



January 30, 2026

# Kroll Cost of Capital Inputs at Year-End 2025

## Executive Summary

Kroll regularly reviews fluctuations in global economic and financial market conditions that may warrant changes to our equity risk premium (ERP) and accompanying risk-free rate recommendations. The risk-free rate and ERP are key inputs used to calculate the cost of equity capital in the context of the Capital Asset Pricing Model (CAPM) and other models used to develop discount rates. We also update country risk data on a quarterly basis for 175+ countries using various models.

The Kroll Recommended U.S. ERP is being reaffirmed at 5.0% when developing USD-denominated discount rates. This guidance became originally effective on September 2, 2025. At this juncture, we also still believe that that yields on long-term U.S. Treasuries are still a reasonable proxy for the U.S. risk-free rate (see United States discussion later in this document).

**The Kroll Recommended Eurozone ERP is being lowered to the range of 5.0% to 5.5%** when developing EUR-denominated discount rates as of January 30, 2026, and thereafter, until further guidance is issued. We believe that an ERP towards the **higher end of the range (i.e., closer to a 5.5% ERP)** is still likely more appropriate, but this indication could be lowered later in 2026.

## Overview of the Kroll Recommended ERP Methodology

### A Two-Dimensional Process

The ERP (equity risk premium), also known as MRP (market risk premium) or EMRP (equity market risk premium), is by definition a forward-looking concept.<sup>1</sup> This means that the ERP is not directly observable and must be estimated. There is no single universally accepted methodology for estimating the ERP. As a result, there is wide diversity in practice among academics, financial advisors, and finance and valuation professionals regarding ERP estimates.

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<sup>1</sup> Conceptually, the ERP is the incremental return that investors expect to receive from an investment in the overall market (i.e., a diversified portfolio of common stocks), over and above the expected return on a risk-free asset. The market (benchmark) portfolio is typically represented by a broad-based (diversified) stock market index (e.g., S&P 500 Index, MSCI All Country World Index, etc.), whereas the expected rate of return on the risk-free asset is typically based on the yield-to-maturity on government securities considered to be free of default risk.

A large body of academic literature suggests that the ERP is counter-cyclical and varies during business cycles.<sup>2</sup> For this reason, Kroll employs a two-dimensional process that considers a broad range of economic information, long-term historical averages, and multiple ERP estimation methodologies to arrive at its recommendation. First, a reasonable range of normal or unconditional ERP is established. Second, based on current economic and financial market conditions, we estimate where in the range the true ERP likely lies (top, bottom, or middle), i.e., a conditional ERP. These terms are further distinguished as follows:

#### “What is the range?”

**Unconditional ERP Range** – We use the term *normal*, or *unconditional* ERP to mean a long-term average ERP without regard to current market conditions. The objective is to establish a reasonable range for the ERP that can be expected over an entire business cycle. When arriving at this range, consideration is given to the likelihood that different historical periods are representative of what can be expected in the future (i.e., which historical periods can be reasonable proxies for future expectations).

#### “Where are we in the range?”

**Conditional ERP** – The objective is to determine where within the unconditional ERP range the *conditional* ERP should be, based on current economic and financial market conditions. Research has shown that ERP fluctuates during the business cycle. When the economy is near (or in) a recession, the conditional ERP is at the higher end of the normal, or unconditional ERP range. As the economy improves, the conditional ERP moves back toward the middle of the range and at the peak of an economic expansion, the conditional ERP approaches the lower end of the range. We regularly review fluctuations in several economic and financial market indicators, as well as historical and forward-looking models, when arriving at our concluded conditional ERP. We label this conclusion as the “Kroll Recommended ERP”, which is currently provided for the U.S. and the Eurozone (from a German investor perspective).

