



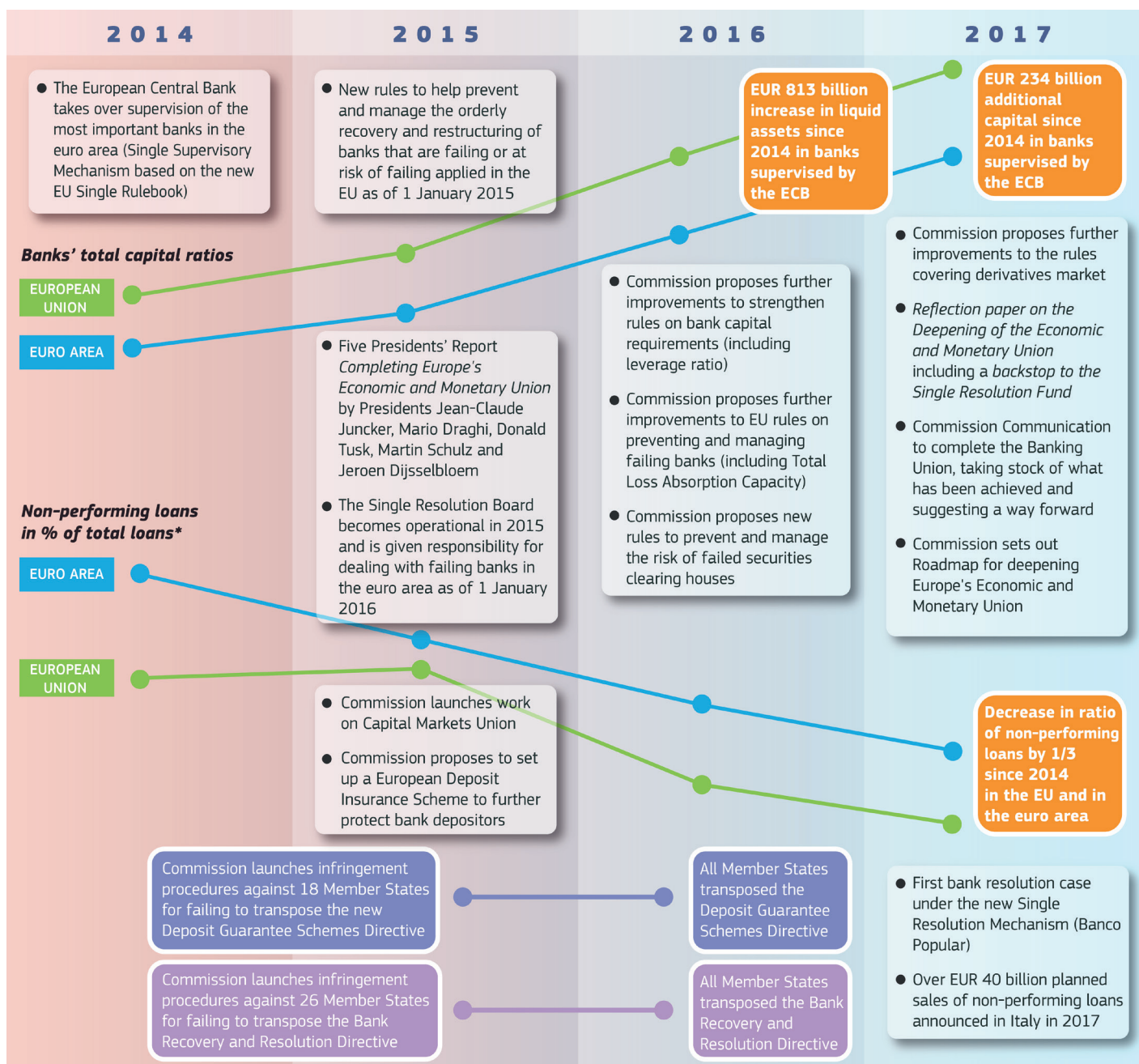
European Commission

#BankingUnion
#CMU

BANKING UNION: PROGRESS ON RISK REDUCTION

Tackling non-performing loans

The Banking Union protects financial stability and is essential for the smooth functioning of the euro area and the EU as a whole. Risk reduction and risk sharing are going hand in hand in completing it. Significant progress has been made in making European banks more resilient and thereby reducing risks in the banking sector, and further steps are being prepared. These include new measures to reduce non-performing loans. Since the crisis, the Commission put forward over 50 proposals to increase the resilience of the financial sector. It is now time to complete the Banking Union urgently.

