The year 2018 marked a decade since the onset of the most serious international financial crisis in recent history. This is, then, a good time to take stock of the key advances made in banking regulation and supervision, and to see how Spanish credit institutions have fared.

The crisis prompted a spate of reflection by the bodies and authorities with responsibilities in the financial arena. That gave rise to far-reaching changes at the international level, both from the regulatory and supervisory standpoint, ultimately aimed at raising banking systems' resilience in the face of adverse shocks. As we know, in Europe the still-ongoing construction of the Banking Union began. The Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), the Union's first two pillars, were set in place. I shall focus solely on the SSM. After four full years operating, I believe we can affirm that we are building a cohesive structure that marries the European vision to national experience and knowledge, and that it is moving in the right direction towards achieving its goals of promoting financial stability and contributing to the soundness of the European banking system. I should add that the Banco de España has, from the outset, demonstrated its commitment and participated very actively in the construction of the Banking Union. To bring the Union to completion, it is essential to finalise the design of its third pillar, the creation of a fully mutualised and sufficiently backed common deposit guarantee scheme.

Under this new regulatory and supervisory framework Spanish banks, following an intense recapitalisation and restructuring process, have notably improved the quality of their assets, profitability and solvency. Non-performing loans (NPL) and foreclosures have fallen significantly from their respective 2013 and 2012 peaks, thanks to the economic recovery and to banks' active management, mainly through disposals of these non-earning assets, which were particularly substantial in 2018. However, their level is still high, above that observed pre-crisis. In 2018 the sector's profitability was once more in positive territory and above the European Union (EU) average; but it remains below pre-crisis levels. Spanish banks have also increased their total capital over the last four years, but they bring up the rear of the euro area systems in terms of higher-quality capital. In sum, in spite of the enormous efforts made to overcome the problems stemming from the crisis and of the across-the-board improvement in the sector, Spanish banks continue to face major challenges: i) to accelerate the reduction in non-earning assets; ii) to strengthen their capital; iii) to improve their profitability without relaxing lending standards; iv) to reinforce the sector's reputation by preventing misconduct; and v) to compete in a new environment characterised by technological advances and the emergence of new players.