Question for written answer Z-000050/2021
to the Chair of the ECB Supervisory Board
Rule 141
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Subject: Spanish banks’ exposure in Turkey

On 15 November 2021, coinciding with the official visit of Spanish Prime Minister Pedro Sánchez to Turkey, the Spanish bank BBVA\(^1\), classified as an ‘other systemically important institution’ (O-SII), announced the purchase of more than 50 % of the Turkish bank Garanti\(^2\). BBVA shares fell by more than 11 % between 15 and 19 November\(^3\).

In Turkey, economic policies and banking supervision are controlled by President Erdoğan, who regularly ousts Central Bank governors\(^4\), and who believes that high interest rates generate inflation\(^5\). On 23 November, the Turkish lira hit a record low of 12 to the US dollar\(^6\) after Erdoğan announced the Turkish Central Bank’s plans to continue cutting interest rates.

In 2018, the ECB already expressed concern about Spanish banks’ exposure in Turkey because of the lira’s devaluation - 5.1 to the US dollar. Furthermore, on 15 November 2021, the Financial Times recommended that investors should not to take ‘the same gamble’ as the BBVA\(^7\).

1. How does Spanish banks’ exposure in Turkey change after this recent acquisition?
2. How does the ECB assess the risk to the BBVA Group of further interest rate cuts in Turkey as announced by Erdoğan?
3. The takeover needs the approval of the Turkish Banking Regulation and Supervision Agency, so how does the ECB evaluate the risk involved given the characteristics of Turkey’s political regime under President Erdoğan?

\(^{1}\) https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/NotasInformativas/19/presbe2019_73.pdf
\(^{2}\) https://www.ft.com/content/2de99bb-3a5c-4c1a-891f-f39b22b5fb53
\(^{3}\) https://www.expansion.com/mercados/cotizaciones/valores/bbva_M.BBVA.html
\(^{6}\) https://www.ft.com/content/42c4a40c-8acc-4ae4-94dc-dba5208a12f9
\(^{7}\) https://www.ft.com/content/03251b66-a1f5-4d0c-92de-7b5a9a9d6a34