

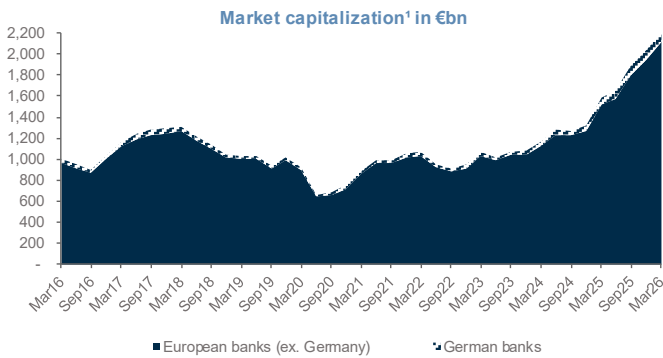


A&M Valuation Insights – German vs. European Banks

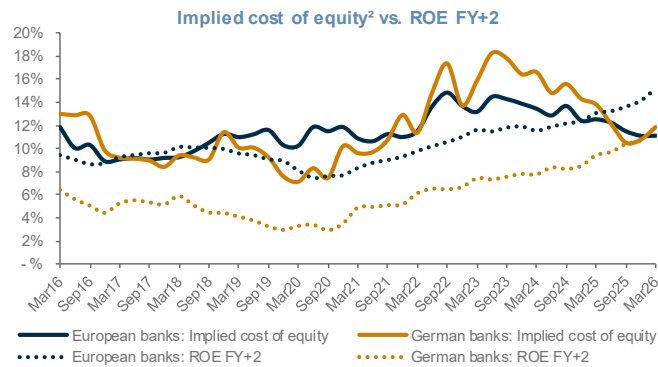
European bank valuations held near multi-year highs through March 2026, despite the escalation in the Middle East.



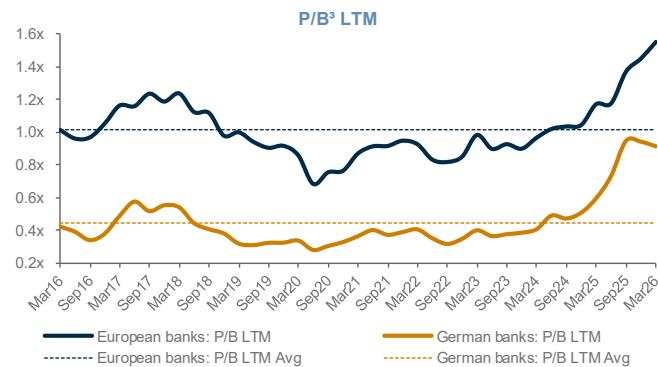
Implied cost of capital declined to 11.1% for European banks, while rising to 11.9% for German banks. P/B ratios stand at 1.55x and 0.91x respectively.



Source: S&P Capital IQ; A&M Analysis.
Note: (1) Market cap (60TD avg).



Source: S&P Capital IQ; A&M Analysis.
Note: (2) Determined by equating market cap (60TD avg) to consensus earnings forecasts and solving for the IRR.



Source: S&P Capital IQ; A&M Analysis.
Note: (3) Market cap (60TD avg) to tangible book value of equity.

Takeaways

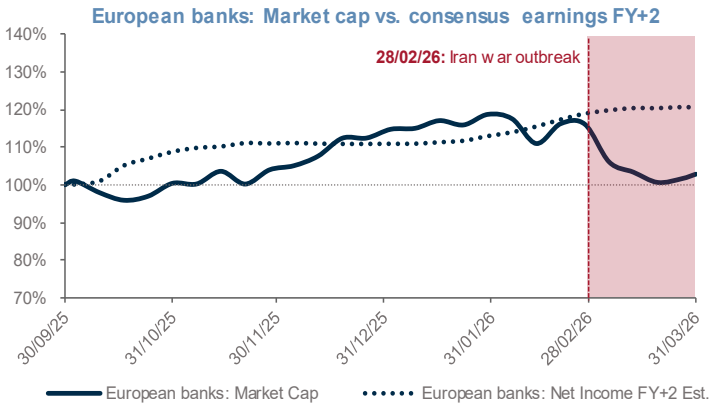
- European banks' total market capitalization¹ reached €2,206 billion in March 2026, with German banks accounting for €94 billion. The increase was driven by a strong 2025, supported by robust earnings, improving macro sentiment and low starting valuations. However, total shareholder return (TSR)⁴ reversed in Q1 2026 amid the escalation in Iran, turning negative at -6.2% for European banks and -20.5% for German banks, following Q4 2025 returns of 14.3% and 11.0%, respectively.
- Against this backdrop, implied cost of equity declined to 11.1% for European banks while rising to 11.9% for German banks. European banks are positioned to generate returns above their cost of capital, with FY+2 ROE forecast at 15.2%. German banks remain near break-even, with their FY+2 ROE forecast of 11.9% broadly matching the cost of equity.
- Valuations reflect this divergence. European banks re-rated from 1.37x to 1.55x P/B (September 2025 to March 2026), driven by Spanish and UK banks. Germany, however, lagged, with valuations edging down from 0.95x to 0.91x.

