



EUROPEAN COMMISSION
DG Competition

***Case M.8553 - BANCO
SANTANDER /
BANCO POPULAR
GROUP***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 08/08/2017

***In electronic form on the EUR-Lex website under
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Brussels, 8.8.2017
C(2017) 5659 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

To the notifying party:

Subject: Case M.8553 – BANCO SANTANDER / BANCO POPULAR GROUP Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹ and Article 57 of the Agreement on the European Economic Area²

Dear Sir or Madam,

- (1) On 14 July 2017, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Banco Santander S.A. ("Santander", "the Notifying Party", Spain) acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of Banco Popular Español S.A. ("Popular") by way of purchase of shares ("the Transaction").³

1. THE PARTIES AND THE TRANSACTION

- (2) Santander is the parent company of an international group of banking and financial companies, operating mainly in Spain, other European countries including Portugal and the United Kingdom, Latin America and the United States.

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 Publication in the Official Journal of the European Union No C 234, 20.07.2017, p. 14.

- (3) Popular is a Spanish financial entity listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. Popular provides commercial, retail, investment and wholesale banking services, as well as insurance services, both in Spain and Portugal.
- (4) On 6 June 2017, due to Popular's stressed liquidity situation, the European Central Bank ("ECB") decided that Popular was "failing or likely to fail" in accordance with Article 18 (1) of the Single Resolution Mechanism set out in Regulation (EU) No 806/2014 ("Single Resolution Mechanism Regulation")⁴. On 7 June 2017 the Commission approved, under the framework of the the Single Resolution Mechanism Regulation, the resolution scheme of Popular, based on the proposal by the Single Resolution Board ("SRB")⁵.
- (5) On the same day, the Commission adopted a decision based on Article 7(3) of the Merger Regulation granting the derogation from the standstill obligation subject to certain conditions and to the extent necessary for the financial stability of Popular ("the derogation decision")⁶. The compliance with the conditions set out in the derogation decision is monitored by a Monitoring Trustee.⁷
- (6) Following the adoption of the resolution scheme, Santander acquired sole control over Popular. As a result, the entire business of Popular and its subsidiaries have been transferred to Santander as of 7 June 2017.
- (7) Therefore, the Transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

2. EU DIMENSION

- (8) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁸. Each of them has an EU-wide turnover in excess of EUR 250 million, but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.

4 OJ L 225, 30.7.2014, p.1-90, Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010.

5 OJ L 178, 11.7.2017, p.15, Commission Decision (EU) 2017/1246 of 7 June 2017 endorsing the resolution scheme for Banco Popular Español S.A.

6 COMP/M.8553, Banco Santander S.A./Banco Popular Group S.A. Commission Decision pursuant to Article 7(3) of Council Regulation N° 139/2004 and Article 57 of the Agreement on the European Economic Area. Non-confidential version published in the Merger Registry on the competition website: http://ec.europa.eu/competition/mergers/cases/decisions/m8553_222_3.pdf.

7 This Commission decision pursuant to Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement does not constitute a confirmation that the Parties complied with the conditions set out in the Article 7(3) derogation decision of 7 June 2017.

8 Turnover calculated in accordance with Article 5 of the Merger Regulation.

- (9) The notified operation therefore has an EU dimension pursuant to Article 1(2) of the Merger Regulation.

3. RELEVANT MARKETS

- (10) The Parties' activities overlap in retail and corporate banking, leasing, factoring in Spain and Portugal and in the provision of ATM services in Spain.
- (11) In previous decisions the Commission has considered the following relevant markets in the banking sector: (i) retail banking, (ii) corporate banking (iii) investment banking (iv) leasing, (v) factoring (vi) payment cards, (vii) financial market services, (viii) asset management.⁹
- (12) While retail banking includes all banking services to private individuals and very small enterprises, corporate banking comprises banking services to large corporate customers (hereinafter referred to as "LCC's") and smaller commercial clients such as small and medium-sized enterprises (hereinafter referred to as "SME's").
- (13) On the basis of the results of the market investigation, the Commission has confirmed the above segmentation of the market along both products (deposits, loans, cards etc.) and customer lines (retail, corporate).¹⁰

3.1. Retail Banking

3.1.1. Relevant product market

- (14) In previous cases¹¹ the Commission has considered that retail banking can be further divided into a number of individual product markets, namely personal current accounts, saving accounts (deposits), lending (personal loans, consumer credit, mortgages, etc.), private banking services, mutual funds and other investment products. However, the Commission has not concluded on the market definition.
- (15) In any event, the exact product market definition with respect to retail banking can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

9 M.4844 - Fortis/ABN AMRO Assets; M.5384 - BNP Paribas/Fortis; M.3894, Unicredito/HVB M. 5726 - Deutsche Bank/ Sal. Oppenheim.

