EUROPEAN COMMISSION
DG Competition

Case M.8414 - DNB / NORDEA / LUMINOR GROUP

Only the English text is available and authentic.

REGULATION (EC) No 139/2004
MERGER PROCEDURE

Article 6(1)(b) NON-OPPOSITION
Date: 14/09/2017

In electronic form on the EUR-Lex website under document number 32017M8414

EUROPEAN COMMISSION

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Brussels, 14.9.2017
C(2017) 6281 final

PUBLIC VERSION

To the notifying parties:

Subject: **Case M.8414 – DNB / Nordea / Luminor Group**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

(1) On 9 August 2017, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004[3] by which DNB Bank ASA ("DNB", Norway) and Nordea Bank AB (publ) ("Nordea", Sweden) (together "the Notifying Parties") join their banking operations in Estonia, Latvia and Lithuania (together also referred to as "Baltic countries" or "Baltics") and create a new bank, called Luminor Group AB ("Luminor"), which will be jointly controlled by DNB and Nordea ("the Transaction").

1. THE PARTIES

(2) DNB is a Norwegian based bank, offering a full range of financial services, including loans, savings, advisory services, insurance and pension products for

1 OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

2 OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

3 OJ L 24, 29.1.2004, p. 1 (the "Merger Regulation").

retail and corporate customers, mainly in Norway and also in Estonia, Latvia and Lithuania and other Baltic Sea countries.

(3) Nordea is a Swedish based bank, offering a full range of financial services, including retail and corporate banking, investment banking, capital markets services, asset management and insurance; primarily in the Nordics and the Baltic Sea countries.

(4) Luminor, the newly-created joint venture, is to be active in the provision of financial services, including retail and corporate banking in Estonia, Latvia and Lithuania.

2. THE OPERATION

(5) The transaction agreements for the creation of the joint venture, including the Master Subscription and Investment Agreement, were signed on 24 August 2016.

(6) The notified operation constitutes a concentration within the meaning of Articles 3(1)(b) and 3(4) of the Merger Regulation.

(7) The joint venture consists of the existing businesses of DNB and Nordea in the Baltic States. The joint venture will perform on a lasting basis all the functions of an autonomous entity. It will have a management dedicated to its day-to-day operations, and access to sufficient resources including separate management, staff and assets necessary to conduct its business on a lasting basis in the Baltic States.

3. EU DIMENSION

(8) The Notifying Parties had initially notified the Transaction in Estonia, Latvia and Lithuania on the grounds that DNB and Nordea would not control Luminor, which standalone would not meet EU turnover thresholds. The Commission examined the transaction structure and concluded that the mother companies will exercise joint control over Luminor, and therefore they are the undertakings concerned by the Transaction.

(9) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million[4] (Nordea: EUR 13 807 million, DNB: EUR 7 927 million). Each of them has an EU-wide turnover in excess of EUR 250 million (Nordea: EUR […] million, DNB: EUR […] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

4 Turnover calculated in accordance with Article 5 of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C 95, 16.4.2008, p. 1).

4. RELEVANT MARKETS

4.1. Introduction to the banking markets in the Baltics

(10) DNB and Nordea are Nordic-based universal banks active in the Baltics. Other universal banks of significant size active in the Baltic countries and which are also Nordic-based are Swedbank and SEB.

(11) In general, most customers responding to the market investigation do not consider that there are substantial differences in general market conditions (e.g. type of financial providers, financial services offered, etc.) between the banking sectors in the Baltic countries as compared to other regions. However, some respondents did explain that the markets are relatively small in size and, based on that, some peculiarities exist. For example, customer explained that "*Baltics are in different scale like other big European countries. If 10 M EUR loan in Latvia is considered as large loan, than in big countries and financial centers it is considered as small loan and no one will start to negotiate about possible credit facilities if it is only couple million EUR large.*" Another customer explained that "*In the Baltic states the spectrum of financial services is narrower compared to other market we work with, especially there is difference with UK.*"[5] Some customers considered the Baltic banks to offer better terms when compared to other countries.[6]

(12) Competitors who responded to the market investigation also indicated that the Baltic markets are relatively small. They explained that whilst there are a number of financial providers active in the Baltic countries, the main players are all Scandinavian banks. In general, competition is considered to be relatively strong.[7]

4.2. Markets affected by the transaction

(13) The Transaction gives rise to a number of affected markets in retail banking and corporate banking.

4.2.1. Retail loans

4.2.1.1. Product market definition

(14) Retail loans are part of the broader category of retail banking.

(15) Retail banking comprises all banking services provided to private individuals and very small enterprises, such as deposits and account services (current accounts, saving accounts, cash deposits, cheque collection etc.); payment services including ATM services, payment card issuing, credit transfer, direct debit, standing orders and cheques; lending (personal loans, consumer credit, overdraft facilities, mortgages etc.); and investment products such as mutual funds, pension funds and securities brokerage and custody services (management of custody

5 Non-confidential replies to question 8 of the questionnaire Q2 to customers.

6 Non-confidential replies to question 8 of the questionnaire Q2 to customers. For example, one customer explains that *"In Baltics banks are faster, offer better, more customized service to customers" "the financial services offered in the Baltic states are no different and sophisticated similarly to that in Sweden (...) the price level in the Baltic states is lower than that in Sweden probably due to higher competition among market participants."*

7 Non-confidential replies to question 5 of the questionnaire Q1 to competitors.

accounts and processing of corporate actions such as dividend distribution). In many cases, banks are also active in distributing certain insurance products to their customers.

(16) In previous cases the Commission found that there exists a degree of supply-side substitutability between the various products for banks that already operate an established branch network and customer base. Often retail customers generally seek “a retail banking package” often including personal current account, payment services, savings accounts and consumer credit. At the same time the Commission noted that there is no demand-side substitutability between the different retail banking products. Furthermore, certain products, notably mortgage loans, may play a role in inducing customers to switch their current account from other banks.[8] Consequently, the Commission has left open whether individual retail banking products represent separate relevant product markets or whether several retail banking products may form part of a single relevant product market.[9]

(17) As regards retail loans in previous cases the Commission has considered the existence of markets for personal loans, consumer loans/consumer credits and mortgages. The Commission found that for example loans and mortgages may serve different purposes and may have distinctive features and thus may need to be considered distinct product markets.[10] The Commission has not concluded as to whether the relevant market should comprise all retail loans or whether each of personal loans, consumer loans and mortgages each constitute a distinct product market.[11]

(18) The Notifying Parties submit that retail lending segmentation is based on whether a specific loan is supported by a security interest in favour of the bank or not: mortgages are lower-risk products and unsecured are riskier. Product segmentation is also based on the customer needs that the specific retail loan product seeks to address. In particular banks would distinguish credit card loans or credit lines, which satisfy immediate generic consumption needs, from loans linked to specific consumption categories, such as car loans or consumer credit to purchase appliances. In general, the Notifying Parties submit that the Commission's previous approach can be applied to the present case.

(19) The results of the market investigation concerning the overall retail banking confirm that from the supply-side perspective, for a given category of customers, the position of a bank in a particular product (e.g. retail loans) will to large extent depend on its ability to provide other products to the same type of customer. At the same time many competitors underline that customers are free to decide which products to take from any bank, that product tying is not allowed on the market and it is possible to be a one product bank in the market.[12] Furthermore, almost all competitors agree that within the retail banking market one should distinguish different products, e.g. personal current accounts, saving accounts, consumer

8 COMP/M.3894 – Unicredit / HVB.

9 COMP/M.3894 – Unicredit / HVB, COMP/M.4844 – Fortis / ABN Amro.

10 COMP/M.3894 – Unicredit / HVB.

11 COMP/M.3894 – Unicredit / HVB, COMP/M.4356 – Deutsche Bank / Berliner Bank, COMP/M.5811 – Erste Bank / ASK.

12 Non-confidential replies to question 6 of the questionnaire Q1 to competitors.

loans or mortgages.[13] It is thus quite clear that in particular retail loans should be considered a distinct product market. However, the results of the market investigation are not conclusive as to whether the retail loans market should be further segmented or not. The majority of competitors consider that it is not necessary to further segment the market for retail loans, while one third of the responding competitors say the opposite.[14] In this regard a competitor explained that it "[...] *considers that retail loans are easy substitutable therefore there is no need to further distinguish between different types of retail loans.*"[15] Another competitor submits that such distinctions should be made, since depending on the product and collateral, the probability of default differs significantly.[16]

(20) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to retail loans under any plausible market definition, for the purposes of the competitive assessment of the Transaction it can be left open whether retail loans form a distinct product market or whether they should be further segmented in particular into consumer credits, current account and payment card loans and housing loans (mortgages).

4.2.1.2. Geographic market definition

(21) In its previous decisions, the Commission has considered that, with regard to retail banking services, the relevant geographic market is national in scope due to the different competitive conditions within individual Member States and the importance of a network of branches.[17] In some cases the Commission considered a subnational/regional scope of the banking market, depending on the characteristics of the countries concerned, but left it open whether the market should be considered national or subnational.[18] In the present case, taking into account the size of the countries concerned by the Transaction, and the homogenous conditions within each of these countries, the markets seem to be national in scope.

(22) The Notifying Parties submit that, although innovation in electronic communications has reduced the importance of having a well-developed network of branches, the remaining differences in the competitive environment within individual Member States continue to support the conclusion that the markets are national in scope.

(23) All of the respondents to the market investigation consider that the market for retail loans is national in geographic scope.[19]

---

13 Non-confidential replies to question 9 of the questionnaire Q1 to competitors.

14 Non-confidential replies to question 10 of the questionnaire Q1 to competitors.

15 Non-confidential replies to question 10 of the questionnaire Q1 to competitors.

16 Non-confidential replies to question 10 of the questionnaire Q1 to competitors.

17 COMP/M.2578 – Banco Santander Central Hispano / AKB, COMP/M.3894 – Unicredit / HVB, COMP/M.4356 – Deutsche Bank / Berliner Bank, COMP/M.4844 – Fortis / ABN AMRO Assets, COMP/M.5384 – BNP Paribas / Fortis, COMP/M.5811 – Erste Bank / ASK.

18 COMP/M.3894 Unicredito/HVB, Commission decision of 18 October 2005, COMP/M.4356 – Deutsche Bank/Berliner Bank, COMP/M.5811 – Erste Bank/ASK.

19 Non-confidential replies to questions 106 and 107 of the questionnaire Q1 to competitors.

(24) In view of the above for the purpose of the present decision, the Commission concludes that the geographic scope of the markets in the area of retail loans is national.

4.2.2. Corporate banking markets

4.2.2.1. Product market

(25) Corporate banking comprises a broad range of banking services offered to general corporate clients. It excludes banking services between financial institutions: due to the difference in the market participants and competitive environment – inter-banking markets are considered to form distinct markets from corporate banking, irrespective of the size of the client.[20]

(26) The Commission has, in previous cases, found that it may be appropriate to distinguish between services offered to small- and medium-sized enterprises (SMEs) and large corporate customers (LCCs), although it has observed that there is no obvious single parameter by which companies can be designated as SMEs or LCCs, and which would be applicable to all market players in a given market.[21]

(27) The Notifying Parties submit that in the three Baltic countries it is not relevant to distinguish between SMEs and LCCs, in particular because both categories of corporate customers are offered the same products.

(28) A small majority of competitors responding to the market investigation consider that this distinction is generally applicable to the Baltic countries.[22] For instance a competitor explained that the "*customer relationship is more important. LCC require more complex products and dedicated commercial relationships with banks.*"[23] Another competitor indicated that "*the needs of SME are different to big companies, which tend to have tailor-made solutions for loans and daily banking.*"[24] On the other hand, more than 40% of responding competitors indicate that the distinction is not relevant in the Baltic countries. They explain in particular that this is because *"general product terms and conditions are the same."* They also indicate that projects are assessed individually, irrespective of the size of the customer: *"the offer does not depend on the clients segment, but on other factors (counterparty, customer rating etc.)."*[25]

(29) Furthermore, the Notifying Parties note that their largest clients in the Baltic countries are relatively small when compared to other countries in which they operate (e.g. Scandinavia, larger EU countries) and that there is no clear definition of LCCs and SMEs in the context of the banking products that would be recognised by all the suppliers. The Notifying Parties' internal segmentation of LCCs and SMEs differs to some extent, but they suggest that a threshold of 20

---

20 COMP/M.873 – Bank Austria / Creditanstalt, COMP/M.5861 – Republik Österreich / Hypo Group Alpe Adria.

21 See for example COMP/M. 2567 – Nordbanken / Postgirot, COMP/M.3894 – Unicredito / HVB, COMP/M.4844 – Fortis / ABN AMRO Assets.

22 Non-confidential replies to question 23 of the questionnaire Q1 to competitors.

23 Non-confidential replies to question 23 of the questionnaire Q1 to competitors.

24 Non-confidential replies to question 23 of the questionnaire Q1 to competitors.

25 Non-confidential replies to question 30 of the questionnaire Q1 to competitors.

MEUR turnover would be an appropriate proxy to distinguish larger clients should the Commission consider the distinction between LCCs and SMEs to be relevant in this case.

(30) Indeed, the market investigation showed that companies take into account various factors in addition to turnover when determining the size of their corporate clients (e.g. number of employees, assets value, etc.), although it appears that the turnover represents a good proxy to determine whether a customer is part or not of the LCCs segment. The market investigation did not provide a clear indication of which turnover should be used to distinguish LCCs and SMEs since every company has its own internal segmentation. However, the threshold of 20 MEUR appears to be in line with many responses.[26]

(31) The Commission considers that for the purpose of this case it can be left open whether the corporate banking market should be segmented into products for LCCs and SMEs or not, as in any case the competitive assessment of the Transaction remains the same.

4.2.2.2. Geographic market

(32) In previous cases the Commission considered the market for banking services offered to SMEs to be national in scope, while for LCCs it considered both a national and wider scope of the market.[27]

(33) In response to the market investigation most customers indicated that they source financial services at the national level and not from suppliers outside the Baltic country where they are active.[28] Likewise, most competitors consider that in the Baltic countries competition takes place mainly at the national level.[29]

(34) The results of the market investigation suggest that competition takes place at the national level also with regard to LCCs in the Baltic countries. Many competitors explained competition occurs at a supranational level only in exceptional circumstances and very specific situations. As one competitor explained: *"In individual cases large corporate customers may seek credit from the lending institutions in other Baltic state or a syndicated credit from more than one credit institution in different states. However these are exceptional cases involving large sums."*[30]

(35) In view of the above, the Commission considers that, for the purpose of the present decision, the markets for banking services offered to LCCs are national in scope. In any event the competitive assessment of the Transaction would not change should the market be considered EEA-wide for any category of customers or products, since on such a market the Parties' market shares would be far below affected market thresholds.