Notes: (1) Market cap (60TD avg); (4) Total shareholder return based on end-of-quarter spot prices and dividends; (5) STOXX Europe 600; (6) CDAX.

The energy shock following the outbreak of the Iran war and relatively high private credit exposure weigh on German banks' P/E multiples.



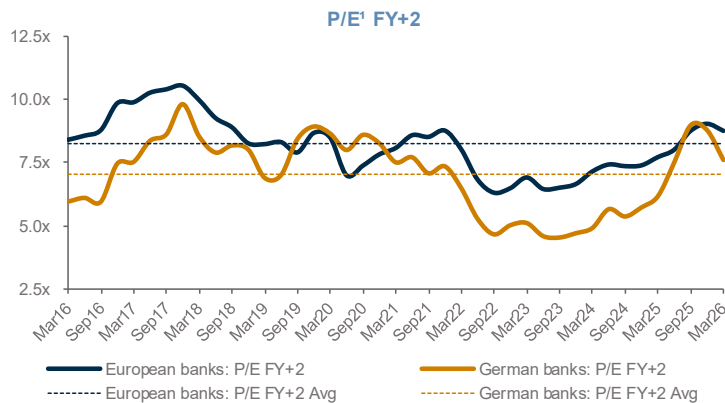
On a two-year forward (FY+2) basis, European banks currently trade at 8.8x P/E and German banks at 7.6x.



Source: S&P Capital IQ; A&M Analysis.



Source: S&P Capital IQ; A&M Analysis.



Source: S&P Capital IQ; A&M Analysis.
Note: (1) P/E (FY+2), based on 60TD avg market cap.

Takeaways

- The outbreak of the Iran war erased the gains in European banks' market capitalization accumulated between Q3 2025 and February 2026, bringing valuations broadly back to Q3 2025 levels. Strong performance from UK banks (benefiting from higher interest rates) and Spanish banks (supported by domestic LNG infrastructure, strong renewable penetration, and a resilient services and tourism sector) helped cushion the decline at the European level.
- German banks underperformed European peers, down 13.7% versus September 2025, reflecting elevated exposure to private credit and greater sensitivity to rising energy prices.
- Despite the market correction, earnings expectations remained unchanged through March 2026. European banks' market cap-weighted P/E ratio held steady at 8.8x (unchanged from September 2025), while German banks' P/E declined to 7.6x (from 9.0x).

European banks delivered stable returns in FY25, showing continued efficiency improvements and broadly stable risk costs.

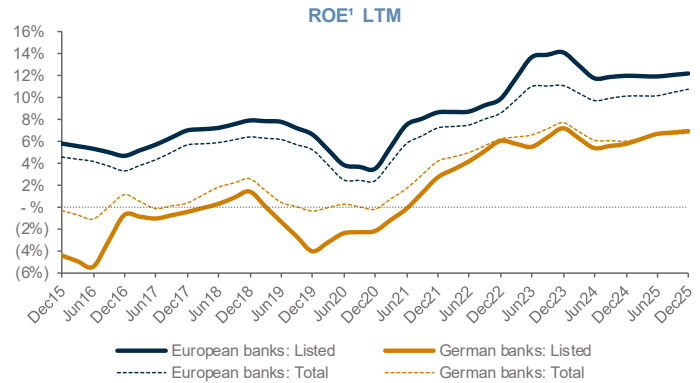


Last-twelve-month (LTM) return on equity (ROE) stands at 10.8% for European banks and 6.7% for German banks, including both listed and non-listed institutions.