10 Questionnaire Q1 – Competitors, question 8.1.

11 M.4844 - Fortis/ABN AMRO Assets; and M.5948 - Banco Santander/Rainbow; M.3894, Unicredito/HVB.

3.1.2. Relevant geographic market

- (16) In past decisions the Commission considered the market for retail banking to be national or regional in scope, depending on the characteristics of the countries concerned.¹²
- (17) In any event, the exact geographic market definition with respect to retail banking can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

3.2. Corporate Banking

3.2.1. Relevant product market

- (18) In respect of corporate banking services, the Commission has distinguished between services to SMEs and LCCs,¹³ although the Commission 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.
- (19) The Commission has also pointed out that there are several indications that, within corporate banking, distinct relevant product markets for (i) deposits and savings (ii) loans (iii) domestic payment services/ current accounts (iv) foreign payment services and (v) cash management services could be identified.¹⁴
- (20) In any event, the exact product market definition with respect to corporate banking can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

3.2.2. Relevant geographic market

- (21) As for the geographic definition, 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 national markets or markets which are wider in scope but ultimately left the question open.¹⁵
- (22) In any event, the exact geographic market definition with respect to corporate banking can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

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

13 M.4844 - Fortis/ABN AMRO ASSETS; M.3894 – Unicredito/HVB; and M.2567 Nordbanken/Postgirot.

14 M.4844 - Fortis/ABN AMRO ASSETS; and M.5384 - BNP Paribas / Fortis.

15 M.3894 - Unicredito/HVB and M.2567- Nordbanken/Postgirot.

3.3. Leasing

3.3.1. Relevant product market

- (23) Leasing comprises the leasing of all kinds of assets such as industrial machines, computers, real estate or vehicles. In previous cases, the Commission distinguished between two types of leasing (a) operational leasing and (ii) financial leasing.¹⁶ The Commission has also considered further segmentation of the leasing market according to the assets leased, but left open whether such segmentation would be necessary.¹⁷
- (24) In any event, the exact product market definition with respect to leasing can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

3.3.2. Relevant geographic market

- (25) In previous cases the Commission considered the markets for leasing to be national in scope.¹⁸
- (26) In any event, the exact geographic market definition with respect to leasing can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

3.4. Factoring

3.4.1. Relevant product market

- (27) Factoring comprises the purchase of all kinds of receivables from businesses, thereby providing customers with liquidity.¹⁹
- (28) 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 fore mentioned, also referred to as "full factoring".²⁰

16 M.4844 FORTIS/ABN Amro Assets, M.2970 GE/ABB Structured Finance, M.3090 Volkswagen/Offset/Crescent/LeasePlan/JV and M.7944 Credit Mutuel/GE Capital's Factoring and Equipment Financing Businesses in France and Germany.

17 M. 4844 Fortis/ABN AMRO Assets; and COMP/M.5384 - BNP Paribas / Fortis

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

19 M.3894 UNICREDITO/HVB.

20 M.7944 – Credit Mutuel / GE Capital's Factoring and Equipment Financing Businesses in France and Germany

- (29) In any event, the exact product market definition with respect to factoring can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

3.4.2. Relevant geographic market

- (30) In previous cases the Commission considered the factoring market to be national in scope.²¹
- (31) In any event, the exact geographic market definition with respect to factoring can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

3.5. Payment cards

3.5.1. Relevant product market

- (32) In previous cases²², the Commission distinguished two separate activities from card processing: (i) the issuing of cards and the (ii) acquiring of merchants for card payment acceptance. Within the activity of payment card issuing, the Commission previously considered the distinction between different types of cards (i) debit and credit cards, (ii) personal and corporate cards, (iii) national and international cards, (iv) selective and general cards and (v) universal and special purpose cards. The Commission has ultimately left the exact market definition open.
- (33) In any event, the exact product market definition with respect to payment cards can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

3.5.2. Relevant geographic market

- (34) The Commission has considered the market for payment cards to be national in scope.²³
- (35) In any event, the exact geographic market definition with respect to payment cards can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

²¹ M.4844 FORTIS/ABN Amro Assets, M.7947 Banco Santander Totta/Banif.

