



**BEFORE THE  
COMPETITION COMMISSION OF PAKISTAN**

**IN THE MATTER OF**

**FIRST PHASE REVIEW**

**MERGER OF NIB BANK LIMITED WITH AND INTO MCB  
BANK LIMITED**

**CASE: 886/Merger-CCP/17**

Commission

Ms. Vadiyya Khalil  
Chairperson

*Vs2*



Mr. Ikram Ul Haque Qureshi  
Member

*IK*

## ORDER

### I Background

- 1 On 11<sup>th</sup> May, 2017, MCB Bank Limited ("MCB" or the "Acquirer") and NIB Bank Limited ("NIB" or the "Target" together with MCB, the "Applicants") through their legal advisor Hassan & Hassan, submitted a pre-merger application (the "Application") to the Competition Commission of Pakistan (the "Commission"), for the intended merger of NIB with and into MCB, along with the necessary information and processing fee under Regulation 5(6) of the Competition (Merger Control) Regulations, 2016 (the "Merger Regulations") and the Competition Act, 2010 (the "Act").

The case is examined as under:

### II Merger Parties

#### Acquirer

- 2 MCB is a banking company incorporated in Pakistan and engaged in commercial banking and related services. The bank's ordinary shares are listed on the Pakistan Stock Exchange whereas its Global Depository Receipts (GDRs) are traded on the International Order Book (IOB) system of the London Stock Exchange. MCB's overseas branch network encompasses operations in Sri Lanka, Bahrain and UAE. The bank operates 1,246 branches including 34 Islamic banking branches within Pakistan and 11 branches outside the country. MCB belongs to the Nishat Group and has the following subsidiaries:

- i. MCB Financial Services Limited;
- ii. MCB Islamic Bank Limited;
- iii. MNET Services (Private) Limited;
- iv. MCB Arif Habib Savings & Investment Limited;
- v. "MCB Leasing" Closed Joint Stock Company Azerbaijan.

- 3 The total assets of MCB as on 31<sup>st</sup> December, 2016 were PKR \_\_\_\_\_ while the total turnover remained PKR \_\_\_\_\_ for the above mentioned period.

#### Target

- 4 NIB is a banking company incorporated in Pakistan. Its ordinary shares are listed on Pakistan Stock Exchange. As on 31<sup>st</sup> December, 2016 NIB had 171 branches across the country. The bank operates in Pakistan only. It is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962. NIB is a subsidiary of Bugis Investments (Mauritius) Pte. Limited which is a wholly owned subsidiary of Fullerton Financial Holdings Pte. Limited which in turn is a wholly owned subsidiary of Temasek Holdings, an investment arm of the Government of Singapore.

NIB has only one subsidiary company which is Financial & Management Services (Private) Limited. The company is dormant.



6 The total assets of NIB as on 31<sup>st</sup> December, 2016 were PKR . and the total turnover remained PKR for the above mentioned period.

### III Transaction

7 The proposed transaction represents a horizontal merger. It is by way of amalgamation of NIB with and into MCB through a share swap arrangement. The Acquirer will take over all assets and liabilities of the Target. The Acquirer (MCB) will issue new MCB shares to shareholders of Target (NIB) against a total of NIB shares that represents approximately one MCB share for every of NIB.

8 The estimated consideration amount for the intended transaction is PKR

9 The transaction meets the notification thresholds prescribed in Regulation 4(2)(a), (b), (c) & (d) of the Merger Regulations, with the assets of the Target valuing more than PKR 300 million and its turnover being more than PKR 500 million. The transaction value exceeds PKR 100 million and the percentage of shares to be acquired also exceeds 10% of the total shareholding of the Target.

### IV Relevant Market:

10 The Relevant Product Market in this case is "Commercial Banking". Both the Merger Parties provide financial services to consumers through their business units including Retail Banking, Commercial Banking, Corporate and investment Banking and Treasury Services. Both the Merger Parties are incorporated as banking companies. Furthermore, as defined in the Banking Companies Ordinance, 1962, "banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, and order or otherwise. A "banking company" in the Ordinance is defined as any company incorporated in Pakistan which transacts the business of banking in Pakistan and includes their branches and subsidiaries functioning outside Pakistan.

11 The banking sector in Pakistan is highly competitive and comprises of public sector banks, private banks and Islamic banks.

12 The geographic market is Pakistan wherein the Target operates 171 branches and the Acquirer operates over 1000 branches therein.

### V Findings of the Phase I investigation on the competition assessment

13 The competition assessment in Phase I has resulted in the following findings:



a. The proposed transaction represents a horizontal merger of NIB with and into MCB as both the Merger Parties are participants of the commercial banking sector in Pakistan.

b. Commercial banking is an extremely competitive market with a number of market participants. It is a highly regulated market with State Bank of Pakistan as the sector regulator.

*V&Z*

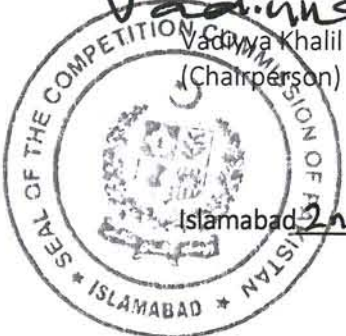
*H*

- c. The Target has only one subsidiary in Pakistan that is a dormant company. Furthermore, the proposed merger will not affect any other related markets.
- d. The market share of the Acquirer on the basis of "Customer Deposit" is [redacted] while that of the Target is [redacted] creating a Post-Merger market share of [redacted] in the relevant market. However, on the basis of "Net Income", the market share of the Acquirer is [redacted] and that of the Target is [redacted] creating a Post-Merger market share of [redacted]. Furthermore, on the basis of "Total Assets", the market share of the Acquirer is [redacted] while that of the Target is [redacted] creating a Post-Merger market share of [redacted]. On the basis of "Total Equity" the market share of the Acquirer is [redacted]; while that of the Target is [redacted] creating a Post-Merger market share of [redacted]. Post-Merger, the market shares calculated on all different basis are much below the presumption of dominance which has a prescribed limit of 40%. At best, there will be a minimal increase in the market share of the Merger Parties ranging from [redacted] through different classifications.
- e. The transaction 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

- 14 In conclusion, there is no evidence suggesting that the intended transaction is likely to substantially lessen competition through 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.
- 15 The Commission is wary of the pendency of legal proceedings before the High Court of Sindh (Suit No. 1233 of 2017) instituted by some of the minority shareholders of the Target, the orders passed therein and in High Court Appeal No. 268 of 2017. While there exists no directions of the Court injunctioning the process of the intended transaction, the clearance in this Order by no means has any bearing on the pending litigation and is being issued by the Commission solely on the basis of a competition related assessment in accordance with the Act.
- 16 It is so ordered.

*Vadwya Khalil*  
 Vadwya Khalil  
 (Chairperson)



Islamabad, 2nd June, 2017

*Ikram Ul Haque Qureshi*  
 Ikram Ul Haque Qureshi  
 (Member)