## Cost of Capital Recommendations

### Background

**On September 2, 2025, we lowered our ERP recommendations for the U.S. and the Eurozone** to reflect: 1) the de-escalation of trade tensions between the U.S. and its trading partners and the signing of multiple trade deals; 2) global monetary policy easing decisions, with certain major central banks lowering their policy rates; 3) the approval and/or announcement of large-scale fiscal spending plans by the U.S. (the One Big Beautiful Bill Act, or OBBBA) and several other countries (targeting for example, manufacturing, energy, defense, and infrastructure), which were expected to stimulate global economic growth; and 4) the massive business investments in artificial intelligence (AI), data centers and related technology. Combined, these developments helped ease uncertainty about the path of the global economy and contributed to record highs in stock markets in the U.S. and elsewhere.

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<sup>2</sup> See, for example, Christoph Görtz, Mallory Yeromonahos, “Asymmetries in risk premia, macroeconomic uncertainty and business cycles,” *Journal of Economic Dynamics and Control*, Volume 137, 2022, <https://doi.org/10.1016/j.jedc.2022.104330>.

## Eurozone (From a German Investor Perspective)

Since June 2025, ERP indications from our quantitative Eurozone ERP models started to decline. That downward trend continued to be observed through the end of the year. This trend, along with an improvement in certain economic indicators and financial market conditions, supported our decision to reduce the Kroll Recommended Eurozone ERP to a 5.0% to 5.5% range, effective January 30, 2026. However, geopolitical pressures are still top of mind, which is exemplified by the recent market turbulence following news of a possible U.S. annexation of Greenland. While such fears were quickly dispelled, during those few days the European Union (EU) paused the approval process of the negotiated trade agreement between the U.S. and the EU. Until the EU-U.S. trade agreement is ratified and there is further clarity on the Russia-Ukraine negotiations to end their conflict, geopolitical risks still have the potential to significantly disrupt the Eurozone economy and financial markets. For this reason, we believe that an ERP towards the **higher end of the new range (i.e., closer to a 5.5% ERP)** is still likely more appropriate, but this indication could be lowered later in 2026.

The following is a discussion of some of the primary factors considered when arriving at the Kroll Recommended Eurozone ERP and how they have evolved since our guidance was last changed in early September 2025 through our analysis reference date (December 31, 2025), while also contrasting to the period following “Liberation Day” on April 2, 2025:

- European equity markets recovered from the lows reached during the height of trade uncertainties after Liberation Day, benefitting from the positive developments that followed, including the agreement on a trade deal between the U.S. and the EU. Most major European stock market indices ended the year with their best performance since 2021, beating the S&P 500 index (in local currency terms). In 2025, the STOXX Europe 600 (the pan-European equity index) was up 16.7% in price terms, performing marginally better than the U.S. S&P 500 index at 16.4%. Since their Liberation Day lows through year-end 2025, the S&P 500 rose by 37.4%, while the STOXX Europe 600 increased by 26.0%.<sup>3</sup> Certain European local market indices reached new record highs in 2025, continuing their rally into early 2026, including in Germany, Spain, and the UK.
- Equity volatility measures and the Economic Policy Uncertainty Index ebbed by the end of 2025, showing that markets were more comfortable in pricing risk. The monthly average European equity market volatility represented by the VSTOXX® index retracted by the end of 2025, ending the year at 14.7, far below the high of 46.7 reached during the tariff turmoil.<sup>4</sup>
- Eurozone economic growth is expected to end 2025 higher than economists predicted after Liberation Day, at the height of trade uncertainties. Real GDP growth in Germany and the Eurozone is expected to improve further in 2026 and thereafter, partly due to large-scale fiscal spending plans.

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<sup>3</sup> The first pause on Liberation Day tariffs was announced on April 9, 2025. Because European stock markets were already closed when the announcement was made, their tariff-related market lows were generally reached on April 9, 2025, whereas in the Americas lows were observed on April 8, 2025 (the day prior to the announcement). Source of underlying market data: S&P Capital IQ.

<sup>4</sup> The VSTOXX® index measures the 30-day implied volatility of the EURO STOXX 50® and is considered a benchmark for European equity market volatility. Source of underlying data: S&P Capital IQ.