²² M.4844 FORTIS/ABN AMRO ASSETS; M.5384 BNP Paribas/Fortis; M.7078 SANTANDER CONSUMER FINANCE / EL CORTE INGLES / FINANCIERA EL CORTE INGLES.

²³ M.4844 FORTIS/ABN AMRO ASSETS; M.5384 BNP Paribas/Fortis.

3.6. ATM services

3.6.1. Relevant product market

- (36) ATM transactions require a number of processing services of a technical nature, such as the routing of transactions, requests for authorizations to the card issuing bank, card identification, etc.
- (37) The Commission has previously considered ATM services as part of the market for the provision of payment services, which in turn was analysed as a sub-segment of the market for retail banking services, but ultimately left the market definition open.²⁴
- (38) In any event, the exact product market definition with respect to ATM services can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

3.6.2. Relevant geographic market

- (39) The Commission has so far not considered a geographic market definition with respect to ATM services.
- (40) In any event, the exact geographic market definition with respect to ATM services can be left open for the purpose of the present decision as the competitive assessment would remain the same irrespective of the exact delineation of the markets.

4. COMPETITIVE ASSESSMENT

- (41) The Transaction results in a number of horizontal overlaps between Santander and Popular in Spain and Portugal. Depending on the market definition the Transaction leads to the following affected markets:
- In Spain: at national level in retail banking (and some of its segments), corporate banking (and some of its segments), leasing and factoring; and at the regional (infra-national) level in retail banking and corporate banking in Andalucía, Canary Islands, Cantabria, Castilla La Manche, Castilla y León, Galicia and Madrid.
 - In Portugal: at national level in retail loans, leasing and factoring and at the regional (infra-national) level in credits in Aveiro and Coimbra.²⁵
- (42) In addition, the Transaction leads to a vertical link between the banking activities of the Parties and the ATM services operated by a company controlled by Santander.

²⁴ M.3894 UNICREDITO/HVB, paragraph 9.

²⁵ According to the Notifying Party, no objective data on market shares is available per region. The Notifying Party has provided proxies based on the available data per city in each region.

4.1. Horizontal assessment

Assessment at national level

- (43) Table 1 below presents the markets shares of the Parties in all the banking markets in Spain and Portugal in which the combined market shares exceed [20-30]%.

Table 1. Market shares at the national level – Spain and Portugal (2016):

Spain	Santander	Popular	Combined	CaixaBank	BBVA
Retail savings accounts	[10-20]%	[0-5]%	[20-30]%	[10-20]%	[10-20]%
Retail private banking	[20-30]%	[0-5]%	[20-30]%	[10-20]%	[10-20]%
SME Deposits	[10-20]%	[10-20]%	[20-30]%	[5-10]%	[10-20]%
LCC Deposits	[10-20]%	[0-5]%	[20-30]%	[10-20]%	[10-20]%
Loans to SMEs	[10-20]%	[10-20]%	[20-30]%	[5-10]%	[10-20]%
Loans to LCCs	[10-20]%	[0-5]%	[20-30]%	[10-20]%	[10-20]%
Domestic payments LCCs	[10-20]%	[5-10]%	[20-30]%	[10-20]%	[10-20]%
Foreign payments to SMEs	[10-20]%	[5-10]%	[20-30]%	[10-20]%	[10-20]%
Foreign payments to LCCs	[10-20]%	[5-10]%	[20-30]%	[10-20]%	[10-20]%
Cash management to LCCs	[10-20]%	[5-10]%	[20-30]%	[10-20]%	[10-20]%
Debit cards	[20-30]%	[0-5]%	[20-30]%	[30-40]%	[10-20]%
Leasing (overall)	[20-30]%	[5-10]%	[20-30]%	[10-20]%	[10-20]%
– Car leasing	[20-30]%	[0-5]%	[20-30]%	[10-20]%	[5-10]%
– Leasing to SMEs	[10-20]%	[5-10]%	[20-30]%	[10-20]%	[10-20]%
– Leasing to LCCs	[20-30]%	[5-10]%	[30-40]%	[10-20]%	[10-20]%
Factoring (overall)	[20-30]%	[5-10]%	[20-30]%	[30-40]%	[10-20]%
– Factoring – prepayment or advance on the value of the invoices (confirming)	[20-30]%	[0-5]%	[30-40]%	[20-30]%	[10-20]%
– Factoring- Invoice collection and sales ledger management services (with recourse factoring)	[10-20]%	[0-5]%	[10-20]%	[20-30]%	[30-40]%
– Factoring- credit insurance (without	[20-30]%	[5-10]%	[30-40]%	[30-40]%	[10-20]%

recourse)					
– Full factoring	[20-30]%	[5-10]%	[30-40]%	[20-30]%	[10-20]%
ATM services	[60-70]%	[20-30]%	[20-30]%		
Portugal					
	Santander	Popular	Combined	CGD	BCP
Retail loans	[20-30]%	[0-5]%	[20-30]%	[0-5]%	[10-20]%
Leasing	[10-20]%	[10-20]%	[20-30]%	[10-20]%	N/A
Factoring	[20-30]%	[0-5]%	[30-40]%	[10-20]%	[5-10]%

Source: Form CO.

