



## 10<sup>th</sup> ECB Banking Supervision Market Contact Group (BSMCG) meeting

Tuesday, 24 February 2026, physical meeting

### **MEETING SUMMARY**

Claudia Buch, Chair of the Supervisory Board, opened the tenth meeting of the BSMCG and outlined the agenda. Ms Buch recalled that the exchanges of views with market participants are an essential component of the market intelligence activities conducted by ECB Banking Supervision to support its assessment of the main risks and vulnerabilities of the banking sector.

#### **1. Outlook for the European banking sector – opportunities and risks**

BSMCG members highlighted the resilience of the banking sector amid an uncertain geopolitical environment and evolving challenges such as asset quality concerns, the rise of private credit and non-bank financial institutions (NBFIs), and the disruptive potential of artificial intelligence (AI). Participants noted that while asset quality of European banks remains relatively strong, pockets of risk persist, particularly in consumer and SME lending, and NPL ratios seem to have bottomed up in some segments. Participants emphasised the importance of the employment evolution for borrower's debt sustainability and consequently banks' asset quality and noted the still supportive dynamics in Europe, though tail risks persist. Furthermore, some members pointed out that some of the support factors for Europe's economic resilience throughout the past year may be diminishing and would not necessarily be able to offset the external headwinds in the future. Concerns were raised around potential market corrections amid high financial assets' valuations and the impact of tightening central bank liquidity on market dynamics. Participants noted that increased savings in Europe support some resilience, but that subdued investment dynamics remain a challenge.

Overall, the discussion underscored the importance of balancing resilience with strategic adaptation, particularly considering emerging technologies and macroeconomic uncertainties. Participants agreed that while the sector remains robust, vigilance is needed to navigate evolving dynamics effectively. Members discussed the transformative impact of AI on the banking industry, including its potential to reduce fees that banks charge for financial transactions, disrupt employment trends, and influence credit markets, but also potential implications for deposit channels and market stability. Some members stressed that while AI

presents long-term opportunities for innovation and enhances technological capabilities, banks that fail to adapt quickly may face competitive challenges.

Furthermore, members discussed the role of private equity and specialised funds in technology and software in the current financial market dynamics. In particular, concerns were raised about limited transparency in private credit exposures of banks. While risks related to banks' direct exposures were rather contained, interconnectedness with banks could amplify risks during economic downturns. Limited data availability was highlighted as a key obstacle in assessing banks' exposures to private credit and NBFIs. Standardised disclosure practices were encouraged to improve transparency and facilitate meaningful comparisons across jurisdictions.

## **2. Digital finance – how is it going to transform the banking sector?**

Participants discussed recent trends in digital finance and their potential to reshape the banking sector, with a particular focus on the corresponding opportunities, competitive pressures, operational transformation and regulatory challenges. Thereby, the digital euro was a central topic of discussion, with participants expressing their views on its necessity and potential benefits. Sovereignty was identified as the primary driver for introducing the digital euro in addition to instant settlements, particularly as private initiatives have so far been less successful and have often relied on infrastructure outside of the EU. The digital euro could also impact the demand for deposits and thus profitability and liquidity risks for banks. Participants raised concerns about the implications for the cost of credit as savings could shift out of the banking system. The introduction of tokenised deposits and money market funds was seen as a positive development but could further impact liquidity dynamics. Stablecoins, while popular in regions with volatile currencies, are not currently seen as a major source of risk in Europe.

BSMCG members highlighted that the current financial system is still characterised by inefficiencies such as outdated fee structures (e.g. related to cash withdrawals or transfers) and incumbents with significant market power. The digital euro and tokenised deposits are regarded as potential solutions to these inefficiencies, also fostering cost reduction in the financial sector. However, the need for scalable infrastructure and governance frameworks for blockchain technology was emphasised. Some members considered wholesale central bank digital currencies promising, given their potential for efficiency gains in cross-border transactions. At the same time, the rise in competition – both from fintechs and stablecoins – would challenge traditional banking models. Participants stressed that banks may face challenges from shifting deposit bases and will need to offer safer, more attractive services or higher remuneration to retain customers. While incumbents still benefit from market power in certain countries, the increased competition could lead to fundamental changes in business models with some banks potentially exiting the market. Participants noted that larger banks are well-positioned to adapt to technological trends thanks to their

profitability, their ability to employ economies of scale and investor backing, while smaller banks may struggle.

### **3. Concluding remarks**

Ms Buch concluded the meeting by thanking the members for their contribution and active participation in the discussions. She also recalled that the annual review of the BSMCG membership was expected to take place in the coming months. The next meeting is planned to take place in September 2026.