concentration and fulfills the conditions of becoming subject of review by the Competition Authority, in conformity with the Article 12, paragraph 1, letter "a" of the Law No. 9121, dated 28.07.2003, titled "On the Protection of Competition".

The assessment of impact into competition

4. The relevant market

Pursuant to Article 3, paragraph 7 of of Law No. 9121, dated 28.07.2003, titled "On the Protection of Competition", the definition of the "relevant market" includes two components:

- a) the product market; and,
- b) the geographical market

5.a. The product market:

- a Acceptance of bank deposits
- b Granting of loans;
- c Borrowing of funds and sale/purchase on its behalf, or on behalf of its clients of :
 - (i) monetary market instruments,
 - (ii) bonds
 - iii) futures and options contracts
- d Cashing services
- e Issuance and administration of payment instruments, to include credit and debit cards, traveller's cheques and banker's cheques;
- f. Intermediation for monetary operations, including hard currency;
- g. Financial leasing
- h. Offering of the service of security boxes
- i. Offering of bank guarantees and other guarantees;

- j. Provision of representation and financial consultancy services (excluding services described under points (a) and (b));

The market share of ProCredit Bank sh.a. in the deposit market, treasury bonds market, credit market, etc., is, respectively:

- a. 4.11% of the treasury bonds market;
- b. 5.37 % of the total of deposits;
- c. 5.95 % of the credit market;
- d. 4.51 % of the asset market.

5.b Geographical market:

The geographical market of Procredit Bank sh.a., which has twenty-one branches, is considered as a market localized in a number of regions, within the national market. However, taking into consideration the tendency that banks have to extend their network and offer services requiring a more sophisticated technology, and the fact that there is no administrative or legal barrier to implement such extension, in the evaluation of this concentration, the **national market** is considered as the relevant geographical market.

We stress the fact that although the parties participating in the concentration operate at the same level of the product and geographical markets, they do not exercise any type of control over each other, neither horizontally, nor vertically.

5. Competitors in the national market

- A. In the Albanian market operate, in total, seventeen banks of the second level. The source of the capital is located in various countries, for example Albania, Greece, Italy, Germany, France, United States, Bulgaria, etc. In the national market operate only two banks with 100% domestic capital, i.e. Credins and Union Bank, while two other banks have partly domestic, partly foreign capital (The United Bank of Albania, where the following ratio applies: 60% is domestic capital, while 40% is foreign capital, and the Popular Bank where the following ratio applies: 25% is domestic capital, while 75% is foreign capital-Societe Generale. Furthermore, in the national market operate another twelve banks with 100% foreign capital, the biggest being Raiffeissen International Bank.

The main competitors of ProCredit Bank sh.a in the key product markets (deposits, credit market, treasury bonds), are: Raiffeissen International Bank, National Commercial Bank, American Bank of Albania, Popular Bank, . etc.

- B. The banking market is open to competition, has no entry barriers and is monitored by the Bank of Albania.

As a conclusion, this transaction consists on the acquisition of control of the 80% of the shares at ProCredit Bank sh.a., by ProCredit Holding AG, results in a reduction of the number of shareholders and strengthening of the dominant position of ProCredit Holding AG. This transaction does not cause any changes in the relations between ProCredit Bank sh.a and the other competitors, which operate within the G2-Group, as well as in the broader banking market. This transaction does not cause any changes in the banking market.

In this context, the concentration has no negative bearing upon the competition in the banking market, because, in the meaning of Article 13, paragraph 1 of Law No. 9121, dated 28.07.2003, titled “On the Protection of Competition”, it does not creates or strengthen any dominant position in such market.

FOR THE ABOVE REASONS

Based on Article 24, letter “d”, and Article 56, paragraph 1, of Law No. 9121, dated 28.07.2003, titled “On the Protection of Competition”, the Competition Commission,

DECIDED:

1. To authorize the concentration realized through the purchase of 36.25% of the shares of ProCredit Bank sh.a in Albania, by ProCredit Holding A.G., with headquarters in Frankfurt, Germany.
1. This decision enters into effect immediately.

COMPETITION AUTHORITY

Lush Përpali

(_____)
Member

Servete Gruda

(_____)
Member

Koço Broka

(_____)
Member

Lindita Milo (Lati)

CHAIRWOMAN