

Brussels, 20. 12. 1993

PUBLIC VERSION

MERGER PROCEDURE -  
Article 6(1)b decision

To the notifying party

Dear Sirs,

Subject: Case No. IV/M.391 - BAI/Banca Popolare di Lecco  
Notification of 25.11.1993 pursuant to Council Regulation  
(EEC) No. 4064/89

1. The above mentioned notification concerns an agreement signed on 24 November 1993, whereby Banca d'America e d'Italia SpA (BAI) will acquire 58.07% of the share capital of Banca Popolare di Lecco SpA (BPL) currently owned by Banca Popolare di Novara S.c.r.l. Subsequently, according to Italian law (Law 149 18.02.1992), a public bid will be launched in the first half of 1994 under which BAI will offer to acquire the remaining shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of application of Council Regulation No 4064/89 and does not raise serious doubts as to its compatibility with the common market.

#### **I. THE PARTIES**

3. BAI is the Italian subsidiary of Deutsche Bank AG, which at the present date holds 99.68% of its ordinary share capital. BAI's main activities are banking and financial services. Branches of BAI are located throughout Italy.
4. BPL is an Italian regional bank specialised in retail banking. Branches are concentrated in the Como and Lecco provinces.

#### **II. CONCENTRATION WITH COMMUNITY DIMENSION**

5. The proposed acquisition by BAI of 58.07% of BPL and the subsequent public bid for the rest constitutes a concentration within the meaning of Article 3.1(b) of the Merger Regulation.

The undertakings concerned have a combined aggregate worldwide turnover, calculated according to Article 5.3(a), in excess of 5.000 million ECU. Both Deutsche Bank AG and BPL have a Community-wide turnover, calculated according to Article 5.3(a), in excess of 250 million ECU but 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.

### III. COMPATIBILITY WITH THE COMMON MARKET

6. The retail banking sector, in which the merged entity will concentrate its activities can be further divided into a number of individual product groups including current, deposits and saving accounts, certificates of deposit and others for the depositing customer. For the borrowing customer the products are, among others, current and loans accounts secured in different ways, import-export finance, consumer finance, credit cards and other services.
7. The credit card market consists of issuing credit cards for retail customers, operating these accounts, processing of vouchers representing sales transactions made with credit cards at retail merchant outlets and carrying out all the related settlement work. BAI is particularly active in this business.
8. Apart from the credit card market, assessed in paragraph 11 below, the precise delimitation of the other relevant product market need not to be further defined in the present case because even on the basis of the narrowest definition, the operation does not raise serious doubts as to its compatibility with the common market.
9. From the geographic point of view, although a growing internationalisation of activities can be observed, the activities of the retail banking sector will for a certain period still be national in scope.
10. On the above basis and taking into consideration that BAI and BPL concentrate their activities in Italy, the analysis of the impact of the concentration can be limited to Italy. In that sense indicators of BAI/BPL market power are used. BAI ranks 37th among Italian banks by total assets while BPL ranks 64th. Other indicators of the position of the new entity in the Italian banking services market for 1992 are as follows:

<u>BAI</u>	<u>BPL</u>	<u>TOTAL</u>
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Total assets	0.54%	0.26%	0.8 %
Total deposits	0.65%	0.37%	1.02%
Total lending	0.79%	0.33%	1.12%.

11. BAI has a network of 149 branches located throughout Italy, whilst BPL's 83 branches operate essentially only in the Como and Lecco area where BAI at present has only one branch. However, each of the 10 largest banks in Italy has over 500 branches. Thus, the increase of branch network will not be sufficient to create or reinforce a dominant position in the Italian market.

12. BAI's credit card business covers "Key Client", issued by BAI on behalf of other banks, and "BankAmericard" (20.32% market share), BankAmericard issues only Visa cards. The main player in the Italian credit card market is CartaSi (Visa and MasterCard, 47.6% market share), the credit card issued by SI - Servizi Interbancari, a subsidiary of the Banking Association and actively supported by all major national banks and many small banks. Other players in the market are American Express (11.9% market share) and Diners Club (4.3% market share). BPL is a minor player in this market (0.34% market share). The overlap is, therefore, very limited and the market will remain highly competitive.

13. As a result, it is not expected that the proposed concentration will create or strengthen a dominant position in any banking markets.

#### **IV. CONCLUSION**

14. For all the foregoing reasons, the proposed concentration does not raise serious doubts as to its compatibility with the common market.

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

For the Commission