

Zagreb, 29 September 2004

Pursuant to Article 39 paragraph 2 under i) of the Croatian National Bank Act (official gazette *Narodne novine*, No. 36/2001) in connection with Article 40 of the Banking Act (official gazette *Narodne novine*, No. 84/2002) and item 9.1.1 of the Decision Regulating Market Competition within the Banking Sector (official gazette *Narodne novine*, No. 48/2003), deciding on an intended implementation of concentration notified by the undertaking Validus d.d. having its seat in Varaždin, Anina ulica 2, the Governor of the Croatian National Bank has adopted the following

## **D E C I S I O N**

- I. The concentration resulting from the acquisition of control by acquiring a majority of shares and a majority of voting rights in the General Assembly of Brodsko Posavska banka d.d., Slavonski brod, Trg pobjede 29 by the undertaking Validus d.d., Varaždin, Anina ulica 2 is declared to be acceptable.
- II. This Decision shall be final in an administrative procedure.
- III. This Decision shall be published in the official gazette *Narodne novine*.

## **S t a t e m e n t o f R e a s o n s**

I. On 7 November 2003, the Croatian National Bank received an application from the undertaking ZIF Pleter d.d., Varaždin (at that time undergoing a merger with the undertaking Validus d.d., Varaždin) for a prior approval to acquire more than 50% of voting shares in the General Assembly of Brodsko Posavska banka d.d., Slavonski Brod and for an approval to recapitalise the Brodsko Posavska banka d.d. to the amount of HRK 18,000,000.00. As the case concerned, i.e. the acquisition of more than 50% of voting shares in the General Assembly of Brodsko Posavska banka d.d., Slavonski Brod represents concentration pursuant to item 6.1 of the Decision Regulating Market Competition within the Banking Sector (official gazette *Narodne novine*, No 48/2003, hereinafter: the Decision), the Croatian National Bank, in its letter dated 11 November 2003, required the undertaking Global Invest d.o.o., an investment fund management company (which then controlled the undertaking ZIF Pleter d.d.), to submit a notification of an intended implementation of concentration pursuant to item 7 of the Decision and in accordance with item 8 of the Decision. In view of this, on 26 November 2003, the Croatian National Bank received a notification from the undertaking Validus d.d., Varaždin of an intended merger

between the undertaking Validus d.d., Varaždin and Brodsko Posavska banka d.d., Slavonski Brod. As the notification was incomplete, a supplement was submitted at the request of the Croatian National Bank dated 12 July 2004, but it was received as late as 23 July 2004. Therefore, the 23 July 2004 shall be considered the date of submitting the notification of an intended implementation of concentration, which was acknowledged by the Croatian National Bank by issuing a special receipt on 29 July 2004 to the notifying party in accordance with the provisions of item 8.4 of the Decision.

More specifically, on 7 November 2003, the Croatian National Bank received an application from the undertaking ZIF Pleter d.d., Varaždin for a prior approval to acquire more than 50% of voting shares in the General Assembly of Brodsko Posavska banka d.d., Slavonski Brod and an approval to recapitalize the Brodsko Posavska banka d.d. to the amount of HRK 18,000,000.00. In the meantime, the undertaking ZIF Pleter d.d. merged with the undertaking Validus d.d. In its decision dated 11 February 2004 in accordance with the provisions of the Banking Act, the Croatian National Bank gave its prior approval to the undertaking Validus d.d. for the acquisition of more than 50% of voting shares in the General Assembly of Brodsko Posavska banka d.d. At the meeting held between the representatives of the undertaking Validus d.d., Brodsko Posavska banka d.d. and the Croatian National Bank held at the official premises of the Croatian National Bank on 5 July 2004, agreements were received on the purchase and sale of the shares of Brodsko Posavska banka d.d. These agreements provide a legal basis for the acquisition of more than 50% of the voting shares in the General Assembly of Brodsko Posavska banka d.d., for which the acquirer (the undertaking Validus d.d.) is obliged to submit a notification to the Croatian National Bank of an intended implementation of concentration pursuant to item 7.1 of the Decision.