Spain

Retail and corporate banking

- (44) At national level in Spain, the market shares of the combined entity in retail and corporate banking remain below [20-30]%.
- (45) Following the Transaction a number of significant market participants will remain present in the overall market for retail and corporate banking, including CaixaBank with market shares between [5-10]% at the lowest and [10-20]% in its strongest market and BBVA with market shares between [10-20]% at the lowest and [10-20]% in its strongest markets.
- (46) In addition, as can be seen from Table 1, the increment in the market shares due to the proposed Transaction is generally limited with higher increments in the SME segments only. For instance in SME deposits the increment coming from Popular is [10-20]%, resulting in a combined market share of [20-30]% and in loans to SMEs the increment, coming from Santander, is [10-20]% resulting in a combined market share of [20-30]%.
- (47) Respondents to the market investigation indicated that Santander and Popular are not close competitors to each other in the retail and corporate markets in Spain, with the exception of loans and deposits to SMEs.²⁶ However, in the markets for loans and deposits to SMEs, CaixaBank and BBVA with market shares between [5-10]% and [10-20]% respectively in both segments, will continue to exercise strong competitive pressure post-transaction.
- (48) In view of the above, the Commission takes the view that the Transaction does not raise serious doubts as regards its compatibility with the internal market, irrespective of the precise product market definition in the market for retail and corporate banking in Spain.

²⁶ Questionnaire Q1 – Competitors, questions 17 and 18. Questionnaire Q2 – Customers (Spain), questions 7 and 8.

Leasing

- (49) As concerns leasing, in the overall Spanish leasing market (excluding cars) the combined market share of the Parties amounts to [20-30]% with an increment of [5-10]% brought by Popular.
- (50) Should the market for leasing be further segmented the Parties' market shares remain similar: in leasing for cars ([20-30]% with an increment of [0-5]%), leasing for SMEs ([20-30]% with an increment of [5-10]%) and leasing for LCCs ([30-40]%, with an increment of [5-10]%).
- (51) BBVA ([10-20]%) and CaixaBank ([10-20]%), and to a lesser extent Banco Sabadell, are the main competitors to Santander in the overall leasing market in Spain, and will continue to be active post-transaction.
- (52) The respondents to the market investigation, generally took the view that there are other large players specialised in the provision of leasing services in Spain and that Popular does not have a significant presence in the market for leasing as compared to Santander.²⁷
- (53) In view of the above, the Commission considers that the Transaction does not raise serious doubts as regards its compatibility with the internal market, irrespective of the precise product market definition in relation to the leasing market in Spain.

Factoring

- (54) As regards factoring, in the overall Spanish factoring market the merged entity will have a combined market share of [20-30]%, with an increment deriving from the transaction of [5-10]%.
- (55) Should the market for factoring be further segmented, the Parties' market shares would not differ substantially. Indeed, in the factoring services of (i) prepayment or advance on the value of the invoices (confirming), (ii) invoice collection and sales ledger management services (with recourse factoring); (iii) credit insurance (without recourse), or (iv) services comprising a package of all the above (full factoring), the Parties would have a combined market share not exceeding [30-40]% with a maximum increment of [5-10]% brought by Popular, under any of these segmentations.
- (56) Following the transaction the combined entity will continue to face a number of significant competitors in particular two of the largest banks in Spain, CaixaBank and BBVA, with a market share of [30-40]% and [10-20]% in the factoring-market respectively.
- (57) Respondents to the market investigation indicated that Popular, with a market share of [5-10]%, is not a close competitor to Santander in the market for factoring. According to the market participants, BBVA, CaixaBank, Banc

²⁷ Questionnaire Q1 – Competitors, question 8.1.

Sabadell together with Santander and to a lesser extent, Bankia, are the main players in the factoring market in Spain.²⁸

- (58) In view of the above, the Commission considers that the Transaction does not raise serious doubts as regards its compatibility with the internal market, irrespective of the precise product market definition in the market for factoring in Spain.

