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Banks crown successful year with Q4 rally

So, what now?

Rising markets despite ongoing concerns

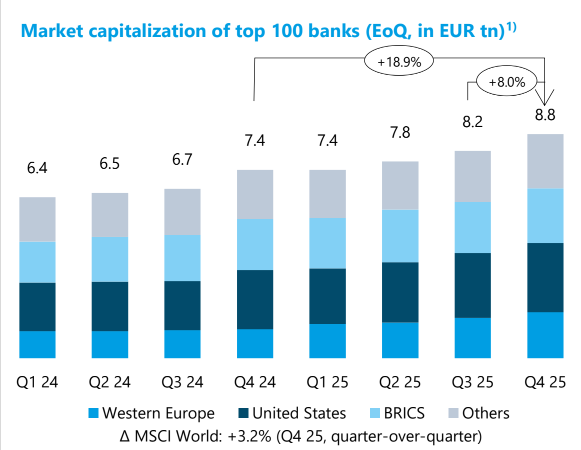
- In Q4 25, global capital markets recorded moderate price gains (MSCI World market cap +3.2% QoQ) despite pronounced uncertainty factors; the top 100 banks increased their market capitalization to EUR 8.8 trillion, thus ending a very successful 2025 with a new record high.
- Western European banks once again outperformed their US competitors (TSR: +14.5% QoQ vs. +7.9% QoQ), further narrowing the historical valuation gap (P/B ratio +0.16x QoQ vs. +0.14x QoQ).

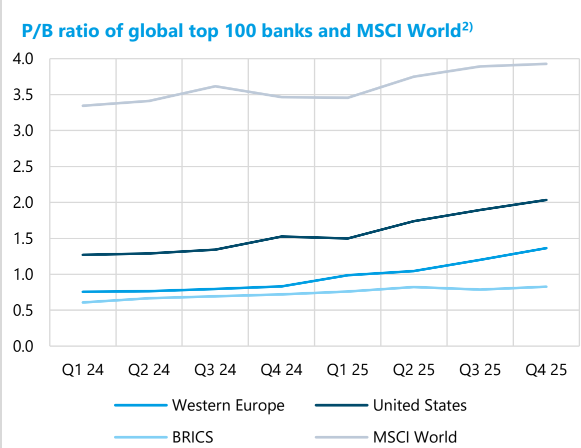
Strong results even as interest rate tailwinds ease

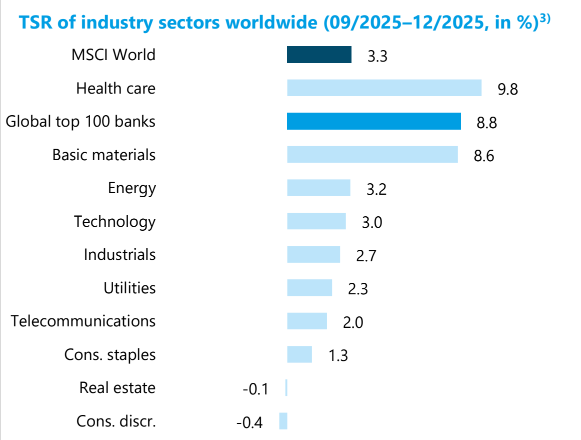
- Germany continued to tread water in Q3 25 with a growth figure of +0.3% YoY; Western Europe, however, once again exceeded expectations with +1.4% YoY while the US economy also proved robust (US: +2.3% YoY).
- The global top 100 banks achieved strong results in Q3 25 too; with a return on equity of 14.2%, US banks once again took the lead ahead of Western Europe (ROE 13.1%).
- Looking ahead, interest income is becoming less important as a growth driver now that the interest rate turnaround is completed; a sustainable growth story requires higher commission income, systematic cost management, efficiency gains and the strategic use of surplus capital.