- Under the threat of the U.S. administration not committing to the mutual defense clause (Article 5) of the NATO charter, EU member states, as well as other NATO members, agreed to increase their defense spending to 5% of GDP.<sup>5</sup> The EU launched its “ReArm Europe” plan, with the aim of liberating the use of public funding in defense. Among other measures, the plan proposed relaxing budget deficit rules to allow governments to increase borrowing to fund defense spending and related infrastructure and research and development projects.<sup>6</sup> With the new spending target, more funds will be needed for defense spending, raising questions about the fiscal capacity of many EU countries. Nevertheless, in the near to medium term certain industry sectors are expected to benefit from the planned government investment. In general, economists also expect that overall economic growth for the region will improve as a result.
- Moreover, the new German government approved two record-level budgets for fiscal years 2025 and 2026, promising historically high levels of spending and investment over the fiscal period ending in 2029.<sup>7</sup> The parliamentary elections of early 2025 paved the way for increased government spending fueled by the historic package of constitutional reforms that allowed the federal government to increase borrowing levels. The loosening of budget deficit rules (known as the “debt brake”) and the adoption of record-level budgets is expected to increase government spending on Germany’s aging infrastructure and in defense, which could boost economic growth – at least temporarily. Germany has been struggling to recover from the effects of the Russia-Ukraine war, with two consecutive years of real GDP contraction in 2023 and 2024 and barely advancing in 2025.

Long-term German government bond yields rose steadily since the fiscal stimulus announcements, under the prospects of a higher debt burden. Since the beginning of December 2025 through the end of January 2026, the 15-year German Bund yield appears to have stabilized in the range of 3.2% to 3.3%, up from around 2.3% to 2.4% back in December 2024. When subtracted from implied cost of equity (forward-looking) models, this has the effect of lowering the resulting implied ERPs, all else equal. Although the relationship is not linear, we have generally observed a lower range of indicated ERPs from our quantitative (dividend discount) models.

Nevertheless, geopolitical risks are still heightened, even though markets appear to have adapted to the new realities on the ground, with international trade adjusting to a world with a higher and more volatile tariff regime. The recent threat to use tariffs against European countries opposing the annexation of Greenland by the U.S. is an example of how geopolitics can quickly upend markets, but overall current conditions reflect de-escalation of risk after the spike that followed Liberation Day.

<sup>5</sup> For more details on the NATO summit declaration, please visit: [https://www.nato.int/cps/en/natohq/official\\_texts\\_236705.htm](https://www.nato.int/cps/en/natohq/official_texts_236705.htm).

<sup>6</sup> “Press statement by President von der Leyen on the defense package”, European Commission, March 3, 2025. Available here: [https://ec.europa.eu/commission/presscorner/detail/sv/statement\\_25\\_673](https://ec.europa.eu/commission/presscorner/detail/sv/statement_25_673). For more details on the spending plan, see “ReArm Europe Plan/Readiness 2030”, European Parliamentary Research Service Briefing, April 2025, available here: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/769566/EPRS\\_BRI\(2025\)769566\\_EN.pdf#:~:text=The%20European%20Commission's%20ReArm%20Europe,national%20fiscal%20flexibility%2C%20a%20new](https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/769566/EPRS_BRI(2025)769566_EN.pdf#:~:text=The%20European%20Commission's%20ReArm%20Europe,national%20fiscal%20flexibility%2C%20a%20new).

<sup>7</sup> For more details on the German federal budget, please visit: <https://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2025/2025-07-30-government-draft-2026-federal-budget.html>.

Based on recent economic indicators and financial market conditions, **the Kroll Recommended Eurozone ERP is being lowered to the range of 5.0% to 5.5%** when developing EUR-denominated discount rates as of January 30, 2026, and thereafter, until further guidance is issued. However, we believe that an ERP towards the **higher end of the new range (i.e., closer to a 5.5% ERP)** is still likely more appropriate. This is matched with the higher of a German normalized risk-free rate of 2.5% or the spot 15-year German government bond yield as of the valuation date.