Payment cards

- (59) The combined market share of the Parties in Spain in the market for payment cards remain below [20-30]% in all segments except in the sub-segment of the market for debit cards where the combined entity will have a market share of [20-30]% with an increment deriving from the transaction of [0-5]%.
- (60) Following the Transaction a number of significant market participants will remain present in market for debit cards, including CaixaBank and BBVA with a market share of [30-40]% and [10-20]% respectively.
- (61) In view of the above, the Commission considers that the Transaction does not raise serious doubts as regards its compatibility with the internal market, irrespective of the precise product market definition in the market for payment cards in Spain.

ATM services

- (62) In Spain there are three national payment card schemes namely Servired, 4B and Euro 6000 operating ATMs. Out of the 53 873 ATMs in Spain, 12 752 of them (23.7%) belong to the 4B scheme. Both Santander and Popular are affiliated to the 4B scheme, whereby Santander currently holds [60-70]% of this ATMs network and Popular [20-30]%.²⁹
- (63) After the Transaction, the combined entity will hold [90-100]% of 4B and thus have a market share of [20-30]% of all ATMs owned or operated on the Spanish market.³⁰
- (64) In view of the above, the Commission considers that the Transaction does not raise serious doubts as regards its compatibility with the internal market, irrespective of the precise product market definition in the market for ATM services in Spain.

²⁸ Questionnaire Q1 – Competitors, questions 17 and 18. Questionnaire Q2 – Customers (Spain), questions 7 and 8.

²⁹ It should be noted that Popular is not the owner of the ATMs. Popular's ATMs are held and managed by a Joint Venture with Crédit Mutuel (see recital (100)).

³⁰ The combined entity's ATMs is calculated following a worst case scenario that all ATMs of the Joint Venture between Popular and Crédit Mutuel can be attributed to Popular (thus 27.5% of all 4B ATMs).

Portugal

Retail and corporate banking

- (65) The combined market share of the Parties in Portugal does not exceed [10-20]% in almost all markets where the Parties' activities overlap. However, the Transaction does lead to affected markets with regard to retail loans, leasing, factoring and in certain regional markets.
- (66) Following the Transaction, a number of significant market participants will remain present in the overall market for retail and corporate banking, including BCP Millennium with market shares between [10-20]% (Deposits of LCC) at the lowest and [10-20]% (mortgages) in its strongest market for which data is available; CGD with market shares between [10-20]% (deposits of SMEs) and [30-40]% (sight deposits); and Novo Banco with market shares between [5-10]% (Deposits of SMEs) at the lowest and [10-20]% in its strongest market (Credits to LCC).
- (67) Additionally, the increment caused by the Transaction is generally limited (below [5-10]%), with an exception for Money market operations ([5-10]% increment, resulting in a combined market share of [10-20]%).
- (68) According to the respondents of the market investigation, Santander and Popular are not close competitors to each other in the Portuguese markets, as can be derived from the market shares set out in recitals (56) and (57), reflecting the diverging profiles of the Parties in Portugal, with Santander being a stronger bank than Popular and being active on all market segments.³¹

Retail loans

- (69) With regard to the market for retail loans on a national level, the Parties' combined market share thus would nevertheless remain below [20-30]%. The increment from the Transaction is limited to [0-5]%.
- (70) Following the transaction, the combined entity will have to face competitive pressure exercised by nationally active market participants. All remaining market participants such as BCP Millennium, Novo Banco, and Caixa Geral de Depósitos ("CGD"), have larger market shares than Popular before the Proposed Transaction (CGD has a [0-5]% market share, Novo Banco has [5-10]% market share and BCP has [10-20]% market share). All competitors will remain active on the market and together with the Portuguese BPI³² will compete with the merged entity.
- (71) The responses to the market investigation seem to confirm the Commission's assessment that the acquisition of Popular by Santander is unlikely to raise

³¹ Questionnaire Q1 – Competitors, questions 17 and 18. Questionnaire Q3 – Customers (Portugal), questions 8 and 9.

³² The Notifying Parties did not provide data on the market shares of BPI. BPI is the fourth biggest bank in Portugal (mostly active in SME and corporate sector).

competition concerns as the remaining competitors on the market for retail loans exert a sufficient competitive pressure.

- (72) In view of the above, the Commission considers that the Transaction does not raise serious doubts as regards its compatibility with the internal market, irrespective of the precise product market definition in the market for retail loans in Portugal.