Year-end rally of the global top 100 banks

The **global capital markets** ended Q4 2025 with **moderate gains** (**MSCI World market cap. +3.2% QoQ**). Despite pronounced uncertainty factors – including the **longest government shutdown in US history** and **poor consumer sentiment in Europe and the US** – the markets proved resilient. In contrast to previous quarters, performance was driven less by technology stocks and more by **defensive industries such as healthcare** (TSR +9.8% QoQ), but also the **global top 100 banks (TSR +8.8% QoQ)**. Western European banks once again outperformed their US competitors (TSR +14.5% QoQ vs. +7.9% QoQ). **The main drivers of the relative outperformance** were above all increased **share buybacks**, a **more favorable macroeconomic environment** and **structurally higher re-rating potential** due to the historic valuation gap, which continued to close.







Top/lowest TSR performance among Western European banks (09/2025–12/2025, in %)

Top performers	Country	TSR
STANDARD CHARTERED	United Kingdom	26.9
BARCLAYS	United Kingdom	25.3
NATWEST GROUP	United Kingdom	24.9
BBVA	Spain	24.5
ERSTE GROUP BANK	Austria	23.7

Low performers	Country	TSR
DNB BANK	Norway	2.6
BNP PARIBAS	France	4.5
CREDIT AGRICOLE	France	5.0
SEB	Sweden	8.3
ING GROEP	The Netherlands	8.8

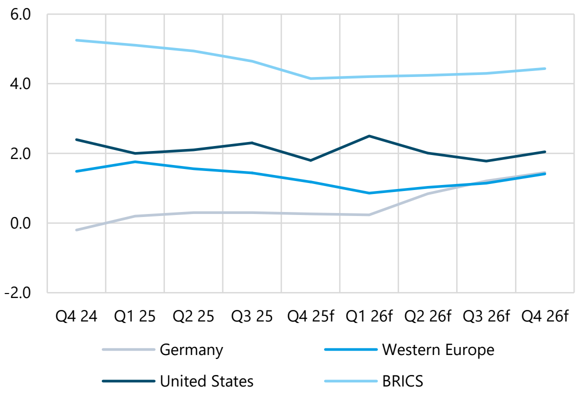
Western Europe: euro area, DK, NO, SE, CH, UK; BRICS: BR, RU, IN, CN, ZA (BRICS+ is not yet available as an aggregate on Bloomberg, so we will stick with BRICS for now); 1) The "global top 100 banks" comprise the largest banks by market cap on Dec. 31, 2024 – they have a market share of 75–80% compared to all banks (according to Bloomberg definition). Figures are in EUR; 2) P/B ratio: price-to-book ratio, calculated as a harmonic mean; 3) Total shareholder return (TSR) of industry sectors other than banking based on global sector total return indices. Avg. TSR of global top 100 banks, weighted by the market cap of each bank. TSR and market cap in EUR; Sources: Bloomberg, Refinitiv Datastream, zeb.research

- In Q4 25, **Western European and US banks continued** their record-breaking growth path in terms of **price-to-book ratio (+0.16x QoQ to 1.36x and +0.14x QoQ to 2.03x)**. Among the Western European banks, two Spanish institutions, **BBVA** and **Caixabank**, led the field **with price-to-book ratios of 2.07x and 2.02x**. **Crédit Agricole takes last place with 0.75x**.
- Among the **sectors**, **healthcare** is in front **with a TSR performance of +9.8% QoQ**, supported by catch-up effects and a more defensive positioning of the market players. The **top 100 banks follow with +8.8% QoQ** – buoyed by **significant share buybacks**, among other things.
- Three UK banks, **Standard Chartered**, **Barclays and NatWest,** were among the **TSR top performers** – supported by **substantial share buybacks**. After the failed Sabadell takeover, **BBVA** also showed an impressive performance with **record buybacks and interim dividends**. **BNP Paribas and Crédit Agricole** were among the **low performers** against a backdrop of French **fiscal uncertainty**.

