Toward a new European mindset:

Shaping the future of the Financial Services Industry

November 2025

Executive summary

Europe, historically reliant on cheap imports from China, low-cost energy from Russia, and security provided by the United States, today finds itself vulnerable, dependent, and teetering on the edge of strategic impotence. But there's a silver lining: the bold transformation agenda launched by the European Commission calls for security and resilience, energy transition, and competitiveness.

This ambitious agenda will necessitate substantial investments across various sectors. Therefore, the establishment of a **savings and investments union (SIU)** is essential, not merely as a procedural reform but as a bold declaration of Europe's intent to reclaim its strategic autonomy and power.

At Deloitte, we are committed to making an impact that matters at this pivotal moment in history. This article introduces Deloitte's vision to actively support and drive the transformation agenda. By leveraging our expertise and fostering collaboration across industries and governments, we aim to fully support the development of a robust savings and investments union. Through engaging dialogues with CEOs of prominent financial institutions, strategic alliances, and innovative solutions, Deloitte is dedicated to helping Europe navigate this transformative journey and achieve sustainable growth and prosperity for future generations.

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Deloitte
Savings & Investments Union
Dialogues

Understanding the savings and investments union: A strategic imperative for Europe

Recent geopolitical events have served as a wake-up call for Europe, having relied on conditions of a relatively stable globalised trading system as the setting for the internal European market project. This afforded access to, amongst other things, cheap imports from China, low-cost energy from Russia, and technology from the US.

With recent geopolitical and security shifts, this benign global environment has suddenly soured, prompting Europe to question its economic resilience and competitiveness against other global economic blocs and axes and its security under the US umbrella. In response, the European Commission has launched a new transformation agenda encompassing security and resilience, energy transition, and competitiveness.

Influential reports by Mario Draghi and Enrico Letta have catalysed a paradigm shift in European mindsets, fostering a recognition that a savings and investments union has emerged not only as a necessity but as a strategic priority. Delivering the EU transformation agenda demands significant investment, yet the path is fraught with obstacles due to fragmented regulatory environments and financial infrastructure. At the same time, the total amount of household deposits in the Eurozone exceeds €10 trillion, representing a substantial pool of savings that, while currently integral to the banking system, could be more effectively mobilised to support investments and the funding of EU ambitions. Therefore, establishing a savings and investments union is essential to improve how the EU's financial system channels savings to productive investments, empowering European economies to reach their full potential.
Furthermore, this transformative period requires a reconsideration of financial policies and institutions. It is crucial to strike a new balance between the stability of our financial systems and their competitiveness in the global market. By doing so, Europe can position itself as a resilient, self-reliant, and economically robust market, equipped to face future challenges with confidence and agility.

However, while the policy agenda is clear, and enabling technologies are maturing, the realisation of policy objectives is not assured without financial institutions' engagement and delivery. Without such, Europe risks remaining stuck in a low-growth, low-return equilibrium, frustrating policy aims and holding back private sector gains. The SIU is an opportunity for European financial institutions to reorient their strategic decisions and actions toward factors that drive value. European banks have enjoyed a rates-driven boost to earnings, and share prices have improved somewhat, but they still trade at a discount to US peers on worries about performance sustainability and growth. Closing that value gap is a priority for CEOs, and the SIU is a key lever.

Building Europe's financial future: Goals and initiatives of the savings and investments union

The overarching goal of the SIU is to create a more unified, resilient, and competitive financial landscape across Europe, fostering economic growth and stability. The SIU seeks to provide EU citizens with broader access to capital markets and improve financing opportunities for businesses, with the aim of strengthening the EU's competitiveness.

Connecting savings with productive investments necessitates close collaboration across four key areas:

1. **Citizens and savings:**
EU citizens stand to gain significantly from investing in capital markets, as this can yield higher returns on their savings, thereby enhancing household wealth and retirement security. However, shifting savings from government-guaranteed deposits and a prudential banking framework designed primarily to protect depositors to capital market instruments involves risks. Therefore, as the Commission adopts a financial literacy strategy to empower citizens, raise awareness, and increase participation in capital markets, it is essential to recognise that savers will require appropriate skills and advice to navigate these risks effectively. While the potential long-term benefits are substantial, a more 'investment savvy' culture must be built on a clear understanding of both opportunities and challenges.

