



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Andrea ENRIA

Chair of the Supervisory Board

COURTESY TRANSLATION

President of the German Bundestag
Dr Wolfgang Schäuble MdB
Platz der Republik 1
11011 Berlin

Frankfurt am Main, 22 March 2019

Re: Your letter of 5 February 2019

Honourable President, dear Dr Schäuble,

Thank you for your letter of 5 February 2019, in which you submit a number of questions from the Member of the German Bundestag, Mr Schäffler.

As you will be aware, ECB Banking Supervision's responses to questions posed by national parliaments need to respect the professional secrecy requirements outlined in the Capital Requirements Directive (CRD IV).¹ I thus cannot disclose any confidential bank-specific data and will base my answers relating to individual banks on publicly available information.

Responding to the first series of questions on the total assets of the ten largest Italian banks, as at the third quarter of 2018 the aggregate total assets of these banks was €2.19 trillion.² Based on publicly available information for the third quarter of 2018³, the total assets of Banca Carige amounted to €22.5 billion, while those of Banca Monte dei Paschi di Siena amounted to €132.2 billion. The total assets of Banca Popolare di Bari (which is not directly supervised by the ECB) amounted to €14.5 billion as at the second quarter of 2018.⁴

Regarding the second series of questions, based on the 2018 EU-wide EBA transparency exercise, as at the second quarter of 2018 the total volume of non-performing loans⁵ held by the ten largest Italian banks amounted to €154.6 billion. At the individual level, the total volume of non-performing loans held by Banca

¹ Directive 2013/36/EU of the European Parliament and of the Council.

² Based on financial reporting for significant institutions at the highest level of consolidation.

³ <https://www.gruppocarige.it/grpwps/wcm/connect/c37f444e-74b7-486e-82ee-54b5f7959c37/9+mesi+2018+ITA+DEF.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-c37f444e-74b7-486e-82ee-54b5f7959c37-ms8O5oV> and <https://www.gruppompis.it/en/investor-relations/financial-results/financial-results.html>

⁴ <https://www.popolarebari.it/content/dam/bpb/Gruppo/InvestorRelations/Bilanci/Bilancio%20intermedio%20a%2030%20giugno%202018.pdf>

⁵ Non-performing debt instruments other than those held for trading.

Carige was €3.5 billion, compared with €19.6 billion for Banca Monte dei Paschi di Siena and €2.6 billion for Banco Popolare di Bari.⁶

Responding to the questions relating exclusively to Banca Carige (questions 3 a, b and c; 5, and 7), on 1 January 2019 the ECB decided to dissolve Banca Carige's management ("*Consiglio di Amministrazione*") and control ("*Collegio Sindacale*") bodies and to replace them, respectively, with three temporary administrators and a surveillance committee comprising three members.

The decision was taken pursuant to Articles 69-octiesdecies, 70 and 98 of Italian Legislative Decree No 385 of 1 September 1993, implementing Article 29 of the Bank Recovery and Resolution Directive⁷, and came after the majority of Banca Carige's board members had resigned.

The temporary administrators are tasked with safeguarding the stability of the bank by closely monitoring its situation, continuously informing the ECB and taking the actions they deem necessary to ensure that the bank complies again with capital requirements in a sustainable manner.

The main measures taken so far by the temporary administrators include a decision to perform due diligence on the bank's non-performing exposures, with a view to their reduction, the issuance of government-backed guaranteed bonds for a total amount of €2 billion, with a view to ensuring stability of medium-term funding and the preparation of an industrial plan.⁸

On the questions (5 and 7) regarding whether the measures taken by the Italian Government are compatible with the framework for state aid and with the crisis management framework, I would like to clarify that such an assessment is not part of the ECB's remit.

As regards the fourth series of questions relating to the results of the 2018 stress tests, allow me to refer you to the relevant publications by the ECB⁹ and the EBA¹⁰ on their respective websites. The aforementioned restrictions on the disclosure of confidential bank-specific data do not allow us to provide more detailed information on the banks in question, beyond what is contained in these publications. What we can say is that, for significant institutions, the reaction of banks' capital positions to stress is taken into account in the Supervisory Review and Evaluation Process and, accordingly, ongoing supervision. Less significant institutions, such as Banca Popolare di Bari, are not under the ECB's direct supervision and any supervisory

⁶ Data for Banca Carige and Banca Monte di Paschi di Siena based on the EBA's 2018 EU-wide transparency exercise;

<https://eba.europa.eu/risk-analysis-and-data/eu-wide-transparency-exercise/2018/results>

Data for Banca Popolare di Bari based on the bank's interim report for the second quarter of 2018:

<https://www.popolarebari.it/content/dam/bpb/Gruppo/InvestorRelations/Bilanci/Bilancio%20intermedio%20a%2030%20giugno%202018.pdf>

⁷ Directive 2014/59/EU of the European Parliament and of the Council.

⁸ See https://www.gruppocarige.it/grpwps/wcm/connect/63cf8411-6108-476a-a692-17acb448ebd0/20190108+CDM_V6_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-63cf8411-6108-476a-a692-17acb448ebd0-mwJigGQ and https://www.gruppocarige.it/grpwps/wcm/connect/b36e72ae-0b25-49a1-bb6f-0259aa7beb4b/25012019+Emissioni_Garantite_ENG.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-b36e72ae-0b25-49a1-bb6f-0259aa7beb4b-my5-Q3R

⁹ Press release of 1 February 2019 on the ECB's 2018 stress test:

<https://www.bankingsupervision.europa.eu/press/pr/date/2019/html/ssm.pr190201-6114ab7593.en.html>

Presentation of 1 February 2019 on the final results of the SSM-wide stress test 2018:

https://www.bankingsupervision.europa.eu/press/pr/date/2019/html/ssm.pr190201_presentation.en.pdf

¹⁰ Press release of 2 November 2018 summarising the results of the EBA's EU-wide stress test, with a link to the results page: <https://eba.europa.eu/-/eba-publishes-2018-eu-wide-stress-test-results>

stress tests that are carried out on these institutions fall within the remit of the national competent authorities (Banca d'Italia in the case of Banca Popolare di Bari).

Regarding the questions (6 and 8) on possible spillovers affecting other banks and planned or future measures, the ECB constantly monitors the banks for which it is directly responsible and, depending on the specific circumstances, will take the appropriate supervisory or early-intervention measures, where needed.

In this regard, it is worth mentioning that the ECB has established an internal crisis management framework to initiate timely and effective responses to a crisis through an adequate flow of information and sound decision-making. The framework enables the ECB to take tailored action to address an institution's deteriorating financial conditions.

Yours sincerely,

[signed]

Andrea Enria