



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF

FIRST PHASE REVIEW

AMALGAMATION OF KASB BANK LIMITED WITH AND INTO BANK ISLAMI
PAKISTAN LIMITED

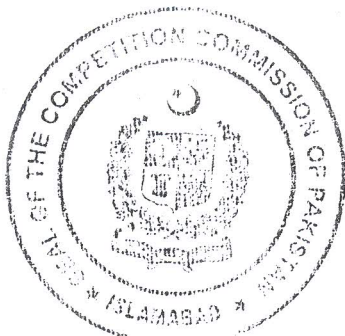
CASE: 694/Merger-CCP/15

Commission

Ms. Vadiyya Khalil
Chairperson

Mr. Mueen Batlay
Member

Mr. Ikram Ul Haque Qureshi
Member



ORDER

I Background

- 1 The Acquirer, BankIslami Pakistan Limited submitted a pre-merger application (the "application") to the Commission dated 18/09/2015 (received on 29/09/2015), notifying the amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited.

II Merger Parties

Acquirer

- 2 BankIslami Pakistan Limited was incorporated in Pakistan as a public limited company on October 18, 2004 under the companies ordinance, 1984 to carry out the business of an Islamic Commercial Bank in accordance with the principle of Islamic Shariah.

BankIslami had total assets valuing PKR [REDACTED], while its turnover remained at PKR [REDACTED] as on 31st December 2014. BankIslami possesses a market share of [REDACTED]% in terms of deposit.

Target

- 3 KASB Bank Limited was incorporated in Pakistan on 13 October, 1994 as a public limited company under the Companies Ordinance 1984. The bank is engaged in commercial Banking, consumer Banking, corporate Banking and investment Banking. KASB Bank is holding [REDACTED]% market share in terms of deposit.

III Transaction

- 4 Under the directives of State Bank of Pakistan KASB Bank amalgamated with and into BankIslami. BankIslami has paid PKR [REDACTED] as a token amount to acquire Defunct KASB Bank, in addition it has paid more than PKR [REDACTED] to the depositors of the Defunct KASB Bank alone.

- 5 The transaction meets the notification thresholds prescribed in Regulation 4(2)(a)(b)(c)&(d) by having acquirer's assets valuing more than PKR 300 Million and combined assets being more than 1 Billion rupees and turnover of acquirer more than PKR 500 million and combined turnover being more than 1 Billion. The transaction value also exceeds 100 million and percentage of share to be acquired exceeds 10% of the total shareholding of the target.

IV Relevant Market:

- 6 -The relevant market in this case is the Commercial Banking Market.

7 -The Relevant Geographic market is Pakistan.

8 -Market position in the relevant market is as under:



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Year-2014

COMMERCIAL BANKING INDUSTRY

Table-1

Bank	Deposits (In Million)	Market Share(%)	Assets	Market Share(%)	Profit After Tax	Market Share(%)
BankIslami		%		%		%
KASB Bank		%	N/A	-	N/A	-
.....
.....
.....
Total		%		%		%

*Details of other competitors is placed on page/95

Year-2014

ISLAMIC BANKING INDUSTRY

Table-2

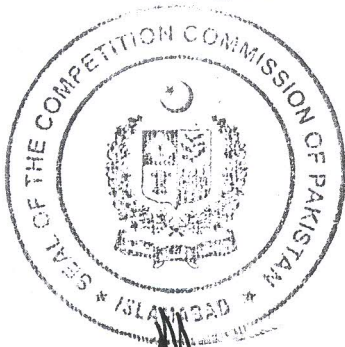
Bank	Deposits (In Million)	Market Share(%)	Assets	Market Share(%)	Profit After Tax	Market Share(%)
BankIslami		%		%		%
.....
.....
.....
Total		%		%		%

* Details of other competitors is placed on page/95

Table 1 shows that in Commercial Banking industry the market share of the merger parties (BankIslami & KASB Bank) in respect of deposits, assets and profits is nominal and post-merger will also be very much less than the threshold limit as prescribed in law.

As far as Islamic Banking is concerned only BankIslami is engaged in Islamic Banking with the market share of %, % in deposits, assets and profits respectively. The post-merger market share of the BankIslami in Islamic banking remains the same.

The pre-merger and post-merger market shares of merger parties both in Commercial and Islamic banking is below the threshold limit of 40% of the total market.



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V Findings of the Phase I investigation on the competition assessment

9 The competition assessment in Phase I have resulted in the following finding:

The notified merger took place on the Sanction order of the Federal Government and Scheme of amalgamation under Section 47 of the Banking Companies Ordinance 1962 by the State Bank of Pakistan due to KASB Bank's weak solvency position and serious regulatory violations such as non-compliance of Minimum Credit Requirement and negative Capital Adequacy ratio. However post-merger market share of the acquirer in respect of commercial and Islamic banking remains significantly less than the threshold limit of 40%. Therefore the post-merger entity does not meet the presumption of dominance as determined under Section 3 of the Act.

VI Conclusion

In conclusion, there is no evidence that suggests a substantial lessening of competition by creating or strengthening of dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31(1) (d) (i) of the Act.

10 It is so ordered.



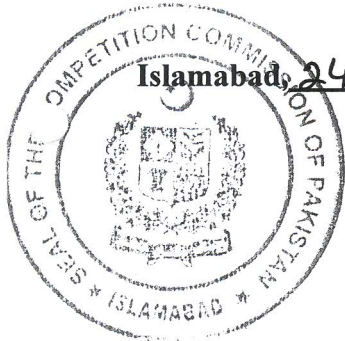
(Mueen Batlay)
Member



(Vadiyya Khalil)
Chairperson



(Ikram Ul Haque Qureshi)
Member



Islamabad, 24th November, 2015.