Leasing

- (73) As regards leasing in Portugal, the Parties have a combined market share of [20-30]% on the overall leasing market, with an increment of [10-20]% due to Popular. The Parties did not provide any further breakdown of the leasing market for Portugal. The Parties did however provide confirmation that under no plausible market segmentation, the combined market share would exceed [30-40]%
- (74) As can be seen in Table 1, CGD is the second largest bank active on the leasing market with a market share of [10-20]%. As observed by the parties, services on the leasing market are homogeneous, with a high degree of substitutability between them. Furthermore, the Parties argue that leasing competes directly with other services such as direct loans. This allows clients to switch to a different source of financing without incurring significant costs.
- (75) According to the respondents to the market investigation, Santander and Popular are not close competitors to each other in the Portuguese leasing market. The replies by market participants confirm that all large Portuguese banks are active on the leasing market, putting them all in direct competition with Santander and Popular.³³
- (76) In view of the above, the Commission considers that the Transaction does not raise serious doubts with regards to its compatibility with the internal market, irrespective of the precise product market definition in the market for leasing in Portugal.

Factoring

- (77) The Notifying Party did not provide a break-down of the factoring market in Portugal, but only a combined overall market share of [30-40]% with an increment of [0-5]% due to Popular. The Parties provided confirmation that under no plausible further market segmentation within the Factoring market, the combined market share would exceed [30-40]%
- (78) Based on the information provided by the Parties, the combined entity's closest competitors in the financial sector are CGD with a market share of [10-20]% and BCP with a market share of [5-10]%.

³³ Questionnaire Q1 – Competitors, questions 16, 17 and 18; and Questionnaire Q3 – Customers in Portugal, questions 6 and 7.

- (79) The replies to the market investigation suggest that all large Portuguese banks are active on the factoring markets, placing them all in direct competition with Santander and Popular.
- (80) In view of the above, the Commission considers that the Transaction does not raise serious doubts with regards to its compatibility with the internal market, irrespective of the precise product market definition in the market for leasing in Portugal.

Assessment at regional (infra-national) level

Spain

Table 2. Market shares in the retail banking segment at regional level – Spain (2016):

Spanish Regions		Santander	Popular	Combined
Andalucia	Deposits in Cádiz	[10-20]%	[5-10]%	[20-30]%
	Credits in Granada	[5-10]%	[10-20]%	[20-30]%
	Deposits in Huelva	[10-20]%	[5-10]%	[20-30]%
	Deposits in Sevilla	[10-20]%	[10-20]%	[20-30]%
	Credits in Sevilla	[10-20]%	[5-10]%	[20-30]%
Canary Islands	Credits in Las Palmas	[10-20]%	[5-10]%	[20-30]%
	Deposits in Las Palmas	[10-20]%	[10-20]%	[20-30]%
Cantabria	Credits in Cantabria	[10-20]%	[0-5]%	[20-30]%
	Deposits in Cantabria	[30-40]%	[0-5]%	[30-40]%
Castilla La Mancha	Credits in Toledo	[10-20]%	[5-10]%	[20-30]%
Castilla y León	Credits in Ávila	[10-20]%	[5-10]%	[20-30]%
	Credits in León	[10-20]%	[10-20]%	[20-30]%
	Deposits in León	[10-20]%	[5-10]%	[20-30]%
	Credits in Salamanca	[10-20]%	[10-20]%	[20-30]%
	Deposits in Salamanca	[10-20]%	[10-20]%	[20-30]%
	Credits in Segovia	[10-20]%	[5-10]%	[20-30]%
	Credits in Valladolid	[10-20]%	[5-10]%	[20-30]%
	Deposits in Valladolid	[10-20]%	[5-10]%	[20-30]%
	Credits in Zamorra	[10-20]%	[5-10]%	[20-30]%
	Credits in Palencia	[10-20]%	[5-10]%	[20-30]%
	Deposits in Palencia	[20-30]%	[5-10]%	[20-30]%
Galicia	Credits in La Coruña	[10-20]%	[10-20]%	[30-40]%
	Deposits in La Coruña	[10-20]%	[10-20]%	[20-30]%
	Credits in Lugo	[5-10]%	[10-20]%	[20-30]%
	Deposits in Lugo	[10-20]%	[10-20]	[20-30]%

			20]%	
	Credits in Orense	[10-20]%	[10-20]%	[20-30]%
	Deposits in Orense	[10-20]%	[10-20]%	[30-40]%
	Credits in Pontevedra	[5-10]%	[10-20]%	[20-30]%
	Deposits in Pontevedra	[10-20]%	[10-20]%	[20-30]%
Madrid	Credits in Madrid	[10-20]%	[10-20]%	[20-30]%
	Deposits in Madrid	[10-20]%	[10-20]%	[20-30]%

Source: Form CO.

