

***Case No COMP/M.1910 -  
MERITANORDBANKEN  
/ UNIDANMARK***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 10/04/2000

*Also available in the CELEX database  
Document No 300M1910*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.04.2000

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

**Subject : Case No IV/M.1910 – MeritaNordbanken/Unidanmark**

Notification of 9 March 2000 pursuant to Article 4 of Council Regulation (EEC) No 4064/89

1. On 9 March 2000, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Nordic Baltic Holding AB (“Nordic Baltic Holding”), the holding company of the MeritaNordbanken Group (“MeritaNordbanken”) and the Unidanmark Group (“Unidanmark”) merge their activities.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

**I. THE PARTIES' ACTIVITIES AND THE OPERATION**

3. The business activities of the undertakings concerned are:

- Nordic Baltic Holding: holding company for MeritaNordbanken

- MeritaNordbanken: a universal Finnish/Swedish bank, which provides a wide range of banking and financial services to households, companies and institutions, primarily in Finland and Sweden. Other companies of the MeritaNordbanken group provide services relating to sale and leasing of residential and corporate premises as well as some insurance activities in particular related to pension and life insurance.

- Unidanmark: a Danish financial group with activities in banking and insurance. It is active in banking through its banking branch Unibank A/S (“Unibank”). Unibank is the second largest Danish bank. It is a universal bank with the large majority of its activities in Denmark. Unidanmark is active in insurance through its insurance branch Tryg-Baltica Forsikring A/S (“Tryg-Baltica”). Tryg-Baltica is mainly active in insurance in Denmark and Norway.

4. Through the transaction all the activities of MeritaNordbanken and UniDanmark, will be brought under the group holding company Nordic Baltic Holding and under a single commercial management. The transaction is to be carried out through a share exchange offer by Nordic Baltic Holding for all the outstanding shares of Unidanmark. After the transaction Nordic Baltic Holding will hold all the shares of Unidanmark.

## **II. CONCENTRATION**

5. The merger between two previously independent undertakings, MeritaNordbanken and Unidanmark, will constitute a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **III. COMMUNITY DIMENSION**

6. The notifying parties have a combined aggregate worldwide turnover in excess of ECU 5,000 million (MeritaNordbanken, Euro 7 468 million in 1999; Unidanmark Euro 5 766, in 1999). Each of them has a Community-wide turnover in excess of ECU 250 million (MeritaNordbanken, Euro 7 202 million in 1999; Unidanmark, Euro 4 773 in 1999), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension, but it does not constitute a co-operation case under the EEA Agreement, pursuant to Article 57 of that agreement.

## **IV. COMPATIBILITY WITH THE COMMON MARKET**

### **A. Relevant product markets**

7. The Commission has consistently held that the services typically supplied by a universal bank may be divided into the following areas: retail banking, corporate banking and financial market services.<sup>1</sup> By retail banking is meant banking services to households which consist, for example, of deposits, lending, credit cards and mutual funds and other forms of asset management. By corporate banking is meant banking services to corporate clients which consists, for example, of deposits, lending, international payments, letters of credit and advice concerning mergers and acquisitions. With respect to financial markets the following activities may constitute distinct service markets: trading in equities, bonds, and derivatives, foreign exchange and money markets (i.e. treasury bills and commercial paper from banks and companies). The investigation confirmed this view with regard to Sweden, Finland and Denmark. The investigation also showed that it cannot be excluded that a further subdivision of retail banking, corporate banking and financial market services is relevant for the assessment of market conditions.

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<sup>1</sup> See, for example, Case IV/M.1029 – Merita/Nordbanken

8. As regards insurance activities at a first level a distinction can be made between life insurance, non-life insurance and re-insurance. It cannot be excluded that further distinction, should be made, for example, according to the types of risks covered.
9. However, it is not necessary to define further the relevant product markets for the purpose of the present case, because the concentration, even on the narrowest market definition, does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

