



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM266Mar19

In the matter between

Capitec Bank Limited

Primary Acquiring Firm

And

Mercantile Bank Holdings Limited

Primary Target Firm

Panel	: Enver Daniels (Presiding Member)
	: Mondo Mazwai (Tribunal Member)
	: Fiona Tregenna (Tribunal Member)
Heard on	: 15 May 2019
Order Issued on	: 15 May 2019
Reasons Issued on	: 27 May 2019

REASONS FOR DECISION

Approval

- [1] On 15 May 2019, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction involving Capitec Bank Limited ("Capitec") and Mercantile Bank Holdings Limited ("MBHL"), hereinafter collectively referred to as the merging parties.
- [2] The reasons for the approval of the proposed transaction follow.

Parties to the transaction

Primary Acquiring Firm

- [3] Capitec is a wholly-owned subsidiary of Capitec Bank Holdings Ltd (“Capitec Holdings”). The shares in Capitec Holdings are widely dispersed and as such no single shareholder controls Capitec Holdings. Capitec Holdings controls a number of firms in South Africa. Capitec does not control any firms.
- [4] Capitec offers a consolidated retail banking solution to all clients; a limited range of business services (such as merchant services, employer salary transfer facility and workplace banking solutions) to SME’s, close corporations and companies; and forex services.

Primary Target Firm

- [5] MBHL is a wholly-owned subsidiary of Caixa Geral de Depósitos, S.A. (“CGD”), a Portuguese bank wholly-owned by the Portuguese Republic. Apart from MBHL, CGD does not control any firms in South Africa. MBHL, on the other hand, directly and indirectly controls a number of firms in South Africa.
- [6] MBHL provides business and commercial banking services. It also has a private banking offering, targeting the owners/founders of businesses it banks with a specialised range of secure and user-friendly products and services such as electronic banking, borrowing solutions, investment solutions and insurance solutions.

Proposed transaction

- [7] In terms of the *Shares Sale and Purchase Agreement*, Capitec will acquire MBHL from CGD. Post-merger, Capitec will own and control MBHL.

Impact on competition

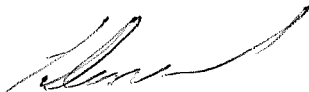
- [8] The Competition Commission ("Commission") considered the activities of the merging parties and identified a limited horizontal overlap in the national market for the provision of banking services.
- [9] In its investigation, the Commission found that the merged entity will have a combined post-merger market share of less than 10% in the relevant market. Market participants such as ABSA, FNB, Standard Bank and Nedbank will continue to exercise competitive constraints.
- [10] Based on the above, the Commission is of the view that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. We see no reason to differ from this conclusion.

Public interest

- [11] The merging parties confirmed that the proposed transaction will not have any negative effects on employment in South Africa.
- [12] The proposed transaction raises no other public interest concerns.

Conclusion

- [13] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in the identified market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Mr Enver Daniels

27 May 2019

Date

Ms Mondo Mazwai and Prof. Fiona Tregenna concurring.

Tribunal Researcher:

Hlumelo Vazi

For the merging parties:	Adv J Wilson instructed by Bowman Gilfillan Inc
For the Commission	S Molefe and M Aphone