



## **DETERMINATION OF MERGER NOTIFICATION M/12/005 - APOLLO EPF / MBNA**

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### **Section 21 of the Competition Act 2002**

#### **Proposed acquisition by Apollo European Principal Finance Fund, L.P. of certain assets of MBNA Europe Bank Limited and MBNA Ireland Limited**

**Dated 25 April 2012**

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### **Introduction**

1. On 26 March 2012 the Competition Authority, in accordance with Section 18 of the Competition Act, 2002 ("the Act") was notified, on a mandatory basis, of a proposal whereby Apollo Management L.P. ("Apollo"), through Apollo European Principal Finance Fund, L.P.<sup>1</sup> ("Apollo EPF") (an investment fund managed by its affiliate, Apollo EPF Advisers) would acquire sole control of certain assets of MBNA Europe Bank Limited ("MBNA Europe") and MBNA Ireland Limited ("MBNA Ireland").
2. The assets to be acquired include the Irish business of MBNA Europe, comprising the receivables<sup>2</sup> and the remaining assets including open accounts, and the Irish real estate in which MBNA Europe operates (including a call centre), which is held separately by MBNA Ireland.

### **The Undertakings Involved**

#### *The Acquirer*

3. Apollo EPF is an investment fund managed by Apollo EPF Advisers, L.P. an affiliate of Apollo. It is active globally in alternative asset management (i.e., value oriented private equity, credit-oriented and real estate investments). Apollo invests in companies involved in various businesses including the manufacturing of chemicals (e.g. thermoplastic resins and related products), cruise line operation, logistics, paper production, manufacture and marketing of plastic packaging products and real estate brokerage, throughout the world.
4. In the State, Apollo provides asset management services and advises that it makes "contrarian, value oriented private equity, credit-oriented and real estate investments." Apollo is involved in

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<sup>1</sup> The affiliate entities of Apollo EPF carrying out the acquisition for the purposes of and as described in the Agreement dated 21<sup>st</sup> March 2012 are Avant Ireland Holdings S.A.R.L and Radson Limited.

<sup>2</sup> The Financial Times Lexicon defines receivables as "[w]hat is owed to a credit card issuer by its customers."

raising, investing and managing funds on behalf of pension and endowment funds as well as other institutional and individual investors.

5. For the financial year ended 2010, Apollo generated a consolidated worldwide turnover of approximately €[...] of which approximately €[...] was generated within the State.

#### *The Target*

6. Both MBNA Europe and its wholly owned subsidiary MBNA Ireland are active in the State. MBNA Europe operates a credit card business in the State through its Irish branch. MBNA Europe states that it is the largest credit card lender in Europe. MBNA Europe further asserts that it is the third largest credit card issuer in the State. MBNA Ireland holds the Irish real estate in which MBNA Europe operates in the State.
7. In 2011 the Irish business of MBNA Europe [includes above 200,000 customer accounts with a balance of over €650 million in receivables]. The parties estimate that this represents approximately [20 – 30]% of the market in the State if measured by receivables. MBNA Europe also operates a full service customer contact centre covering all aspects of credit decisioning, customer servicing and collections and operates from premises in Carrick-on-Shannon, Co. Leitrim and Kilrush, Co. Clare.
8. For the financial year ended 2011 MBNA Europe generated a consolidated worldwide turnover of approximately €[...]<sup>3</sup> of which approximately €[...] was generated within the State.

#### **Rationale for the Proposed Transaction**

9. Apollo proposes to acquire MBNA Europe's Irish business comprising the receivables and the remaining assets including open accounts and real estate held by MBNA Ireland.
10. According to the parties, the proposed transaction is intended to be a transfer of a business. Apollo states that it "considers that the Business fits within its investment strategy." MBNA states that "[t]he decision to exit the Irish credit card sector is part of the strategy of MBNA Europe's ultimate parent, Bank of America, [...]."

#### **Third Party Submissions**

11. No submission was received.

#### **Analysis**

12. There is no horizontal or vertical overlap in the activities of the parties within the State. Neither Apollo, nor any of its portfolio companies, have any interest in any investee company which is active in the State in the provision of credit card services.

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<sup>3</sup> Based on the European Central Bank average exchange rate for 2011 of GBP€0.86788 to €1 on GBP£[...] giving €[...].

13. The only Apollo business that is active in the same line of business as the Irish MBNA Business is MBNA Spain (the former sister company of the Irish MBNA Business). MBNA Spain is a Spanish credit card issuer that is authorised to do business only in Spain. It is not active in the State. However, Apollo states that it intends to use this authorisation as the basis for an application to the Central Bank of Ireland for authorisation to do business in the State.
14. Following completion of the proposed transaction Apollo will continue to face competition from a variety of other competitors in the State in relation to issuing of credit cards, including Bank of Ireland; AIB; Ulster Bank; National Irish Bank and Permanent TSB.
15. The proposed transaction does not give rise to vertical concerns since there is no vertical relationship between Apollo and the Irish MBNA Business in the State.
16. In light of the above the Authority considers that the proposed transaction does not raise competition concerns in the State.

#### **Ancillary Restraint**

17. MBNA Europe, as the vendor, has entered into non-compete and non-solicitation covenants to apply for a period of [...] year after the Second Closing date. The Authority considers that these restrictions are directly related to and necessary for the implementation of the proposed transaction.

## **DETERMINATION**

The Competition Authority, in accordance with Section 21(2)(a) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by Apollo European Principal Finance Fund, L.P. of certain assets of MBNA Europe Bank Limited and MBNA Ireland Limited will not be to substantially lessen competition in any market for goods and services in the State and, accordingly, that the acquisition may be put into effect.

**For the Competition Authority**

**Stephen Calkins**

**Member of the Competition Authority**

**Director, Mergers Division**