---

26 Non-confidential replies to question 24 of the questionnaire Q1 to competitors.

27 See for example COMP/M.3894 – Unicredito / HVB, COMP/M.2567 – Nordbanken / Postgirot.

28 Non-confidential replies to question 7 of the questionnaire Q2 to customers.

29 Non-confidential replies to question 106 of the questionnaire Q1 to competitors.

30 Non-confidential replies to question 107 of the questionnaire Q1 to competitors.

4.2.3. Corporate loans

4.2.3.1. Product market definition

(36) In previous cases the Commission has identified a distinct product market for corporate lending. The Commission has considered segmenting the market for corporate loans according to the size of customers (large corporate clients and smaller commercial clients such as SMEs), but ultimately left it open whether such segmentation is necessary.[31] Moreover, the Commission considered distinguishing real estate financing as a distinct product market, but ultimately left the question open.[32]

(37) Finally, in the past the Commission considered that financing of public authorities is separate product market given that both the customers and the market conditions differ from those existing for corporate banking.[33] In particular, credit to local authorities has been considered a product in its own right because customers and conditions of loans differ from normal bank loans.[34]

(38) The Notifying Parties submit that regardless of the type of loan, all lending products are designed to finance working capital needs or investment projects. Thus, all lending products meet customers' demand for the provision of credit, irrespective of its intended use. The Notifying Parties also argue that there is also considerable supply side substitutability between different types of loans, with the only real constraint being the need for initial capital. The Notifying Parties therefore submit that there is a single relevant market for corporate loans.

(39) Moreover, the Notifying Parties submit data on their position on the market for the financing of public authorities in each Baltic country, in line with Commission's precedents. However, they indicate that no distinction between financing provided to the different levels of public authorities (local, central, etc.) is relevant for the present case. In Estonia, there is no significant difference in the regulatory and competitive environment for public finances at different levels of government. In Latvia and Lithuania, whilst a distinction could be made between central government, local government and government agencies, all main competitors are active in the financing to different levels of public authorities, and there are no entry barriers or costs related to switching between supplying the various levels.

(40) The market investigation results confirmed that there is a distinct market for corporate loans. As explained at paragraph 28, the market investigation did not provide a clear indication as to whether corporate banking markets (including corporate loans) should be segmented according to the size of customers into loans to LCCs and SMEs. The results of the market investigation were

[31] COMP/M.4844 – Fortis / ABN Amro Assets, COMP/M.5384 – BNP Paribas / Fortis.

[32] COMP/M.2567 – Nordbanken / Postgirot, COMP/M.6168 – RBI / EFG EUROBANK / JV.

[33] COMP/M.873 – Bank Austria / Creditanstalt, COMP/M.5861 – Republik Osterreich / Hypo Group Alpe Adria.

[34] See for example COMP/M.1254 – Dexia / Argentaria / Credito Local.

inconclusive as to whether real estate financing should constitute a distinct product market.[35]

(41) The results of the market investigation were also inconclusive as to whether loans offered to public authorities should be distinguished as a distinct product market in the Baltic countries.[36] Many competitors replying to the market investigation explained that they do offer lending products to public authorities and that there are no major constraints in starting to provide services to public authorities. However, other competitors explained that they do distinguish between products offered to corporate clients and those offered to public authorities since products characteristics (e.g. pricing, covenant structure) tend to be different.[37]

(42) The results of the market investigation did not support a distinction of the market for public financing based on the level of government in the Baltic countries. The majority of competitors explained that they do provide services to different levels of public authorities (central government, local municipalities, etc.) and that products offered are generally the same.[38]

(43) In view of the above, for the purpose of this decision, the market for the financing of public authorities is considered to be a separate relevant product market.

(44) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to corporate loans under any plausible market definition, for the purposes of the competitive assessment of the Transaction it can be left open whether the market should be further segmented into loans to LCCs and loans to SMEs, and whether loans to real estate form a distinct product market.

4.2.3.2. Geographic market definition

(45) As explained in Section 4.2.2.2 above, for the purpose of this decision, the markets for corporate banking products (including loans) are considered to be national in scope.

(46) The Commission has previously considered the market for the financing to public authorities national in scope.[39] The Notifying Parties agree with this and the market investigation results are in line with Commission's precedents.[40]

4.2.4. Corporate deposits

4.2.4.1. Product market definition

(47) In previous cases the Commission identified a distinct product market for corporate deposits and savings, and observed extensive demand substitutability between different types of products.[41]

35 Non-confidential replies to question 33 of the questionnaire Q1 to competitors.
36 Non-confidential replies to question 31 of the questionnaire Q1 to competitors.
37 Non-confidential replies to question 32 of the questionnaire Q1 to competitors.
38 Non-confidential replies to question 32 of the questionnaire Q1 to competitors.
39 COMP/M.2400 – Dexia / Artesia, COMP/M.5861 – Republik Osterreich / Hypo Group Alpe Adria.
40 Non-confidential replies to question 106 of the questionnaire Q1 to competitors.

(48) The Notifying Parties agree that there appears to be extensive substitutability between various saving products. In addition they argue that deposits, as well as other savings products, such as bonds (including Government savings bonds) and money market investment funds are products with similar risk and therefore are considered as substitutes from the customers' point of view.

(49) However, the Notifying Parties also explain that currently due to low interest rates most corporate clients choose to keep their savings at current accounts instead of using other savings products. Therefore, they have provided their data under the narrower market definition comprising corporate deposits, including current accounts.

(50) The market investigation results confirmed that corporate deposits constitute a distinct market from other corporate banking products. The results of the market investigation were inconclusive as to whether a distinction should be made between corporate deposits offered to SMEs and to LCCs, indicating a variety of practices for the different financial service providers.[42] For instance a competitor explained that "*pricing depends on term, amount, currency, client group, regulatory treatment (insured or not), stability of deposit*."[43] On the other hand another competitor considers that "*there is a need to distinguish corporate deposits offered to SMEs and LCCs due to difference in deposits pricing and risk profile.*"[44]

(51) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to corporate deposits under any plausible market definition, for the purposes of the competitive assessment of the Transaction it can be left open whether the market should be further segmented into deposits to LCCs and deposits to SMEs.

4.2.4.2. Geographic market definition

(52) As explained in Section 4.2.2.2, for the purpose of this decision, the markets for corporate banking (including corporate deposits) are considered to be national in scope.

4.2.5. Leasing

4.2.5.1. Product market definition

(53) Leasing is a contractual arrangement between the lessee (user of an asset) and the lessor (legal owner of an asset) according to which the lessee obtains the right to use an asset in return for regular rental payments. It may relate to a wide variety of assets such as transportation vehicles, industrial and agricultural machines, office equipment etc.

(54) In previous cases, the Commission considered a distinction between (i) operational leasing, in which ownership of the relevant asset is typically not

---

41 COMP/M.4844 – Fortis / ABN Amro Assets, COMP/M.5384 – BNP Paribas / Fortis.

42 Non-confidential replies to question 26 of the questionnaire Q1 to competitors.

43 Non-confidential replies to question 26 of the questionnaire Q1 to competitors.

44 Non-confidential replies to question 26 of the questionnaire Q1 to competitors.

transferred to the lessee at the end of the lease and the risk of ownership are retained by the lessor, and (ii) financial leasing, which is generally for a longer period, during which the lessee fully repays the asset cost and in result acquires the ownership of the relevant asset at the end of the lease.[45] The Commission has also considered segmentations of the leasing market i) according to the types of assets which are leased (cars, office equipment etc.), and ii) according to the size of customers. It was left open whether the leasing market should be segmented according to any of these criteria.[46]

(55) The Notifying Parties do not contest the previous findings of the Commission as regards plausible segmentation of the leasing markets and submitted data for leasing markets in general, distinguished into operational and financial leasing, depending on the size of customers as well as leasing markets segmented by asset type.

(56) The market investigation results show that there is a distinct market for leasing. As regards the distinction between operational and financial leasing the results are mixed. Some competitors explained that these are totally different products, different from legal and accounting perspective and that often customers have a clear preference for one or the other.[47] One competitor explained that operational leasing is more common for new assets, while financial leasing suits all types of assets, but is preferable for used assets.[48] Other competitors do not consider this distinction to be relevant, as almost all the competitors who offer leasing services provide both operational and financial leasing; and it would be easy for a company offering one type of leasing to start offering other types.[49]

(57) As regards operational leasing in particular, most respondents consider that it could be further segmented according to the type of asset which is leased (e.g. cars, industrial equipment, office equipment).[50] As for financial leasing the market investigation did not show conclusive results on the question of whether this market can be further segmented according to the type of asset which is leased.[51]

(58) The majority of responding competitors do not make a distinction between leasing provided to SMEs and leasing provided to LCCs and they offer leasing services to all categories of customers.[52] Approximately one third of suppliers

---

45 COMP/M.2970 – GE / ABB Structured Finance, COMP/M.3090 – Volkswagen / Offset / Crescent / LeasePlan / JV, COMP/M.4844 – Fortis / ABN Amro Assets, COMP/M.5384 – BNP Paribas / Fortis, COMP/M.7944 – Credit Mutual / GE Capital's Factoring and Equipment Financing Businesses in France and Germany.

46 COMP/M.5217 – GEFA / PEMA, COMP/M.5384 – BNP Paribas/Fortis, COMP/M.7944 – Credit Mutuel / GE Capital’s Factoring and Equipment Financing Businesses in France and Germany.

47 Non-confidential replies to question 73 of the questionnaire Q1 to competitors.

48 Non-confidential replies to question 73 of the questionnaire Q1 to competitors.

49 Non-confidential replies to questions 72, 73 and 78 of the questionnaire Q1 to competitors. For example: *“We see here no obstructions in switching from one leasing type offering to another (and vice versa).”*

50 Non-confidential replies to question 74 of the questionnaire Q1 to competitors. As explained by a competitor: “*Risks included into products differ so much that it's not possible to keep these products in one bucket.*”

51 Non-confidential replies to question 75 of the questionnaire Q1 to competitors.

52 Non-confidential replies to question 76 of the questionnaire Q1 to competitors. As explained by one competitor: “*Offering as such does not differ between LCC and SME segments, although*

consider that such a distinction is relevant, for example because in their overall offering they focus on one of these two categories.[53]

(59) In reply to the market investigation some respondents, in particular competitors, indicated that Nordea, and post-transaction the merged entity, will be particularly strong in a specific area of leasing, called white label leasing.[54] The white label leasing is provided by leasing / financial institutions to the sellers of assets. For example manufacturers or retailers of cars enter into white label leasing agreements with banks in order to provide leasing services (financial or operational) to their end-customers under their own name. The market investigation did not confirm that white label leasing should be considered a distinct product market.[55]

(60) From the demand side perspective: end-customers, who for example take on a lease on an asset, are always free to choose between the manufacturer's/retailer's white label leasing offer and an identical leasing offer from a bank or other financial service providers. Indeed, the white label leasing product offered by the asset manufacturer or retailer has exactly the same characteristics of the leasing product the end-customer can obtain from a financial service provider, the only difference being the fact that the former is purchased together with the underlying asset, and the latter in parallel to it. Second, the intermediary customers, i.e. parties to the white label leasing contracts (manufacturers and/or retailers which conclude overall white label leasing agreements), in response to the market investigation indicate that if their current supplier wanted to increase prices they would switch to another supplier of leasing, as other leasing suppliers are able to provide the same product, irrespective of whether they currently have white label contracts in place or not. This is because there is no difference between a white label leasing product and a similar type of leasing product, other than the fact that the 'white label' means that the leasing product will be subsequently sold by the intermediary customer to the end-customer together with the underlying asset. In this regard a respondent explained that it would "*switch immediately. Market wouldn't accept the increase*."

(61) Similarly, on the supply side, competitors indicate that they would be willing to enter into white label leasing agreements, even if currently they do not have white label leasing contracts in place. Most of the competitors either (i) consider that one should not single-out white label leasing from the overall leasing market, or (ii) do not take a view on this. Those who do not consider white label leasing to be a separate market notably explain that it is effectively just a different sales channel, while there is no difference in the leasing product itself.[56] As for the remaining suppliers, who indicate that one might consider white-label leasing separately from the other leasing products, some of them explained that it is different in terms of "*cooperation initiation: conclusion of cooperation*

---

particular conditions and pricing on the transaction depends on individual factors: financial performance, general relationship, experience, etc."

53 Non-confidential replies to question 76 of the questionnaire Q1 to competitors.

54 Minutes of the conference calls with competitors of 24 July 2017 and 1 August 2017.

55 Non-confidential replies to question 77 of the questionnaire Q1 to competitors.

56 Non-confidential replies to question 79 of the questionnaire Q1 to competitors. For example: "*White label leasing products compete in market with standard leasing products"; "sales channel does not affect the essence of the transaction."*

agreement is rather complicated and time-consuming process, which usually is tender-based and takes place on importer, or even producer level.''[57]

(62) As regards this last point, the Commission notes that white label leasing agreements between suppliers and customers, such as product manufacturers or retailers, usually follow a bidding procedure. Contracts are subsequently concluded for a period of a number of years, and include predetermined terms for leasing services, including price. Thus, suppliers of leasing cannot increase prices without changing the agreements; in case leasing suppliers considered increasing prices for customers, i.e. manufacturers/dealers, these would rather organise a new bidding process (either an open tender or an invitation to bid) to which all potential suppliers, i.e. all suppliers of leasing products (including those that currently do not have ongoing white label leasing agreements in place) would be able to participate in the tender.

(63) Overall the market investigation results clearly demonstrate that white label leasing is offered by the same companies that act on the regular leasing market, that they ultimately aim at the same customer base to offer them leasing products.

(64) The Commission notes, first, that this consideration would mainly apply to LCCs. In this regard most competitors do not consider that a distinction would need to be made between white label leasing to LCCs and SMEs.[58]

(65) Second, the Commission notes that virtually all the competitors indicated that there are no barriers preventing a company offering leasing services, but not white label leasing, to start offering white label leasing.[59] One of competitors explained: "*the leasing offering company has to have VAT registration, but this is just* [solved by submitting an] *application. Otherwise there are no limitations to start offering leasing alone or together with vendors.*" [60]

(66) In light of the above, the Commission considers that white label leasing should not be treated as a distinct product market.

(67) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to leasing under any plausible market definition, it can be left open whether there is one relevant product market for leasing or whether it should be segmented i) into operational and financial leasing, ii) according to the size of customers LCCs/SMEs, and/or iii) according to the type of assets leased.

57 Non-confidential replies to question 79 of the questionnaire Q1 to competitors.

58 Non-confidential replies to question 79 of the questionnaire Q1 to competitors.

59 Non-confidential replies to question 80 of the questionnaire Q1 to competitors. For example: *"If the tender is open, there are no barriers. Each market player should individually assess business case before the entry."*

60 Non-confidential replies to question 80 of the questionnaire Q1 to competitors.

4.2.5.2. Geographic market definition

(68) The Commission has previously considered the market for leasing to be national in scope.[61]

(69) The Notifying Parties submit that the geographic scope of leasing should be considered national. They explain that this reasoning is mainly based on the understanding of the demand side considerations of the customers in each Baltic State.

