



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Andrea ENRIA

Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Pascal Meiser
Member of the German Bundestag
Platz der Republik 1
11011 Berlin

Frankfurt am Main, 7 November 2023

Re: Your letter of 30 August 2023

Honourable Member of the Bundestag, dear Mr Meiser,

Thank you for your letter, which was passed on to me by the President of the Bundestag, the honourable Ms Bärbel Bas, accompanied by a cover letter dated 30 August 2023.

Regarding your questions related to inspections of German banks by the European Central Bank (ECB) and/or by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – BaFin) concerning Signa Holding GmbH, or companies belonging to this entity, let me first note that the answers that ECB Banking Supervision may give to questions posed by national parliaments are subject to the relevant professional secrecy requirements as laid out in Article 27 of the SSM Regulation¹ and in the Capital Requirements Directive (CRD)².

In accordance with these requirements, I cannot disclose any confidential bank-specific data regarding on-site inspections led by ECB Banking Supervision. However, I would like to point out that since 2018, various such inspections have been conducted within the framework of an inspection campaign on credit risk arising from commercial real estate exposures.³ This campaign is part of a broader set of supervisory actions relating to vulnerable sectors, including real estate. One of the aims of the inspections is to check the adequacy of banks' provisioning for the exposures under consideration.

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

² Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

³ See Darrieux, S., Banu, E., McDonald, M.-T. and Castro Quintas, C., "Commercial real estate: connecting the dots", *Supervision Newsletter*, ECB Banking Supervision, 17 August 2022, available at: <https://www.bankingsupervision.europa.eu/press/publications/newsletter/2022/html/ssm.nl220817.en.html>.

In addition, our supervisory priorities for 2023-2025⁴ reiterate our focus on banks' shortcomings in credit risk management and announce that further investigations are to be conducted on some material portfolios in selected vulnerable sectors, including real estate. In particular, there are concerns regarding the deterioration of asset quality relating to commercial real estate lending. As supervisors, we ensure that banks promptly and adequately identify and mitigate any build-up of risks in their exposures to real estate portfolios. Banks are expected to remedy structural deficiencies in their credit risk management cycle, from loan origination to risk mitigation and monitoring, and address any deviations from regulatory requirements and supervisory expectations in a timely manner.

Yours sincerely,

[signed]

Andrea Enria

⁴ See *ECB Banking Supervision: SSM supervisory priorities for 2023-2025*, ECB Banking Supervision, December 2022, available at: https://www.bankingsupervision.europa.eu/banking/priorities/html/ssm.supervisory_priorities202212~3a1e609cf8.en.html.