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To the members of the Eurogroup in inclusive format

Subject: Eurogroup in inclusive format – meeting of 19 February 2018

Dear colleagues,

I would like to share with you the main content and course of our discussions on the Banking Union roadmap at the Eurogroup meeting held in inclusive format on 19 February 2018 in Brussels.

The Commission was represented by Vice-President Valdis Dombrovskis. Our meeting was attended by ECB President Mario Draghi and ECB Executive Board Member Benoît Coeuré and by ESM Managing Director Klaus Regling. We also welcomed Danièle Nouy, Chair of the ECB Supervisory Board and Elke König, Chair of the SRB, for our discussion on EMU deepening – way forward with the Banking Union.

1. EMU Deepening – way forward on the Banking Union

The Banking Union Roadmap is one of the priority areas for progress in the short term indicated by Leaders in December. The Eurogroup in inclusive format held a rich and constructive discussion on the way forward in making the June 2016 Banking Union roadmap operational, i.e. by providing clarity on timing and content of the different elements of the roadmap. It was recognized that the credibility of the project depends on the ability to commit to what was previously agreed and that is key for strengthening financial stability and avoid market segmentation.

The institutions debriefed the Eurogroup in inclusive format on measures taken at the European and national level since the crisis. The institutions recalled that a lot has been achieved in terms of risk reduction, as reflected by the reduction in NPLs by one third since 2013 and increases in bank's capital levels, although they pointed to the importance of the adoption of the Banking

Package in March as well as to the need to tackle the regulatory fragmentation. We agreed that important progress, as documented by the institutions, has been made in risk reduction but recognised that there is scope for further improvement in some areas. We agreed that a comprehensive assessment of progress achieved is needed and concurred that in the context of such assessment some indicators are probably relatively straightforward while others are more controversial. This would contribute to inform the broader political discussion on the June 2016 Ecofin Roadmap. We asked the EWG and the FSC to pursue the preparatory work needed. At the same time, technical work will continue on risk sharing, notably on EDIS and on the backstop to the Single Resolution Fund. Taken together and in line with the June 2016 Ecofin Roadmap, risk reduction and risk sharing will contribute to reinforce the resilience of the euro area.

On process, we concluded that we will also continue our discussions in inclusive format up to June and we agreed on the process set out by the EWG in inclusive format to prepare these discussions.

2. Miscellaneous

We were briefly updated by the Latvian representative on recent developments in the Latvian banking sector.

Yours sincerely,

Mario CENTENO