



DETERMINATION OF MERGER NOTIFICATION M/13/007 - DZ BANK/ UMH/WGZ BANK

Section 21 of the Competition Act 2002

Proposed creation of a joint venture company by DZ Bank AG, Union Asset Management Holding AG and WGZ Bank AG.

Dated 09 April 2013

Introduction

1. On 14 March 2013, 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"), Union Asset Management Holding AG ("UMH") and WGZ Bank AG Westdeutsche Genossenschafts-Zentralbank ("WGZ Bank") would create a full-function joint venture (the "Joint Venture").
2. The proposed transaction involves the formation of the Joint Venture by using an inactive shelf company and by the parties subscribing proportionally in new shares in the Joint Venture.
3. The Joint Venture will focus primarily on providing strategic advice on the management of the activities of cooperative banks in Germany.

DZ Bank

4. DZ Bank is a central and commercial bank incorporated in Frankfurt am Main, Germany. It is the fourth largest bank in Germany and is a member of the Association of Cooperative Banks. DZ Bank acts as a central bank for approximately 900 cooperative banks in Germany and as such provides services and support for individual cooperative banks at a local level, including liquidity equalisation or provision of refinancing mechanisms.
5. 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 and institutional customers. DZ Bank is able to offer the

complete spectrum of banking services to its customers, mainly in Germany.

6. DZ Bank Ireland plc ("DZ Bank Ireland") is a wholly owned subsidiary of DZ Bank and it has been in operation in Dublin's International Financial Services Centre ("IFSC") since its incorporation as SGZ (Ireland) plc¹ in November 1994. DZ Bank Ireland holds a full banking licence from the Central Bank of Ireland and it is positioned within the investment bank function of the DZ Bank group. It is focussed on providing high grade investments via floating rate notes, asset swaps, syndicated and bilateral loans to a range of parties such as financial institutions, Asset Backed Securities ("ABS") issuers, corporations, sovereign and sub-sovereign entities in Western Europe and North America. DZ Bank Ireland also provides medium and long-term fixed rate loans to cooperative banks in Germany. DZ Bank Ireland employs [...] people and as at 21 December 2012, its total assets amounted to approximately €[...] billion. DZ Bank Ireland does not actively target customers located in the State.
7. For the year ending 31 December 2012, DZ Bank's worldwide turnover was €24.2 billion, of which €[...] million was generated by DZ Bank Ireland.

UMH

8. UMH, based in Frankfurt am Main, Germany, was founded in 1956 and provides asset management services to private and institutional clients. UMH offers a wide range of investment solutions in various asset classes and investment styles: equity, fixed-income, money market, alternative investments and quantitative structured funds. UMH's retail funds are licensed under the "EU Passport" regime² for sale in many European countries, including Ireland.
9. UMH is part of the German cooperative financial group and is solely controlled by DZ BANK with a stake of 76%. WGZ Bank also holds a minority stake of 20% in UMH. The remaining shares in UMH are owned by primary banks in the cooperative banking sector.

¹ Since the date of incorporation it has undergone three name changes and since 2001 is DZ Bank Ireland Plc

² An EU Retail fund passport allows for EU wide distribution of retail funds that invest in alternative assets - such as real estate, venture capital and commodities - or that are closed-ended or have limited redemption

10. UMH has approximately 5 million customers that have invested in its retail funds. UMH's customer base includes banks, pension funds, insurance companies, church organizations, industrial corporations and non-profit organizations such as foundations and trade associations.
11. UMH has not established any subsidiary companies, offices or employees in the State. However, UMH subsidiaries have generated some limited revenue from Irish customers. For the year ended 31 December 2012, although the audited financial accounts are not yet available, UMH estimates that it generated a worldwide turnover of approximately €[...] billion, of which approximately €[...] was from customers located in the State.