- (81) Should the relevant market for retail banking be defined at the regional (infra-national) level, the Transaction would lead to several affected markets in Spain in the markets for credits and deposits. This is especially clear in the regions of Galicia and Cantabria, e.g. the combined market share for deposits in the region of Cantabria would reach up to [30-40]%.
(82) In Cantabria the combined entity will hold a market share of [30-40]% in deposits, but with only a minor increment of [0-5]%. In the majority of the provinces in Galicia for which data is available, the combined market share will remain below [30-40]%, except in the market for deposits in Orense ([30-40]% with an increment of [10-20]%) and on the market for credit in La Coruña ([30-40]% with an increment of [10-20]%). In the Canary Islands the combined entity will have market shares over [20-30]% ([20-30]% for credits and [20-30]% for deposits), with an increment of [5-10]% (credits) and [10-20]% (loans).
(83) In all these regions important competitors will remain present such as CaixaBank, BBVA, Unicaja, Bankia or aBanka, and specifically LiberBank, CaixaBank and BBVA in Cantabria and Abanka, CaixaBank and BBVA in Galicia.
(84) According to the market investigation, while both Santander and Popular seem to have a historically established presence in Galicia and Cantabria, market participants generally considered that sufficient alternatives will remain on the market. This availability of choice of suppliers is also reflected in the replies by professional customers' (small and medium sized companies and corporate clients) statements that they use multiple banks to spread their counterparty risk and to ensure competitive financial terms by placing several banks in competition with each other.³⁴
(85) In view of the above, the Commission considers that the Transaction does not raise serious doubts with regards to its compatibility with the internal market, irrespective of the precise product market definition in the market for credits and deposits in any of the Spanish regions.

³⁴ Questionnaire Q2- Customers (Spain), questions 6, 7 and 12.

Portugal

- (86) Table 3 below presents the markets shares of the Parties in all the banking markets in regions of Portugal in which the combined market shares exceed 20%.

Table 3. Market shares at regional level – Portugal (2016)

Portuguese Regions	Santander	Popular	Combined
Deposit corporate banking Aveiro	[10-20]%	[5-10]%	[20-30]%
Credits retail banking Aveiro	[10-20]%	[0-5]%	[20-30]%
Credits retail banking Braga	[10-20]%	[0-5]%	[20-30]%
Credits retail banking Coimbra	[20-30]%	[0-5]%	[20-30]%
Credits retail banking Faro	[20-30]%	[0-5]%	[20-30]%
Credits retail banking Porto	[10-20]%	[0-5]%	[20-30]%
Credits retail banking Viana do Castelo	[10-20]%	[0-5]%	[20-30]%
Credits corporate banking Aveiro	[10-20]%	[5-10]%	[20-30]%
Credits corporate banking Évora	[20-30]%	[0-5]%	[20-30]%
Mortgages in Castelo Branco	[10-20]%	[0-5]%	[20-30]%
Mortgages in Coimbra	[20-30]%	[0-5]%	[20-30]%
Mortgages in Faro	[10-20]%	[0-5]%	[20-30]%
Mortgages in Porto	[10-20]%	[0-5]%	[20-30]%

Source: Form CO.

- (87) As can be seen from Table 3 above, in Portugal at the regional level the combined markets shares generally oscillate around [20-30]% and reach [20-30]% in the market for credits to corporate customers in Évora. However, the increment (brought by Popular) in Evora is below [0-5]%.
- (88) Following the transaction the Parties will continue to face a number of significant competitors in Portugal, in particular the large banks such as BCP Millennium, CGD, BPI and Novo Banco all of which are active on the national market and have presences in all Portuguese regions.
- (89) The responses to the market investigation indicate that Popular is not a close competitor to Santander and that the remaining competitors on the Portuguese regional (infra-national) markets are closer competitors to Santander than Popular is. The replies to the market investigation also indicate that customers decide which bank to use based on their specific needs in terms of average loan amounts, interest rates (prices) and reputation, ensuring that it remains possible for customers to switch between banks and actively encouraging banks to compete with each other to attract and retain customers.³⁵
- (90) In view of the above, the Commission considers that the Transaction does not raise serious doubts with regards to its compatibility with the internal market, irrespective of the precise product market definition in the market for credits to corporate customers in the Portuguese region of Évora.

