



**EUROPEAN CENTRAL BANK**  
**BANKING SUPERVISION**

**Andrea ENRIA**

Chair of the Supervisory Board

Mr Antoni Comín i Oliveres  
Ms Clara Ponsatí Obiols  
Mr Carles Puigdemont i Casamajó  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 7 January 2022

**Re: Your letter (QZ-050/2021)**

Honourable Members of the European Parliament, dear Mr Comín i Oliveres, Ms Ponsatí Obiols and Mr Puigdemont i Casamajó,

Thank you for your letter on Spanish banks' exposure to Turkey, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 7 December 2021.

In your letter you asked us three questions regarding the risks associated with the intended increase of the equity stake in Türkiye Garanti Bankası A.Ş. (hereafter "Garanti") held by Banco Bilbao Vizcaya Argentaria, S.A. (hereafter "BBVA S.A."), the parent entity of BBVA Group, as announced by BBVA S.A. on 15 November 2021.

As established in the Interinstitutional Agreement between the European Parliament and the European Central Bank (ECB)<sup>1</sup>, any reporting obligations vis-à-vis the European Parliament are subject to the relevant professional secrecy requirements outlined in the Capital Requirements Directive<sup>2</sup>. I therefore cannot comment on individual credit institutions and their business decisions. Let me nonetheless provide you with some relevant considerations in response to your questions, to the extent that they concern the ECB's competences regarding prudential supervision.

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<sup>1</sup> 2013/694/EU: Interinstitutional Agreement between the European Parliament and the European Central Bank on the practical modalities of the exercise of democratic accountability and oversight over the exercise of the tasks conferred on the ECB within the framework of the Single Supervisory Mechanism (OJ L 320, 30.11.2013, p. 1).

<sup>2</sup> 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 and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

BBVA S.A. is a credit institution within the meaning of Article 4(1) of the Capital Requirements Regulation<sup>3</sup>. Within the Single Supervisory Mechanism (SSM) established under Article 6 of the SSM Regulation<sup>4</sup>, the ECB is the competent authority for supervising BBVA S.A. and BBVA Group as BBVA S.A. has been categorised as a significant institution.

The Spanish legal framework gives the competent authority for prudential supervision a supervisory power that is not explicitly provided by EU law, also known as a national power<sup>5</sup>. This requires formal approval by the competent authority when a Spanish credit institution intends to acquire a significant holding in a credit institution established in a third country or to increase such a significant holding above certain thresholds<sup>6,7</sup>.

In this context, the ECB is competent to exercise the aforementioned supervisory power with respect to the proposed increase of BBVA S.A.'s equity stake in Garanti.

Based on the applicable Spanish legal framework, acquisitions of significant holdings in credit institutions located in third countries are assessed based on the criteria established for licensing procedures. These criteria require an assessment of the business lines and structural organisation of the acquired credit institution, its reputation and financial soundness, the suitability of its board members and key function holders, and any suspicion of money laundering or terrorist financing related to the proposed acquisition.

Furthermore, the Spanish legal framework states that such acquisitions of holdings in credit institutions established in third countries may be refused in any of the following instances.

- (i) If it is considered that the project may adversely affect the credit institution in the light of its financial position or its management capacity.
- (ii) If effective supervision of the group on a consolidated basis by the competent authority cannot be ensured because of the geographical location and characteristics of the project.
- (iii) If the activity of a controlled entity is not subject to effective oversight by a national supervisory authority.

Returning to your questions, you asked how the proposed transaction by BBVA S.A. would change the exposure of Spanish banks to Turkey. According to the estimates of BBVA S.A., the maximum aggregate amount of consideration payable is TRY 25.6 billion (approximately €2.2 billion as at the date of the announcement) assuming all Garanti's shareholders sell their shares<sup>8</sup>. Thus, the direct equity holding of BBVA S.A. on a solo level in Garanti would increase by this maximum amount. At the same time, the total assets and risk-weighted exposure to Garanti of BBVA Group on a consolidated basis would not change materially, given that Garanti exposures are already fully consolidated into BBVA Group's financial accounts

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<sup>3</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

<sup>4</sup> 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).

<sup>5</sup> More information on the national powers exercised by the ECB is available on the [ECB's banking supervision website](#).

<sup>6</sup> Spanish Law 10/2014 of 26 June 2014 on the regulation, supervision, and solvency of credit institutions.

<sup>7</sup> Spanish Royal Decree 84/2015 of 13 February 2015 implementing Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions.

<sup>8</sup> BBVA S.A. inside information notice, available on the [BBVA Group's website](#).

for both accounting and prudential reporting purposes as it is the largest shareholder exercising effective control over Garanti<sup>9,10</sup>.

Lastly, let me explain that within the ongoing supervision process ECB Banking Supervision continually assesses the risks to which supervised institutions are exposed or might be exposed. Heightened scrutiny is applied to the risk areas that show high volatility and uncertainty and that might adversely impact institutions' risk profiles. ECB Banking Supervision engages in detailed discussions with banks to ensure that they fully understand the risks they are exposed to and have established adequate risk management and control mechanisms. ECB Banking Supervision also ensures that banks maintain adequate levels of capital and liquidity, commensurate with their risk profile, as well as the buffers needed to manage elevated risks. If necessary, ECB Banking Supervision may use the supervisory powers granted to it under the Pillar 2 framework to impose targeted supervisory measures based on a case-by-case assessment, as provided for in Article 16 of the SSM Regulation<sup>11</sup>.

Yours sincerely,

[signed]

Andrea Enria

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<sup>9</sup> In July 2015 BBVA S.A. acquired additional shares of Garanti, bringing its holding to almost 40% and granting it effective control over the company. In 2017 it further increased its stake to the current level of 49.85%.

<sup>10</sup> See BBVA Group Annual Report 2020, Appendix I, available on the [BBVA Group's website](#).

<sup>11</sup> This legal provision refers to the supervisory powers conferred on the ECB to require any credit institution, financial holding company or mixed financial holding company in participating EU Member States to address relevant problems.