(70) In reply to the market investigation in general customers do not consider the market for leasing to be wider than national.[62] Likewise, most competitors consider that in the Baltic countries competition on the leasing market takes place mainly at the national level.[63]

(71) In view of the above, for the purpose of this decision the markets for leasing and all its plausible segments are considered to be national in scope.

4.2.6. Factoring

(72) Factoring consists in the purchase of all kinds of receivables from businesses, thereby providing them with liquidity.[64]

(73) In previous cases the Commission considered segmenting factoring services into the following categories: (i) prepayment on the value of invoices, (ii) invoice collection and sales ledger management services, (iii) credit insurance, and (iv) services comprising a package of all of the above.[65]

(74) The Notifying Parties explain that in the three Baltic countries one may distinguish three types of factoring: with insurance (when the provider of factoring has no recourse to the invoice issuer in case of non-payment), without insurance (in which case unpaid invoices are returned to the factoring customer) and so called reverse factoring (whereby the bank offers to provide liquidity to its client's suppliers against receivables issued by the client).

4.2.6.1. Product market definition

(75) The Notifying Parties argue that the different types of factoring belong to the same product market.

(76) First, as regards the demand side, the Notifying Parties submit that there is a blurred line between different types of factoring since when entering into factoring agreement the parties agree on the main elements (i.e. financing, debt management and recourse rights) and arrange the contract so that it meets the customer's needs.

---

61 COMP/M.5384 – BNP Paribas / Fortis, COMP/M.7944 – Credit Mutuel / GE Capital's Factoring and Equipment Financing Businesses in France and Germany.

62 Non-confidential replies to question 7 of the questionnaire Q2 to customers.

63 Non-confidential replies to question 106 of the questionnaire Q1 to competitors.

64 COMP/M.3894 – Unicredito / HVB.

65 COMP/M.2577 – GE Capital / Heller Financial.

(77) Second, the Notifying Parties submit that there is extensive supply side substitutability between various types of factoring in view of the fact that various types of factoring can be provided with the same pool of expertise, the same IT system can be used and no significant adjustments are needed in order to start providing different types of factoring.

(78) The results of the market investigation show that not all financial service providers supply all types of factoring and that some of them tend to specialise in certain types of factoring. Also, many respondents mentioned the importance of having a wide product offering in order to be able to compete effectively on the market.[66] For instance a competitor explained the competitive edge experienced in many cases by *"banks that are able to provide more types of factoring or more flexible tailor made solutions to get the client.*"[67] Therefore, customers would not necessarily be able to obtain, add or switch to different types of factoring in a seamless way.

(79) As for supply-side substitutability, overall competitors indicate that it would be relatively difficult for them to start offering other types of factoring which they currently do not offer (recourse, non-recourse or reverse factoring).[68] In this regard a competitor explained that "*IT system development, probably 6-12 months and several millions of costs*."[69] Another competitor indicated that the "*launching of new product is quite time consuming and costly. Depends of course on the type of factoring but it may include new agreements with third parties. It also contains internal regulations and procedures, sales materials, training, testing.*"[70]

(80) Most competitors do not distinguish between factoring provided to SMEs and factoring provided to LCCs[71] and do not consider that any other relevant criterion should be used to segment factoring services offered in the Baltic States.[72]

(81) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to factoring under any plausible market definition, it can be left open whether there is one relevant market for factoring or whether one should distinguish factoring with insurance from factoring without insurance. The Commission considers that it is not relevant for the purpose of this Transaction to distinguish separate factoring markets based on the size of customers.

4.2.6.2. Geographic market definition

(82) In previous decisions the Commission considered the factoring market to be national.[73]

---

66 Non-confidential replies to question 62 of the questionnaire Q1 to competitors.
67 Non-confidential replies to question 62 of the questionnaire Q1 to competitors.
68 Non-confidential replies to question 59 of the questionnaire Q1 to competitors.
69 Non-confidential replies to question 59 of the questionnaire Q1 to competitors.
70 Non-confidential replies to question 59 of the questionnaire Q1 to competitors.
71 Non-confidential replies to question 60 of the questionnaire Q1 to competitors.
72 Non-confidential replies to question 61 of the questionnaire Q1 to competitors.
73 COMP/M.4844 – Fortis / ABN Amro Assets, COMP/M.7947 – Banco Santander Totta / Banif.

(83) The Notifying Parties submit that the geographic market for factoring is national in scope.

(84) Most customers indicated that they source factoring services at a national level.[74] Likewise, most competitors consider that in the Baltic countries competition for factoring services takes place mainly at the national level.[75]

(85) In view of the above, for the purpose of this decision the markets for factoring and its plausible segments are considered to be national in scope.

4.2.7. *Documentary credits*

(86) Documentary credits comprise letters of credit, collection and guarantees supplied to corporate customers. Whether letters of credit, collection and guarantees should be considered as one single or separate product markets and whether a distinction should be made between SMEs and larger corporate customers was left open in previous cases.[76]

4.2.7.1. Product market definition

(87) The Notifying Parties consider that letters of credit, documentary collection and guarantees could be considered part of the same product market, since they are all intended to reduce the risk inherent in trade. Thus, the Parties explain that there is some demand side substitutability.

(88) On the supply-side, the Notifying Parties submit that whilst it is easier to start providing guarantees than other types of documentary credits, the main banks in the Baltics provide guarantees, documentary collection and letters of credit, thus the different level of know-how required does not seem to influence the scope of trade finance instruments provided by the main players in the market.

(89) The market investigation results tends to confirm that the market for documentary credits should not be further segmented. Indeed, most customers indicated that in the event of a 5-10% price increase for one type of documentary credit instrument (e.g. letters of credit) while the prices of other documentary credit instruments remained unchanged, they would switch to another type of service (e.g. guarantees).[77]

(90) However this ability to switch seems to depend on the specific situation. For instance a customer explains that "*in some cases they are not interchangeable as they are used for different tasks. Different suppliers have different risks, in some case it is used just for supply risk coverage (if supplier is riskier – LC* [letter of credit] *is better), in other cases payment risk coverage from supplier (BG* [bank guarantee] *can be enough and is better than LC* [letter of credit] *as it requires less transactional costs for constant deliveries) and in another case payment risk*

74 Non-confidential replies to question 7 of the questionnaire Q2 to customers.

75 Non-confidential replies to question 106 of the questionnaire Q1 to competitors.

76 COMP/M.4844 – Fortis /ABN Amro Assets, COMP/M.5293 – Santander / Alliance & Leicester.

77 Non-confidential replies to question 6 of the questionnaire Q2 to customers.

coverage and together possibility to cash out money before the term for supplier (in this case just LC [letter of credit] *with deferred payment term can be used)*."[78]

(91) On the supply side, most competitors explain that it would be relatively easy for them to switch their offering from one specify type of documentary credit instrument (e.g. letters of credit) to another (e.g. collection).[79] Also, most competitors do not distinguish between documentary credits provided to SMEs and documentary credits provided to LCCs.[80]

(92) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to documentary credits under any plausible market definition, for the purposes of the competitive assessment of the Transaction it can be left open whether there are separate product markets for letters of credit, documentary collection and guarantees or whether they all form one distinct product market and whether they should segmented according to the size of customers.

4.2.7.2. Geographic market definition

(93) As for any corporate banking products, the Commission has considered the market for documentary credits offered to SMEs to be national in scope, while for LCCs it considered both a national and wider scope of the market.[81]

(94) The Notifying Parties submit that the geographic scope for trade finance instruments is national.

(95) Most customers responding to the market investigation indicated that they source documentary credits at a national level.[82] Likewise, most competitors consider that in the Baltic countries competition for documentary credits takes place mainly at the national level.[83]

(96) Thus, for the purpose of this case the market for documentary credits will be considered to be national in scope.

4.2.8. Payment card issuing

4.2.8.1. Product market definition

(97) The Commission has in the past distinguished two card-related activities: the issuing of cards and the acquiring of merchants for card payment acceptance.[84] The present transaction leads to overlaps only in the area of card issuing. Further, the Commission considered segmenting the market according to different types of cards according to different criteria: type of payment card scheme (international /

78 Non-confidential replies to question 6 of the questionnaire Q2 to customers.

79 Non-confidential replies to question 47 of the questionnaire Q1 to competitors.

80 Non-confidential replies to question 48 of the questionnaire Q1 to competitors.

81 COMP/M.2567 – Nordbanken / Postgirot, COMP/M.3894 – Unicredito / HVB, COMP/M.4844 – Fortis / ABN Amro Assets.

82 Non-confidential replies to question 7 of the questionnaire Q2 to customers.

83 Non-confidential replies to question 106 of the questionnaire Q1 to competitors.

84 COMP/M.5241 – American Express / Fortis / Alpha Card, COMP/M.7873 – Worldline / Equens / Paysquare.

domestic), type of card (debit / credit), brands (e.g. Visa, MasterCard), type of customers (cards issued to retail customers and cards issued to corporate customers) but left the product market definition open.[85]

(98) The Notifying Parties submit that the relevant market should be defined as payment card issuing, including both debit card issuing and credit card issuing. At the same time the Notifying Parties acknowledge that in general one can segment payment cards i) into credit and debit cards and ii) according to customers into retail and corporate. The Notifying Parties submit that there is no need to distinguish cards depending on the size of corporate customers to which cards are issued. Finally, the Notifying Parties note that in Lithuania the distinction between general and special purpose cards is irrelevant, since special purpose cards are not being issued there.

(99) Most competitors consider that the market for card issuing should be segmented, although the criteria tend to vary i.e. some mention a segmentation according to the type of card (e.g. international vs national cards, debit or credit cards, selective or general cards, based on the card brand, etc.) and others according to the types of client (e.g. retail vs corporate).[86] The distinctions between corporate and retail cards and between credit and debit cards seem to be more widely recognised by the market participants. As regards different brands, the Notifying Parties explain that Visa, Mastercard and American Express branded cards comprise 100% of the market in Lithuania, DNB issues Visa payment cards and Nordea issues Mastercard, therefore if the market was segmented according to brands the transaction would not lead to any overlap.

(100) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to payment card issuing under any plausible market definition, for the purpose of this case it can be left open whether there is one relevant market for card issuing or whether it should be segmented distinguishing i) credit and debit card issuance and ii) issuing for corporate and for retail customers. As explained distinctions between general and special purpose cards issuing and between various brands of cards are irrelevant in the present case.

4.2.8.2. Geographic market definition

(101) In previous cases the Commission considered that the market for card issuance is national in scope but it recognised the possibility of widening the market in the future.[87] The Notifying Parties submit that the geographic market for payment card issuing is national.

(102) The vast majority of customers indicate that they source banking services, in particular payment card issuing at a national level. Only a small portion of corporate customers indicate that they do or they could source some banking

---

85 COMP/M.2567 – Nordbanken / Postgirot, COMP/M.3740 – Barclays Bank / Föreningssparbanken / JV, COMP/M.3894 – Unicredito / HVB, COMP/M.4844 – Fortis / ABN Amro Assets, COMP/M.5241 – American Express / Fortis / Alpha Card, COMP/M.7873 – Worldline / Equens / Paysquare.

86 Non-confidential replies to question 95 of the questionnaire Q1 to competitors.

87 COMP/M.5241 – American Express / Fortis / Alpha Credit, COMP/M.4844 – Fortis / ABN Amro Assets.

services including payment cards issuing at supra-national level. In any event for domestic payments they choose domestic cards issued by domestic/national suppliers.[88] Likewise, most competitors consider that in the Baltic countries competition for payment card issuing takes place mainly at the national level.[89]

(103) Thus, for the purpose of this case the market for payment card issuing will be assessed at national level. In any event, should the market be wider than national in scope the market for payment cards issuing would not be affected by the Transaction.

4.2.9. Payments

4.2.9.1. Product market definition

(104) Payments or cashless transactions include various types of payments services: credit transfers (initiated by payer, from one account to another), direct debits (payments ordered by the payee on the basis of payer's consent), card payments, payments by cheque and other payment services (mostly payments via telecommunication, IT etc.).

(105) In general all the (universal) banks offer all these payment services.

(106) In previous cases the Commission identified a distinct product market for domestic payment services and international payment services.[90] The Commission considered also the market for payments separately in the context of retail banking services (as the payment processing services including ATM services are provided together with personal current accounts) and in the context of corporate banking services (namely, processing payment transactions for corporate customers).[91]

(107) The Notifying Parties submit that it is no longer appropriate to differentiate between domestic and international corporate payments, since all the three Baltic countries have introduce euro currency and SEPA. Instead, the Notifying Parties suggest including all payment services, both domestic and international, and rendered to both corporate and retail clients, in a single product market for non-cash payment services.

(108) The Notifying Parties suggest two reasons for this. First, the introduction of the Single Euro Payments Area (SEPA) in the EU, including the Baltic States has removed many of the differences in treatment between domestic and international payments. Secondly, in the opinion of the Notifying Parties, the distinction between payment services to corporate clients and payment services to retail clients would not be justifiable due to significant supply-side substitutability.

(109) Most respondents to the market investigation consider that the market for payment services should be segmented into separate markets according to the type of service, i.e. domestic as opposed to international payments. Domestic

88 Non-confidential replies to question 7 of the questionnaire Q2 to customers.

89 Non-confidential replies to question 106 of the questionnaire Q1 to competitors.

90 COMP/M.4844 – Fortis / ABN Amro Assets, COMP/M.5384 – BNP Paribas / Fortis.

91 COMP/M.3894 – Unicredito / HVB, COMP/M.5384 – BNP Paribas / Fortis.

would be however understood as SEPA payments as opposed to international, i.e. non-SEPA payments.[92] For instance a competitor explained that "*payment services segmentation is needed based on type of service as cost base is different for SEPA payments and other cross-border payments*". Respondents to the market investigation consider that it is not necessary to further segment the market for payment services: "*Segmentation based on types of clients is not relevant, as products used by different clients are the same.*"[93]

(110) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to payments under any plausible market definition, it can be left open whether there is one relevant market for payments or one should distinguish domestic payments (here SEPA payments) and international (non-SEPA) payments or whether separate payment markets should be distinguished for retail and corporate customers.

4.2.9.2. Geographic market definition

(111) In previous cases the Commission considered the market for banking services and in particular payments offered to SMEs to be national in scope, while for LCCs it considered both a national and wider scope of the market.[94] As explained in Section 4.2.2.2 above, for the purposed of this decision the Commission considers that in the three Baltic countries the geographic market for all corporate customers (also large) is national in scope.

(112) The Notifying Parties submit that the market for payments is national.

