



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

FIRST PHASE REVIEW

**IN THE MATTER OF TRANSFER OF DEMERGED LENDING PORTFOLIO
FROM M/S. SME BANK LIMITED TO M/S. NATIONAL BANK OF
PAKISTAN.**

CASE: 1514/Merger-CCP/2025

Commission



**Dr. Kabir Ahmed Sidhu
Chairman**

ORDER

1. On 17th January 2025, the Competition Commission of Pakistan (the “**Commission**”) received a pre-merger application (the “**Application**”) from National Bank of Pakistan (the “**Merger Party 1**”) and SME Bank Limited (the “**Merger Party 2**”), seeking approval for the proposed transaction involving the transfer of the Demerged Lending Portfolio from Merger Party 2 to Merger Party 1 (the “**Merger Parties**”)
2. The Application was submitted in accordance with Section 11 of the Competition Act, 2010 (the “**Act**”) read in conjunction with Regulation 6 of the Competition (Merger Control) Regulations, 2016 (the “**Merger Regulations**”).

Merger Parties

Merger Party 1

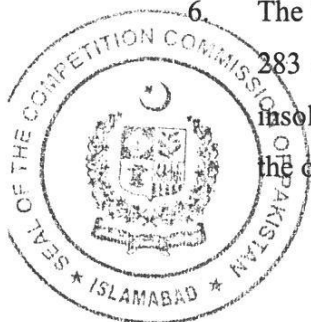
3. National Bank of Pakistan (**NBP**) is established under the National Bank of Pakistan (NBP) Ordinance, 1949 and regulated in accordance with the Banking Companies Ordinance, 1962. It is engaged in commercial banking, financial services, and transactions permitted under applicable laws. It is listed on the Pakistan Stock Exchange (PSX).

Merger Party 2

4. SME Bank Limited (**SBL**) is a public unlisted company established and regulated under the Banking Companies Ordinance, 1962. It provides specialized banking services, focusing on the small and medium enterprises sector.

Transaction

5. As outlined in the Application and Scheme of Arrangement (the “**Scheme**”), the Demerged Lending Portfolio of Merger Party 2 will be transferred and vested in Merger Party 1. The total consideration for the transaction, subject to a pricing formula outlined in the Scheme, is approximately PKR _____ (the “**Transaction**”).
6. The Transaction is structured as a court-sanctioned demerger under Sections 279 to 283 of the Companies Act, 2017. The demerger is not a result of bankruptcy or insolvency. However, the Federal Government of Pakistan has decided to discontinue the operations of Merger Party 2.



Phase-I Competition Assessment

Procedural Review

7. Based on the Application, the Commission conducted Phase-I competition assessment, reviewing the submitted documentation to assess compliance with the Act and Merger Regulations. The assessment primarily focused on competitive concerns, such as market dominance and a potential reduction in competition post-merger.

Relevant Market

8. The relevant product market is defined as the “Commercial Banking” market, given the nature of services provided by both parties. The relevant geographic market is Pakistan, as banking services are subject to national regulatory frameworks, consumer preferences, and market conditions within the country.

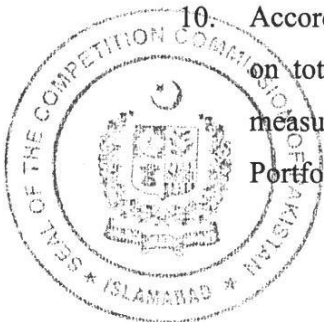
Market Share

9. The table below outlines the market share of major banking entities, including the merger parties and their potential competitors, as reported in the KPMG Banking Perspective 2024.

As on 31-12-2023	(PKR in '000)								
	Market Size	NBP	Share	HBL	Share	UBL	Share	MCB	Share
Profit after tax			%		%		%		%
Total Assets			%		%		%		%
Net Advances			%		%		%		%
Customer Deposits			%		%		%		%

Source: KPMG Banking Perspective (May 2024)

10. According to the report, Merger Party 1 holds an estimated % market share based on total assets. Additionally, the Application indicates that NBP’s market share, measured by profits, stands at %, while the contribution of the Demerged Lending Portfolio is not substantial enough to materially affect the market position of NBP.



Competition Analysis

11. The Transaction involves a horizontal integration, as both parties operate in the commercial banking sector. However, the contribution of the Demerged Lending Portfolio is marginal and is unlikely to materially affect the market position of the merging entities. Additionally, the Application indicates that NBP's market share, measured by profits, stands at %. The Transaction does not eliminate an effective competitor, as Merger Party 2's operations are being phased out by the Federal Government, independent of the Transaction.
12. Market concentration levels are likely to remain within competitive limits, and the Transaction is unlikely to establish or reinforce market dominance. Moreover, market entry conditions in the commercial banking sector are expected to remain unchanged, with multiple market participants sustaining a competitive environment.

Determination

13. The proposed Transaction is not expected to result in Merger Party 1 acquiring a dominant position in the relevant market post-transaction, as defined under Section 2(1)(e) in conjunction with Section 11 of the Act and Merger Regulations. Accordingly, the transaction is hereby authorized under Section 31(1)(d)(i) of the Act.
14. Notwithstanding the above, matters falling outside the scope of the Commission's purview, remain subject to applicable laws, judicial orders, and the oversight of relevant regulatory bodies.
15. It is so ordered.

Kabir

Dr. Kabir Ahmed Sidhu
Chairman

ISLAMABAD, the February 24, 2025.