³⁵ Questionnaire Q1 – Competitors, questions 17 and 18. Questionnaire Q3 – Customers (Portugal), questions 8 and 9.

4.2. Vertical assessment

- (91) The Transaction gives rise to a potential vertical link between the banking activities of the Parties and the ATM services in Spain.
- (92) In Spain there are three national payment card schemes operating ATMs, namely Servired, 4B System and Euro 6000 .
- (93) Servired is the largest scheme including BBVA, CaixaBank, Bankia, Sabadell and Bankinter, which correspond to 42 million cards issued, more than 900 thousand affiliated merchants and a network of around 32 500 ATMs. The smallest scheme, Euro6000 has around 10 million cards, 140 thousand affiliated merchants and around 8700 ATMs.
- (94) 4B System is currently governed by Santander, which holds a stake of [60-70]%, Popular which holds a stake of [20-30]%³⁶ and Banca March, holding a [0-5]% stake. 4B System also has several affiliates including ING Openbank and WiZink. Overall the banks in 4B System represent around 20 million cards, around 450 thousand affiliated merchants and a network of 12 750 ATMs.
- (95) Following the Transaction the combined entity will hold [90-100]% in 4B System but the control situation of the scheme will not change since already pre-transaction Santander was the largest shareholder controlling the majority of shares.
- (96) The Parties' combined market share in terms of the number of ATMs at the national level in Spain amounts to [20-30]% of all ATMs being owned or operated on the Spanish market.
- (97) During the market investigation one market participant raised concerns about the impact of the Transaction on the access to the ATM networks. It argued that pre-merger Popular, via its subsidiary, Euro Automatic Cash, Entidad de Pago, S.L.U, jointly controlled by Popular and Crédit Mutuel, was the only relatively large bank, willing to sign bilateral agreements with other banks to set reduced fees, and that following the Transaction the merged entity could pursue a foreclosure strategy, restraining access to the ATMs of the merged entity.³⁷
- (98) Based on the information provided by the Notifying Party, payment card schemes in Spain do not have the capacity to determine prices for withdrawing cash. Indeed, pursuant to the Royal Decree 11/2015 of 2 October 2015 regulating the commissions for withdrawal of cash in ATMs (the Decree) the fees are directly fixed by each of the entities owners of the ATMs which can be the banks or as in the case of Popular a Joint Venture between banks.
- (99) In the present case, irrespective of the market definition, the combined market shares of the Parties in the market for ATM services following the Transaction

³⁶ Popular is not the owner of 4B's ATMs corresponding to its stake of 27.5% in 4B System. Popular has a stake of 50% in a joint venture ("Euro Automatic Cash Entidad de Pago, S.L.U ") which holds such ATMS, jointly with Crédit Mutuel, which has the outstanding 50%.

³⁷ Questionnaire Q1 – Competitors, question 24.

will remain below [20-30]% with an increment of [5-10]% in terms of a number of ATMs.³⁸ As a result, other banks in Spain owning more than [70-80]% of ATMs will continue to provide services in the Spanish market and could provide access to their ATM networks to other banks not having their own ATM network.

- (100) Moreover, the Commission notes that Popular's participation in 4B is due to its participation in a joint venture between Popular and Group Crédit Mutuel³⁹ (Euro Automatic Cash, Entidad de Pago, S.L.U⁴⁰). As a result, any measures that Santander would want to implement post Transaction would be subject to the agreement of its future JV partner, Credit Mutuel.⁴¹ This casts doubts on Santander's ability to unilaterally terminate or amend the bilateral contracts between the JV and other banks.
- (101) As a result, and in particular in view of the limited market share of the merged entity on the upstream ATM services market, any foreclosure effects seems unlikely, as the merger entity would lack the ability to engage in such foreclosure strategy which could be defeated by the other ATM owners.
- (102) In view of the above, the Commission considers that the Transaction is unlikely to raise serious doubts with regards to its compatibility with the internal market in relation to the vertical link between banking services and a potential market for ATM services.

5. CONCLUSION

- (103) 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.

For the Commission

(signed)

Karmenu VELLA

Member of the Commission

³⁸ In terms of number of cards issued 27% in Spain, in terms of merchants affiliated 29% and 24% in terms of the number of ATMs.

³⁹ M.6978 Banco Popular SA/Group Crédit Mutuel/ATM Business.

⁴⁰ The JV created in 2013 focuses on managing and developing the ATM network of Popular in Spain.

⁴¹ The JV decisions require a majority in the Board of Directors. This Board is composed out of 4 directors proposed by Popular and 4 by Crédit Mutuel.