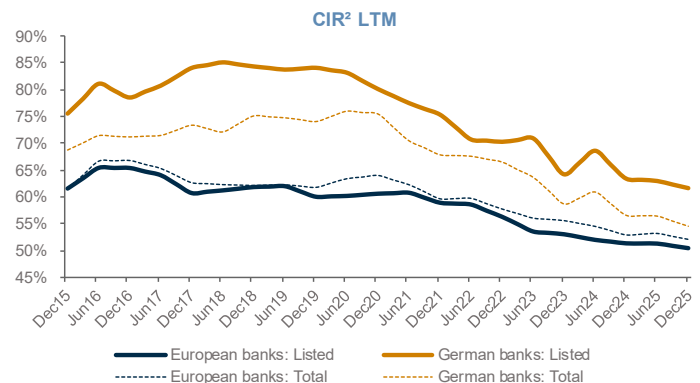
Takeaways

- Listed European banks remain more profitable than their non-listed peers, supported by lower capital ratios, greater scale and stronger fee income. As of December 2025, listed banks delivered a market cap-weighted LTM ROE of 12.2%, compared with 10.8% (CET1-weighted) for the broader market.⁴
- In Germany, however, listed and non-listed banks show broadly similar returns, reflecting the higher cost base and greater complexity of listed German banks. Although efficiency has improved (LTM CIR of 61.7% as of December 2025 vs. 63.4% as of June 2025), it remains well above the 50.3% European benchmark.
- Provisions for credit losses (as a % of average loans) are largely aligned across listed and non-listed banks, with European risk costs at 0.36% as of December 2025, slightly above 0.33% in Germany.

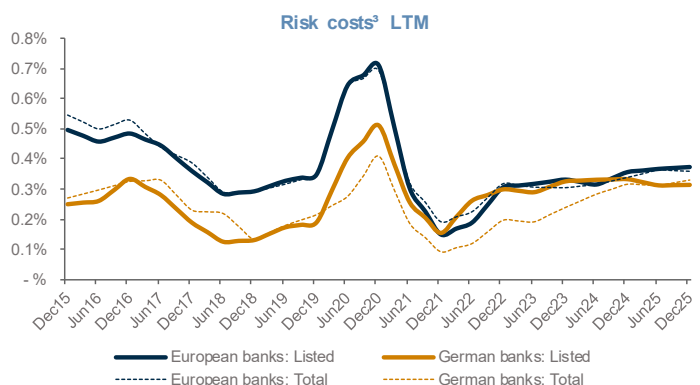
(4) Listed bank metrics are weighted by market capitalization; broader market metrics (listed and non-listed banks) are weighted by CET1 capital.



Source: S&P Capital IQ; A&M Analysis.
Note (1): Net income to common by average common shareholders' equity; Semi-annual smoothing.



Source: S&P Capital IQ; A&M Analysis.
Note (2): Operating expenses to total revenue before risk provisions; Semi-annual smoothing.

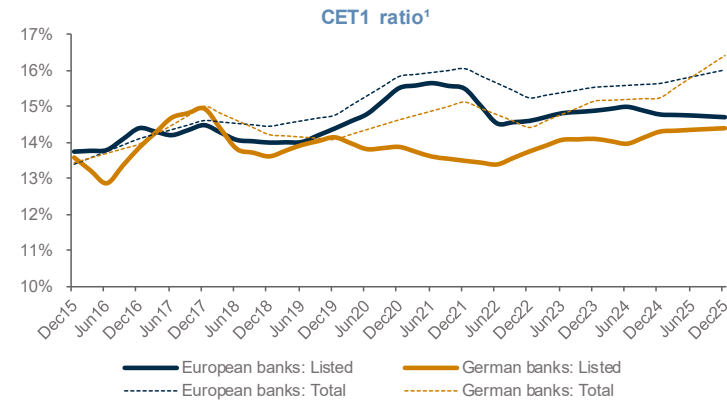


Source: S&P Capital IQ; A&M Analysis.
Note (3): Provision for credit losses in % of average loans; Semi-annual smoothing.

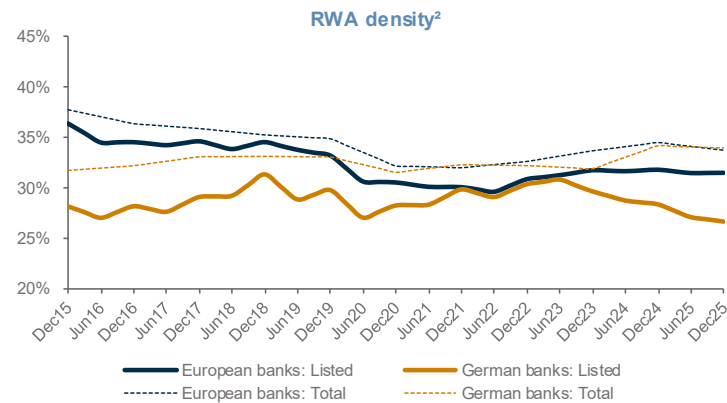
German banks strengthened CET1 ratios, supported by strong operating performance and RWA optimization.