(113) In response to the market investigation the vast majority of customers explained that they source payment services at national level, although some exceptionally source payment services at supra-national level.[95] Similarly, most competitors consider that in the Baltic countries competition for payments services takes place mainly at the national level.[96]

(114) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to payment services under any plausible market definition, it can be left open whether geographic market for payments is national or EEA-wide in scope. For the purposed of this decision the competitive assessment will be made based on the national scope of the market, as should the geographic scope be wider, the payments market would not be affected by the Transaction.

4.2.10. Financial market services

4.2.10.1. Product market definition

(115) Financial market services comprise services such as trading (on an agent or riskless principal basis) in securities, bonds and derivatives as well as foreign

92 Non-confidential replies to question 94 of the questionnaire Q1 to competitors.
93 Non-confidential replies to question 94 of the questionnaire Q1 to competitors.
94 COMP/M.2567 – Nordbanken / Postgirot, COMP/M.3894 – Unicredito / HVB.
95 Non-confidential replies to question 7 of the questionnaire Q2 to customers.
96 Non-confidential replies to question 106 of the questionnaire Q1 to competitors.

exchange trading, money market operations (i.e. trading in treasury bills and commercial paper from banks and companies) and other asset classes.[97]

(116) In previous cases, the Commission has left open the question whether each of these services might constitute a separate product market.[98]

(117) In view of the fact that the Transaction leads to affected markets only if the market for foreign exchange trading is considered a distinct market, for the purpose of this decision, when assessing the impact of the Transaction the Commission will focus on this market segment.

4.2.10.2. Geographic market definition

(118) As regard financial market services, in previous cases the Commission has considered that most of them are international in scope, but some of them have been analyses from a national perspective.[99]

(119) In view of the fact that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to financial market services under any plausible geographic definition, it can be left open whether the market is national or wider (at least EEA). The competitive assessment will be based on the national scope of the market, since should the geographic scope be wider the market would not be affected by the Transaction.

5. COMPETITIVE ASSESSMENT

5.1. Introduction

(120) The Transaction results in a number of horizontally affected markets in the Baltic States. In particular: i) retail loans in Latvia and Lithuania; ii) corporate loans in Estonia, Latvia and Lithuania; iii) corporate deposits in Latvia and Lithuania; iv) leasing in Estonia, Latvia, and Lithuania; v) factoring in Latvia and Lithuania; vi) documentary credits in Latvia and Lithuania; vii) payment card issuing in Lithuania; viii) payments in Lithuania; ix) foreign exchange trading in Lithuania.

(121) No vertical links arise from the Transaction.

(122) Market conditions are fairly similar in nature across the Baltic countries, and the main competitive dynamics are comparable in all three countries. The competitive assessment will therefore be based on the relevant product market, identifying country-based specificities where relevant.

---

97 COMP/M.5384 – BNP Paribas / Fortis.

98 COMP/M.3894 – Unicredito / HVB, COMP/M.5384 – BNP Paribas / Fortis.

99 COMP/M.5384 – BNP Paribas / Fortis, COMP/M.4155 – BNP Paribas / BNL.

5.2. Non-coordinated effects

5.2.1. Retail loans

(123) In the area of retail banking the Transaction leads to affected markets only for retail loans in Latvia and Lithuania; DNB has ceased offering retail services in Estonia and thus the Estonian market for retail loans will not be further assessed.

(124) The Parties market shares in the area of retail loans, in which the Transaction leads to affected markets are presented in table 1 below. Market share data for markets comprising consumer credits and current account and payment card loans are not presented in the table, since the Parties' combined market shares on these markets remain below 20%.

Table 1. Market shares on the markets for retail loans in Latvia and Lithuania, 2016 (value).[100]

Competitor	Latvia			Lithuania		
	Overall retail loans	Housing loans	Other loans[101]	Overall retail loans	Housing loans	Other loans
DNB	[10-20]%	[10-20]%	[30-40]%	[10-20]%	[10-20]%	[20-30]%
Nordea	[10-20]%	[10-20]%	[0-5]%	[10-20]%	[10-20]%	[5-10]%
Combined	**[30-40]%**	**[30-40]%**	**[30-40]%**	**[30-40]%**	**[30-40]%**	**[30-40]%**
Swedbank	[30-40]%	[30-40]%	[20-30]%	[30-40]%	[30-40]%	[30-40]%
SEB	[10-20]%	[10-20]%	[10-20]%	[20-30]%	[30-40]%	[20-30]%
Citadele	[5-10]%	[0-5]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%
ABLV	[5-10]%	[5-10]%	[0-5] %	[0-5]%	[0-5]%	[0-5]%
Danske	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Šiauliu	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Others	[5-10]%	[5-10]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%
Total size of the market EUR million	5 581	4 403	301	8 050	6 406	949

Source: Form CO

(125) In Latvia, on the market comprising all retail loans the Transaction will combine two similar players with market share of around [10-20]% each, leading to [30-40]% combined share. Post-transaction the merged entity will face two main competitors: Swedbank with a market share of [30-40]% and SEB with a market

100 The market shares concerning the retail loans market and its various segments in both Latvia and Lithuania have remained stable over the last three years. In particular, the market shares of the Notifying Parties and their main competitors in 2014 and 2015 were very similar to those presented in table 1 above.

101 The Notifying Parties explained that "other loans" would comprise loans not included in the in specific lending types. For example, these would include private loans with collateral taken for a purpose other than the acquisition/renovation of a house.

share of [10-20]%. Several other players will remain present, including Citadele with a market share of more than [5-10]% and ABVL with more than [5-10]% share.

(126) On the market for housing loans the Notifying Parties' market shares are slightly higher, with the combined market share of [30-40]%, but the overall competitive landscape is very similar: Swedbank and SEB will remain important players on the market with markets shares of respectively [30-40]% and [10-20]%; the largest local bank ABVL will have [5-10]% market share.

(127) Within retail loans in Latvia Nordea seems to be particularly strong on the market comprising "other loans" ([30-40]% market share), however DNB is much smaller: the increment brought by the Transaction amounts to [0-5]% only, and thus the combined share remains below [30-40]%. The market of "other loans" is rather small, it totals around EUR 301 million in Latvia which corresponds to approximately [5-10]% of the overall retail loans market and thus relatively strong position of the merged entity in that segment does not seem to prove that Luminor could have any particular competitive advantage over its competitors.

(128) In Lithuania the combined market shares of the Notifying Parties remain below [30-40]% on every affected market in the area of retail loans. In retail loans in Lithuania DNB is stronger with market share of around [20-30]%, and Nordea holds around [10-20]% share. Post-transaction strong competitors will remain present on the market, in particular Swedbank which will remain the market leader with [30-40]% market share and SEB with almost [20-30]% market share. On the market segment for housing loans and the segment for "other loans" in Lithuania the competitive landscape is very similar to that on the market for overall retail loans: the Notifying Parties combined market share will be around [30-40]%, Swedbank will remain the market leader with [30-40]% market share on the market for housing loans and SEB the third largest supplier with [30-40]% market share on the market for housing loans and [20-30]% share in "other loans".

(129) The Notifying Parties submit that there is healthy competition between competitors active on the market for retail loans in both Latvia and Lithuania with several strong competitors present.

(130) Furthermore, they submit that the digitalisation of banking and the rise of financial technology solutions result in various new retail lending products and thus the competition on the market is based on constant qualitative product improvement. The Notifying Parties note that while in the past loans could be granted only when customers were physically present in the branch, nowadays digitalisation has facilitated the electronic issuing of retail loans, and thus reduced significantly the barriers to entry into the market related to the need for a branch network. Indeed, with an exception of more complex housing loans, customers in Latvia and Lithuania can submit and complete a retail loan application online, without the need to be present in the branch office at any point during the application.

(131) The Notifying Parties submit that in both Latvia and Lithuania the overall number of branches has been declining: in Latvia it decreased from 654 branches in 2007 to 265 in 2016 and in Lithuania from 777 in 2008 to 287 branches in 2016. According to the Notifying Parties the decreasing significance of an established

branch network additionally increases the chances of non-banks to increase their presence on the market for retail loans and they submit that there exists a highly dynamic and growing non-bank retail lending market, imposing and increasing competitive pressure on bank providers.

(132) With regard to the Notifying Parties' claim that non-banks have an increasingly important role on the market for retail loans, the Commission notes that the market share data presented above include only the banks' data. While the respondents to the market investigation confirmed that non-banks are present on the market for retail loans on both Latvia and Lithuania, they also explained that non-banks would only offer certain products: typically consumer loans and high interest rate loans without collateral; as a consequence they would not exert important competitive pressure. Some competitors indicated that non-banks rather than competing with banks tend to have a complementary role.[102] In any event, the market share data for retail loans taking into account the non-banks' activities do not change the competitive assessment. Should the non-banks be included the Notifying Parties' market shares would generally be lower by [0-5]%.

(133) In response to the market investigation competitors indicated that suppliers of retail loans compete mainly on price, product offering, channels and customer service (including the speed of the decision making process as to the granting of loans).[103]

(134) In both countries almost all the respondents to the market investigation consider that Swedbank is the strongest supplier of retail loans and SEB is the second largest player. In general competitors explained that all the top banks are universal banks providing all types of loans and thus the ranking would be similar for any particular type of retail loans (e.g. personal loans, consumer credit, mortgages).[104]

(135) As regards the Latvian market for retail loans Nordea was mentioned to be quite strong in collateralized lending. Both Nordea and DNB are perceived to have rather small branch and ATM networks (in particular when compared to Swedbank and SEB). Their strength is seen in the fact that both Nordea and DNB have access to funding from their respective parent companies and thus can offer lower interest rates.[105]

(136) In Lithuania on the retail loans market Nordea is perceived as being focused on collateralised lending, targeting clients with higher income and a small client base with a small branch network. DNB on the other hand is considered to offer competing pricing, and to have wide branch network and a rather big client base.[106] This indicates that DNB and Nordea are not particularly close competitors and at least to certain extent have complementary offerings.

(137) This is further reflected in the market investigation replies, as the vast majority of respondents to the market investigation consider that both Nordea and DNB

---

102 Non-confidential replies to question 17 of the questionnaire Q1 to competitors.

103 Non-confidential replies to question 11 of the questionnaire Q1 to competitors.

104 Non-confidential replies to question 12 of the questionnaire Q1 to competitors.

105 Non-confidential replies to question 13 of the questionnaire Q1 to competitors.

106 Non-confidential replies to question 13 of the questionnaire Q1 to competitors.

compete most closely with Swedbank and SEB, and not with each other.[107] For both Nordea and DNB Swedbank is perceived to be their closest competitor and SEB to be their second closest competitor.

(138) The market participants, both customers and competitors do not expect that the Transaction could have any impact on the market for retail loans or any of its segments in Latvia or Lithuania.

(139) Furthermore the Commission notes that as regards the retail market, and retail loans in particular, retail clients are free to choose their supplier of financial services. Competitors explained that retail customers, in particular as regards retail loans, typically choose their supplier based on price and contract terms offered, according to their specific needs. The market investigation did not reveal that customers would encounter any particular difficulties when switching to another financial provider, except for the standard penalty fees for early repayment of ongoing loan that may apply. As regards new loans there would be no obstacles to switching.

(140) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in the area of retail loans and any of its segments in Lithuania and Latvia.

5.2.2. Corporate loans

(141) The Transaction leads to affected markets for corporate loans in Estonia, Latvia, and Lithuania. If the market were to be segmented based on the size of customers (LCCs/SMEs), affected markets would also arise in the three Baltic countries. If the market for corporate loans to real estate were to be distinguished, the Notifying Parties' market shares and their competitors' would not substantially differ in any of the Baltic States. Therefore, the competitive assessment provided in this section will apply also to this specific market, which will not be further discussed.[108]

(142) In Estonia, as can been seen from table 2 below, the Notifying Parties' combined market shares (2016) are less than [20-30]% both on the overall market for corporate loans and the markets for corporate loans to LCCs and to SMEs. Moreover, the increment brought by the Transaction is moderate ([0-5]% for the overall market; [0-5]% for the LCCs segment; [5-10]% for the SMEs segment). In all markets post-Transaction the merged entity will face strong competition from Swedbank, which remains the market leader by a considerable margin, and SEB (with market shares close to [20-30]%). Post-Transaction, beyond the three main players, a number of other competitors will remain present, including Danske and LHV (which hold individual market shares above [5-10]%).[109]

107 Non-confidential replies to questions 15 and 16 of the questionnaire Q1 to competitors.

108 In addition Nordea will retain a certain portfolio of corporate loans ("the carve-out loans portfolio") which will be […] post-Transaction […]. In relation to the "carve-out loans portfolio", […]. Thus, Nordea will have no direct presence in the Baltic countries stemming from the carve-out portfolio.

109 No substantial changes in market shares have occurred with respect to 2014 and 2015.

Table 2. Market shares on the markets for corporate loans in Estonia, EUR million, 2016.

Competitor	Corporate loans (overall)		Corporate loans to LCCs		Corporate loans to SMEs	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Nordea	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**
Swedbank	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
SEB	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Danske	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
LHV	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
OP Finance	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Total	6 541	100.0%	3 146	100.0%	3 394	100.0%

Source: Form CO

(143) In Latvia, as can been seen from table 3 below, the Notifying Parties' combined market shares (2016) are less than [20-30]% on the overall market for corporate loans and less than [20-30]% on the markets for corporate loans to LCCs and to SMEs. The increment brought by the Transaction is also relatively small, in the order of [5-10]% depending on the market considered (overall: [5-10]%, LCCs segment: [5-10]%, SMEs: [5-10]%). Post-Transaction the merged entity will remain the market leader on the overall market and the LCCs segment, given Nordea's strong position pre-Transaction. However, it will keep facing strong competition from SEB, Swedbank and Rietumu (which hold individual market shares between 10 and 20%). On the SMEs segment, the merged entity will become the strongest player together with SEB, which also holds a market shares slightly above [20-30]%. Swedbank and Rietumu would remain significant competitors. In addition, a number of other competitors will remain present, including ABLV and Citadele LHV (which hold individual market shares well above [5-10]%).[110]

110 No substantial changes in market shares have occurred with respect to 2014 and 2015, with the only exception of SEB, whose market shares on the market for corporate loans to LCCs have decreased over time (about [20-30]% in 2014 and [20-30]% in 2015), and on the market for corporate loans to SMEs have substantially increased (about [5-10]% in 2014 and 2015).

Table 3. Market shares on the markets for corporate loans in Latvia, EUR million, 2016.