WGZ Bank

12. WGZ Bank is a central bank incorporated in Düsseldorf, Germany. It is a member of the Association of Cooperative Banks / Cooperative Financial Services Network and it acts as a regional central bank for approximately 200 local cooperative banks / credit unions in the North Rhine, Westphalia and Rhineland Pfalz regions of Germany. In addition to its central bank function, WGZ Bank is also a corporate and commercial bank.
13. WGZ Bank Ireland plc ("WGZ Bank Ireland") is a wholly owned subsidiary of WGZ Bank. WGZ Bank Ireland holds a banking licence from the Central Bank of Ireland and commenced business in Ireland in December 1995. 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. WGZ Bank Ireland employs [...] people and has a balance sheet of approximately €[...] billion. WGZ Bank Ireland does not have a retail business and does not actively target customers in the State.
14. WGZ Bank does not yet have final audited figures for 2012 but on best estimates its total worldwide turnover for the year ended 31 December 2012 was approximately €[...] billion. WGZ Bank estimates that of this total, approximately €[...] million was generated by WGZ Bank Ireland.

The Joint Venture

15. The proposed transaction involves the formation of the Joint Venture by using an inactive shelf company 100% owned by DZ Bank and by the parties making an initial combined investment of €[...] million by subscribing proportionally at a ratio of UMH [...]%, DZ Bank [...]% and WGZ Bank [...]% in new shares in the Joint Venture. The Joint Venture will be controlled jointly by UMH, DZ Bank and WGZ Bank [...].
16. [...]
17. The Joint Venture's registered office and place of business will be in Frankfurt am Main and although the registered name of the Joint Venture has currently not been decided, it is the parties' intention to jointly and in a timely manner agree on a registered company name for the Joint Venture.
18. Following completion of the proposed transaction, it is intended that the Joint Venture will provide business consultancy / advisory services to retail cooperative banks in Germany. The parties intend the Joint Venture to focus primarily on providing strategic advice on the management of such cooperative banks' activities in relation to the sale of commercial paper (i.e. unsecured promissory notes) to retail customers. These services will include, inter alia, developing and repositioning the private client securities business strategy of cooperative banks in light of structural changes in the securities business, optimizing organizational structures, rolling out workflow management procedures in the investment business and implementing and positioning distribution channels.
19. The parties do not rule out the possibility that the Joint Venture may provide services in future to other financial institutions in Germany, including to the parties themselves but it is not envisaged that such services will be expanded to any other jurisdictions, including Ireland.

Rationale for the Proposed Acquisition

20. The parties submit that the proposed transaction represents a strategic opportunity for the parties to establish a Joint Venture to provide business consultancy services to retail cooperative banks and to continue to concentrate on the parties' core geographic market, being

Germany. The Joint Venture is intended to bring about growth and increased profitability in the commercial paper activities (and by extension the overall businesses) of the cooperative banks, which will in turn grow and benefit the business of the Joint Venture and the wider business interests of the parties.

Third Party Submissions

21. No submissions were received.

Analysis

22. The proposed transaction involves the establishment of the Joint Venture to perform on an indefinite basis all the functions of an autonomous economic entity (a 'full-function' joint venture) within the meaning of section 16(4) of the Act.
23. The Joint Venture will be based in Germany and will offer its business consultancy services solely in Germany³, primarily to retail cooperative banks based there.
24. The Joint Venture will not provide any services in the State and as such, the proposed transaction will have no competitive impact on the provision of any services in the State.
25. The parties are primarily active in Germany and based on the parties' relatively small presence in the State and the fact that they do not actively target customers in the State, adverse competitive effects from coordinated behaviour in the State following the transaction are unlikely.
26. According to the parties, the proposed transaction does not relate to any of the activities of DZ Bank Ireland, UMH, or WGZ Bank Ireland and they have no requirements for the specific type of consultancy services that will be provided by the Joint Venture. Moreover, the Joint Venture will focus on providing services to retail cooperative banks in Germany and as such will not be offering any services to customers in the State.

³ The proposed transaction was cleared by the Bundeskartellamt (German Federal Cartel Office) on 26 February 2013.

27. In light of the above, the Authority considers that the proposed transaction will not raise any substantial competition concerns in any market for goods or services in the State.

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 creation of the Joint Venture between DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Union Asset Management Holding AG and WGZ Bank AG Westdeutsche Genossenschafts-Zentralbank will not be to substantially lessen competition in any market for goods or services in the State and accordingly, that the Joint Venture may be created.

For the Competition Authority



Stephen Calkins

Member of the Competition Authority