2. **Investments and financing:**
The SIU aims to encourage the utilisation of savings to fund investments. EU businesses and the broader economy require increased capital and diverse financing options both at the domestic and cross-border levels within Europe to foster growth, innovation, and job creation. Public funding alone is insufficient; hence, capital markets play a crucial role. To stimulate investment, the SIU may foster the creation of new financial products and instruments designed to attract private investment into sectors such as infrastructure, energy, technology, and innovation. One of the primary initiatives to stimulate investment and lending, particularly for small and medium-sized enterprises (SMEs), involves strengthening the securitisation market.

3. **Integration and scale:**
One of the core pillars of the SIU is to reduce fragmentation in the European financial markets. This involves harmonising regulations, fostering cross-border investment opportunities, and improving the ease with which capital can flow between Member States. Addressing fragmentation within EU capital markets is essential, as it impedes growth and prevents EU citizens and businesses from fully benefiting from the single market effect.

4. **Efficient supervision in the single market:** The EU must ensure uniform supervisory treatment for all market participants, irrespective of their location within the EU. Establishing a level playing field will bolster competition and enhance investor confidence in EU markets. In a recent report, the European Banking Federation (EBF) urges EU policymakers to prioritise simplification in financial services, as regulatory complexity is hindering the EU's competitiveness and the financial sector's ability to support essential investments. Although the European Commission has committed to reducing burdens by prioritising simplification in its 2025 agenda, significant efforts are needed to address the complex regulatory framework, which is impeding investment and the scaling up of financing for key areas such as green innovation and strategic resilience.

The need for a savings and investment union: Revitalising the effectiveness of the European financial system and its institutions

Europe's capital challenge

Due to its citizens' preference for highly liquid savings, Europe's economy is predominantly reliant on banks for capital supply. Consequently, European savings are invested in conservatively safe assets, thereby limiting growth opportunities. Yet, we observe capital flowing out of Europe at alarming rates, with roughly 25% heading across the Atlantic. Despite having a higher propensity to save than American citizens, it is not being invested in our promising start-ups or the next wave of scale-ups. European venture capital investment is only a fraction of that in the US, hampering European productivity growth.

A more functional securitisation system must be established to facilitate greater risk-taking in higher growth opportunities. Despite a growth in synthetics, European banks engage less in securitisation compared to US banks. Twenty-seven heterogenous governance structures, all with their own fees and nuances in regulation, act as a barrier for the mobility of capital throughout the market. This complexity prevents the optimal allocation of capital within Europe, giving rise to funding bottlenecks. To revive securitisation while retaining oversight, the regulatory framework must be reformed to differentiate high-quality securitisations from lower-grade ones based on risk.

Toward a new mindset

Implementing the SIU will necessitate a shift in mindset toward balancing stability with competitiveness. With reports from Draghi and Letta reinforcing the need for radical changes, Europe must embark on fostering a financial services market that promotes pan-European players. These players should mobilise savings and investment money on a scale not previously seen, facilitating the roll-out of European financial instruments and competing globally.

This requires completing the banking union, primarily by implementing a European deposit insurance scheme (EDIS) and severing the link between banks and national governments. The banking union is the foundation for an integrated European banking sector, but it is still incomplete. The single supervisory mechanism (SSM) and single resolution mechanism (SRM) have been completed, but the EDIS, the common deposit insurance scheme, has been waiting for years to be finalised. This is crucial to breaking the 'doom loop' where national governments remain responsible for rescuing their banks.

A savings and investments union, succeeding the capital markets union, built on fiscal neutrality and regulatory harmonisation, is crucial for seamless cross-border investments. A true capital markets union requires fiscal convergence and neutrality for cross-border financial products, which also demands greater political integration.

The European banking competitiveness lag

For more than a decade, European financial institutions lacked global competitiveness and were underperforming compared to their US counterparts. Political turmoil, weak domestic growth, and negative interest rates for nearly seven years prevented banks from generating substantial net interest income, which is crucial for EU banks that rely heavily on interest income.

Though comparing banks across different macroeconomic environments and financial systems is challenging due to inherent differences, the post-crisis economic recovery was stronger in the United States, creating a more favourable environment for US banks' profitability compared to the slower recovery in the euro area. Additionally, US banks operate in a financial system with significant non-bank financial intermediation, greater sector concentration, and more geographical diversification than their euro area counterparts.