Competitor	Corporate loans (overall)		Corporate loans to LCCs		Corporate loans to SMEs	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Nordea	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	**[…]**	**[20-30]%**	[…]	**[20-30]%**	[…]	**[20-30]%**
SEB	[…]	[10-20]%	[…]	[10-20]%	[…]	[20-30]%
Swedbank	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Rietumu	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
ABLV	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Citadele	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Total	8 374	100.0%	3 359	100.0%	5 015	100.0%

Source: Form CO

(144) In Lithuania, as can been seen in table 4 below, the Notifying Parties' combined market shares are less than [20-30]% on the overall market for corporate loans and the markets for corporate loans to LCCs and to SMEs. In this case, the increment brought by the Transaction is somewhat more significant ([10-20]% for the overall market; [5-10]% for the LCCs segment; [10-20]% for the SMEs segment), which is mainly due to DNB's relatively stronger position in the market for corporate loans in Lithuania. In any event, post-Transaction the merged entity will face strong competition from Swedbank, which remains the market leader by a considerable margin, and SEB (with market shares close to [20-30]%). Moreover, a number of other competitors will remain present, including AB Šiaulių, OP and Danske (with market shares above [5-10]%).[111]

111 No substantial changes in market shares have occurred with respect to 2014 and 2015.

Table 4. Market shares on the markets for corporate loans in Lithuania, EUR million, 2016.

Competitor	Corporate loans (overall)		Corporate loans to LCCs		Corporate loans to SMEs	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[10-20]%	[…]	[5-10]%	[…]	[10-20]%
Nordea	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**
Swedbank	[…]	[30-40]%	[…]	[30-40]%	[…]	[30-40]%
SEB	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
AB Šiaulių	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
OP	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Danske	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	7 034	100.0%	2 388	100.0%	4 645	100.0%

Source: Form CO

(145) The Notifying Parties note that for the market of corporate loans and its sub-segments, their combined shares would remain below 30% in Estonia, Latvia, and Lithuania. Moreover, in Estonia and Lithuania, Swedbank would still be the market leader post-Transaction. Therefore, no competitive concern would arise. In the Notifying Parties' view, the slightly improved position of the merged entity would enable it to compete more effectively with Swedbank and SEB, and thus to increase competition overall.

(146) In addition the Notifying Parties argue that they are not close competitors in the Baltic States and their activities are rather complementary. In particular, DNB is relatively stronger in the SMEs segment while Nordea is stronger in the LCCs segment. Since Swedbank and SEB are strong in both segments, these can be considered the closest competitors to the Notifying Parties.

(147) Finally, the Notifying Parties explain there are a number of other competitors with market shares well above 5% that will keep exercising competitive pressure post-Transaction (such as Danske, OP, LHV, Citadele, and AB Šiaulių).

(148) Starting the assessment by looking at the market shares of the Notifying Parties as a proxy of their likely market power, the Commission notes that the combined market shares of less than 30% on the overall market for corporate loans and its segments based on the customers' size (corporate loans to LCCs and SMEs) in all three Baltic States are not in themselves a strong indication of competition concerns.

(149) As explained above, post-Transaction the Notifying Parties will keep facing in all Baltic States strong competition from Swedbank and SEB, which will remain two

very strong players (Swedbank will often remain the market leader), and other relatively smaller competitors able to exercise a credible competitive pressure.

(150) The market investigation confirmed that the Notifying Parties are not considered to be the strongest players on the market for corporate loans in the Baltic countries. In all three countries Swedbank and SEB are considered to be the main players and in general the market investigation results show that DNB and Nordea do not have more influence on the market than their market shares would suggest.[112] This indicates that the Transaction will not result in the removal of significant competitive force from the market.

(151) In addition, the Notifying Parties are considered to compete more closely with other market players, rather than with each other in all Baltic States. The majority of respondents to the market investigation have identified either Swedbank or SEB as the closest competitors to both Nordea and DNB.[113]

(152) Moreover, the vast majority of customers have confirmed that in all three Baltic countries there is sufficient choice of financial service providers able to serve their needs in relation to the provision of financial services, including corporate loans, and that enough alternatives will remain post-Transaction.[114]

(153) The majority of customers responding to the market investigation in the three Baltic countries explained that are no particular hurdles that would prevent them from switching to other financial service providers for corporate loans. Some customers do mention that for ongoing loans early termination fees (which in many instances are not significant) may apply depending on the terms of the contracts, but no such penalties apply when switching provider for new loans. In general, switching is considered to be relatively easy in terms of time and costs associated to it.[115]

(154) In general, the majority of customers and competitors do not expect any negative impact to arise from the Transaction in relation to the market for corporate loans in Estonia, Latvia and Lithuania.[116]

(155) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the market for corporate loans in Estonia, Latvia and Lithuania.

5.2.2.1. Financing to public authorities

(156) The Notifying Parties' market shares on the affected markets for the financing to public authorities in Latvia and Lithuania are presented in tables 5 and 6 below. No affected market will arise in Estonia.

112 Non-confidential replies to question 35 of the questionnaire Q1 to competitors.

113 Non-confidential replies to questions 25, 26 and 27 of the questionnaire Q2 to customers, and to questions 37 and 38 of the questionnaire Q1 to competitors.

114 Non-confidential replies to questions 16, 17, 18 and 29 of the questionnaire Q2 to customers.

115 Non-confidential replies to question 20 of the questionnaire Q2 to customers.

116 Non-confidential replies to question 31 of the questionnaire Q2 to customers, and to question 110 of the questionnaire Q1 to competitors.

Table 5. Market shares on market for the financing to public authorities in Latvia, EUR million, 2014-2016.

Competitor	2014		2015		2016	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[10-20]%	[…]	[10-20]%	[…]	[0-5]%
Nordea	[…]	[0-5]%	[…]	[10-20]%	[…]	[30-40]%
Combined	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**	**[…]**	**[30-40]%**
Swedbank[117]	N/A	N/A	N/A	N/A	N/A	N/A
SEB	N/A	N/A	[…]	[40-50]%	[…]	[30-40]%
Citadele	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[70-80]%	[…]	[30-40]%	[…]	[20-30]%
Total	58	100.0%	94	100.0%	109	100.0%

Source: Form CO

Table 6. Market shares on the market for the financing to public authorities in Lithuania, EUR million, 2014-2016.

Competitor	2014		2015		2016	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[20-30]%	[…]	[30-40]%	[…]	[30-40]%
Nordea	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Combined	**[…]**	**[20-30]%**	**[…]**	**[30-40]%**	**[…]**	**[30-40]%**
SEB	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
Swedbank	[…]	[40-50]%	[…]	[20-30]%	[…]	[10-20]%
Citadele	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
OP	[…]	[5-10]%	[…]	[0-5]%	[…]	[10-20]%
AB Šiaulių	[…]	[5-10]%	[…]	[10-20]%	[…]	[10-20]%
Medicinos	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Danske	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	1 221	100%	905	100%	829	100%

Source: Form CO

117 The Notifying Parties were not able to provide data on Swedbank. However, it is confirmed from the market investigation that Swedbank is a significant player on the market (see non-confidential replies to question 32 of the questionnaire Q1 to competitors).

(157) First of all, the Commission notes the high volatility of the market for the financing of public authorities both in Latvia and Lithuania.

(158) In Latvia, the Notifying Parties' combined market shares reach almost [30-40]% (2016) with an increment brought by the Transaction of about [5-10]%. The Parties' combined market shares have increased by almost [20-30]% from 2014 to 2016, due to a sharp increase in Nordea's market shares and a relevant decrease in DNB's market shares. In particular, the Notifying Parties submit that the sharp increment in Nordea's shares from [10-20]% in 2015 to [30-40]% in 2016 is the result of a single loan of almost […] EURM. The Notifying Parties were not able to provide a complete picture of all players active on the market, but submit that a number of competitors (including two main banking players, Swedbank and SEB) will be present on the market post-Transaction.

(159) In Lithuania, the Notifying Parties' combined market shares reach almost [30-40]% (2016), with an increment brought by the Transaction of about [5-10]%. Also in this case, the market is very volatile. For example, Swedbank's market shares were above than [40-50]% in 2014, while only slightly above [10-20]% in 2016. In relation to Lithuania the Notifying Parties were able to provide a more complete picture of the players active on the market, from which can be observed that post-Transaction there will remain a significant number of competitors able to provide financing to public authorities, including Swedbank, OP, AB Šiaulių, SEB, and Danske.

(160) The Notifying Parties explain that the high volatility of the markets is due to the strong competition that occurs in such markets. Public authorities generally source loans through tenders, thus winning or losing even one competition may substantially affect market shares.

(161) As indicated more in general in relation to the markets for corporate banking, the Notifying Parties are not considered to be the closest competitors, since they appear to compete more closely with the other two main banks (SEB and Swedbank), rather than between themselves.[118] Moreover, no relevant strengths in the area of financing of public authorities emerged in the context of the market investigation in relation to neither Nordea nor DNB.[119]

(162) The vast majority of competitors that responded to the market investigation explained that they do provide loans to public authorities in the Baltic States in which they are active, and they do so with respect to different levels of government. Competitors also explained that there would not be any significant barriers for players active in the provision of corporate loans to start providing loans to public authorities given that product offered are generally the same.[120] Therefore, a number of strong competitors, actual and potential, will remain post-Transaction both in Latvia and Lithuania.

118 Non-confidential replies to questions 37 and 38 of the questionnaire Q1 to competitors, and to questions 26 and 27 of the questionnaire Q2 to customers.

119 Non-confidential replies to question 39 of the questionnaire Q1 to competitors, and to questions 23 and 24 of the questionnaire Q2 to customers.

120 Non-confidential replies to question 32 of the questionnaire Q1 to competitors.

(163) The market investigation did not reveal any particular barrier for public authorities to switch their provider for loans. Depending on local regulations, they may need to organise a tender to choose a new provider. However, customers estimate that time and costs associated to switching are low.[121] In addition, as explained above, switching customers can choose among a number of competitors, which are able to provide them with loans products.

(164) Finally, the vast majority of competitors and customers (including public authorities and State-owned companies) do not expect any negative effect to materialise post-Transaction.[122]

(165) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the market for financing to public authorities in Latvia and Lithuania.

5.2.3. *Corporate deposits*

(166) The Transaction leads to affected markets for corporate deposits in Lithuania. In addition, the market for corporate deposits to SMEs is an affected market in Latvia. In Estonia, the Notifying Parties' combined market shares on the markets for corporate deposits are below 20%.

(167) In Latvia, the Parties' combined market shares are below 20% on the overall market for corporate deposits and on the potential market for corporate deposits to LCCs. As can been seen from table 7 below, an affected market arises only in relation to the potential market for corporate deposits to SMEs, where the Notifying Parties' market shares are above 20% but remain below [20-30]%. Post-Transaction, the merged entity will become the market leader on this segment, but will be constrained by other strong competitors such as Swedbank (about [20-30]% market share), Citadele (about [10-20]%), SEB (about [5-10]%), and other small players.[123]

Table 7. Market shares on the market for corporate deposits to SMEs in Latvia, EUR million, 2016.

Competitor	**Corporate deposits to SMEs**	
	Value	Market share
DNB	[…]	[5-10]%
Nordea	[…]	[10-20]%
Combined	**[…]**	**[20-30]%**
Swedbank	[…]	[10-20]%
Citadele	[…]	[10-20]%
SEB	[…]	[5-10]%
Others	[…]	[30-40]%
Total	3 193	100.0%

Source: Form CO

121 Non-confidential replies to question 20 of the questionnaire Q2 to customers.

122 Non-confidential replies to question 31 of the questionnaire Q2 to customers, and to question 110 of the questionnaire Q1 to competitors.

123 No substantial change in market shares has occurred with respect to 2014 and 2015.

(168) In Lithuania, as can been seen from table 8 below, the Notifying Parties' combined market shares are slightly above [20-30]% both on the overall market for corporate deposits and on the markets for corporate deposits to LCCs and SMEs. Given the Notifying Parties' comparable position pre-Transaction, the increment brought by the merger is somewhat significant (between [10-20]% and [10-20]%). In any event, post-Transaction the merged entity will face strong competition from Swedbank and SEB, whose market shares are very close to the shares of the merged entity (in the range of [20-30]%) in all the market concerned. Beyond these three main players, a number of credible competitors will also remain on the market, including Danske and AB Šiaulių (with market shares above [5-10]%).[124]

Table 8. Market shares on the markets for corporate deposits in Lithuania, EUR million, 2016.

Competitor	Corporate deposits (overall)		Corporate deposits to LCCs[125]		Corporate deposits to SMEs	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Nordea	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Combined	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**
Swedbank	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
SEB	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Danske	[…]	[5-10]%	[…]	[5-10]%	[…]	[10-20]%
AB Šiaulių	[…]	[5-10]%	[…]	[0-5]%	[…]	[5-10]%
Others	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Total	7 547	100.0%	3 253	100.0%	4 294	100.0%

Source: Form CO

(169) In relation to Latvia and Lithuania the Notifying Parties submit that their market shares pot-Transaction will stay below 30% and thus would not raise any competitive concerns. In Lithuania, in particular, post-merger they will have two equally sized competitors still on the market (i.e. Swedbank and SEB) that will constraint their activities, together with a number of other relevant players.

(170) Starting the assessment by looking at the market shares of the Notifying Parties as a first proxy of their likely market power, the Commission notes that the combined market shares of less than 30% on the overall market for corporate loans and its segments based on the customers' size (corporate loans to LCCs and SMEs) in Lithuania, and of less than 25% on the market for corporate loans to

124 No substantial changes in market shares have occurred with respect to 2014 and 2015.

125 This includes deposits to public authorities. Contrary to the market for corporate loans, no Commission precedent has considered a separate market for corporate deposits to public authorities. Furthermore, the market investigation did not provide evidence to support a distinction between deposits to public authorities and to corporate entities (see non-confidential replies to question 27 of the questionnaire Q1 to competitors).

SMEs in Latvia, are not in themselves a strong indication of likely competition concerns.

(171) As explained above, in Latvia post-Transaction the Notifying Parties will keep facing strong competition from Swedbank, Citadele, and SEB. In Lithuania, the merged entity will reach the size of its two main competitors, Swedbank and SEB, which will exercise a strong competitive pressure. In addition, other players will be operating on the market. This is true both for the overall market of corporate deposits and its potential segments of corporate deposits to LCCs and SMEs.

(172) The market investigation confirmed that the Notifying Parties are not considered to be particularly strong players on the market for corporate deposits neither in Latvia nor Lithuania. In Latvia, the vast majority of respondents have identified Swedbank as the strongest player on the market, followed by either Citadele or SEB. In Lithuania, nearly all respondents have identified Swedbank and SEB as the top two players on the market for corporate deposits. In general the market investigation results show that the Parties do not have more influence on the competition than their market shares would suggest.[126]

(173) Moreover, competitors have explained that companies do not specialise in particular types of products or clients (e.g. LCCs and SMEs) and that the Notifying Parties' positioning (and their competitors') tend not to change based on such criteria. Therefore, the Notifying Parties are not considered to be top players neither in relation to corporate loans to LCCs nor to SMEs.