II. In the process of examining the data submitted in the notification of an intended implementation of concentration and other data available to the Croatian National Bank, the following has been established:

*1. Parties to the concentration*

The parties to the concentration are the undertaking Validus d.d., having its seat in Varaždin, Anina ulica 2 and Brodsko Posavska banka d.d., having its head office in Slavonski Brod, Trg pobjede 29. More specifically, the application for a prior approval to acquire more than 50% of voting shares in the General Assembly of Brodsko Posavska banka d.d., Slavonski Brod and a prior approval to recapitalize the Brodsko Posavska banka d.d. was submitted to the Croatian National Bank by the undertaking Global Invest d.o.o., an investment fund management company. The application was made on behalf of the undertaking ZIF Pleter d.d., which underwent a merger with the undertaking Validus d.d. at the time of filing the application. A merger agreement was concluded on 9 September 2003 and enrolled in the Court Register on 19 September 2003. The General Assemblies of both companies approved the merger agreement as follows: the General Assembly of the undertaking ZIF Pleter d.d. on 4 November 2003 and the General Assembly of the undertaking Validus d.d. on 8 November 2003. The merger procedure ended by entering the merger into the

Register of Companies of the Commercial Court in Varaždin under No. Tt-03/1396-2 in November 2003.

a) Validus d.d.

The undertaking Validus d.d. is a company managing other companies, established in the process of a merger between the undertaking ZIF Pleter d.d. and the undertaking Validus d.d., a real estate company from Varaždin. The share capital of the undertaking Validus d.d. amounts to HRK 195,153,800.00 and is divided into 1,951,538 ordinary registered shares to the nominal value of HRK 100.00.

By virtue of a decision taken by the General Assembly of the undertaking Validus d.d. on 20 August 2004, approval was given to the Merger Agreement of 15 June 2004, concluded between the undertaking Validus d.d. as the acquiring company and the undertaking PINIA d.o.o. as the target company. By virtue of the decision taken by the General Assembly of the undertaking Validus d.d. on 20 August 2004, approval was given to the Merger Agreement of 15 June 2004, concluded between the undertaking Validus d.d. as the acquiring company and the undertaking EKOTEH d.o.o. as the target company.

During the examination of the documentation attached to the application of the undertaking ZIF Pleter d.d. of 6 November 2003 (received by the Croatian National Bank on 7 November 2003) for a prior approval of the Croatian National Bank to acquire more than 50% of voting shares in the General Assembly of Brodsko Posavska banka d.d., Slavonski Brod, it has been established that the undertaking Validus d.d. is a part of the FIMA Holding d.d. from Varaždin. The parent company FIMA Holding d.d. manages the associated companies in Croatia and Bosnia and Herzegovina. The associated companies carry out certain basic activities of the business system FIMA or they represent an investment of the FIMA Holding d.d. in transactions out of its basic field of activity for the purpose of operational risk diversification. The associated companies of the FIMA Holding d.d. include: Validus d.d., Global Invest d.o.o. (managing the closed-end investment fund Breza Invest d.d.), FIMA Vrijednosnice d.o.o., FCT d.o.o., AFP d.o.o. and Ekoteh d.d..

The daughter company in Bosnia and Herzegovina is FIMA International in Sarajevo. The establishment of the FIMA International in Belgrade is currently in progress and a FIMA International is expected to be established in Banjaluka.

The business network of the FIMA consists of local offices and representative offices.

Its partner insurance company is Aurum osiguranje d.d.

b) Brodsko Posavska banka d.d.

Brodsko Posavska banka d.d. was established in accordance with the regulations of the Republic of Croatia and registered with the Commercial Court in Slavonski Brod

on 28 April 1994. Its share capital amounted to HRK 20,488,000.00. After the bank's recapitalisation in 1996 and 1999, its share capital amounted to HRK 60,236,000.00. At an extraordinary General Assembly held on 20 September 2003, a decision was taken on reducing the share capital by withdrawing 5,408 ordinary shares to the value of HRK 20,009,600.00. As a result of this, the share capital amounts to HRK 40,226,400.00 and has been registered with the Commercial Court in Slavonski Brod.

## *2. Legal Form of the Concentration*

The legal form of the concentration shall be the acquisition of control over the undertaking Validus d.d. by acquiring a majority of shares and voting rights in the General Assembly of Brodsko Posavska banka d.d.