Incremental country risk adjustments for other Eurozone countries with a sovereign debt rating below AAA may be appropriate. Please note that this information does not supersede Germany's IDW (Institut der Wirtschaftsprüfer) guidance for projects that will be reviewed by German auditors or regulators.

For the underlying data support for the latest guidance for the Eurozone, refer to Appendix A.

### United States

The black-swan scenario predicted after the U.S. administration's Liberation Day in April 2025 proved to be too pessimistic. The global economy has shown unexpected resilience and growth expectations have been upgraded to match levels from a year ago. The U.S. economy has shown to be particularly strong after Q1 2025, despite large quarterly swings in imports and inventories, and the longest U.S. government shutdown on record (in October). By some metrics, consumer confidence has not recovered from the April 2025 tariff lows, partly due to continued affordability issues connected to lingering inflation and high prices. However, overall consumer spending has continued to be strong, helping fuel economic growth. This has led many economists to argue the U.S. economy is experiencing a K-shaped growth pattern, where the top income quintile of households continues to spend generously, while the bottom income households are struggling to pay monthly bills. On the business side, companies have generally shown strong earnings growth in 2025, with the stock market rally beginning to broaden beyond the so-called "Magnificent 7" stocks and the AI trade.

As the U.S. labor market continues to show signs of cooling (although not yet in a concerning way), the Federal Reserve may still lower its short-term policy rate later in 2026, following the cumulative 75 basis points of cuts in late 2025. The newly announced Fed Chair, Kevin Warsh, who is expected to take the central bank's helm in May 2026 (if confirmed by the U.S. Senate), has signaled that he believes lower interest rates are appropriate for the U.S. economy.

A supportive monetary policy has already helped fuel corporate debt issuance, as hyperscalers continue to finance construction of data centers and other AI related infrastructure, while other companies are using funds to refinance existing debt and pursue M&A opportunities. AI investment, deregulation and the rollout of the OBBBA in the U.S. will also support business and consumer spending, likely driving U.S. real GDP growth to exceed that of its Western partners in 2026. While a stock market correction driven by AI and related stocks remains a risk for 2026, the broadening of trade to other sectors bodes well for markets.

Based on current economic and financial market conditions, **the Kroll Recommended U.S. ERP is being reaffirmed at 5.0%**, when developing USD-denominated discount rates, until further guidance is issued. This is matched with the higher of a U.S. normalized risk-free rate of 3.5% or the spot 20-year U.S. Treasury yield as of the valuation date.

For the underlying data support for the latest U.S. ERP guidance, refer to Appendix A.

## Are U.S. Treasury Yields Still a Reasonable Proxy for the U.S. Risk-free Rate?

While trade tensions de-escalated, tariff threats are still being used by the U.S. as a negotiation tactic with its trading partners. A fractured trade environment and a volatile U.S. policy have led to significant depreciation of the U.S. dollar in 2025 and contributed to global investors diversifying away from U.S. assets like Treasuries, into gold and other precious metals, as well as a rotation into emerging-market debt and equities from non-U.S. markets.

In addition, over the last few years, the U.S. has increased its use of economic sanctions and assets freezes as foreign policy tools. The “weaponization” of the U.S. dollar has pushed many governments to embark on a path of de-dollarization, by searching for alternative mediums of exchange and storage of value. This became particularly visible after the Russia-Ukraine war, where sanctions imposed by the U.S. (and some allies) incentivized Russia and its allies (including China) to become less dependent on the U.S. dollar. This has also led to a number of central banks, particularly in emerging markets, to seek alternatives to the U.S. dollar. According to analysis by J.P. Morgan, de-dollarization process is most evident in commodity markets, where the greenback’s influence on pricing has diminished, but not meaningful in other areas.<sup>8</sup>

Geopolitical risks continue to be high and impacting markets worldwide, partly driven by U.S. administration policy actions. The removal of Venezuelan President Nicolas Maduro from power, talks about Greenland annexation, and possible military operations in Iran are some of the recent examples. U.S. policy uncertainty and the continued rise in the budget deficit and national debt may keep long-term U.S. interest rates high and volatile.

