



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC
COURTESY TRANSLATION

Mario DRAGHI
President

Mr Sotirios Zarianopoulos
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 2 May 2019

L/MD/19/136

Re: Your letter (QZ-014)

Honourable Member of the European Parliament, dear Mr Zarianopoulos,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 18 February 2019.

Despite the significant progress made in recent years, the Greek banking sector continues to display a high ratio of non-performing exposures (NPE) to gross loans of approximately 47% as at September 2018¹, the highest among euro area countries. It is paramount for the clean-up of banks' balance sheets and their capacity to support the recovery of the Greek economy that substantial further progress be made in resolving NPEs in the coming years. A further reduction in NPEs would free up bank capital and support new bank lending and business activity, thus contributing to job creation and a further reduction in unemployment.

Since September 2016, the four Greek significant institutions have been applying individually defined quantitative targets for the reduction of their NPEs, which currently extend until 2021. The specific NPE reduction strategies are prepared and decided by the banks, while it is the role of supervisors to monitor and challenge the banks' plans. National authorities, in turn, are responsible for ensuring an effective legal

¹ Non-performing exposures in relation to gross loans, on-balance-sheet, for the Greek banking sector. The aggregate non-performing loan (NPL) ratio of the four Greek significant institutions stood at 43% as of September 2018, as shown in banking statistics published by ECB Supervision, available at https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.supervisorybankingstatistics_third_quarter_2018_201901_annex.en.xlsx

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framework for NPE resolution, such as the possibility of enforcing creditor rights, selling NPEs or contracting external servicing companies.

NPE reduction measures are an important element in the efforts to ensure the viability of Greek banks and therefore support their primary function of providing credit to firms and households. In addition, banks are in the process of implementing their own strategies as part of their business plans aimed at increasing efficiency and further reducing operating costs. Some of these efforts are related to commitments included in restructuring plans approved by the European Commission. As pointed out by the previous Chair of the ECB Supervisory Board, Danièle Nouy, in her letter to Kostadinka Kuneva, MEP, dated 3 April 2018,² the addressee for any questions on specific measures that may be part of the restructuring plans should be the Directorate General Competition of the European Commission.

Overall, the Greek economy would benefit from swift progress in NPE reduction over the coming years. As I pointed out at the European Parliament plenary session on 15 January, any efforts aimed at reducing NPEs should be careful not to undermine the payment culture. Borrowers that are affected by payment difficulties or that have already accumulated significant arrears should, in principle, have an interest in repaying their loans as quickly as possible. At the same time, there is a role for national social policy to support those who are unable to repay their loans.

Yours sincerely,
[signed]

Mario Draghi

² Available at https://www.ecb.europa.eu/ecb/access_to_documents/document/correspondence/shared/data/ecb.dr.cor20180403Kuneva_en.pdf