(174) In addition, as for the market of corporate loans, the Notifying Parties are considered to compete more closely with other market players, rather than with each other. The majority of respondents to the market investigation have identified either Swedbank or SEB as the closest competitors to both Nordea and DNB (Swedbank was identified as the closest competitor to the Notifying Parties rather more frequently in relation to Latvia, while SEB was mentioned relatively more often in relation to Lithuania).[127]

(175) Moreover, the majority of customers have confirmed that post-Transaction, both in Latvia and Lithuania, there will be sufficient choice of providers for corporate deposits. Given the relatively small size of the markets concerned, the presence of three strong competitors and a number of other mid-sized players is considered sufficient.[128]

(176) The majority of customers responding to the market investigation in the three Baltic countries explained that are no particular hurdles that would prevent them from switching to other financial service providers for corporate deposits. In general, switching is considered to be relatively easy in terms of time and costs associated to it.[129]

---

126 Non-confidential replies to question 35 of the questionnaire Q1 to competitors.

127 Non-confidential replies to questions 25, 26 and 27 of the questionnaire Q2 to customers, and to questions 37 and 38 of the questionnaire Q1 to competitors.

128 Non-confidential replies to question 29 of the questionnaire Q2 to customers.

129 Non-confidential replies to question 20 of the questionnaire Q2 to customers.

(177) In general, the majority of customers and competitors do not expect any negative impact to arise from the Transaction in relation to the market for corporate deposits in Latvia and Lithuania.[130]

(178) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the market for corporate loans in Estonia, Latvia and Lithuania.

5.2.4. Leasing

(179) The market shares for leasing and the relevant segments of the leasing market are presented in tables below: in table 9 for Estonia, in table 10 for Latvia and in table 11 for Lithuania.

Table 9. Market shares on the markets for leasing in Estonia, 2016 (value).

Competitor	Overall leasing	Operational leasing	Leasing LCCs	Operational leasing SMEs	Car leasing
DNB	[5-10]%	[5-10]%	[0-5]%	[5-10]%	[10-20]%
Nordea	[20-30]%	[30-40]%	[30-40]%	[30-40]%	[20-30]%
Combined	**[30-40]%**	**[40-50]%**	**[30-40]%**	**[40-50]%**	**[30-40]%**
SEB	[20-30]%	[10-20]%	[20-30]%	[10-20]%	[20-30]%
Swedbank	[20-30]%	[20-30]%	[20-30]%	[10-20]%	[20-30]%
OP Finance	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%
Others	[10-20]%	[10-20]%	[5-10]%	[20-30]%	[5-10]%
Total size of the market EUR million	2 290	973	399	867	1 088

Source: Form CO

(180) In Estonia, Nordea is currently the market leader on the overall leasing market with [20-30]% market share. Following the Transaction its share will increase by [5-10]% to reach to the combined share of [30-40]%. Swedbank and SEB have each [20-30]% market share. The competitive landscape is very similar on the market comprising financial leasing only, and in general on all the segments of the leasing market. In the worst cases the Notifying Parties' combined market shares reach just above [40-50]%, in general combining Nordea with market share of more than [30-40]% with DNB with market share of [10-20]% or less. Swedbank and SEB will remain active on the market and each leasing segment with market shares above [20-30]% each.

(181) Competitors' responses to the market investigation correspond to the above picture. Nordea is recognised as one of the strongest suppliers of leasing (together

130 Non-confidential replies to question 31 of the questionnaire Q2 to customers, and to question 110 of the questionnaire Q1 to competitors.

with SEB and Swedbank), while DNB is perceived as the third or fourth supplier.[131]

Table 10. Market shares on the markets for leasing in Latvia, 2016 (value).

Competitor	Overall leasing	Operational leasing	Leasing LCCs	Operational leasing LCC	Car leasing
DNB	[10-20]%	[10-20]%	[5-10]%	[10-20]%	[10-20]%
Nordea	[20-30]%	[20-30]%	[30-40]%	[30-40]%	[20-30]%
Combined	**[30-40]%**	**[40-50]%**	**[40-50]%**	**[50-60]%**	**[30-40]%**
SEB	[10-20]%	[20-30]%	[10-20]%	[20-30]%	[20-30]%
Swedbank	[10-20]%	[10-20]%	[10-20]%	[10-20]%	[10-20]%
UniCredit	[10-20]%	[10-20]%	[10-20]%	[5-10]%	[10-20]%
Citadele	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
OP	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Others	[0-5]%	[0-5]%	[0-5]%	[0-5] %	[0-5]%
Total size of the market EUR million	1 343	320	209	41	614

Source: Form CO

(182) In Latvia, Nordea is the market leader with the market share of [20-30]% on the overall leasing market; the increment brought by the Transaction amounts to [10-20]% and thus the combined market share will reach [30-40]% on the overall leasing market in Latvia. Three suppliers will remain active with market share of [10-20]% or more each: Swedbank, SEB and UniCredit. The main players and their market shares remain similar for all the leasing segments. The combined market share would be the highest on a theoretical market comprising operational leasing for large corporate customers and would amount to [50-60]% with the increment of [10-20]% brought by DNB. On such a narrowly defined market Swedbank will remain active with [20-30]% market share, SEB with [10-20]% and UniCredit with [5-10]%. The market size for operational leasing for large corporate customers amounted in 2016 to EUR 41 million in terms of total assets covered, or 3% of the overall leasing market. The Commission notes that with small market sizes, individual contracts can represent a significant portion of the market and therefore a limited number of contracts can affect market shares without providing a clear picture of the competitive situation. Additionally, if a narrow market definition were to be retained, it should first be noted that most competitors who offer leasing services provide both operational and financial leasing and indicate that it would be easy for a company such as theirs to start offering other types of leasing.[132] Second, a majority of competitors indicated

131 Non-confidential replies to question 82 of the questionnaire Q1 to competitors.

132 Non-confidential replies to questions 72, 73 and 78 of the questionnaire Q1 to competitors. For example: *"We see here no obstructions in switching from one leasing type offering to another (and vice versa)."*

they offer leasing services to all categories of customers.[133] Therefore it would be relatively easy for competitors with relatively small market shares on this narrow market to leverage their presence in the neighbouring leasing markets and increase their offering in the market for operational leasing for large corporate customers.

(183) According to the competitors' responses related to Latvia, Nordea is seen as one of the top three suppliers of leasing, together with SEB and Swedbank. DNB is considered to be on the fourth or fifth position, or for some respondents would not even be amongst the top five suppliers.[134]

Table 11. Market shares on the markets for leasing in Lithuania, 2016 (value).

Competitor	Overall leasing	Operational leasing	Leasing LCCs	Operational leasing LCC	Car leasing	Financial car leasing LCC
DNB	[5-10]%	[5-10]%	[0-5] %	[5-10]%	[10-20] %	[20-30]%
Nordea	[20-30]%	[20-30]%	[30-40]%	[20-30]%	[20-30]%	[20-30]%
Combined	**[20-30]%**	**[30-40]%**	**[30-40]%**	**[30-40]%**	**[30-40]%**	**[40-50]%**
SEB	[20-30]%	[30-40]%	[20-30]%	[30-40]%	[20-30]%	[20-30]%
Swedbank	[10-20]%	[20-30]%	[10-20]%	[20-30]%	[20-30]%	[10-20]%
Danske	[5-10]%	[0-5] %	[5-10]%	[0-5] %	[0-5] %	[0-5] %
UniCredit	[5-10]%	[0-5] %	[5-10]%	[0-5] %	[5-10]%	[5-10]%
OP	[5-10]%	[0-5]%	[10-20]%	[0-5]%	[0-5] %	[0-5] %
Others	[5-10]%	[0-5]%	[0-5]%	[0-5] %	[5-10]%	[0-5] %
Total market size EUR million	2 110	223	266	44	639	24

Source: Form CO

(184) In Lithuania the Transaction will combine the current second largest player, Nordea, with market share of [20-30]% with the fourth player on the market DNB with the market share of [5-10]%. Strong competitors will remain active on the market, in particular SEB with the market share of [20-30]%, Swedbank with the market share of [10-20]% and OP with the market share of [5-10]%.

(185) If the market is further segmented the market shares remain similar, the merged entity will have [30-40]% market share in operational leasing (the increment deriving from the transaction amounts to [5-10]% by DNB) and again SEB ([30-40]%), Swedbank ([20-30]%) and other players will continue to exert competitive

133 Non-confidential replies to question 76 of the questionnaire Q1 to competitors. As explained by one competitor: "*Offering as such does not differ between LCC and SME segments, although particular conditions and pricing on the transaction depends on individual factors: financial performance, general relationship, experience, etc.*"

134 Non-confidential replies to question 82 of the questionnaire Q1 to competitors.

pressure on the market. Similarly if the market is segmented according to the size of customers.

(186) The Notifying Parties' combined market share would be the highest and would amount to [40-50]% on the market for financial leasing granted to large customers, related to cars only. Under any other framework (overall financial leasing, overall car leasing or any type of leasing granted to large customers) the combined market shares are lower. The market size for financial leasing granted to large customer related to cars only amounted in 2016 to EUR 24 million in terms of total assets covered, or 1% of the overall leasing market in Lithuania. The Commission notes that with small market sizes, individual contracts can represent a significant portion of the market and therefore a limited number of contracts can affect market shares without providing a clear picture of the competitive situation. Additionally, if a narrow market definition were to be retained, it should first be noted that most competitors who offer leasing services provide both operational and financial leasing and indicate that it would be easy for a company such as theirs to start offering other types of leasing.[135] Second, a majority of competitors indicate they offer leasing services to all categories of customers.[136] Therefore it would be relatively easy for competitors with relatively small market share to leverage their presence in the neighbouring leasing markets and increase their offer in the market for operational leasing for large corporate customers. In any event even on such a narrowly defined market strong competitors will remain present, in particular SEB with [20-30]%, Swedbank with [10-20]% and UniCredit with [5-10]% market share.

(187) In response to the market investigation customers indicated that there is sufficient choice of suppliers of leasing in general and they have not indicated that the choice would be limited in any particular segment or type of leasing in any of the three countries.[137]

(188) Some competitors indicated the Nordea specialises in white label leasing, but as explained in Section 4.2.5 above they have also confirmed that any supplier of leasing services would be able to offer white label leasing. Furthermore, it is noted that the Commission does not consider the white label leasing market to constitute a plausible distinct product market for reasons explained in Section 4.2.5. In general competitors indicated that all major leasing suppliers provide offers for all type of customers and for all type of assets. As regards closeness of competition, the market investigation did not indicate any reason to consider Nordea and DNB as close competitors in the area of white label leasing (which is not a distinct product market, as regards the relevant leasing markets), other than the fact that the two banks have white label leasing contracts in place. To the contrary, the market investigation indicated that all banks offering leasing contracts would be able to offer also white label leasing contracts. On the

---

135 Non-confidential replies to questions 72, 73 and 78 of the questionnaire Q1 to competitors. For example: *"We see here no obstructions in switching from one leasing type offering to another (and vice versa)."*

136 Non-confidential replies to question 76 of the questionnaire Q1 to competitors. As explained by one competitor: "*Offering as such does not differ between LCC and SME segments, although particular conditions and pricing on the transaction depends on individual factors: financial performance, general relationship, experience, etc.*"

137 Non-confidential replies to questions 16, 17 and 18 of the questionnaire Q2 to customers.

demand-side, customers who currently have a white label leasing contracts in place have also indicated that there would not encounter any particular hurdles if they wanted to switch to another supplier of leasing products, also to those suppliers who currently do not have white label leasing contracts in place.[138]

(189) Therefore, on the leasing markets Nordea seems to compete mainly with SEB, Swedbank and, to a lesser extent to DNB. When asked about suppliers which could be considered closest to DNB, competitors list SEB, Swedbank and Nordea. Overall the market investigation results show that Nordea and DNB are not closer to each other than they are to SEB or Swedbank in any of the three Baltic countries.

(190) Customers who responded to the market investigation consider that Nordea together with SEB and Swedbank are among the top three suppliers of leasing in each of the three countries.[139] Customers, even more than competitors, seem to consider that Swedbank and SEB are the two most important suppliers of leasing in each of the three countries; they indicate that in leasing both to Nordea and to DNB Swedbank and SEB are the closest competitors.[140]

(191) The vast majority of customers do not expect that the Transaction could have any impact on the leasing market.[141]

(192) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market in the area of leasing or any of its segments in Latvia, Lithuania and Estonia.

5.2.5. Factoring

(193) The market shares for the market for factoring, as well as the relevant sub-markets, are presented below. DNB is not active on this market in Estonia, therefore there are no overlaps between the Notifying Parties' activities in that country. In addition DNB is not active in reverse factoring in Latvia and has not had any sales in reverse factoring in Lithuania over the last three years, therefore there are no overlaps between the Notifying Parties' activities in this potential sub-market.

---

138 Non-confidential replies to question 20 of the questionnaire Q2 to customers.

139 Non-confidential replies to questions 16, 17 and 18 of the questionnaire Q2 to customers.

140 Non-confidential replies to questions 25, 26 and 27 of the questionnaire Q2 to customers.

141 Non-confidential replies to questions 29, 30 and 31 of the questionnaire Q2 to customers.

Table 12. Market shares on the markets for factoring in Latvia, EUR million, 2016.

Competitor	Factoring (overall)		Factoring with insurance		Factoring without insurance	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Nordea	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Combined	**[…]**	**[30-40]%**	**[…]**	**[30-40]%**	**[…]**	**[30-40]%**
Swedbank	[…]	[50-60]%	[…]	[50-60]%	[…]	[40-50]%
SEB	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
Citadele	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	825	100%	506,7	100%	294,2	100%

Source: Form CO

Table 13. Market shares on the markets for factoring in Lithuania, EUR million, 2016

Competitor	Factoring (overall)		Factoring with insurance		Factoring without insurance	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[5-10]%	[…]	[5-10]%	[…]	[0-5]%
Nordea	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Combined	**[…]**	**[30-40]%**	**[…]**	**[30-40]%**	**[…]**	**[20-30]%**
Swedbank	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
SEB	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
Citadele	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Šiaulių	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Danske	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[5-10]%	[…]	[0-5]%	[…]	[20-30]%
Total	2 709,2	100%	2 001,5	100%	618	100%

Source: Form CO

(194) The Notifying Parties explain that the available market data is published by the Association of Lithuanian Banks and the Latvian Leasing Association, which shows only the largest market participants, therefore the actual size of the market is bigger than presented in the data. In particular the Notifying Parties submit that, according to their market intelligence, there are a number of other market participants engaged in factoring services in Lithuania and Latvia, including non-bank entities, which do not belong to the association and thus are not included in the data. The Notifying Parties therefore argue that their market shares in factoring as presented in tables 12 and 13 are likely overestimated.

(195) As for Latvia the Notifying Parties submit that the merged entity would face strong competition, notably from Swedbank who would be the clear market leader in the overall factoring market and all its possible sub-segments.