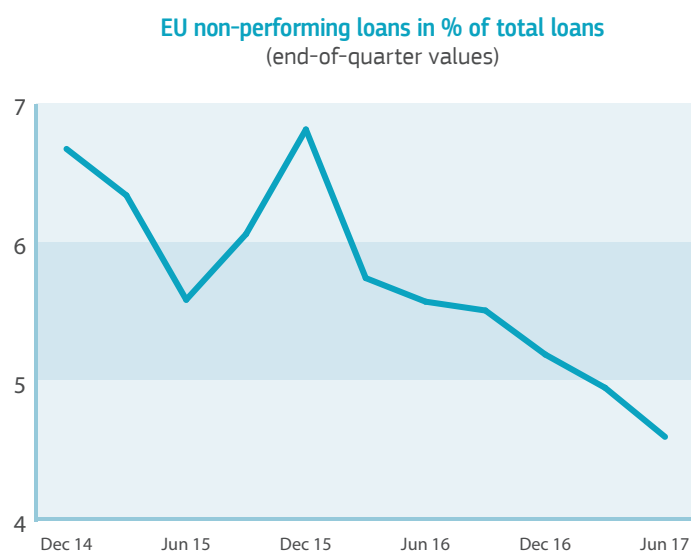


*2014, 2015, 2016 data refer to Q4; 2017 data refers to Q2

Source: ECB

| Non-performing loans in % of total loans in selected countries | | | |
|--|---------|---------|----------|
| | Q2 2016 | Q2 2017 | % change |
| Cyprus | 37.6 | 33.4 | -11.0% |
| Spain | 5.9 | 5.3 | -11.0% |
| Greece | 47.2 | 46.9 | -0.6% |
| Ireland | 14.6 | 11.6 | -20.6% |
| Italy | 16.2 | 12.2 | -24.6% |
| Portugal | 17.6 | 15.5 | -12.0% |
| Slovenia | 16.3 | 11.4 | -30.4% |

Source: ECB



Source: ECB

Delivering on the roadmap to complete the Banking Union

| MEASURE | DESCRIPTION | European Commission | European Parliament | Council of the European Union |
|--|---|---------------------|---------------------|-------------------------------|
| Single Supervisory Mechanism (SSM) | The SSM supervises all banks in the Banking Union. In place since November 2014 . | ● | ● | ● |
| Single Resolution Mechanism (SRM) | The SRM can restructure banks that are failing or likely to fail in the Banking Union. In place since January 2016 . | ● | ● | ● |
| Single Resolution Fund (SRF) | The SRF, made up of banks' contributions, can support the smooth resolution of a bank. It will amount to about €55 billion in 2023 . | ● | ● | ● |
| European Deposit Insurance Scheme (EDIS) | The Commission's EDIS proposal would strengthen the protection of bank depositors across the Banking Union. The co-legislators have so far not been able to agree on this proposal. The Commission suggested a way forward in October 2017 . | ● | ● | ● |
| November 2016 Banking Package | The Commission proposed reinforcing the banking Single Rulebook with further risk-reducing measures. Political agreement was reached on first key measures (creditors' hierarchy and IFRS 9) in October 2017 . | ● | ● | ● |
| Legislative proposal on business insolvency | The Commission presented a legislative proposal on preventive restructuring and second chance in November 2016 . The proposal is currently under negotiation in the Council. | ● | ● | ● |
| A backstop for the Banking Union | The creation of a backstop for the Single Resolution Fund was agreed by Member States in 2013. On 6 December 2017 , the Commission proposed to make the backstop part of the future European Monetary Fund. | ● | ● | ● |
| Further reduction of non-performing loans on EU banks' balance sheets | The Council agreed on an action plan on non-performing loans in July 2017. The Commission will table several initiatives to follow up. Upcoming in Q1 2018 . | Q1 2018 | - | - |

● Presented/agreed ● Agreement possible in 2018 if strong political commitment from all EU institutions