This, combined with Moody’s downgrade of the U.S. sovereign rating in mid-2025, has led several experts to challenge the role of U.S. Treasuries as the proxy for the global risk-free rate. Some have suggested that this implies that a country risk premium should be applied when developing discount rates for businesses operating in the United States.

Nearly 12 years after the August 2011 S&P downgrade of the U.S. credit rating, Fitch Ratings followed suit by downgrading the U.S. credit rating to “AA+” from “AAA” on August 1, 2023. This was partly a consequence of the debate about raising the U.S. debt ceiling and related political division in U.S. Congress. This is similar to the reasons cited by S&P back in 2011, reflecting a pessimistic view by the agency about the capacity of the U.S. administration and Congress to agree on a broader fiscal consolidation plan. Moody’s was the last of the three major rating agencies to act, downgrading the U.S. credit rating to “Aa1” from “Aaa” on May 16, 2025. Moody’s cited the inability of successive U.S. administrations and Congress to agree on measures to reverse the trend of large annual fiscal deficits and growing interest costs. Moody’s predicted that over the next decade, the U.S. government would increase budget deficits, while government revenue would remain broadly flat. In their opinion, persistent, large fiscal deficits will drive the government’s debt and interest burden higher.<sup>9</sup>

Nevertheless, we believe, at least in the near-term, that the U.S. Treasuries will continue to be perceived by market participants as risk-free assets when pricing U.S. investments. The following are some reasons supporting that belief (this is a non-exhaustive list):

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<sup>8</sup> Kaneva, Natasha, “De-dollarization: Is the US dollar losing its dominance?”, J.P. Morgan, July 1, 2025.

<sup>9</sup> “Moody’s Ratings downgrades United States ratings to Aa1 from Aaa; changes outlook to stable”, Moody’s Ratings, May 16, 2025.

- Flight-to-quality and behavior of U.S. Treasury yields following rating agency announcements:** Ignoring the immediate reaction following each of the rating agencies' announcements of a sovereign credit rating downgrade, the impact on U.S. Treasury yields has been relatively muted. For example, the week following S&P's downgrade in 2011, signs of a global economic slowdown resurfaced. Financial markets reacted by moving away from risky securities, such as equities and high yield debt, into U.S. government debt securities, in search for a safe haven. As a result, the yields on U.S. Treasuries (which have an inverse relationship to price) declined significantly and continued to do so through August 2011.

In 2023, the yield on 10-year U.S. Treasuries climbed from around 4.0% at the end of July (just prior to Fitch's rating decision) to almost 5.0% in October, but that "Treasury Tantrum" period has been largely attributed to other factors (e.g., rising term premia, quantitative tightening, etc.).<sup>10</sup> Importantly, October 2023 was accompanied by investor fears of "higher for longer" interest rates, following a hawkish stance by the Fed, in its attempt to control inflation. In other words, Fitch's rating downgrade had little effect on observed yields. By year-end 2023, 10-year yields were back to around 4.0%.<sup>11</sup>

More recently, the 10-year U.S. Treasury yield has dropped from 4.4% on May 16 (the date of Moody's rating announcement) to 4.2% by December 31, 2025.

The rating decisions are a signal that there are fractures in the traditional role of the U.S. as the main safe haven in the world. Should government debt continue to rise far above the size of the U.S. economy, investors are likely to demand a higher premium to invest in U.S. government debt vs. that issued by other countries. But for now, while U.S. government bond yields are above their record lows reached in 2020, interest rates still remain at what are arguably historically low levels, relative to prior to the global financial crisis of 2008–2009.

