



BEFORE THE  
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF

FIRST PHASE REVIEW

ACQUISITION OF SHARES OF NRSP MICROFINANCE BANK BY  
KREDITANSTALT FUR WIEDERAUFBAU

CASE: 774/Merger-CCP/15

Commission

Ms. Vadiyya Khalil  
Chairperson

Mr. Shahzad Ansar  
Member

Mr. Ikram Ul Haque Qureshi  
Member



# ORDER

## I Background

- 1 Through its authorized representative M/s NRSP Microfinance Bank Limited ("NRSP MFB") submitted a pre-merger application (the "Application") dated 14 December 2015 (received on 16 December 2015), notifying the anticipated acquisition upto a maximum of [redacted] shares of NRSP MFB by Kreditanstalt für Wiederaufbau ("KfW"), along with bank draft of Rs. [redacted] as processing fee applicable under Regulation 5 (6) of Competition (Merger Control) Regulations, 2007 ("the Merger Regulations").

The case is examined as under.

## II Merger Parties

### Acquirer

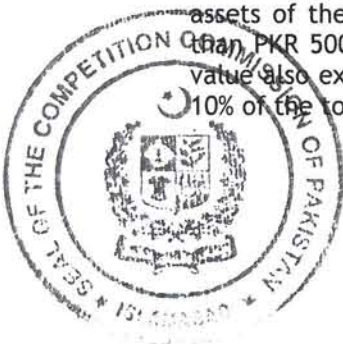
- 2 KfW is a German government owned development bank based in Frankfurt. It is owned by the Federal Republic of Germany [redacted] and the state of Germany [redacted] the acquirer conducts business globally by providing commercial loans, concessionary financing and grants under International development finance programs supported by Government of Germany. KfW banking group covers over [redacted] of its borrowing needs in the capital market, mainly through bonds that are guaranteed by the federal government. This allows KfW to raise funds at advantageous conditions. Total turnover for the financial year ending on 31 December 2014 was Euros (PKR [redacted]) and value of total assets remained PKR [redacted] for the same period.

### Target

- 3 NRSP MFB, a public limited company headquartered in Bahawalpur, commenced its operations in March 2011 as a national level microfinance bank. Through a network of 62 branches across 23 districts, NRSP MFB offers a range of financial services including Deposits, Micro-Credit and Micro-Insurance to the financially excluded individuals living in both urban and rural areas of Pakistan. The Acquirer, currently holds [redacted] shares in the Target, while [redacted] are held by National Rural Support Program. Total turnover for the financial year ending on 31 December 2014 was PKR [redacted] and value of total assets remained PKR [redacted] during the year ended December 2015.

## III Transaction

- 4 KfW's anticipated acquisition of a maximum of [redacted] shares of NRSP MFB has a corresponding monetary value of EUR [redacted] (PKR [redacted]). If such transaction is concluded, the acquirers shareholding will not exceed [redacted] of the total shareholding of the target.
- 5 The transaction meets the notification thresholds prescribed in Regulation 4(2)(a),(b),(c)&(d) of the Merger Regulations, as acquirer's assets valuing more than PKR 300 Million and combined assets of the merging entities being more than PKR 1.0Billion and turnover of acquirer more than PKR 500 million and combined turnover being more than PKR1.0 Billion. The transaction value also exceeds PKR100 million and percentage of the voting shares to be acquired exceeds 10% of the total shareholding of the target.



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IV Relevant Market:

- 6 -The relevant market in this case is the Microfinance Banking sector in Pakistan.  
7 -The Relevant Geographic market is Pakistan.  
8 - Market share of NRSP MFB in the relevant market is as under

Market Share of Microfinance sector in Pakistan(Based on deposits held)

Entity	Market Share % As on Dec 2014
Khushali Bank Ltd	
Tameer Microfinance Bank Ltd	
Pak Oman Microfinance Bank Ltd	
The First Microfinance Bank Ltd	
NRSP Microfinance Bank Ltd	
FINCA Microfinance Bank Ltd	
APNA Microfinance Bank Ltd	
WASEELA Microfinance Bank Ltd	
U Microfinance Bank Ltd	
Total	

V Findings of the Phase I investigation on the competition assessment

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


The acquirer has no direct or indirect presence in relevant market in Pakistan except for its investment in the target while the target is engaged in microfinance banking business having 12.08% market share.


The post-merger market share of NRSP MFB will remain the same i.e. which is significantly less than the threshold limit of 40% of the total market, therefore the post-merger entity does not meet the presumption of dominance as determined under Section 2(1)(e) read with Section 3 of the Competition Act 2010 (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.

  
(Shahzad Ansar)  
Member

  
(Vadiyya Khalil)  
Chairperson

  
(Ikram Ul Haque Qureshi)  
Member



the 10<sup>th</sup>, February 2016.