## *3. Legal Basis for the Concentration*

The legal basis for the concentration shall be the agreements on the purchase and sale of shares concluded between the undertaking Validus d.d. and shareholders of Brodsko Posavska banka d.d. as follows:

- Agreement on the purchase and sale of 400 ordinary shares, which account for 3.68% of the bank's share capital, concluded between the undertaking Validus d.d. and Đuro Đaković Elektromont d.d. as a shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale of 100 and 50 ordinary shares, which account for 1.38% of the bank's share capital, concluded on 27 May 2004 between the undertaking Validus d.d. and Đuro Đaković Inženjering d.d. as a shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale of 500 ordinary shares, which account for 4.60% of the bank's share capital, concluded on 27 May 2004 between the undertaking Validus d.d. and Đuro Đaković Specijalna vozila d.d. as a shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale of 600 ordinary shares, which account for 5.52% of the bank's share capital, concluded on 27 May 2004 between the undertaking Validus d.d. and Đuro Đaković Holding d.d. as a shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale of 500 ordinary shares, which account for 4.60% of the bank's share capital, concluded on 14 May 2004 between the undertaking Validus d.d. and Đuro Đaković Montaža d.d. as a shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale of 100 ordinary shares, which account for 0.92% of the bank's share capital, concluded on 12 May 2004 between the undertaking Validus d.d. and Đuro Đaković Aparati d.d. as a shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale of 441 ordinary shares, which account for 4.06% of the bank's share capital, concluded on 27 May 2004 between the undertaking Validus d.d. and Đuro Đaković Termoenergetska postrojenja d.o.o. as a shareholder of Brodsko Posavska banka d.d.;

- Agreement on the purchase and sale of 400 and 40 ordinary shares, which account for 4.05% of the bank's share capital, concluded on 7 June 2004 between the undertaking Validus d.d. and Klas d.d. as a shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale of 694 ordinary shares, which account for 6.38% of the bank's share capital, concluded on 7 June 2004 between the undertaking Validus d.d. and Telecomp d.o.o. as a shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale of 663 ordinary shares, which account for 6.10% of the bank's share capital, concluded on 7 June 2004 between the undertaking Validus d.d. and Teleinženjering d.o.o. as a shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale of 135 ordinary shares, which account for 1.24% of the bank's share capital, concluded on 6 May 2004 between the undertaking Validus d.d. and Ms. Dubravka Vrdoljak as shareholder of Brodsko Posavska banka d.d.;
- Agreement on the purchase and sale and transfer of 249 shares, which account for 2.29% of the bank's share capital, concluded on 14 June 2004 between the undertaking Validus d.d. and Mr. Zvonimir Dumančić as a shareholder of Brodsko Posavska banka d.d.;

Apart from the stated shares, the undertaking Validus d.d. also purchased 1,190 own shares in Brodsko Posavska banka d.d. which account for 10.95% of the share capital of Brodsko Posavska banka d.d. In addition, 289 shares of Brodsko Posavska banka d.d, which account for 2.66% of the bank' share capital, were purchased on the stock market.

Through the above listed transactions the undertaking Validus d.d. has become a holder of a total of 6,351 ordinary shares of Brodsko Posavska banka d.d., which account for 58.42% of that bank's share capital.

In its submission received by the Croatian National Bank at the meeting of 5 July 2004, the undertaking Validus d.d. notified the Croatian National Bank of an intended acquisition of additional 1,100 shares of Brodsko Posavska banka d.d.

At the Assembly of Brodsko Posavska banka d.d. held on 29 June 2004, a decision was adopted to recapitalise the bank to the amount of HRK 18,000,500.00 by a new issue of shares and the exclusion of priority rights in their entirety. The newly issued shares shall be paid in full by the undertaking Validus d.d, following the approval of the prospect by the Croatian Securities Commission. The planned recapitalisation of Brodsko Posavska banka d.d. to the amount of HRK 18,000,500.00 will further increase the participation of the undertaking Validus d.d. in the share capital of Brodsko Posavska banka d.d. to more than 75%.