- Reserve currency status and lack of alternatives:** The U.S. dollar is still considered the reserve currency for the global economy, with the U.S. government debt still the most liquid market in the world. According to IMF data, foreign exchange reserves in U.S. dollars represented 56.9% of world currency reserves at the end of Q3 2025. The closest reserve currency was the euro at 20.3%, followed by 5.8% in Japanese yen. The U.S. dollar's latest share is a drop from the 58.5% at the end of 2024, and 62.3% at end of 2019 (just prior to Covid-19), but it far surpasses any other currency in the world.<sup>12</sup>

In global payment terms, Swift tracks the share of payments by currency, as part of monitoring the rise in internationalization of the renminbi (or Chinese yuan). As of December 2025, Swift reported that the U.S. dollar held a share of 50.5% of global payments vs. 21.9% for the euro. In terms of international payments (i.e., excluding payments within the Eurozone), the U.S. dollar share was even higher at 58.6%, compared to 13.7% for the euro.<sup>13</sup> When contrasted with December 2024,

<sup>10</sup> Diercks, Anthony M., and Dev Asnani (2024). "The Treasury Tantrum of 2023", FEDS Notes. Washington: Board of Governors of the Federal Reserve System, September 3, 2024, <https://doi.org/10.17016/2380-7172.3500>.

<sup>11</sup> See for example, Smith, Elliot, "Top economists unanimous on 'higher for longer' rates as inflation threats linger", CNBC, published October 17, 2023, updated October 23, 2023.

<sup>12</sup> IMF Currency Composition of Official Foreign Exchange Reserves, World Aggregates, Third Quarter of 2025.

<sup>13</sup> Swift is a global member-owned cooperative and the world's leading provider of secure financial messaging services. Visit the Swift's Document Center for "RMB Tracker" monthly reports.

the U.S. dollar held a share of 49.1% of global payments, but a 60.1% of international payments (i.e., excluding intra-Eurozone payments).

Using various data sources, researchers at the Board of the Federal Reserve have recently reviewed the use of the dollar globally over the last two decades. They found that the U.S. dollar has kept a dominant and relatively stable role, adding that the near-term challenges to the dollar's dominance appear limited.<sup>14</sup>

At approximately \$30 billion in size, the U.S. Treasury's market liquidity is unparalleled to any other government security.<sup>15</sup> According to some research, the U.S. Treasury market did see liquidity deteriorate in April 2025, as measured by bid-ask spreads. However, the level of deterioration observed after Liberation Day was much less than in March 2020, and even somewhat less than during the March 2023 regional banking turmoil.<sup>16</sup>

- Premium required by market participants to hold U.S. government debt vs. AAA-rated sovereign debt issued by other countries in USD:** Based on our experience and observation of global sovereign debt markets, U.S. government debt securities continue to exhibit lower yields to maturity, compared to other government debt instruments issued in USD and with similar characteristics and maturities, but with better sovereign credit ratings. The following table illustrates the observed yield spread on USD-denominated debt issued by AAA-rated countries over and above U.S. government debt of equivalent maturity, over different time periods.<sup>17,18</sup>

	December 2019	December 2020	December 2024	December 2025
Canada	0.0%	n/a	0.0%	0.1%
Denmark	n/a	0.1%	0.3%	0.1%
Sweden	0.0%	0.1%	0.3%	0.1%

We will continue to monitor economic and financial market conditions, as well as geopolitical events that may change our guidance in the coming months.

Please contact our support team with any questions: [costofcapital.support@kroll.com](mailto:costofcapital.support@kroll.com).

<sup>14</sup> Bertaut, Carol, Bastian von Beschwitz, and Stephanie Curcuru (2025). "The International Role of the U.S. Dollar – 2025 Edition," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, July 18, 2025, <https://doi.org/10.17016/2380-7172.3856>.

<sup>15</sup> U.S. Department of the Treasury. Fiscal Service, Federal Debt Held by the Public as of Q3 2025, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FYGFDPUN>, February 3, 2026.

<sup>16</sup> Michael J. Fleming, "How Has Treasury Market Liquidity Fared in 2025?," Federal Reserve Bank of New York Liberty Street Economics, November 12, 2025, <https://doi.org/10.59576/lse.20251112>.