In August 2025, the market capitalisation of JPMorgan Chase exceeded €700

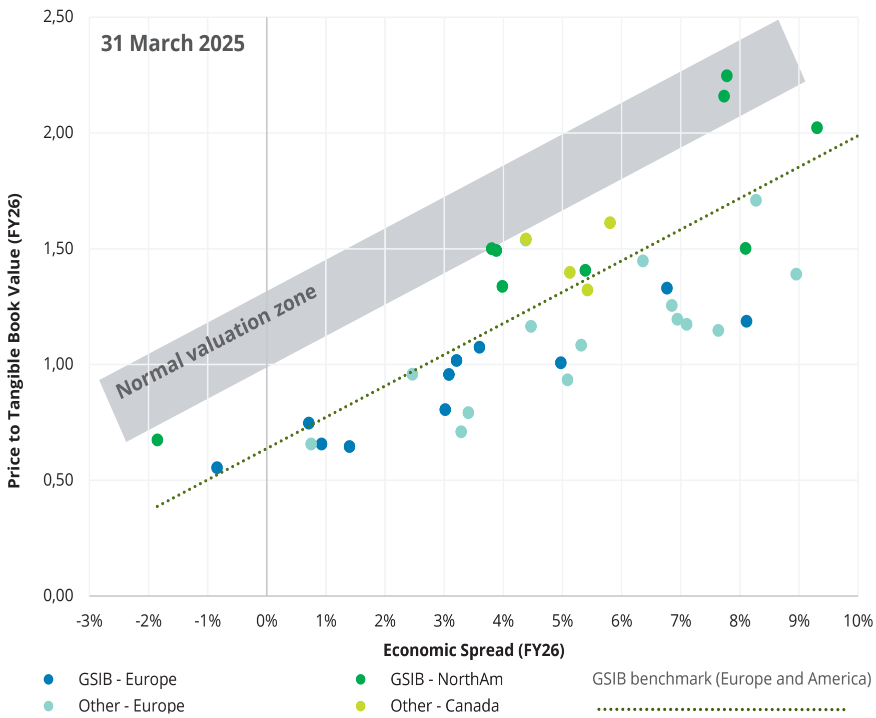
billion, compared to around €85 billion for BNP Paribas, the largest European bank. Even when combining the ten largest European banks, their total market value falls well short of their American counterparts, despite the EU's population of approximately 450 million compared to around 350 million in the US, Europe's banking sector is more fragmented overall, and this fragmentation has limited the ability of its largest banks to achieve the economies of scale seen in the US big bank segment. For years, US banks have generally been more profitable on average, as measured by return on equity (ROE), benefitting from a more efficient cost structure. Consequently, European banks' stock market valuations lag significantly behind those of US banks.

But even more important, as market valuation is not just a function of ROE performance alone but also reflects expectations about sustainable economic profitability, growth, and risk, European financial industry performance and valuation has been both weak and turbulent since the 2008 financial crisis. In Europe, although bank share prices have recovered somewhat, an under-developed capital market and structural transformation impediments have been holding them back relative to global peers and making them vulnerable to inbound competitors. Despite a recent rise of the Euro Stoxx Banks Index by approximately 56% YTD, the business models of EU banks have not significantly changed and remain dependent and vulnerable to interest rates, resulting in European banks underperforming compared to US peers due to economic and structural factors, strategic and management issues.

US banks, benefitting from scale advantages and less restrictive regulatory frameworks, have cemented their dominance in the capital and investment markets in Europe, which are currently dominated by American players such as Goldman Sachs, Blackrock, J.P. Morgan and Morgan Stanley. Though European banks are gaining share, European initial public offerings (IPOs) are heavily (co-)managed by American investment banks. Additionally, American asset managers like BlackRock and Vanguard manage a disproportionately large share of European assets.

No free shot at SIU

The SIU can be understood as a rejection of the traditional legacy banking model for intermediating savings and investments, favouring instead a model supported by a deeper, more integrated capital market that is accessible to both savers and investors.



Source: Deloitte Strategic Insight Centre (SIC) research on European bank value multiples relative to global and particularly US peers.

