

***Case No COMP/M.4484 -
DANSKE BANK /
SAMPO BANK***

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**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION
Date: 30/01/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 30/01/2007

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PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the Notifying Party

Dear Sir/Madam,

**Subject: Case No. COMP/M.4484 – Danske Bank / Sampo Bank
Notification of 15.12.2006 pursuant to Article 4 of Council Regulation
No 139/2004¹**

I. INTRODUCTION

1. On 15 December 2006, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which the undertaking **Danske Bank A/S** ("Danske Bank", Denmark) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking **Sampo Bank plc** ("Sampo Bank", Finland) by way of a purchase of shares.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EC) No 139/2004 ("the Merger Regulation") and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

¹ OJ L 24, 29.1.2004 p. 1.

II. THE PARTIES

3. **Danske Bank** is a financial services company listed on the Copenhagen Stock Exchange. The company is active in retail and wholesale banking, insurance, mortgage finance, asset management, brokerage, real estate and leasing services. Danske Bank is the largest bank in Denmark with operations also in other Scandinavian countries.
4. **Sampo Bank** is a fully-owned subsidiary of Sampo plc ("Sampo", Finland), an insurance company. Sampo Bank is active in the provision of banking and investment services to retail, corporate and institutional customers. The company is principally active in Finland but also offers retail and corporate banking services via subsidiaries in Estonia, Latvia and Lithuania and via a branch office located in Sweden.

III. THE OPERATION

5. According to a Share Purchase Agreement concluded by Danske Bank and Sampo, Danske Bank will acquire from Sampo, all shares in Sampo Bank and certain minority interests in Sampo Bank's subsidiaries. Danske Bank will gain full ownership of the banking, mutual fund management, asset management, securities brokerage, corporate finance, private equity and real estate agency operations of Sampo Bank and its subsidiaries.

IV. CONCENTRATION

6. Danske Bank intends to buy all shares in Sampo Bank. The notified operation therefore concerns the acquisition of sole control of Sampo Bank by Danske Bank.
7. The Commission concludes that the proposed transaction constitutes a concentration within the meaning of Article 3(1) of the Merger Regulation.

V. COMMUNITY DIMENSION

8. The parties have a combined aggregate world-wide turnover exceeding € 5 billion (Danske Bank €15.5 billion, Sampo Bank €1.1 billion) and each of the parties' Community-wide turnover is larger than € 250 million (Danske Bank €14.2 billion, Sampo Bank €1.1 billion). None of the undertakings concerned 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 pursuant to Article 1(2) of the Merger Regulation.

VI. RELEVANT MARKETS

A. RELEVANT PRODUCT MARKETS

9. In previous decisions, the Commission has distinguished between the markets for **retail banking**, **corporate banking** and **financial market services** with possible further segmentation.² The Commission has previously considered that corporate banking

² See e.g. cases M.3894 – Unicredito/HVB and M.2567 – Nordbanken/Postgirot.

services could possibly be divided further into separate product markets for the provision of deposits, loans (with a potential sub-segment for real estate financing) and foreign trade finance. The Commission has also held that it may be appropriate to distinguish between corporate banking services offered to small- and medium-sized enterprises (SMEs) and large corporate customers.³

10. The majority of the respondents to the Commission's market investigation agreed with the distinctions made in previous decisions.
11. In the present case it is not necessary for the Commission to delineate exactly the scope of the relevant product markets, since the transaction does not lead to competition concerns under any plausible product market definition.

B. RELEVANT GEOGRAPHIC MARKETS

12. The Commission has previously considered that the relevant markets for **retail banking services** are national in scope.⁴
13. As regards **corporate banking services** - in particular services provided to SMEs - the Commission has previously taken the view that geographic markets are predominantly national but that certain corporate banking services have a strong international dimension, in particular for large corporate customers.
14. The Commission's market investigation has confirmed the distinctions made previously for corporate banking services. However, most respondents have emphasised the predominantly international market characteristics of corporate banking services to large companies. Respondents have stated that the introduction of a common currency in 13 Member States has contributed greatly to the internationalisation of these services.
15. With respect to the markets for **financial market services**, the Commission found in the previous cases that the relevant geographic market could be either national or international in scope.
16. The exact geographic scope of the relevant markets may be left open in the case at hand, because the transaction does not lead to competition concerns under any plausible definition of relevant geographic markets.

VII. COMPETITIVE ASSESSMENT

A. RETAIL BANKING SERVICES

17. The activities of the parties do not overlap as they are active in different national markets (Danske Bank in Denmark, Sweden and Norway and Sampo Bank in Finland, Estonia, Latvia and Lithuania).

³ For the purposes of the present decision, SMEs may be defined as companies with an annual turnover of less than € 50 million.

⁴ See e.g. cases M.3894 – Unicredito/HVB and M.2567 – Nordbanken/Postgirot.

B. CORPORATE BANKING SERVICES

18. The activities of the parties overlap in Finland and to a limited extent in Sweden. Since the transaction would have the largest impact in the Finnish market for corporate banking services, the Commission focused its market investigation on this market and its sub-segments.

