# Opening remarks by Vice-President Dombrovskis on NPL Progress Report

Good morning,

Today, the European Commission has adopted a Communication on the progress made in reducing levels of non-performing loans in EU banks. This is part of our ongoing work to reduce risks in the banking sector and complete the Banking Union.

Before I turn to the Communication, let me take this opportunity to look ahead to the year 2018.

This will be the year to take important decisions on **strengthening the euro area**.

For the financial side of my portfolio, I am hopeful that we can reach the agreements needed to complete the Banking Union. Like last year, this will remain at the top of my agenda.

Deepening the EMU also means setting up a genuine Capital Markets Union in Europe.

Brexit should motivate us to redouble our efforts. In March, we will put forward a whole package of new initiatives.

This will also be the year to lay the foundations for **the future of Europe's financial sector**.

In March, we will present an ambitious Action Plan for Europe to affirm its leadership in sustainable finance. To secure the transition to the low-carbon economy, we need the financial sector fully on board.

We will also present our first ever EU Action Plan for the Fintech sector. The two strategies will soon be followed by first legislative proposals.

Finally, with regard to **Brexit,** I will pay particular attention that market participants are prepared and that financial stability issues are being addressed.

Let me now come back to today's Communication.

One important part of the risk reduction effort in the Banking Union is to reduce levels of non-performing loans, or NPLs.

These loans are a legacy of the crisis, and they are unevenly distributed across the Banking Union countries.

High levels of NPLs constrain banks' capacity to make fresh loans to support our economy, and they can be a source of vulnerability.

Today’s report shows that we are making progress: during the last three years, the share of non-performing loans in the EU had been reduced by one third. This corresponds to a € 300 billion reduction.

In the latest figures, as of mid-2017, the NPL ratio stands at 4.6% .

We have also seen important progress in Member States with initially high rates of non-performing loans. For example, in Italy, the ratio of non–performing loans has come down by almost a quarter in only 12 months.

Banks and Member States must continue working to accelerate this positive trend.

We are supporting this work at European level, and some actions have already been implemented.

For example, the European Banking Authority has created templates to make data more comparable – this is important for promoting NPL markets.

In March, the Commission will present a package of proposals to help banks manage NPLs and prevent their accumulation in the future.

The package will focus on:

- requiring banks to put sufficient means aside to cover losses if new loans become non-performing,
- tackling delays in debt recovery,
- opening up secondary markets,
- and clarifying – with a blueprint – how EU countries can set up national asset management companies if they so wish.

Today’s report tells us that the sun is out and the fog is lifting: the EU is now making significant headway in tackling non-performing loans.

We will continue our efforts to ensure that we stay on track and make high levels of NPLs a thing of the past.