Banks have the opportunity to further embrace this shift, expanding into capital markets, wealth management, and asset management, or potentially adopting a more contemporary, technology-enabled ecosystem model through strategic partnerships and alliances. Such moves would likely enhance their performance and valuations.

However, banks should not assume they have an uncontested advantage in the SIU space. Other financial services players, including private markets, asset managers and inbound banks present strong competition. This competitive dynamic explains why many institutions are actively looking into engagement strategies with private credit funds in particular.

Vision for a new European financial services landscape

To enhance the effectiveness of the financial services industry, in supporting the European economic goals, Europe requires a new financial services landscape. Such a future landscape could consist of four types of players:

1. Pan-European players

2. Networks of local champions

3. Niche players

4. Non-bank financial intermediaries

Especially the first type of players is missing today. We need a handful of **pan-European players** who can compete globally and develop retail activities in (almost) all European countries. This allows them to mobilise savings and investment money at scale and allows them to play a leading role in the roll-out of European investment products. Today, the number of banking groups active in more than 10 European countries, let alone in 27 countries, is limited. Examples include BNP Paribas, ING, Santander, and UniCredit.

The creation of pan-European investment products can tackle the fragmentation of capital markets. Under the Undertakings for Collective Investment in Transferable Securities (UCITS) structure, these products indexed to a suite of pan-European funds, akin to the S&P 500 ETF, represent a significant step toward diversifying portfolios across Member State borders. Mobilising savings into these products would help address long-term issues in the European economy, such as limited venture capital investment.

Also, pan-European personal pension products (PEPPs) have faced considerable obstacles, limiting their effectiveness to date. Challenges include the small size of pension providers, fragmented markets, restrictive regulations, and high fees and costs resulting from a lack of scale. Additionally, many employees and employers remain unaware of these PEPP offerings. PEPPs are regarded as a potential tool for enhancing financial literacy among retail investors, boosting participation rates, and thereby increasing overall investment volumes.

Pan-European institutions must also expand their activities globally in the capital markets and corporate and investment banking sectors. With their substantial scale, they are well-positioned to meet the extensive demands and objectives of the EU's transformation agenda. This includes not only banks but also large-scale European private equity and private credit firms, whose growing influence in the financial ecosystem reshapes financing and investment landscapes.

When these players emerge, we must ensure that we simultaneously implement the appropriate mechanisms for resolution and settlement (see: Toward a new mindset).

In addition to pan-European entities, **networks of local champions** will play a crucial role. These are institutions that rank among the top 4-5 across several European countries. They function as universal banks, combining retail activities with corporate and investment banking, yet do not participate in the global market.

Recent consolidation efforts can be understood within this framework, such as the merger of KBC CSOB and 365.bank, as well as the merger discussions between BBVA and Banco de Sabadell, and UniCredit and Banco BPM.

Thirdly, to ensure a diverse financial landscape, it is essential that a sufficient number of **niche banks** continue to operate. These banks specialise in particular customer segments (e.g., SMEs), specific activities (e.g., agriculture), or adopt particular approaches (e.g., ethical or sustainable banking).

As **non-bank financial intermediaries (NBFIs)**, including private market funds, continue to grow and evolve, their role in shaping the competitive landscape of financial services in Europe is expected to expand. While NBFIs contribute to the broader financial ecosystem's dynamism, recent BCBS research also highlights potential risks and vulnerabilities to the global financial system. Supervisors may face challenges in assessing these risks due to their global scope of bank-NBFI interconnections, underscoring the need for enhanced oversight and coordination.

In conclusion, financial institutions should contemplate an institutional roadmap in response to the SIU through several strategic considerations:

- **Anticipate the creation of pan-European alliances** with banks from other Member States that are supportive to the BU realisation
- **Contribute to foster alignment across Europe**, advocating for harmonised and simplified regulations, supporting market integration
- **Anticipate leveraging an integrated capital market**, developing cross-border enhanced financing capabilities
- **Rethink the strategy to position as a key player** in managing institutional and household investments in capital markets
- **Assess the role of securitisations in the bank business model** to enhance credit capacity, contributing to the overall liquidity of the financial system
- **Reflect on partnering models with asset management companies around private credit**, leveraging bank advanced risk management structures

And lastly, the **European payments landscape** is poised for a substantial transformation with the introduction of Wero, a new digital wallet and instant payment solution led by the European Payments Initiative (EPI). This ambitious endeavour, supported by a consortium of leading European banks and payment processors, including institutions such as BNP Paribas, Deutsche Bank, and Worldline, intends to challenge the longstanding dominance of Visa and Mastercard within the region. Wero aims to offer a genuinely European alternative, addressing concerns regarding EU's dependence on US-based payment infrastructure and promoting enhanced financial sovereignty.