1) Finland

(a) Overall market

19. The combined market share of the parties in the overall Finnish market for corporate banking services market would amount to 21% (Sampo Bank 19%, Danske Bank 2%).⁵
20. After the transaction, the combined entity would become the third largest corporate bank in Finland. Danske Bank/Sampo Bank would face competition from two larger competitors (Nordea, estimated market share 35%, OP Bank Group, estimated market share 25%) and other significant competitors (such as Svenska Handelsbanken with an estimated market share of 15%).
21. Bearing in mind Sampo Bank's relatively modest market share, the very small increment added by Danske Bank, the presence of several large competitors as well as the response to the market investigation – in which the transaction was predominantly regarded as pro-competitive⁶ – the Commission concludes that the notified transaction will not significantly impede effective competition in a possible Finnish market for the provision of corporate banking services.

(b) Sub-segments

Corporate banking services to SMEs

22. Danske Bank's activities with respect to SMEs in Finland are minor and limited to loans (market share <1%) and deposits (market share <1%). Sampo Bank's shares of these market segments amount to approximately 10%. It may therefore be concluded that the combined entity will have market shares well below 15% in all segments where overlaps occur. Also in this sub-segment, the merged entity would face competition from several large competitors, the largest being Nordea.
23. Given Sampo Bank's limited market share, the very small increment added by Danske Bank in only two market segments, the presence of larger competitors as well as the response to the market investigation – in which the transaction was predominantly regarded as pro-competitive⁷ – the Commission concludes that the notified transaction will not significantly impede effective competition neither in a possible Finnish market for

⁵ Market shares calculated on sales value in 2005.

⁶ Most respondents stated that competition in the Finnish market for corporate customers is fierce and that Danske Bank's proposed acquisition of Sampo Bank is likely to increase competition further.

⁷ One respondent stated that competition in a possible market for corporate banking services to SMEs could be more intensive. The same respondent considered it likely that the transaction would increase competition.

the provision of corporate banking services to SMEs, nor in the sub-segments for the provision of loans and deposits respectively for SMEs.

Corporate banking services for large customers

24. The parties estimate their market shares in the relevant sub-segments as follows.⁸

Deposits: 31% (Danske Bank 11%, Sampo Bank 20%)

Loans: 30% (Danske Bank 5%, Sampo Bank 25%)

Foreign trade transactions: 16% (Danske Bank 1%, Sampo Bank 15%)

25. There are several large competitors to the merged entity providing corporate banking services to large customers, the largest being Nordea.
26. The merged entity would achieve relatively large shares in two market segments, i.e. deposits and loans to large corporate customers where shares would be approximately 30%. However, the presence of large competitors in these market segments and the outcome of the Commission's market investigation - in which the transaction was predominantly regarded as pro-competitive⁹ – indicate that there are no competitive concerns in these market segments. In addition, a number of companies offering a complete range of services to large corporate customers have entered the Finnish market in the last few years, e.g. Royal Bank of Scotland, Swedbank, Kaupthing and GE-Money. Bearing these considerations in mind, the Commission concludes that the notified transaction will not significantly impede effective competition, neither in a possible Finnish market for the provision of corporate banking services to large customers, nor in any sub-segments of this potential market.

2) Sweden

(a) Overall market

27. Danske Bank's total sales of corporate banking services in Sweden amounted to € 14.2 million in 2005, whereas the activities of Sampo Bank in Sweden generated a turnover of € 489,000. In Sweden, Sampo Bank has 13 corporate clients, all of whom are Finnish companies or Swedish-based subsidiaries of Finnish companies. The parties state that the combined market share of the two entities in the overall Swedish market for corporate banking services would be well below 15%.

(b) Sub-segments

28. Since Sampo Bank does not offer loans, real estate financing or foreign trade financing in Sweden and only has negligible activities in the deposits sub-segment¹⁰, it may be

⁸ Neither party provides real estate financing services for large corporate customers.

⁹ Most respondents indicated that the transaction would be pro-competitive while a few stated that the impact on competition would be neutral. No respondent considered that a combined Danske Bank/Sampo Bank would be able to raise prices post-merger.

¹⁰ Sampo Bank's turnover in Sweden was generated by payment transactions (€ 360,000 in 2005) and interest income (€ 129,000 in 2005).

concluded that the merger would not lead to any competition concerns in any of the feasible sub-segments of the overall Swedish market for corporate banking services.

C. FINANCIAL MARKET SERVICES

29. Since the relevant geographic market for the provision of financial market services is likely to be international in scope, the activities of the parties overlap. However, the parties' joint share of such a market would be marginal regardless of its exact geographic scope (e.g. the Nordic Countries, the EEA or a world-wide market).
30. As regards a possible Nordic market, Danske Bank accounts for significant parts of the total turnover in bonds in Denmark (20%), Sweden (30%) and Norway (22%). However, Sampo Bank does not generate any turnover from the sale of bonds (neither in Denmark, Sweden or Norway, nor in Finland). Danske Bank also accounts for approximately 50% of the trade in derivatives and foreign exchange in Denmark but Sampo Bank is not active in these market segments either. The only market segment in which there is an overlap between the parties is the sale of shares in Sweden (Danske Bank's market share <1%, Sampo Bank 0.03%). Danske Bank is likely to account for a significant part of a possible Nordic market for the provision of financial market services. However, the activities of Sampo Bank in this field are so limited that a merger between the two entities would result only in a very small increment.
31. Regardless of method of calculation, the parties' combined market share does not exceed 1% within the EEA.
32. The Commission concludes that the notified transaction will not significantly impede effective competition in the market for the provision of financial market services, regardless of the geographic scope of this market.

VIII. CONCLUSION

33. 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 EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EC) No 139/2004.

For the Commission
signed
Neelie KROES
Member of the Commission