BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF

FIRST PHASE REVIEW

MERGER OF M/S BURJ BANK LIMITED WITH M/S AL-BARAKA BANK PAKISTAN LIMITED AND ACQUISITION OF SHAREHOLDING IN M/S BURJ BANK LIMITED BY M/S AL-BARAKA ISLAMIC BANK B.S.C

CASE: 834/Merger-CCP/16

Commission

Ms. Vadiyya S. Khalil
Chairperson

Mr. Mueen Batlay
Member

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ISLAMABAD

ORDER

I Background

1 On September 1st 2016, M/s Al-Baraka Bank Pakistan Limited **("ABPL" or "Acquirer 1")** through their authorized representative submitted a pre-merger application (the "**Application**"), notifying and seeking the approval of the Competition Commission of Pakistan (the "**Commission**") for the intended Merger of M/s Burj Bank Limited ("**Burj Bank**" or the "**Target**") with ABPL and Acquisition of shareholding in Burj Bank by M/s Al-Baraka Islamic Bank B.S.C ("**Al-Baraka Bahrain**" or "**Acquirer 2**"). The Application was submitted along with the necessary information and applicable processing fee in accordance with the provisions of the Competition Act, 2010 (the "**Act**") and the Competition (Merger Control) Regulations, 2007 (the "**Merger Regulations**"). The Commission's review of the proposed transaction is as under:

II Merger Parties

Acquirer 1

2 ABPL is a scheduled Islamic bank in Pakistan. It came into being as a result of the first merger in the Islamic Banking sector of Pakistan. The merger took place between the branch operations of Al Baraka Islamic Bank ("AIB") Bahrain, Al Baraka Islamic Bank Pakistan ("AIBP") and Emirates Global Islamic Bank (Pakistan), and thus from 1 November 2010, the operations of the merged entity began. AIBP has been operating in the country since 1991 as branch operations of AIB. The turnover of ABPL for the year ended 31 December 2015 is PKR . (FY15) while its assets were evaluated at PKR (FY15).

Acquirer 2

3 Al Baraka Islamic Bank was incorporated in Bahrain in February 1984 and operates as a retail Islamic bank. It obtained a commercial banking license in Pakistan in 1991. The bank operates 6 branches in Bahrain. It belongs to the Al Baraka Banking Group which was formed in 2002 in Manama, Bahrain. It has a controlling interest in ABPL of The turnover of Al-Baraka Bahrain for the year ended 31 December 2015 is USD . (FY15) and its assets were valued at USD (FY15).

Target

4 Burj Bank, formerly known as Dawood Islamic Bank Limited ("DIBL"), is one of Pakistan's full-fledged Islamic commercial bank. The bank received its license from the State Bank of Pakistan in May 2006, and officially commenced its operations on Friday, April 27, 2007. The Bank was the result of an initiative of the First Dawood Group, with the Islamic Corporation for the Development of the Private Sector (ICD) in Jeddah, Unicorn Investment Bank in Bahrain, Al Safat Investment Company in Kuwait, Gargash Enterprises (LLC) in Dubai, the Singapore-based entrepreneur Azam Essof Kolia and Shaikh Abdullah Mohammad Al-

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Romaizan, an entrepreneur from the Kingdom of Saudi Arabia. In July 2011, the bank was renamed Burj Bank Ltd. Burj Bank's performance for the year ended 31 December 2015 resulted in its turnover being PKR . (FY15) and assets amounting to PKR (FY15).

III Transaction

5 The proposed transaction entails the merger of Burj Bank and ABPL, where shareholders of Burj Bank would be issued share of ABPL for every shares of Burj Bank as consideration. Furthermore Al-Baraka Bahrain intends to acquire % of the issued share capital of Burj Bank from the selling shareholders for a total of PKR . The total transaction value is estimated to be between PKR and PKR . based on two valuation basis for the share price of ABPL conducted by KPMG as of 31st December 2015.

6 The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b), (c) & (d) of the Merger Regulations, with the combined assets of the parties being more than PKR 1 Billion and combined turnover being more than PKR 1 Billion. The transaction value also exceeds PKR 100 million and the percentage of voting shares to be acquired exceeds 10% of the total shareholding of the Target.

IV Relevant Market:

7 Islamic Banking is defined as the banking system that is based on the principles of Islamic law (also known "Shariah") and is guided by Islamic economists. Thus, all dealings, transactions, business approaches, product features, investment focus, responsibilities are derived from the Shariah law, which lead to significant differences in many parts of the operations as compared to conventional banking. One important governing principle of an Islamic bank is the absence of interest-based (Riba) transactions.

8. In light of the above, the Commission has identified the relevant product market in this case as "Islamic Banking" market with numerous banks operating in Pakistan. The merger parties have been granted a license by the State Bank of Pakistan to operate as Islamic Banks in Pakistan.

9. The Relevant Geographic market is therefore Pakistan as the merger parties operate across the country.

V Findings of the Phase I investigation on the competition assessment

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

10. The proposed transaction would result in merger of Burj Bank with ABPL, while Al-Baraka Bahrain will acquire of the issued share capital of Burj Bank.

11. The proposed transaction is for the purposes of potential investment, increase in geographic outreach with an addition of 74 branches and new business relationships.

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12. The relevant market has a number of banks with varying market shares according to different evaluation methods. In the relevant product market the Target has a market share of as per both Assets basis and deposits basis and according to Profit basis while ABPL market share varies from as per Deposits basis, as per Total Assets basis and according to Profit basis. Market leader as per the information obtained is Meezan bank with over market share in the relevant market.

13. Post-transaction, there will be no change in the market dynamics of the relevant market in Pakistan as competition will not be affected by the intended acquisition.

14. The proposed transaction relates to a merger and is not likely to result in the creation or strengthening of a dominant position in the relevant market. The intended merger does not meet the presumption of dominance as determined under Section (2) (1) (e) read with Section 3 of the Act.

VI Conclusion

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

16. It is so ordered.

(Vadiyya S. Khalil)
Chairperson

(Mueen Batlay)
Member

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Islamabad, 26 September 2016