



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 43/LM/Apr12

In the matter between:

Land and Agricultural Development

Bank of South Africa

Acquiring Firm

And

The performing corporate lending book of

Gro Capital Financial Services (Pty) Ltd

Target Firm

Panel	:	Andreas Wessels (Presiding Member) Medi Mokuena (Tribunal Member) Taki Madima (Tribunal Member)
Heard on	:	30 May 2012
Order issued on	:	30 May 2012
Reasons issued on	:	10 July 2012

Reasons for Decision

Approval

[1] On 30 May 2012 the Competition Tribunal ("Tribunal") unconditionally approved the merger between Land and Agricultural Development Bank of South Africa and the performing corporate lending book of Gro

Capital Financial Services (Pty) Ltd. The reasons for approval are set out below.

Parties to transaction

[2] The primary acquiring firm is the Land and Agricultural Development Bank of South Africa (“Land Bank”), a firm incorporated in terms of the laws of the Republic of South Africa. The Land Bank is regulated by the Land and Agricultural Development Bank Act, No. 15 of 2002 (“the Land Bank Act”) and as such is not controlled by any firm. The Land Bank has only one subsidiary namely Land Bank Insurance Company (Pty) Ltd.

[3] The primary target firm is the performing corporate lending book (“Corporate Lending Book”) of Gro Capital Financial Services (Pty) Ltd (“Gro Cap”), a firm incorporated in terms of the laws of the Republic of South Africa.

Proposed transaction and rationale for transaction

[4] The Land Bank intends to acquire Gro Cap’s Corporate Lending Book which consists of Sale Book Debts.

[5] The Land Bank wishes to acquire the Corporate Lending Book of Gro Capital and grow it further. The Corporate Lending Book will allow the Land Bank to increase its capacity and better fulfil its developmental mandate as set out in the Land Bank Act.

[6] Gro Capital wishes to remove both the Corporate Lending Book and the funding structures relating to the Corporate Lending Book from its balance sheet, thereby enabling Gro Capital to pursue other opportunities with the capital that is released from the sale.

Relevant markets and impact on competition

[7] This transaction presents a horizontal as well as a vertical overlap between the activities of the merging parties. The horizontal overlap relates to the provision of retail financing to agro-processing clients. In

terms of the vertical relationship, the Land Bank provides the Corporate Lending Book with wholesale agricultural financing to on-lend to agricultural clients.

[8] The Commission defined a national upstream market for the provision of wholesale financing to the agricultural sector and a downstream national market for the provision of retail financing to the agricultural sector. There however is no need for us to determine the exact parameters of the relevant markets in question since it does not alter our decision in this case.

[9] Following its investigation the Commission concluded that the proposed transaction is unlikely to substantially prevent or lessen competition in the downstream market for the provision of retail financing to the agricultural sector since the merging parties' post-merger market share remains below 30%. Furthermore, customers indicated that there are alternative suppliers of retail financing. There are also a number of alternative suppliers of wholesale financing to the agricultural sector and therefore it is unlikely that the proposed transaction will raise any foreclosure concerns.

[10] Furthermore, no significant public interest issues arise from this transaction.

CONCLUSION

[11] We approve the transaction unconditionally.

A Wessels

10 July 2012
DATE

M Mokuena and Taki Madima concurring

Tribunal researcher: Thabo Ngilande

For the merging parties: Edward Nathan Sonnenbergs

For the Commission: Mogau Aphané