## **B. Relevant geographic markets**

10. The notifying parties state that the relevant geographic markets are either national or international in scope depending on the specific banking sector. Retail banking and corporate banking are in most cases considered to be national in scope. The situation may, however, change in the future as a result of single currency and of new technologies. Investment banking and the financial markets are normally more international in scope, at least for certain categories of customers.
11. The Commission has stated in previous cases<sup>2</sup> that with regard to *retail banking* the relevant geographic market is to be considered national in scope due to the competitive conditions which in individual Member States are still different despite the increasing trend towards internationalisation, and due also to the importance of a network of branches. As far as the situation in Finland, Sweden and Denmark is concerned, the results of the investigation have confirmed this view. There are, however, indications that the present situation may change in the longer term with the introduction of the single currency and new technologies, e.g. internet and telephone banking.
12. With regard to *corporate banking* the Commission has generally taken the view that certain product segments will continue to be required and supplied at national level.<sup>3</sup> However, some sectors of corporate banking seem to have a more international dimension. The results of the investigation in Finland, Sweden and Denmark confirm this view. The results also indicate that the relevant geographic market appears to be national for small and medium-sized corporate clients and international for large corporate clients. As regards *financial market services* the relevant geographic market appears to be international in scope.
13. As far as *insurance* is concerned the Commission has in previous cases found that insurance markets are national with the exception of reinsurance, which is international.
14. However, whether the relevant geographic markets are considered to be national or international need not be finally decided in the present case because, on the basis of the assessment set out below, even on the narrowest market definition, the concentration does not create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

## **C. Assessment**

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<sup>2</sup> See, for example, Case IV/M.1029 – Merita/Nordbanken

<sup>3</sup> See, for example, Case IV/M.1029 – Merita/Nordbanken

### Retail banking

15. With regard to retail banking MeritaNordbanken is almost exclusively active in Finland and Sweden, whereas Unibank is mainly active in Denmark. Thus, in retail banking their activities are largely geographically complementary.

### Corporate banking and financial market services

16. MeritaNordbanken is the most important and largest financial institution in Finland. In corporate banking its market share for lending was thus 48%, in deposits 47%, in international payments 61% and in letters of credit 50% in 1999. MeritaNordbanken is also the third largest bank in Sweden. In corporate banking its market share for lending is thus 17%, in deposits 22% and in letters of credit 23% in 1999. Similarly, Unibank is the second largest Danish bank. In Denmark it had 23% market share in deposits, 32% in lending, [20-30%] of international payments and [20-30%] of letters of credit in 1999. However, the only overlaps between the parties are in certain corporate banking and certain financial market services in Sweden and Finland. However, either these overlaps are insignificant (Unibank has less than [0-10%] market share) or the combined market shares are not higher than 20%. Furthermore, in each of the three countries strong domestic competitors will continue to exist.
17. It should also be noted that a further deregulation of financial activities will take place. The highly innovative and evolving nature of the banking market combined with the recent increase of electronic banking tools may further contribute to easier access to the market. Several major non-Finnish banks have thus already entered the Finnish market and future expansion plans cannot be excluded.
18. In principle Unibank might have expected to further develop its limited activities in Finland and Sweden and MeritaNordbanken in Denmark. However, in view of the large number of potential entrants to the Finnish, Swedish and Danish markets the elimination of Unibank as potential entrants to the Finnish and Swedish markets can not be considered to restrict competition on these markets. Similarly, the removal of MeritaNordbanken as a potential entrant to the Danish market will not restrict competition on the Danish market.

### Insurance

19. The parties' market positions concerning the insurance market are the following: MeritaNordbanken has a market share of 26% for life insurance in Finland and Nordbanken has 1.5% in Sweden. Unidanmark is an important player on the Danish insurance markets, but MeritaNordbanken is not active in insurance in Denmark. Consequently, the proposed merger does not have any significant effect on the parties position in any insurance market.

## Conclusion

20. MeritaNordbanken in particular has a strong position on the Finnish market. However, the present merger does not reinforce its position, either in the banking sector or insurance sector on this market, to such an extent that a dominant position would be created as a result of which effective competition would be significantly impeded. The financial power of Unidanmark will not significantly reinforce MeritaNordbanken's position either. On the contrary, further internationalisation and deregulation of financial activities could erode, in the future, the present position of MeritaNordbanken. Consequently, the proposed concentration does not strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

## **V. CONCLUSION**

21. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,