#### *4. Relevant Market*

Through the concerned concentration the undertaking Validus d.d. acquires the majority of shares in the share capital of Brodsko Posavska banka d.d., and the majority

of voting rights in the General Assembly of Brodsko Posavska banka d.d., which is, by its operational scope, a universal bank. In the light of the above, concerning the determination of the relevant market, there is no overlap between the business activities of the parties to the concentration, i.e. the parties to the concentration operate on different markets, so, through the concerned concentration the undertaking Validus d.d. acquires the existing market share of Brodsko Posavska banka d.d. The relevant market in this examination procedure shall be the universal banking market in the territory of Slavonski Brod-Posavina County and Vukovar-Srijem County.

The relevant product market (universal banking market), has been determined on the basis of services provided by Brodsko Posavska banka d.d.

The relevant geographic market has been determined on the basis of the operational characteristics of Brodsko Posavska banka d.d. and its business strategy as a local bank whose business is closely related with the Đuro Đaković companies. Furthermore, during the examination of the documentation submitted by the undertaking Validus d.d., concerning the market and operations analysis, as well as the potential of Brodsko Posavska banka d.d., it has been established that the undertaking Validus d.d. designated the territory of the Slavonski Brod-posavina County and the southern part of the Vukovar-Srijem County as the main area of operation of Brodsko Posavska banka d.d. The distribution network of Brodsko Posavska banka d.d. includes the following six (6) operating units:

- head office and branch office in Slavonski Brod, Trg pobjede 29;
- local office in Slavonski Brod, frontier crossing between the Republic of Croatia and Bosnia and Herzegovina;
- local office in Slavonski Brod, Horvatova 28, Market Place;
- local office in Nova Gradiška, Karla Dieneša 2;
- local office in Vinkovci, Kralja Zvonimira 15
- branch office in Zagreb, Jukićeva 6.

As the branch office of Brodsko Posavska banka d.d. in Zagreb is inactive, despite the intention of the undertaking Validus d.d. to expand its operations in Zagreb, according to the development plan of Brodsko Posavska banka d.d., the area of the City of Zagreb and Zagreb County has not been geographically included in the relevant market.

In light of the above, the relevant market has been analysed on the basis of market shares of Brodsko Posavska banka d.d. according to the loans granted and deposits received by the bank in the Slavonski Brod-Posavina County and Vukovar-Srijem County. The number of business offices of banks in the stated counties (distribution channels) has also been analysed. The analyses were based on the Croatian National Bank data.

The analysis of market shares of banks included the market shares of banks according to the loans granted and deposits received by them by county, as at 31 March 2004. In the analysis of the relevant market, the market shares of Brodsko Posavska banka d.d. were compared with the market shares of banks that had their business networks in the territory of the Slavonski Brod-Posavina County and Vukovar-Srijem

County as at 31 December 2003. The market shares in the relevant market were analysed according to banks and not according to bank groups.

*a) Analysis of the Relevant Market according to Market Shares*

The agreements which provide a legal basis for the concentration were signed in 2004, so the market shares should be analysed on the basis of the data for the previous period, i.e. the year 2003. In this particular case, for the analysis as at 31 December 2003, there are no data on the loans granted and deposits received by banks by county; only the data on the total loans granted and deposits received at the country level are available.. Therefore, having in mind the determinants of the relevant market, market shares of banks were analysed according to the loans granted and deposits received by county as at 31 March 2004.

*aa) The Share of Brodsko Posavska banka d.d. in the Relevant Market according to the Loans Granted*

According to the Croatian National Bank data as at 31 March 2004, the loans granted by commercial banks in the Slavonski Brod-Posavina County totalled HRK 1,935,683,173.00. With a HRK 31,438,062.00 in loans granted, the market share of Brodsko Posavska banka d.d. in that county was 1.62%.

As at 31 March 2004, the market share of Banka Brod d.d. in the universal banking market of the Slavonski Brod-Posavina County according to the loans granted was 1.90%. The market share of Banka Sonic d.d. was 0.67%, and of Croatia banka d.d. 1.38%. The largest share in the universal banking market in the Slavonski Brod-Posavina County according to the loans granted as at 31 March 2004 was that of Privredna banka Zagreb d.d., 36.34%. Then followed Zagrebačka banka d.d. with the market share of 21.31%, Raiffeisenbank Austria d.d. with 15.02% and Slavonska banka d.d. with 9.54%.