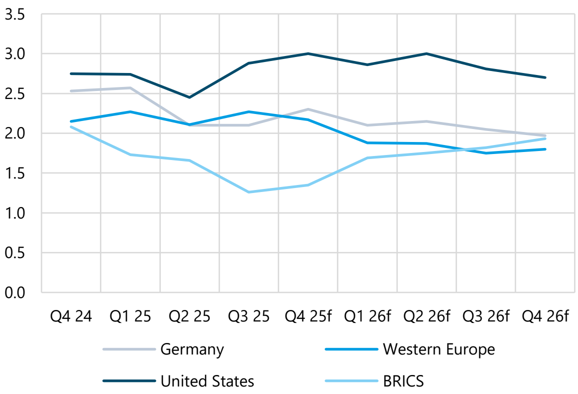
Top 100 banks show high profitability in a challenging market

With a **growth rate of +0.3% YoY**, **Germany** effectively stood still in **Q3 2025**. A **slight recovery** is expected for **2026**, supported by **increased public investment**, among other things, but **weak foreign demand** and **dampened industrial investment** will continue to act as a brake. In **Western Europe**, the moderate growth path continued: **Q3 saw +1.4% YoY** and was thus better than expected, although industrial momentum remained subdued. The **US** grew by **+2.3% YoY in Q3**, with growth driven by continued high investment in **tech and AI companies**, while investment outside the technology sector has recently declined several times. The **US attack on Venezuela** has further increased the already **high level of global uncertainty**; at the same time, **additional escalation scenarios are possible**, which could have even more far-reaching consequences.

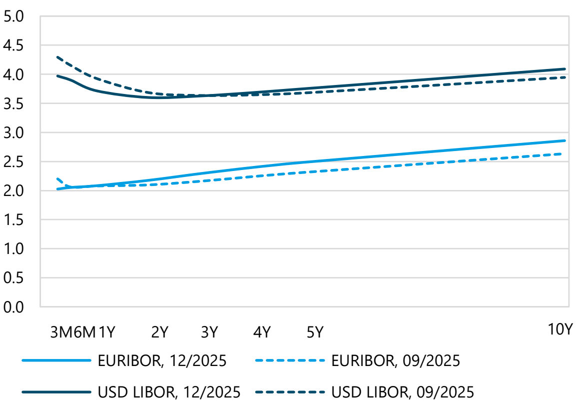
GDP growth (real GDP, year-over-year rates, in %)[1)]



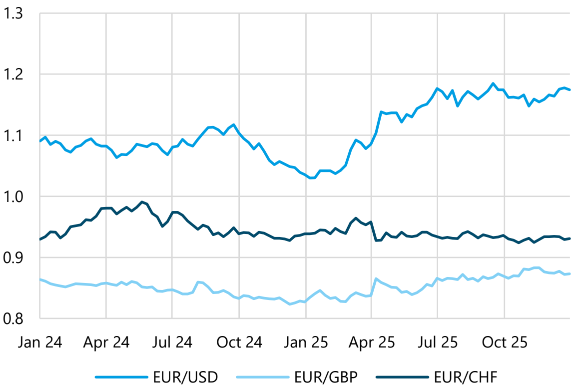
Inflation rate (CPI, year-over-year rates, in %)[1)]



Money and capital market rates (in %)



Exchange rates (EUR/USD, EUR/GBP, EUR/CHF)

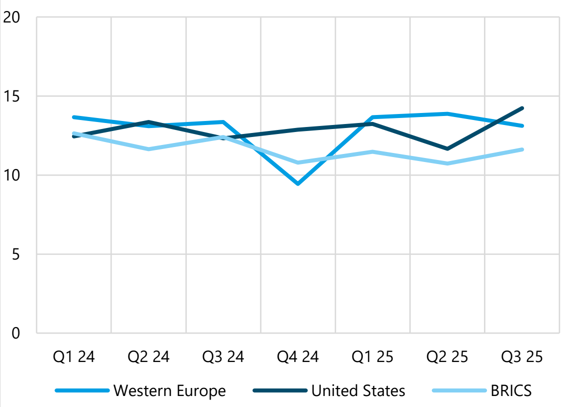


Western Europe: euro area, Denmark, Norway, Sweden, Switzerland, UK; BRICS: Brazil, Russia, India, China, South Africa (BRICS+ is not yet available as an aggregate on Bloomberg, so we will stick with BRICS for now); 1) Forecasts based on Bloomberg composite forecasts; Sources: Bloomberg, Refinitiv Datastream, zeb.research