<sup>17</sup> Based on Kroll's quarterly country risk premium study. As part of the study, Kroll computes country risk premium indications for 175+ countries, and the methods used depend on data availability. Observed yield spreads can be calculated when the foreign country has issued sovereign bonds denominated in USD (from a U.S. investor perspective). When this is true, the foreign country sovereign bond with the longest maturity is selected. The yield of an equivalent U.S. government of the same (or similar) maturity is then subtracted from the yield of the foreign country sovereign bond to arrive at an indicated country risk premium. The foreign country bond is screened for the longest maturity available, with a fixed coupon bullet bond, with no callable features or make-whole provisions, and for which a U.S. government security of similar maturity exists. Because the countries in this illustration are all rated as AAA, Kroll concludes that the country risk is 0.0% (zero) for those countries, despite the small observed spread.

<sup>18</sup> Note: "n/a" shown when no foreign bond met Kroll's study criteria on the specified date.

## Kroll Cost of Capital Inputs

Data as of January 30, 2026

	U.S. (in USD)	Eurozone ** (in EUR)	U.K. †† (in GBP)	Canada †† (in CAD)	Australia †† (in AUD)
Normalized Risk-Free Rate	Higher of 3.5% or Spot*	Higher of 2.5% or Spot†	Higher of 4.0% or Spot‡	Higher of 3.5% or Spot§	Higher of 3.5% or Spot#
Kroll Recommended Equity Risk Premium	5.0% *	5.0% to 5.5% †	n/a	n/a	n/a

\* We recommend using the spot 20-year U.S. Treasury yield as the proxy for the risk-free rate, if the prevailing yield as of the valuation date is higher than our U.S. normalized risk-free rate of 3.5%. This guidance is effective when developing USD-denominated discount rates as of June 16, 2022, and thereafter. Based on current economic indicators and financial market conditions, the Kroll Recommended U.S. ERP is 5.0% when developing USD-denominated discount rates as of September 02, 2025, and thereafter.

† We recommend using the spot 15-year German government bond yield as the proxy for the risk-free rate, if the prevailing yield as of the valuation date is higher than our German normalized risk-free rate of 2.5%. This guidance is effective when developing EUR-denominated discount rates as of March 31, 2024, and thereafter. Based on current economic and financial market conditions, the Kroll Recommended Eurozone ERP has decreased to a range of 5.0% to 5.5%, but we believe that an ERP towards the higher end of the range (i.e., closer to 5.5%) is likely more appropriate when developing EUR-denominated discount rates as of January 30, 2026, and thereafter.

‡ We recommend using the spot 20-year U.K. Gilt yield as the proxy for the risk-free rate, if the prevailing yield as of the valuation date is higher than our U.K. normalized risk-free rate of 4.0%. This guidance is effective when developing GBP-denominated discount rates as of October 18, 2022, and thereafter.

§ We recommend using the spot Government of Canada Benchmark Long-Term Bond yield as the proxy for the risk-free rate, if the prevailing yield as of the valuation date is higher than our Canada normalized risk-free rate of 3.5%. This guidance is effective when developing CAD-denominated discount rates as of October 18, 2022, and thereafter.

# We recommend using the spot 10-year Australia Commonwealth Government bond yield as the proxy for the risk-free rate, if the prevailing yield as of the valuation date is higher than our Australia normalized risk-free rate of 3.5%. This guidance is effective when developing AUD-denominated discount rates as of October 31, 2022, and thereafter.

\*\* German normalized risk-free rate and Eurozone equity risk premium (ERP) for use in EUR-denominated discount rates from a German investor perspective. Additional country risk adjustments may be warranted when estimating discount rates for other countries in the Eurozone.

†† Although currently we do not have an official Kroll Recommended ERP for the U.K., Canada and Australia, historical and other forward-looking ERP information for these countries is available in the International Cost of Capital Inputs dataset within the Cost of Capital Navigator.

