



## **DETERMINATION OF MERGER NOTIFICATION M/12/009 -**

### **DZ BANK/WGZ BANK**

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

#### **Proposed acquisition of joint control by DZ Bank AG Deutsche Zentral-Genossenschaftsbank and WGZ Bank AG Westdeutsche Genossenschafts-Zentralbank of DZ Equity Partner GmbH**

**Dated 12 July 2012**

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#### **Introduction**

1. On 21 June 2012, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority (the "Authority") received a notification of a proposed transaction whereby DZ Bank AG Deutsche Zentral-Genossenschaftsbank ("DZ Bank") and WGZ Bank AG Westdeutsche Genossenschafts-Zentralbank ("WGZ Bank") would merge their respective wholly-owned private equity businesses, DZ Equity Partner GmbH ("DZ EP") and WGZ Initiativkapital GmbH ("WGZ IK"), with DZ Bank and WGZ Bank then having joint control of the merged entity.
2. Following completion of the proposed transaction, WGZ IK will cease to exist and the merged entity, DZ EP, will be renamed VR Equity Partner GmbH.

#### **The Undertakings Involved**

##### ***DZ Bank***

3. DZ Bank is a central and commercial bank incorporated in Germany. It is the fourth largest bank in Germany and is a member of the Association of Cooperative Banks in Germany, which services around 30 million private and corporate customers. Within the Association of Cooperative Banks, DZ Bank acts as a central bank for approximately 900 cooperative banks and, in this capacity, it provides services and support for individual cooperative banks in Germany, including liquidity equalisation.<sup>1</sup>
4. In addition to its central bank function within the cooperative banking sector in Germany, DZ Bank also acts as a national clearing bank for corporate customers. DZ Bank offers the complete spectrum of banking services to its customers, mainly in Germany, including retail banking, corporate and investment banking, private banking, property finance, public finance, insurance, pensions, private equity, leasing and factoring, money transfers, card services, issuance of bonds, credit processing, balance sheet management and asset management.

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<sup>1</sup> DZ Bank provided the Authority with the following explanation of liquidity equalisation: "In this function, DZ Bank invests cooperative banks' short-term surplus cash and obtains long-term liquidity required by the banks. It thereby ensures that the cooperative financial network has access to global money and liquidity markets as well as to liquidity provided by central banks."

5. DZ Bank Ireland plc ("DZ Bank Ireland") is a wholly-owned subsidiary of DZ Bank. The proposed transaction does not involve DZ Bank Ireland. DZ Bank Ireland holds a banking licence from the Central Bank of Ireland. It is focussed on investments via floating rate notes, asset swaps, and bilateral loans to a range of parties such as financial institutions, corporations, and sovereign entities in Europe and North America. It also provides medium and long-term fixed rate loans to cooperative banks in Germany. According to the parties, DZ Bank Ireland does not actively target customers in the State. However, a small amount of the DZ Bank's turnover is generated by DZ Bank Ireland in the State (e.g., interest income on Irish securities).
6. For the year ending 31 December 2011, DZ Bank's worldwide turnover was €23.8 billion. Although it has not been possible to ascertain turnover by customer location, DZ Bank estimates that for the year ending 31 December 2011, the turnover which could be considered to relate to the State was likely to be in excess of €40 million.

### **WGZ Bank**

7. WGZ Bank is a central, corporate, and commercial bank incorporated in Germany. It is a member of the Association of Cooperative Banks in Germany and it acts as a central bank for 204 cooperative banks.
8. WGZ Bank Ireland plc ("WGZ Bank Ireland") is a wholly-owned subsidiary of WGZ Bank. The proposed transaction does not involve WGZ Bank Ireland. WGZ Bank Ireland holds a banking licence from the Central Bank of Ireland. It operates as a commercial bank and its lending activities include the provision of short, medium and long-term loans to banks and borrowers in Germany and internationally. According to the parties, WGZ Bank Ireland does not actively target customers in the State.
9. For the year ending 31 December 2011, WGZ Bank's worldwide turnover was €2,421 million. WGZ Bank estimates that the turnover that could be considered to relate to the State for the year ending 31 December 2011 was approximately €[...].

### **The Target Businesses**

#### **DZ EP**

10. DZ EP is a provider of private equity capital services in Germany specially tailored to small and medium-sized enterprises (SMEs) with a minimum in sales of €[...]. The product range comprises both direct investments and mezzanine financing. DZ EP's core market is Germany, although it also offers services to SMEs in Austria and Switzerland. DZ EP does not currently have any customers or hold any investments or shareholdings in companies in the island of Ireland. DZ EP and DZ Bank Ireland operate separately and have not entered into any agreements with each other.

#### **WGZ IK**

11. WGZ IK is a provider of private equity capital services in Germany specially tailored to SMEs with a minimum in sales of €[...]. The product range comprises both equity financing and mezzanine financing. WGZ IK is mainly focused on servicing SMEs which are

already customers of WGZ Bank. WGZ IK is only active in Germany. WGZ IK does not currently have any customers or hold any investments or shareholdings in companies in the island of Ireland. WGZ IK and WGZ Bank Ireland operate separately and have not entered into any agreements with each other.

### **Rationale for the Proposed Acquisition**

12. The parties submit that the proposed acquisition will “enable the parties to pool their private equity businesses into a new business unit, which will continue to concentrate on the parties’ core geographic market, Germany. Together with the services offered by the local cooperative banks, this initiative will establish a comprehensive, fully rounded range of services tailored to the requirements of SMEs in Germany.”

### **Third Party Submissions**

13. No submission was received.

### **Analysis**

14. The proposed transaction does not relate to the provision of corporate banking services. The proposed transaction relates solely to the merging of the parties’ respective private equity businesses. DZ EP and WGZ IK overlap in the provision of private equity services to customers in Germany.<sup>2</sup> Neither DZ EP nor WGZ IK, however, has any customers in the State. The Authority has concluded that the proposed transaction will have no competitive impact on the provision of private equity services in the State.
15. The Authority considers that the proposed transaction does not raise any concerns about possible anti-competitive coordination in the State involving DZ Bank and WGZ Bank. Both DZ Bank and WGZ Bank are primarily active in Germany and both have a small presence in the State. Adverse competitive effects from coordinated behaviour in the State are therefore unlikely post-transaction. In any event, the Authority has the power under Section 4 of the Act to investigate any allegation of anti-competitive behaviour.
16. Finally, the Authority also considers that the proposed transaction does not raise any concerns about possible anti-competitive coordination in the State involving the Irish subsidiaries of DZ Bank and WGZ Bank. Neither DZ Bank Ireland nor WGZ Bank Ireland actively target customers in the State and both have a relatively small presence in the State. [...].
17. In light of the above, the Authority considers that the proposed transaction will not raise any competition concerns in the State.

### **Ancillary Restraints**

18. The parties have entered into a Co-operation Agreement which sets out a number of restrictive obligations. None of these obligations exceed two years in duration. The Authority considers these

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<sup>2</sup> The proposed transaction was cleared by the German Federal Cartel Office on 20 April 2012.

restrictions to be directly related and necessary to 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 transaction whereby DZ Bank AG Deutsche Zentral-Genossenschaftsbank and WGZ Bank AG Westdeutsche Genossenschafts-Zentralbank would merge their respective wholly-owned private equity businesses, DZ Equity Partner GmbH and WGZ Initiativkapital GmbH, will not be to substantially lessen competition in markets for goods or 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**