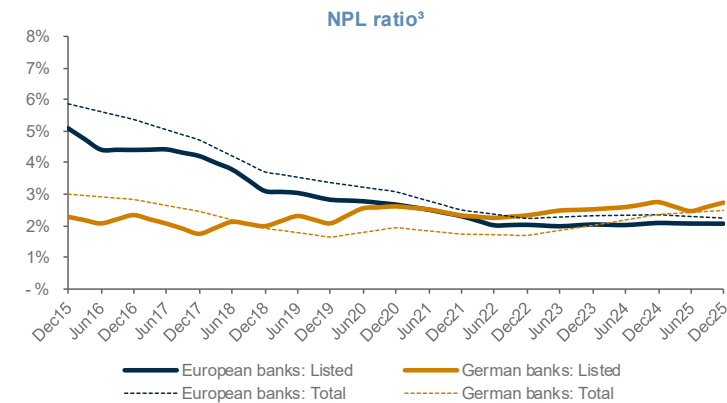
The CET1 ratio of European banks stands at 16.0% in March 2026, up from 15.9% in September 2025. For German banks, the ratio rose to 16.4% from 16.3% over the same period.



Source: S&P Capital IQ; A&M Analysis.
Note (1): As reported; Total: Annual smoothing, Listed: Semi-annual smoothing.



Source: S&P Capital IQ; A&M Analysis.
Note: (2) Risk-weighted assets (as reported) in % of balance sheet total; Total: Annual smoothing, Listed: Semi-annual smoothing.



Source: S&P Capital IQ; A&M Analysis.
Note: (3) Total: Annual smoothing, Listed: Semi-annual smoothing.

Takeaways

- CET1 ratios¹ of listed European and German banks were broadly similar at 14.7% and 14.4%, respectively, as of December 2025. Across German banks (listed and non-listed), CET1 ratios increased from 15.2% to 16.4% YoY, supported by retained earnings and strong profitability, with banks building capital ahead of the phasing-in of CRR3/CRD6 requirements and rising geopolitical risks.
- RWA density (risk-weighted assets¹ as a % of balance sheet total) for German banks remained stable at 34.0% as of December 2025, compared with 34.2% in December 2024. This was despite the initial impact of CRR3/CRD6 implementation, including revised credit and operational risk requirements.
- By contrast, listed German banks lowered RWA density to 26.6%, well below the 34.0% level across all German banks. The reduction reflects capital efficiency measures and active RWA management, including significant risk transfer (SRT) transactions and corporate loan securitizations.

Notes: (1) As reported; (4) The impact of CRR3/CRD6 is subject to transitional arrangements and may vary across banks depending on portfolio mix and modelling approaches.

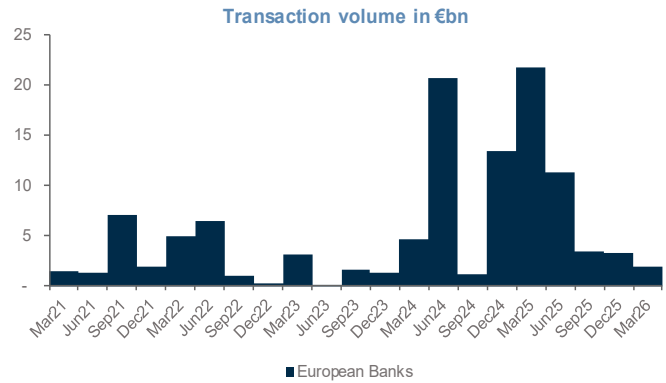
The sharp re-rating in trading P/B multiples was not reflected in the transactions market, resulting in a negative P/B premium.



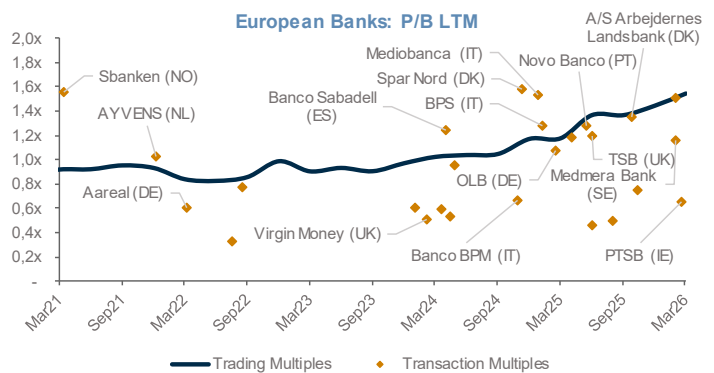
Transaction-weighted P/E multiples indicate a premium of +27% versus trading multiples, while P/B multiples imply a discount of 24%.