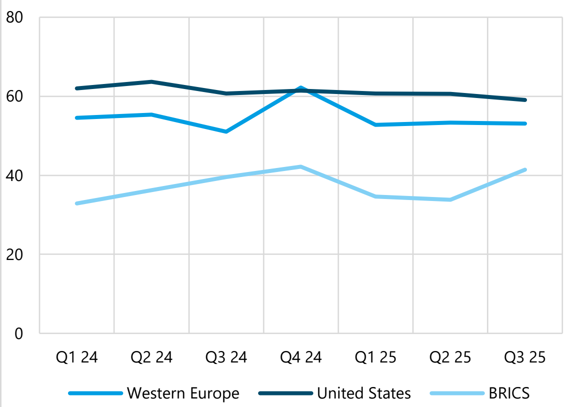
- In Western Europe, inflation was **2.3% YoY** in Q3 25 but is likely to fall **below the central bank target of 2%** again for the first time in Q1 26 – mainly due to **energy base effects**. In the US, however, inflation remains **stubborn**; analysts again expect figures well above 2% for 2026, with high tariffs, among other things, continuing to put pressure on prices.
- The yield curves **steepened** again towards the end of the year: in the **euro area**, the **10Y-3M spread** rose from **43 bp** to **83 bp**, and in the **US** from **-35 bp** to **+12 bp**, thus returning to **positive figures for the first time**; nevertheless, the **US curve** remained **inverse in the short to medium term**.
- At the beginning of Q4 25, **diminishing expectations of Fed interest rate cuts supported the US dollar** and thus depressed the EUR/USD exchange rate; following a **change in sentiment, the Fed however cut interest rates in early December**, while the ECB left its key interest rate unchanged – as a consequence, the **interest spread shifted in favor of the euro**.

The **US banks** regained the **top position in terms of return on equity (ROE 14.2%)** in Q3. The increase in earnings in the US was primarily driven by **strong growth in net interest income** and **decreasing risk provisions**, whereby the latter was significantly influenced by an **M&A-related one-off effect in connection with the Discover Financial takeover by Capital One** which took place in the previous quarter. In **Western Europe**, profitability fell **slightly** (**ROE -0.8% QoQ to 13.1%**) and the **net result fell by -4.2% QoQ** but remained at a high level. Robust interest income is expected in the new, stabilized interest rate environment, but beyond that it only offers moderate growth potential; a sustainable growth and profitability story requires **higher commission income**, **systematic cost management and efficiency measures as key levers** to increase profitability and efficiency.

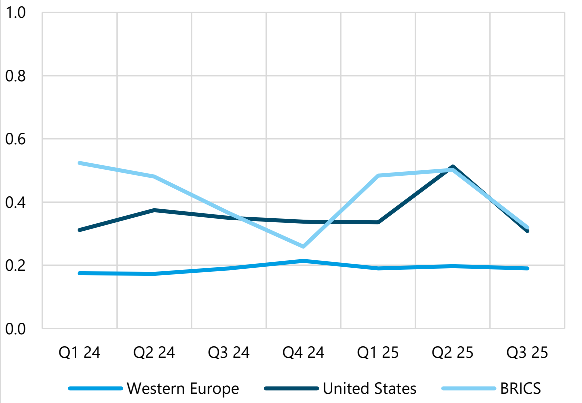
Post-tax ROE of global top 100 banks (in %)[1)]