As at 31 March 2004, loans granted by commercial banks in the Vukovar-Srijem County totalled HRK 1,792,037,527.00. The loans granted by Brodsko Posavska banka d.d. totalled HRK 20,237,065.00, so that this bank participated with 1.13% in the market of the Vukovar-Srijem County.

In the universal banking market in the Vukovar-Srijem County according to the loans granted as at 31 March 2004, Banka Kovanica d.d. participated with 0.66%, Banka Sonic d.d. with 1.02%, Croatia banka d.d. with 6.59% and Kreditna banka Zagreb d.d. with 1.29%. The largest share in the universal banking market in the Vukovar-Srijem County, according to the loans granted as at 31 March, was that of Privredna banka d.d. Zagreb, 25.21%. The market shares of Slavonska banka d.d. Zagrebačka banka d.d. with and Raiffeisenbank Austria d.d. were 18.62%, 13.33% and 9.09%, respectively.

*ab) The Market Share of Brodsko Posavska banka in the Relevant Market according to Deposits Received*

According to the Croatian National Bank data as at 31 March 2004, received deposits of commercial banks in the Slavonski Brod-Posavina County totalled HRK

746,256,345.00. Brodsko Posavska banka d.d. received a total of HRK 44,770,399.00 in deposits in that county and its market share was 6.00%

In the universal banking market of the Slavonski Brod-Posavina County according to the deposits received as at 31 March 2004, Banka Brod d.d. participated with 6.31%, Banka Sonic d.d. with 0.73% and Croatia banka d.d. with 5.88%. The largest share in the universal banking market in the Slavonski Brod-Posavina County according to the deposits received as at 31 March 2004 was that of Privredna banka Zagreb d.d., 26.67%. Raiffeisenbank Austria d.d. participated with 22.09%, Slavonska banka d.d. with 6.25% and Zagrebačka banka d.d. with 4.41%.

As at 31 March 2004, business banks in the Vukovar-Srijem County received deposits to the amount of HRK 696,377,134.00. Deposits received by Brodsko Posavska banka d.d. in this county totalled HRK 687,323.00, so the market share of the bank was 0.10%.

In the universal banking market of the Vukovar-Srijem County according to deposits received as at 31 March 2004, Banka Kovanica d.d. participated with 1.91%, Banka Sonic d.d. with 0.99%, Croatia banka d.d. with 14.85% and Kreditna banka Zagreb d.d. with 1.55%. The largest share in the universal banking market in the Vukovar-Srijem County according to the deposits received as at 31 March was that of Slavonska banka d.d., 28.46%. The market shares of Privredna banka d.d. Zagreb, Raiffeisenbank Austria d.d. and Zagrebačka banka d.d. participated were 17.55%, 8.07% and 4.18%, respectively.

*b) Analysis of the Relevant Market according to Distribution Channels*

The distribution network of Brodsko Posavska banka d.d. comprises six (6) operating units, of which four (4) are located in the Slavonski Brod-Posavina County and two (2) out of the Slavonski Brod-Posavina County (the local office in Vinkovci and branch office in Zagreb). The Brodsko Posavska banka d.d. does not have a cash-machine network or any other distribution channel.

Besides the Brodsko Posavska banka d.d., additional nine (9) banks had their business networks in the territory of Slavonski Brod-Posavina County as at 31 December 2003. Banka Brod d.d. had two (2) operating units, Banka Sonic d.d. one (1) operating unit, Croatia banka d.d. one (1) operating unit, Križevačka banka d.d. one (1) operating unit, Privredna banka Zagreb d.d. five (5) operating units, Raiffeisenbank Austria d.d. two operating units, Slatinska banka d.d. one (1) operating unit, Slavonska banka d.d. one (1) operating unit and Zagrebačka banka d.d. three (3) operating units.

Besides the Brodsko Posavska banka d.d., additional eight (8) banks had their business networks in the territory of Vukovar-Srijem County, i.e.: Banka Kovanica d.d. had one (1) operating unit, Banka Sonic d.d. had one (1) operating unit, Croatia banka d.d. two (2) operating units, Kreditna banka Zagreb d.d. one (1) operating unit, Privredna banka Zagreb d.d. had six (6) operating units, Slavonska banka d.d. four (4) operating

units, Volksbank d.d. one (1) operating unit and Zagrebačka banka d.d. one (1) operating unit in the territory of Vukovar-Srijem County as at 31 December 2003.