Takeaways

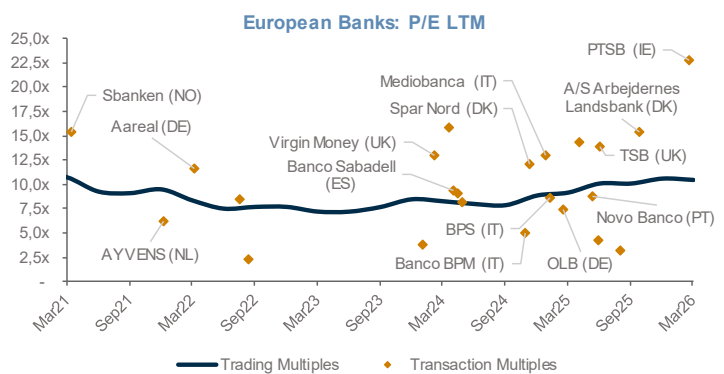
- M&A transaction volume in the European banking sector totaled €5.1bn between September 2025 and March 2026, down 85% YoY. Activity was limited to smaller deals, including BAWAG's acquisition of PTSB (March 2026), Morrow Bank's acquisition of Medmera Bank (March 2026), RBI's acquisition of BBVA Romania (March 2026), and Sydbank's acquisition of Arbejdernes Landsbank (October 2025). In contrast, the period saw no large-scale transactions comparable to those announced a year earlier, such as UniCredit's acquisition of Banco BPM or BPER Banca's acquisition of BPS.
- In the 12 months to March 2026, M&A premia averaged 27% on a P/E basis (volume-weighted transaction multiples vs. listed European banks), compared with 15% over the prior five years. P/B multiples, by contrast, traded below listed levels, implying a discount of 24% over the last year and 1% over five years.



Source: S&P Capital IQ; A&M Analysis.



Source: S&P Capital IQ; A&M Analysis.
Note: Labels only shown for transactions >€ 1.0bn.



Source: S&P Capital IQ; A&M Analysis.
Note: Labels only shown for transactions >€ 1.0bn.



Alvarez & Marsal is a global professional services firm with a leading valuations and financial services industry advisory practice in Germany. Its experts Dr. Tim Laas, David Makarov and Dr. Markus Fischer have vast experience in high-stakes business valuation and M&A settings, particularly in the banking industry. Together, they have analyzed the valuation and performance metrics of listed and non-listed European and German banks over the last ten years. In this latest A&M Valuation Insights – German vs. European Banks, they highlight how geopolitical shocks, strong operating performance and regulatory dynamics are reshaping European bank valuations. Their key conclusions include:

- The outbreak of the Iran war reversed much of the banking sector's late-2025 equity rally, but European banks' P/B multiples remained near multi-year highs.
- German banks underperformed amid rising energy prices and elevated private credit exposure relative to European peers, weighing on their valuation multiples.
- European banks are set to generate returns above their cost of capital, while German banks remain around break-even levels.
- German banks strengthened CET1 ratios ahead of the phasing-in of CRR3/CRD6 requirements and rising geopolitical risks, while listed banks further reduced their RWA density.



European bank valuations have remained surprisingly resilient despite heightened geopolitical uncertainty and market volatility.

– Dr. Tim Laas

German banks continue to face structural valuation pressure from energy sensitivity and private credit exposure.

– David Makarov, CFA

Strong profitability and active capital management are helping banks to prepare for the next phase of regulatory changes and geopolitical challenges.

– Dr. Markus Fischer



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Study design



The analysis covers all institutions in European developed markets (as defined by S&P) that reported CET1 capital during the March 2025 to March 2026 period, after consolidation. For listed banks, a 60-trading-day average share price is applied to smooth short-term volatility. All financial metrics are based on IFRS. The sample evolves over time: an institution is included in any given quarter only if it meets the selection criteria at that point in time. Data is sourced from S&P Capital IQ. As of March 2026, the dataset comprises 148 banks. Calculations were performed in April 24, 2026.

Financial metrics (e.g., ROE) are market cap-weighted for listed banks and CET1-weighted for the full (listed + unlisted) sample. The top/bottom 5% of observations were trimmed. Where LTM data was unavailable, the latest fiscal year was used. Smoothing is applied where indicated to address data gaps.

Data quality is continuously reviewed; minor revisions to historical data and past forecasts may appear in future updates of A&M Valuation Insights.

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