(196) In Latvia the merged entity would be the second biggest player on the market for factoring markets with the market share of approximately [30-40]% in all factoring markets, following the market leader, by a considerable margin, Swedbank whose share amounts to around [50-60]% on each factoring market in Latvia. SEB will become the third largest supplier of factoring with market shares around [10-20]%. Furthermore, the increment deriving from the Transaction is not significant ([5-10]% depending on the segment, brought by DNB).

(197) Lithuania DNB is a relatively small market player whereas Nordea's market share is more important. Post-transaction the market share of the merged entity will at most reach [30-40]%, while the increment deriving from the Transaction amounts to around [0-5]% for factoring without insurance, [5-10]% in factoring with insurance and around [5-10]% in overall factoring. The merged entity will continue to face strong competitors, in particular Swedbank (with the market share exceeding [20-30]%) and SEB (with the market share exceeding [30-40]%) as well as few smaller suppliers, namely Citadele, Danske and Šiaulių.

(198) The market investigation results reveal that in Latvia most customers do not consider DNB and Nordea to be particularly close competitors.[142] Swedbank and SEB are most frequently mentioned as each of the Notifying Parties' closest competitors. A customer explains that "*SEB Banka AS and Swedbank AS are the largest banks in Latvia, which offer a wide range of financial services.*"[143] Another customer indicates as the closest competitors "*SEB for Nordea and Swedbank for DNB because of the similar approach to the customers.*"[144]

(199) Customers and competitors of DNB and Nordea in Lithuania do not consider them to be particularly close competitors.[145] The results of the market investigation do not provide conclusive results as to which competitors would be DNB and Nordea's closest competitors, although on balance it would be rather Swedbank and SEB. In this regard a customer explained that "*SEB and Swedbank are ones of the biggest banks in Lithuania and they can provide all banking services with good prices and high quality*".[146] Finally, customers consider that the Transaction will not have any negative impact on them or on competition in general on the markets for factoring.[147] This is also true of the Notifying Parties' competitors.[148]

(200) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to factoring.

---

142 Non-confidential replies to question 26 of the questionnaire Q2 to customers.
143 Non-confidential reply to question 26 of the questionnaire Q2 to customers.
144 Non-confidential replies to question 26 of the questionnaire Q2 to customers.
145 Non-confidential replies to question 27 of the questionnaire Q2 to customers, and to questions 65 and 66 of the questionnaire Q1 to competitors.
146 Non-confidential replies to question 27 of the questionnaire Q2 to customers.
147 Non-confidential replies to questions 29 and 30 of the questionnaire Q2 to customers.
148 Non-confidential replies to question 110 of the questionnaire Q1 to competitors.

5.2.6. Documentary credits

(201) The Transaction leads to affected markets for documentary credits in Latvia and Lithuania.[149] As explained in section 4.2.7.1, the exact scope of the product market can be left open. Given the fact that the Notifying Parties reach higher market shares when the market for documentary credits is segmented based on the product offered (guarantees, letters of credit and documentary collection) and the size of clients (LCCs/SMEs), the competitive assessment will discuss the effects of the Transaction on the basis of the narrowest markets.

(202) The affected markets in Latvia and Lithuania are presented in tables 14 and 15 below.

(203) In Latvia, the Transaction leads to an affected market in relation to guarantees (both to LCCs and to SMEs) and to documentary collections to SMEs. Regarding the market for guarantees, the Notifying Parties' combined shares are about [40-50]% for guarantees provided to LCCs and about [20-30]% for guarantees provided to SMEs. The increment brought by the Transaction is more significant on the market for guarantees to LCCs (around [10-20]%) than on the market for guarantees to SMEs (around [5-10]%). Post-Transaction, the merged entity will remain the market leader on the market for guarantees to LCCs and the second largest player in relation to SMEs, following SEB (market share around [30-40]%). In both cases, Swedbank and SEB will remain significant competitors and a number of other smaller players (which collectively hold about one fourth of the market) will be present. Regarding the market for documentary collection to SMEs, the Notifying Parties' combined shares remain less than [30-40]%, with a small increment brought by the Transaction (less than [0-5]%). The merged entity will remain the market leader, followed by significant competitors such as Swedbank, SEB and ABVL (with individual market shares between [10-20]% and [10-20]%) and other smaller players, including Citadele.

149 In Estonia the Notifying Parties' activities overlap only in relation to guarantees since DNB does not provide letters of credit and documentary collection. Technically, this overlap gives rise to an affected market in relation to guarantees provided to LCCs and to guarantees provided to SMEs. However, the Notifying Parties' combined market shares on the two markets are only slightly above [20-30]%, while the increment brought by the Transaction is less than [0-5]%. In addition, if guarantees provided by non-banks are included in the calculation of market shares, no affected market will arise from the Transaction. Given all these elements, the market for documentary credits in Estonia will not be treated as an affected market and thus will not be further discussed.

Table 14. Market shares on the markets for guarantees and documentary collections in Latvia, EUR million, 2016.[150]

Competitor	Guarantees to LCCs		Guarantees to SMEs		Documentary collections to SMEs	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[10-20]%	[…]	[5-10]%	[…]	[0-5]%
Nordea	[…]	[20-30]%	[…]	[10-20]%	[…]	[30-40]%
Combined	**[…]**	**[40-50]%**	**[…]**	**[20-30]%**	**[…]**	**[30-40]%**
Swedbank	[…]	[10-20]%	[…]	[10-20]%	[…]	[10-20]%
SEB	[…]	[10-20]%	[…]	[20-30]%	[…]	[10-20]%
Citadele	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
ABLV	[…]	[0-5]%	[…]	[0-5]%	[…]	[10-20]%
Others	[…]	[20-30]%	[…]	[10-20]%	[…]	[20-30]%
Total	387	100.0%	258	100.0%	105	100%

Source: Form CO

(204) In Lithuania, the Transaction leads to an affected market in relation to letters of credit to SMEs, and guarantees to LCCs and guarantees to SMEs.[151] Regarding the market for letters of credit to SMEs, the Notifying Parties' combined market shares are less than [30-40]% and the increment brought by the Transaction is small (less than [0-5]%). Post-Transaction the merged entity will become the market leader, immediately followed by Swedbank (market share of about [30-40]%). Danske (market shares of about [20-30]%) and SEB (about [10-20]%) will remain significant competitors and a number of smaller players, including AB Šiaulių, will remain present. Regarding the markets for guarantees, the Notifying Parties' combined shares will be slightly above [40-50]% in relation to guarantees to SMEs and slightly below [40-50]% in relation to LCCs. The increment brought by the Transaction is between [10-20]% and [10-20]%. In both segments, the merged entity will become the market leader but will face strong competition from SEB in relation to LCCs (market share above [20-30]%) and Swedbank in relation to SMEs (market share above [20-30]%). While SEB and Swedbank are also significantly present in relation to guarantees to SMEs and to LCCs, respectively with market shares of about [10-20]% and [10-20]%, other competitors will remain on both markets, including Danske (about [10-20]%), AB

150 In general the market shares in these three markets have not changed significantly in the last three years. On the market for guarantees to LCCs, the combined markets share of the Parties have remained stable between 2015 and 2016 but increased in 2015 by around 10 percentage points. As for guarantees for SMEs the market shares have also been stable between 2015 and 2016, but decreased from [30-40]% combined in 2014 to around [20-30]% combined in 2015. As regards the market for documentary collection the combined market shares have increased in the last three years from around [10-20]% to [30-40]%, but DNB has always been a small player with the market share below [0-5]%.

151 The Notifying Parties' activities overlap *de minimis* on the market for documentary collections to SMEs. Given the fact that the increment in market shares brought by the Transaction is in the order of [0-5]%, the market for documentary collections to SMEs will not be treated as an affected market, and thus will not be further discussed.

Šiaulių (about [5-10]% for LCCs and [10-20]% for SMEs), and other smaller players.

Table 15. Market shares on the markets for letters of credit to SMEs, guarantees to LCCs, and guarantees to SMEs in Lithuania, EUR million, 2016.[152]

Competitor	Letters of credit to SMEs		Guarantees to LCCs		Guarantees to SMEs	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[0-5]%	[…]	[10-20]%	[…]	[10-20]%
Nordea	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
Combined	**[…]**	**[30-40]%**	**[…]**	**[40-50]%**	**[…]**	**[40-50]%**
Swedbank	[…]	[20-30]%	[…]	[10-20]%	[…]	[30-40]%
SEB	[…]	[10-20]%	[…]	[20-30]%	[…]	[5-10]%
Danske	[…]	[10-20]%	[…]	[5-10]%	[…]	[5-10]%
AB Šiaulių	[…]	[0-5]%	[…]	[5-10]%	[…]	[5-10]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	64	100.0%	141	100%	173	100.0%

Source: Form CO

(205) In relation to the market for guarantees in both Latvia and Lithuania, the Notifying Parties note that not only banks but also other companies (mainly insurance companies) provide guarantees to large, medium and small corporate clients, and that there are no significant differences between the products offered by banks and by insurance companies. According to the Notifying Parties' beneficiaries generally accept both without making any distinction. In addition, the charges of insurance companies are usually lower when compared to bank fees for the issuance of guarantees; thus insurance companies are considered to be strong competitors on the market.

(206) Therefore, in the Notifying Parties' views the total market sizes (as provided in tables 14 and 15) underestimate the real size of the markets, and thus overestimate the Notifying Parties' position on the markets. The Notifying Parties submit that if data related to non-banks is included in the calculation of market shares, the total market size for guarantees would increase by about 45% in Latvia and would double in Lithuania. As a consequence, their combined market shares on the overall market for guarantees in Latvia would drop from about [40-50]% to slightly above [20-30]%, with a comparable effect on the markets for guarantees

152 In the last three years the market shares have been fluctuating in some markets. In the market for letters of credit to SMEs the combined market shares of the Parties were stable between 2015 and 2016, but increased by 10 percentage points in 2015, at the same time the share of DNB has been decreasing from [5-10]% in 2014 to less than [0-5]% in 2016. As regards the markets for guarantees the Parties' combined market shares have been stable with regard to LCCs, while as for SMEs they were fluctuating ([30-40]% combined market share in 2014, [50-60]% in 2015 and [40-50]% in 2016).

to LCCs and SMEs. In Lithuania, their combined share on the overall market for guarantees and its LCCs/SMEs segments would be around [20-30]%.

(207) Many competitors responding to the market investigation confirmed that in the Baltic countries non-bank players, and in particular insurance companies, are active in the provision of guarantees comparable to those offered by banks. For example, one competitor explains that *"Insurance companies are major competitor[s] to the banks in local guarantee (sureties) market."* [153]

(208) The Commissions notes that, based on the data provided by the Notifying Parties, non-banks are important players on the market for guarantees in Latvia and Lithuania and account for, respectively, one third and half of the total markets. If their activities are considered to the part of the market for guarantees, the Notifying Parties' market shares would substantially drop to a level (about [20-30]% in Latvia and [20-30]% in Lithuania) for which no indication of likely competition concerns arise. Without concluding on the actual role of non-banks on the market for guarantees, the Commission notes that these players will exert some competitive pressure on this market and thus will constrain both the merged entity as well as other banks.

(209) In any event, post-Transaction the other two main banks (Swedbank and SEB) will remain strong players in the markets for guarantees to LCCs and to SMEs in both Latvia and Lithuania, and other smaller banks will remain present. The vast majority of customers believe that there is a sufficient choice of providers able to serve their needs for documentary credits instruments, including guarantees, in both Latvia and Lithuania.[154] No indications that this will change post-Transaction emerged in the context of the market investigation.[155]

(210) In relation to the markets for documentary collections to SMEs in Latvia and letters of credits to SMEs in Lithuania, as explained above, the Commission notes that the Notifying Parties' combined market shares will remain below [30-40]% with a very small increment brought by the Transaction (less than [0-5]%) and that a number of other competitors will remain on the market.

(211) The results of the market investigation showed that the Notifying Parties' position on the markets related to documentary credits is not as strong as their market shares (excluding non-banks providers for guarantees) would suggest. In fact, while the Notifying Parties' have been generally recognised as among top five competitors in the provision of documentary credits in Latvia and Lithuania, neither DNB or Nordea was mentioned as the top player on the market (or its potential segments) by a majority of respondents (as would be suggested by Nordea's market shares, in particular).[156]

(212) Moreover, many competitors responding to the market investigation explained that all banks generally provide different types of documentary credit instruments to large, medium and small clients in the Baltic countries. As one competitor explained: *"All companies are servicing all documentary credit instruments and*

---

153 Non-confidential replies to question 55 of the questionnaire Q1 to competitors.

154 Non-confidential replies to questions 17 and 18 of the questionnaire Q2 to customers.

155 Non-confidential replies to questions 31 of the questionnaire Q2 to customers.

156 Non-confidential replies to questions 17 and 18 of the questionnaire Q2 to customers.

all types of customers." *"All competitors provide similar services to both segments [LCCs and SMEs]."*[157] In general, competitors believe that price is the main characteristic that drives competition and that the competitive pressure on the market is strong.[158]

(213) The market investigation also revealed that, similarly to other markets, the Notifying Parties are considered to compete more closely with other top banks (namely Swedbank and SEB) than between themselves. The majority of customers and competitors responding to the market investigation have in fact identified either Swedbank or SEB as the closest competitor to the Notifying Parties for the market documentary credits and its segments in both Latvia and Lithuania.[159]

(214) The majority of customers responding to the market investigation explained that switching providers for documentary credits (including guarantees, letters of credits and credit collections) is feasible and relatively easy in terms of time and costs.[160] As explained above, all banks active in the Baltic States generally provide different types of documentary credit instruments, and thus would be able to serve potential switching customers.[161]

(215) In general, the vast majority of customers and competitors responding to the market investigation do not expect any negative impact to arise from the Transaction in relation to the markets for documentary credits in Latvia and Lithuania.[162]

(216) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the markets for documentary credits in Latvia and Lithuania.

5.2.7. Payment card issuing

(217) The market shares for the market for payment card issuing, as well as the relevant sub-markets, are presented in tables 16 and 17 below. The Transaction does not lead to affected markets in any of the Baltic countries on the overall markets for payment card issuing. There would only be affected markets in Lithuania on the potential markets for (i) credit cards overall, (ii) retail credit cards, (iii) corporate cards overall iv) corporate debit cards, and (v) corporate credit cards.

---

157 Non-confidential replies to question 50 of the questionnaire Q1 to competitors.

158 Non-confidential replies to question 49 of the questionnaire Q1 to competitors.

159 Non-confidential replies to questions 26 and 27 of the questionnaire Q2 to customers, and to questions 52 and 53 of the questionnaire Q1 to competitors.