The total number of operating units of all banks in the Slavonski Brod-Posavina County as at 31 December 2003 accounts for a low 2.05% of the total number of operating units of all banks in the Republic of Croatia. Operating units of banks in the territory of Vukovar-Srijem County as at the same date, account for only 1.76% of the total number of operating units of banks in the Republic of Croatia. Since 2000, the number of operating units of banks in Croatia has trended upwards. The same trend has been observed in the Slavonski Brod-Posavina County, while in the Vukovar-Srijem County, the number of operating units of banks rose by one (1) in the period from December 2000 to December 2001. In December 2002, the number of operating units of banks again decreased by one (1), compared with the previous year. After that the number of operating units of banks rose by three (3), so in December 2003, there were 18 operating units of banks in the Vukovar-Srijem County.

As at 31 December 2003, Privredna banka Zagreb, d.d. had the largest number of operating units in both the observed counties. Except Privredna banka Zagreb d.d., the banks with the largest number of operating units were Slavonska banka d.d. with four (4) operating units in Vukovar- Srijem County and Zagrebačka banka d.d. with three (3) operating units in Slavonski Brod-Posavina County.

##### *5. Report of the Undertaking Validus d.d. on the Economic and Legal Justifiability of the Concentration*

The undertaking Validus d.d. indicates that, besides the main area of operation of the Bank, i.e. Slavonski Brod-Posavina County and the southern part of Vukovar-Srijem County, the Bank's operations would be expanded into Vinkovci and Zagreb, and subsequently Varaždin and other towns in Croatia.

The undertaking Validus d.d. deems that a large participation of the agricultural population in its retail business transactions, paralleled by a decline in industrial production and a below-average economic activity will result in an additional orientation towards farmers (especially medium-sized and big landowners). Thus, among other things, more loans would be granted to farmers for the purchase of combine harvesters from the company Đuro Đaković Poljoprivredni strojevi i uređaji and the purchase of construction equipment from the company Đuro Đaković Specijalna vozila. The customer base would be extended by strengthening the business relations between the Đuro Đaković Group and Brodsko Posavska banka d.d., which would remain its primary commercial bank.

Other companies in whose share capital the undertaking Validus d.d. owns a controlling share, as well as those which are intended for a long-term future investment, would, along with their territorial expansion, become clients of Brodsko Posavska banka d.d. This would also include investment funds managed by Global Invest d.d. and FIMA Vrijednosnice d.o.o., to which the Bank would provide custodial or deposit bank services. As concerns the corporate sector, the undertaking Validus d.d. deems that FIMA can provide business consulting services to its clients for the purpose of their restructuring,

and look for strategic partners to the bank's clients. The undertaking FCT d.o.o. can provide the services of credit rating examination of current and potential clients, selection of profitable investment projects and conduct feasibility studies on their behalf. By financing these studies, the Brodsko Posavska banka d.d. would acquire new clients. In co-operation with Brodsko Posavska banka d.d., FIMA Vrijednosnice d.o.o. and Global Invest d.d. Management Company would provide securities custody services for their clients, Validus d.d. and own funds, as well as for the open market. The undertaking Validus d.d. further indicates that the undertaking Aurum d.d. offers expansion possibilities for the branches of Brodsko Posavska banka d.d., but that there is also a possibility for Brodsko Posavska banka d.d. to sell products and services of an insurance company.

Brodsko Posavska banka d.d. would participate in expanding the FIMA business system into the financial markets in Bosnia and Herzegovina and Serbia.

In light of the above, the development strategy determinants of Brodsko Posavska banka d.d., set by the undertaking Validus d.d., may be summarised as follows:

- Area of operation of Brodsko Posavska banka d.d:
  - main area of the Bank's operation: Slavonski Brod-Posavina County and the southern part of Vukovar-Srijem County;
  - expansion of operation: into Vinkovci, Zagreb, Varaždin and other Croatian towns where the FIMA business system and the undertaking Aurum d.d. have their branch offices;
- Retail business: additional orientation towards farmers;
- New clients:
  - other companies in which the undertaking Validus owns majority shares in the share capital (e.g. Varteks), as well as the companies which are intended for long-term future investment;
  - daughter companies of the FIMA business system;
- New services
- Through its business activities Brodsko Posavska banka would monitor and support the expansion of the FIMA business system into the financial markets of Bosnia and Herzegovina and Serbia.