Deloitte's impact:
Launch of SIU Dialogues

The creation of a savings and investments union transcends mere regulatory reform; it is a strategic imperative for Europe's future. We must seize this opportunity as a benchmark, harmonising financial frameworks to unlock untapped savings, stimulate productive investments, and bolster Europe's global economic influence. This is not the moment for incremental adjustments; it is the time for decisive, transformative action.

SIU Dialogues

At Deloitte, we are committed to making an impact that matters. Our SIU Dialogues, a series of articles that address several SIU critical topics, embody this commitment by addressing key challenges and opportunities within the financial sector and how senior executives can reorient their strategic decisions and actions toward factors that drive value.

Through engaging dialogues with CEOs of prominent financial institutions, policy makers and regulators, we aim to foster meaningful conversations and drive positive change across the industry:

1. **Create thought leadership:**
   Deloitte experts, together with strategic partners, aim to produce insightful content and facilitate discussions on key financial sector issues. This thought leadership will address pressing SIU topics, offering valuable perspectives and solutions.
2. **Assist EU and national governments:**
   Collaborating with governmental bodies, we will support policy development and implementation to create a robust financial framework benefiting all stakeholders.
3. **Support financial institutions:**
   We will provide guidance and strategies to help financial institutions navigate the evolving landscape, adapt to changes, and seize new opportunities.
4. **Direct CSR efforts toward financial health and literacy:**
   Our corporate social responsibility initiatives will focus on improving financial health and literacy, empowering individuals with knowledge to enhance their financial wellbeing and promote a more financially literate society.

The SIU Dialogues is a joint effort by:

- The EU Policy Centre (EUPC), representing Deloitte's policy voice toward EU policy makers, leveraging the expertise of Deloitte professionals to develop policy positions and insights that contribute to the public interest
- The Deloitte European Centre for Regulatory Strategy (ECRS), a specialised unit within Deloitte that focuses on providing insights, guidance, and strategic advice on regulatory developments and their implications for businesses in Europe
- The Deloitte Banking Union Centre in Frankfurt (BUCF), a specialised hub that aims to support banks and other financial entities in navigating the regulatory, compliance, and operational challenges associated with the European banking union
- Deloitte professionals across our Europe member firms, operating in all financial services sectors, including banking, insurance, asset management and private equity

What you can expect

The Deloitte SIU Dialogues aim to foster a discussion on the strategic implications of the SIU, with research-driven and experience-based insights.

Aligned with the SIU agenda and key measures, over the next 12 months, the SIU Dialogues will address several critical topics, including:

1. **Securitisation:**
   Exploring the role of securitisation in financial markets and its impact on risk management and capital allocation
2. **Consolidation in the European financial services landscape:**
   Examining trends in consolidation and their implications for competition, innovation, and regulatory oversight
3. **Digital euro and digital assets:**
   Discussing the emergence of digital currencies and assets, their potential benefits, and the challenges they pose to traditional financial systems
4. **Financial literacy:**
   Highlighting the importance of financial literacy and exploring initiatives to enhance public understanding of financial concepts

Authors

Kasper Peters
Partner, BE FSI Leader, CSO
kapeters@deloitte.com

Arno De Groote
Partner, FSI
adegroote@deloitte.com

Miles Kennedy
NSE Senior Advisor
mkkennedy@deloitte.co.uk

Steven Van Honacker
Director, FSI
svanhonacker@deloitte.com

Contacts

Julian Leake
Managing Partner, NSE FSI Leader
jileake@deloitte.co.uk

Juan Pérez de Ayala
Partner, ES FSI Leader
jperezdeayala@deloitte.es

Prof. Dr. Carl-Friedrich Leuschner
Partner, Deloitte Central Europe FSI Leader
cleuschner@deloitte.de

Deloitte.