160 Non-confidential replies to question 20 of the questionnaire Q2 to customers.

161 Non-confidential replies to question 50 of the questionnaire Q1 to competitors.

162 Non-confidential replies to question 31 of the questionnaire Q2 to customers, and to question 110 of the questionnaire Q1 to competitors.

Table 16. Market shares on the markets for the issuance of credit cards, Lithuania, EUR million, 2016.[163]

Competitor	Credit cards (overall)		Retail credit cards	
	Value	Market share	Value	Market share
DNB	[…]	[10-20]%	[…]	[10-20]%
Nordea	[…]	[5-10]%	[…]	[5-10]%
Combined	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**
Swedbank	[…]	[40-50]%	[…]	[40-50]%
SEB	[…]	[20-30]%	[…]	[10-20]%
Citadele	[…]	[5-10]%	[…]	[5-10]%
Šiaulių	[…]	[0-5]%	[…]	[0-5]%
Danske	[…]	[0-5]%	[…]	[0-5]%
Total	895	100.0%	749	100.0%

Source: Form CO

Table 17. Market shares on the markets for the issuance of corporate cards, Lithuania, EUR million, 2016.[164]

Competitor	Corporate cards (overall)		Corporate debit cards		Corporate credit cards	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Nordea	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Combined	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**	**[…]**	**[30-40]%**
Swedbank	[…]	[30-40]%	[…]	[30-40]%	[…]	[10-20]%
SEB	[…]	[20-30]%	[…]	[20-30]%	[…]	[20-30]%
Citadele	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Šiaulių	[…]	[0-5]%	[…]	[0-5]%	[…]	[10-20]%
Danske	[…]	[0-5]%	[…]	[0-5]%	[…]	[10-20]%
Total	982,5	100.0%	836,5	100.0%	146	100.0%

Source: Form CO

163 In general the market shares of the Parties and their main competitors have remained similar in years 2014 to 2016: in both credit card issuance and retail credit card issuance the combined market shares were always in the range of [20-30]%.

164 As regards the card issuing for corporate customers the market shares have not fluctuated significantly in the last three years, with the exception of DNB, whose market shares have increased significantly in corporate credit cards segment from [10-20]% in 2014 to [20-30]% in 2016. Consequently also its share in overall corporate credits increased (from [20-30]% to [20-30]%). However, throughout this period Nordea remained a tiny player with market shares never exceeding [0-5]% in any market related to issuance of cards for corporate customers.

(218) On the market for credit cards overall and retail credit cards the Transaction does not lead to high market shares of the merged entity: respectively [20-30]% and [20-30]%, with the increment deriving from the Transaction of around [5-10]% in both cases, brought by Nordea. Swedbank will remain the market leader with the market share of more than [40-50]% on the overall market for credit cards and in its retail segment. Other competitors, such as Citadele, Danske and Šiaulių will remain present on the market.

(219) The Notifying Parties argue that Nordea and DNB are not close competitors in the market for payment cards issuing in Lithuania. The Parties also submit that their main competitors in all markets are the two largest players: SEB and Swedbank. The Notifying Parties also argue that other banks, such as Citadele, Danske and Šiaulių, will continue to offer competing card services and exert additional competitive pressure on the market.

(220) In the markets for cards for corporate customers (overall, credit and debit) the market structure is very similar: the merged entity will have the market share of around [30-40]%, with a small increment brought by the Transaction of less than [0-5]%. Swedbank would remain the market on the overall market for corporate cards and for corporate debit cards with market shares of more than 30%. On all three corporate card markets SEB will have a market share of almost [30-40]%.

(221) The merged entity will be the market leader only on the market for corporate credit cards (building on DNB's already leading position), although in this segment, as already mentioned, the increment brought by the transaction is small. Furthermore, there are more players present with significant market shares: Citadele, Danske and Šiaulių.

(222) Most costumers explained that there are no particular obstacles in switching their provider for payment card issuing services, and that time and costs associated to a potential change are in general not significant.[165] As explained above, a number of competitors active on the market would be able to serve customers, should they wish to switch.

(223) Finally, in general both customers and competitors consider that the Transaction will not have any negative impact on them or on competition in general on the markets for payment card issuing in Lithuania.[166]

(224) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to payment card issuing.

5.2.8. Payments

(225) The market for payments is affected by the Transaction only in Lithuania. In Latvia and Estonia the market shares of the merged entity on the markets for payments and any of its plausible segments remain below 20%.

---

165 Non-confidential replies to question 20 of the questionnaire Q2 to customers.

166 Non-confidential replies to questions 29 and 30 of the questionnaire Q2 to customers. Non-confidential replies to question 110 of the questionnaire Q1 to competitors.

(226) The market shares for the overall market for payments in Lithuania are presented in table 18 below. The Notifying Parties have not been able to provide precise market shares for the potential markets for domestic payments and international payments, or distinguishing between payments for retail customers and for corporate customers, but they confirmed that their market shares would not be significantly different from their market shares on the overall market for payments in any of these market segments.

Table 18. Market shares on the market for payments in Lithuania, EUR million, 2016.

Competitor	**Payments (overall)**	
	Value	Market share
DNB	[…]	[10-20]%
Nordea	[…]	[5-10]%
Combined	**[…]**	**[20-30]%**
Swedbank	[…]	[30-40]%
SEB	[…]	[20-30]%
Šiaulių	[…]	[5-10]%
Others	[…]	[5-10]%
Total	216 222	100.0%

Source: Form CO

(227) The Transaction will combine Nordea with market share of [5-10]% and DNB with market share of [10-20]%, thus the merged entity will have the combined market share of slightly above [20-30]% ([20-30]%). Post-transaction Swedbank will remain the market leader with the market share of [30-40]%. SEB will remain the second largest player with market share of [20-30]%.

(228) The Commission notes that the market share of the merged entity in payment will not be particularly high, and it will be the third player on the market. These findings correspond to the results of the market investigation. In general both customers and competitors consider that the Transaction will not have any negative impact on them or on competition in general on the markets for payments in Lithuania.[167]

(229) Most costumers explained that there are no particular obstacles in switching their provider for payment services, and that time and costs associated to a potential change are in general not significant.[168] As explained above, a number of competitors active on the market would be able to serve customers, should they wish to switch.

(230) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to payments in Lithuania.

167 Non-confidential replies to questions 29 and 30 of the questionnaire Q2 to customers. Non-confidential replies to question 110 of the questionnaire Q1 to competitors.

168 Non-confidential replies to question 20 of the questionnaire Q2 to customers.

5.2.9. Financial market services

(231) The Transaction leads to affected markets for financial market services only in relation to foreign exchange trading in Lithuania. The Notifying Parties' and their competitors' market shares in this market are presented in table 19 below.

Table 19. Market shares on the market for foreign exchange trading, Lithuania, EUR million, 2014-2016.

Competitor	**2014**		**2015**		**2016**	
	Value	Market share	Value	Market share	Value	Market share
DNB	[…]	[10-20]%	[…]	[10-20]%	[…]	[5-10]%
Nordea	[…]	[5-10]%	[…]	[10-20]%	[…]	[20-30]%
Combined	**[…]**	**[20-30]%**	**[…]**	**[20-30]%**	**[…]**	**[30-40]%**
SEB	[…]	[30-40]%	[…]	[30-40]%	[…]	[20-30]%
Swedbank	[…]	[20-30]%	[…]	[20-30]%	[…]	[10-20]%
Šiaulių	[…]	[5-10]%	[…]	[5-10]%	[…]	[5-10]%
Danske	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
OP	[…]	[0-5]%	[…]	[0-5]%	[…]	[5-10]%
Citadele	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Others	[…]	[0-5]%	[…]	[0-5]%	[…]	[0-5]%
Total	29 147[169]	100%	8 091	100%	14 820	100.0%

(232) The Notifying Parties submit that in foreign exchange trading it is common that there are large fluctuations over the years, as shown by their market shares data. In their view, this is mainly due to the fact that the loss or gain of only one relatively large customer for foreign exchange trading services may have a significant impact on market shares.

(233) The Commission notes that the Notifying Parties' market shares have largely fluctuated over the past three years. While DNB's market shares have decreased over time (from about [10-20]% in 2014 to about [5-10]% in 2016), Nordea's market shares have increased (from about [5-10]% in 2014 to about [20-30]% in 2016). Indeed, to illustrate how one-off events may influence the market shares, the Notifying Parties explain that the change in Nordea's market shares between 2015 and 2016 (increase of about [5-10]%) is mainly due to the fact that one of its large customers significantly increased the volume of its foreign exchange transactions.

169 The Notifying Parties explain that since in 2014 Lithuania was not yet part of the Eurozone, the turnover of foreign exchange transactions was considerably higher than in 2015 and 2016 due to local currency trading.

(234) Moreover the Commission notes that changes in market shares are not proportional to changes in turnover. For example, DNB market shares have decreased by [0-5] percentage points between 2015 and 2016 despite very little variation in turnover. This is mainly due to the significant growth of the market (from about 8 billion in 2015 to about 15 billion in 2016).

(235) The Notifying Parties' combined market shares remain below [30-40]% post-Transaction, with a small increment (about [5-10]%) brought by the Transaction. Based on the 2016 data, the merged entity will become the market leader. However, it will continue to face strong competition from SEB (market share of about [30-40]%) and Swedbank (about [20-30]%). Moreover, a number of relatively smaller players will remain on the market, including Šiaulių, Danske, OP and Citadele; most of which have increased their market shares over the past three years.[170]

(236) The market investigation results reveal that the majority of customers do not consider the Notifying Parties to be the closest competitors; they rather believe they both compete more closely with other financial services providers (in particular SEB was mentioned more frequently as the closest competitor to both DNB and Nordea).[171]

(237) Most costumers explained that there are no particular obstacles in switching their provider for foreign exchange trading services, and that time and costs associated to a potential change are in general not significant.[172] As explained above, a number of competitors active on the market would be able to serve customers, should they wish to switch.

(238) Moreover, the market investigation results show that in general customers consider that there is a sufficient choice of financial service providers on this market and they believe the Transaction will not have any negative impact in this respect.[173] In addition, most competitors also do not expect that the Transaction could have any negative impact in particular on the market for foreign exchange trading.[174]

(239) In view of the above, the Commission considers that the Transaction does not raise serious doubts as to its compatibility with the internal market with respect to the market for foreign exchange trading in Lithuania.

5.3. Article 2(4) assessment (spill-over effects)

(240) Under Article 2(4) of the Merger Regulation, to the extent that the creation of a JV that constitutes a concentration pursuant to Article 3 has as its object or effect the coordination of the competitive behaviour of undertakings that remain independent, the Commission must assess such coordination in accordance with the criteria of Article 101(1) and (3) TFEU, with a view of establishing whether or not the operation is compatible with the common market.

---

170 Market shares of Šiaulių have decreased from around [5-10]% to [5-10]%.
171 Non-confidential replies to question 27 of the questionnaire Q2 to customers.
172 Non-confidential replies to question 20 of the questionnaire Q2 to customers.
173 Non-confidential replies to questions 18 and 30 of the questionnaire Q2 to customers.
174 Non-confidential replies to question 110 of the questionnaire Q1 to competitors.

(241) In making this assessment, the Commission must take into account, in particular, whether two or more parent companies retain, to a significant extent, activities in the same market as the joint venture or in a market that is downstream or upstream from that of the joint venture or in a neighbouring market closely related to this market. In addition, the Commission has to take into account whether the coordination which is the direct consequence of the creation of the joint venture affords the undertakings concerned the possibility of eliminating competition in respect of a substantial part of the products or services in question. A restriction of competition under Article 101(1) TFEU is established when the coordination of the parent companies' competitive behaviour is likely and appreciable and results from the creation of the joint venture.[175]

(242) The Notifying Parties submit that neither Nordea nor DNB will have any remaining activities in the same product market as Luminor in the Baltic region, with the exception of [description of a portfolio of derivatives agreements].[176] […]. Nordea will service the legacy portfolio of derivatives agreements until maturity, but it will not enter into new derivatives transaction. This is confirmed also in the Shareholders' Agreement, according to which […].

(243) In view if the above the Commission considers that the potential spill-over effects for the Transaction could not lead to any competition concerns.

5.4. Coordinated effects

(244) According to the Commission's Guidelines on the assessment of horizontal mergers,[177] a merger in a concentrated market may significantly impede effective competition, through the creation or the strengthening of a collective dominance position, because it increases the likelihood that firms are able to coordinate their behaviour in this way and raise prices. Coordination is considered to be more likely to emerge in markets where it is relatively simple to reach a common understanding on the terms of coordination (such as keeping prices above competitive level, limiting production or by dividing the market) and where the economic environment is less complex and more stable. According to the Guidelines on horizontal mergers three conditions are necessary for coordination to be sustainable: ability to monitor competitors' behaviour, existence of a deterrent mechanism which could be activated if deviation is detected and current and future competitors not participating in the coordination, as well as customers, should not be able to jeopardise the results expected from the coordination.

(245) The Commission considers that in the present case the above conditions are not met, and thus the Transaction will not result in the creation or strengthening of coordination leading to significant impediment of effective competition on any of the markets concerned by the Transaction. The Commission considers so for the following reasons.

175 Merger Regulation, Article 2(5).

176 In addition Nordea will retain a portfolio of corporate loans, […], see details in Section 5.2.2 regarding corporate loans.

177 Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings (OJ C 31, 05.02.2004, paragraph 39), "Guidelines on horizontal mergers".

(246) First, all the main players in the markets concerned are universal banks in general providing all the banking products to all categories of customers […][178] and in the present case the market investigation has not revealed any indication or evidence that coordinated effects currently take place on any of the markets discussed in the present decision.

(247) Second, while the Transaction inevitably reduces the number of competitors in each of the affected markets analysed above, which in some cases results in markets with three top players with comparable market shares, on all these markets smaller competitors will remain active and they will be able to challenge any attempts of coordination between the top three suppliers.

(248) Third, the Commission notes that a symmetric distribution of market shares is not seen on all the banking markets concerned by the Transaction. Post-Transaction many relevant product markets will have an asymmetric market structure with one market leader (either the merged entity or Swedbank) and the remaining market players with smaller market shares.

(249) Fourth, the fact that both customers and competitors submit that the banking markets are competitive in the three Baltic countries and switching is perceived as easy, also to smaller suppliers of banking product, coordination among the top three competitors would be difficult.

(250) In general, the results of the market investigation did not raise any concerns about potential coordinated effects.

(251) In view of the above, the Commission concludes that the Transaction does not lead to coordinated effects which could significantly impede effective competition in any of the affected markets.

6. CONCLUSION

(252) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

---

178 Should read "First, all the main players in the markets concerned are universal banks in general providing all the banking products to all categories of customers and in the present case the market investigation has not revealed any indication or evidence that coordinated effects currently take place on any of the markets discussed in the present decision."

For the Commission

(Signed)
Margrethe VESTAGER
Member of the Commission