#### 6. *Participation of the Parties to the Concentration in Other Undertakings*

During the examination of the capital and personal connections between the parties to the concentration, carried out by the Croatian National Bank, the following has been established:

##### *a) Capital connection*

The undertaker Validus d.d. participates in the following companies:

- Hoteli Helios d.d., 84.64%;
- Elak d.d., 43.83%, and
- Varteks d.d., 21.49%.

Brodsko Posavska banka d.d. has made direct investment in the following legal persons:

- Vis d.d., 75%, and
- Đuro Đaković hrana d.o.o., 3.46%.

Given the capital and personal connections between the undertaking Validus d.d. and FIMA Holding d.d., the list of companies in whose share capital FIMA Holding d.d. participates with 20% or more is presented as follows:

FIMA Holding d.d.	40,00%	} shares in the share capital of the undertaking	FIMA Vrijednosnice d.o.o.
Milan Horvat	35,88%		
Ljiljana Weissbarth	16,31%		
Dubravko Žganec	7,81%		
FIMA Holding d.d.	40,00%	} shares in the share capital of the undertaking	FCT d.o.o.
Milan Horvat	15,00%		
Ljiljana Weissbarth	35,00%		
Dubravko Žganec	10,00%		
FIMA Holding d.d.	35,00%	} shares in the share capital of the undertaking	AFP d.o.o.
Milan Horvat	10,00%		
Ljiljana Weissbarth	10,00%		
Dubravko Žganec	10,00%		
Zrnka Šulak	20,00%		
Jasenska Gledić	10,00%		
Ljerka Cingesar	5,00%		
FIMA Holding d.d.	40,00%	} shares in the share capital of the undertaking	Global Invest d.o.o.
Milan Horvat	29,24%		
Ljiljana Weissbarth	18,37%		
Dubravko Žganec	12,39%		

It has been established that FIMA Holding d.d. participates with 22.02% in the share capital of the undertaking Bilokalnik d.d. The undertaking TAR d.d. participates with 0.65% in the share capital of the undertaking Bilokalnik d.d.

Furthermore, Ms. Jasenka Gledić is both the owner of 100% shares in the share capital of the undertaking Retis d.o.o, Varaždin and its manager, while Retis d.o.o. participates in the share capital of both the undertaking Validus d.d. and Brodsko Posavska banka d.d.

It has also been established that the undertakings TAR d.d., Retis d.o.o. and FIMA Holding d.d. participate in the share capital of both the undertaking Validus d.d. and Brodsko Posavska banka d.d.

*b) Personal connection*

Milan Horvat, director of the undertaking Validus d.d., is also chairman of the Supervisory Board (hereinafter: SB) of Brodsko Posavska banka d.d., as well as chairman of the SB of the company Varteks d.d., member of the Board of Directors of FIMA Holding d.d. and member of the Board of Directors of TAR d.d.

Ljiljana Weissbarth, chairwoman of the SB of the undertaking Validus d.d is also chairwoman of the SB of the company Hoteli Helios d.d, chairwoman of the SB of FIMA Holding d.d., chairwoman of the SB of TAR d.d., manager of FCT d.o.o. and member of the SB of Vis d.d.

Zrnka Šulak, deputy chairwoman of the SB of the undertaking Validus d.d. is also the director of AFP d.o.o. Rajko Mlinarić, member of the SB of the undertaking Validus d.d. is also member of the SB of FIMA Holding d.d. and member of the SB of TAR d.d.

Josip Šeremet, chairman of the Board of Directors of Brodsko Posavska banka d.d., is also member of the SB of Vis d.d.

Furthermore, Andrej Lepoglavec, member of the Board of Directors of Global Invest d.o.o., is also member of the SB of Hoteli Helios d.d. and member of the SB of Elak d.d. Dubravko Žganec, member of the SB of FIMA Holding d.d, is also member of the SB of Hoteli Helios d.d. and chairman of the SB of Elak d.d. Marko Milinković, member of the SB of TAR d.d. is also member of the SB of Hoteli Helios d.d.

In view of the above mentioned facts, it is evident that there is a strong personal connection between the parties to the concentration, FIMA Holding d.d. and the associated companies of FIMA Holding d.d.