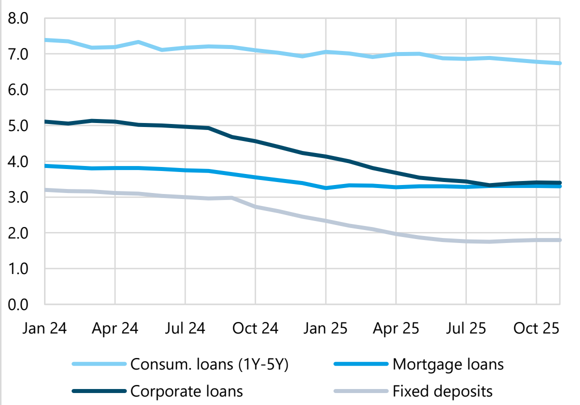
Cost-income ratio of global top 100 banks (in %)[2)]



Loan loss provisions of global top 100 banks (in %)[3)]



Customer interest rates in the euro area (new business, in %)



Q4 25 data not yet available; Western Europe: euro area, Denmark, Norway, Sweden, Switzerland, UK; BRICS: Brazil, Russia, India, China, South Africa (BRICS+ is not yet available as an aggregate on Bloomberg, so we will stick with BRICS for now); Figures exclude UBS (extreme outlier values from negative goodwill in Q2 23 related to the acquisition of Credit Suisse); 1) Post-tax ROE (return on equity): profit after tax to average total equity, annualized values; 2) Cost-income ratio: operating expenses to total income, annualized values; 3) Loan loss provisions to average total assets, annualized values; Sources: ECB, Fitch Connect, Refinitiv Datastream, zeb.research

- In **Western Europe**, the **cost-income ratio (CIR)** improved slightly by **-0.2 pp QoQ** to **53.1%**. Although **income fell by -1.7% QoQ** in Q3, **costs** fell **more sharply (-2.2% QoQ)**, resulting in a marginal improvement in CIR. In the **US**, the cost-income ratio fell more significantly from **60.7% to 59.1%** (**-1.6 pp QoQ**), driven by **earnings growth (+5.5% QoQ)** at **moderately rising costs (+2.7% QoQ)**.
- **Risk provisions** fell significantly in the **US** from **Q2 to Q3** (**-20 bp QoQ**), as the **M&A-related special effect** from the previous quarter's **Capital One / Discovery transaction faded out**. At **Western European banks**, risk provisions continue to oscillate around a **moderate level of approx. 0.2%** in relation to average total assets (**Q3 25: 0,19%**).
- In **Q3 25**, interest rates for **consumer loans (1–5 years)** fell noticeably (from **6.9% in June** to **6.7% in November**), reflecting a **moderate and delayed pass-through** of the **ECB interest rate cut from June 2025**.

About zeb.market.flash

Compact. Competent. Independent.

Every quarter, zeb.market.flash provides an overview of the performance of the world's largest banks (measured by market capitalization). The relevant factors are briefly and concisely described, analyzed and classified by our experts. For our analyses, we take a close look at the relevant indicators for the valuation of the capital market, such as stock returns, as well as macroeconomic and bank-specific drivers. These include return on equity, yield curves, or growth of the gross domestic product. One focus is on the performance of the top banks in Europe in our sample. How does their development compare to that of the largest banks worldwide? Which European bank shows a particularly good, which a particularly weak capital market performance? What could be the reason for this? Our background knowledge from 30 years of financial services consulting rounds off these assessments. This gives you an exclusive and compact insight into the global banking market. The zeb.market.flash is available on our websites and sent free of charge as a newsletter to all interested parties.

Disclaimer

All data and calculations in this issue are based on the date of January 2, 2026. The global top 100 banks cluster contains the largest banks by market capitalization on December 31, 2024, and is updated on an annual basis. Data is subject to ongoing quality assessment. As a consequence, minor adjustments could be applied to historical data as well as forecasts shown in previous issues of the zeb.market.flash. No representations, warranties or undertakings are given as to the accuracy or completeness of data contained in the zeb.market.flash.

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