However, there are no capital or personal connections between the parties to the concentration and other banks operating in the Republic of Croatia.

*7. Description and Explanation of the Expected Advantages of the Concentration to the Customers*

Concerning the expected customer benefits, the undertaking Validus d.d. indicates that the concentration will be in the interest of customers, as it will primarily ensure the stability of Brodsko Posavska banka d.d. and thus provide safety to the bank's clients. In addition, sources of funds will be provided by attracting new clients; development opportunities will be offered to Brodsko Posavska banka d.d, new products will be introduced, etc. The undertaking Validus d.d also holds that, given the small market share of Brodsko Posavska banka d.d. in the universal banking market in the Slavonski Brod-Posavina County, this bank will have to make its supply competitive with other banks, which can only be in the customers' interest.

III. During the examination of the above mentioned facts concerning the concentration, the following has been established:

The acquisition of the majority share in the share capital and majority of voting rights in the General Assembly of Brodsko Posavska banka d.d. by the undertaking Validus d.d. does not represent concentration which creates or strengthens the dominant position of Brodsko Posavska banka d.d. on the market and which has significant effects on the prevention, restriction or distortion of competition on the entire banking and financial services market in the Republic of Croatia or in any of its parts.

The analysis of the relevant market shows that, as at 31 March 2004, the market share of Brodsko Posavska banka d.d. in the universal banking market of the Slavonski Brod-Posavina County according to the loans granted, and according to deposits received was 1.62% and 6.00%, respectively. As at 31 March 2004, the share of Brodsko Posavska banka d.d. in the universal banking market of the Vukovar-Srijem County according to the loans granted, and according to deposits received was 1.13% and 0.10%, respectively. Through the concerned concentration the undertaking Validus d.d. achieves the existing market position of Brodsko Posavska banka d.d. which is faced with severe competition of other banks in the relevant market.

Ten (10) banks participate directly in the universal banking market of the Slavonski Brod-Posavina County, through their operating units, while the total number of operating units of banks in the stated county is 21, which only accounts for 2.05% of the total number of the operating units of banks in the Republic of Croatia. Operating units of banks in the Vukovar-Srijem County account for only 1.76% of all operating units of banks in the territory of the Republic of Croatia, while nine (9) banks are directly present in this area through their operating units. Given the upward trend in the number of bank operating units in Croatia, which has been observed since 2000, it is evident that the stated two (2) counties are large enough for a further expansion of banking operations. This is also supported by the fact, that total loans granted in the territory of Slavonski Brod-Posavina and Vukovar-Srijem County account for only 4.92% of the total loans granted in the Republic of Croatia as at 31 March 2004, while total deposits received in the above mentioned two (2) counties account for as little as 1.34% of the total deposits received in the Republic of Croatia as at 31 March 2004.

In view of the above, it can be concluded that the implementation of the concerned concentration will not create or strengthen the dominant position of Brodsko Posavska banka d.d., and that it will not prevent, restrict or distort market competition.

During the examination of the notification of an intended implementation of concentration, the Croatian National Bank also took account of the fact that Brodsko Posavska banka d.d. had difficulties in its operations, and that the undertaking Validus intends not only to resolve the existing problems but also to recapitalise Brodsko Posavska banka d.d. for the purpose of its further development aimed at satisfying the market needs. The operation plan shows that there are real possibilities of a further development of the Bank's operations, particularly through the extension of the customer base and introduction of new products and services.

During the examination of the notification of an intended implementation of concentration, the Croatian National Bank also considered its advantages to the customers on the relevant market, as this is a local bank operating in a predominantly rural or agricultural area (except for a few larger cities). Therefore, the additional orientation of Brodsko Posavska banka d.d. towards farmers (mainly medium-sized and big landowners) will improve and increase its supply of retail banking and financial products and services.

In light of the above, the Croatian National Bank declares the concerned concentration to be acceptable.

Legal Remedy

This decision shall be final in an administrative procedure and an appeal against it is not permitted. However, an administrative action before the Administrative Court of the Republic of Croatia may be brought within 30 days following the date of delivery of this Decision.

CROATIAN NATIONAL BANK  
GOVERNOR  
Željko Rohatinski, PhD