## Appendix A

Data support for the Kroll Recommended Eurozone and U.S. ERP

**Exhibit 1: Spot, Long-Term, and Normalized Risk-Free Rates for Germany as of December 31, 2025**

<b>Method 1: Long-Term Average</b>			
<u>15-Year German Government Securities:</u> <sup>19</sup>			
- Spot Rate (as of December 31, 2025)		3.3%	
- Long-Term (10-year) Trailing Average Yield		1.1%	
<b>Method 2: Fisher Equation</b>		<b>Range</b>	<b>Median</b>
Estimated Long-term Real Risk-Free Rate <sup>20</sup>		-1.1% to 1.5%	0.5%
Expected Long-term Inflation <sup>21</sup>		1.9% to 2.1%	2.0%
<b>Range of Estimates</b>		<b>0.8% to 3.6%</b>	<b>NMF</b>
<b>Midpoint</b>		<b>2.2%</b>	<b>2.5%</b>
<b>Concluded Normalized Risk-free Rate</b>		<b>2.5%</b>	

<sup>19</sup> Source: Interest rates on listed German federal securities (calculated using Svenson method), Deutsche Bundesbank.

<sup>20</sup> List of the academic paper references used to arrive at the real rate estimates, German Council of Economic Experts (2015), "Focus on Future Viability", Annual Report 2015/16, Federal Statistical Office, Wiesbaden; Hristov, Atanas, "Measuring the Natural Rate of Interest in the Eurozone: A DSGE Perspective", CESifo Forum 17 (1), 2016, 86-91; German Council of Economic Experts (2016), "Time for Reforms", Annual Report 2016/17, Federal Statistical Office, Wiesbaden; Belke, Ansgar, and Jens Klose. "Equilibrium real interest rates and secular stagnation: An empirical analysis for euro area member countries." JCMS: Journal of Common Market Studies 55, no. 6 (2017): 1221-1238; German Council of Economic Experts (2017), "Towards a Forward-Looking Economic Policy", Annual Report 2017/18, Federal Statistical Office, Wiesbaden; Fries, Sébastien, Jean Stéphane Mésonnier, Sarah Mouabbi, and Jean-Paul Renne. "National natural rates of interest and the single monetary policy in the euro area." Journal of Applied Econometrics 33, no. 6 (2018): 763-779; Brand, Claus, Marcin Bielecki, and Adrian Penalver. "The natural rate of interest: estimates, drivers, and challenges to monetary policy." ECB Occasional Paper 217 (2018); Beyer, Robert CM, and Volker Wieland. "Instability, imprecision and inconsistent use of equilibrium real interest rate estimates." Journal of International Money and Finance 94 (2019): 1-14; Belke, Ansgar, and Jens Klose. "Equilibrium real interest rates and the financial cycle: Empirical evidence for Euro area member countries." Economic Modelling 84 (2020): 357-366; Arena, Marco, Gabriel Di Bella, Alfredo Cuevas, Borja Gracia, Huong Nguyen, and Alex Pienkowski, "It is Only Natural: Europe's Low Interest Rates" (July 1, 2020); Davis, Josh, Cristian Fuenzalida, and Alan M. Taylor. "The Natural Rate Puzzle: Global Macro Trends and the Market-Implied r." No. w26560. National Bureau of Economic Research, 2019; Reichenbachas, Tomas, Linas Jurkšas, and Rokas Kaminskas. "Natural real rates of interest across Euro area countries: Are R-stars getting closer together?." No. 24. Bank of Lithuania, 2021.

<sup>21</sup> Source of underlying data: BMI, a Fitch Solutions Company, "Country Risk and Industry Research Data", December 16, 2025; Consensus Economics, "Consensus Forecasts – Surveys of International Economic Forecasts – G7 & Western Europe", Survey Date: December 8, 2025 for 2026 data and October 13, 2025 for long-term data; Economist Intelligence Unit (EIU), "Country Forecast: Germany", December 19, 2025; S&P Market Intelligence (formerly IHS Markit), "Comparative World Overview Tables (Interim Forecast, Monthly)", December 15, 2025; International Monetary Fund (IMF), "World Economic Outlook – Navigating Global Divergences", October 2025; PwC, "Global Economic Watch – Projections", December 2025.

**Exhibit 2:** Factors Considered in the Kroll U.S. ERP Recommendation:  
Relative Change from April 15, 2025 to December 31, 2025

	<b>Factor</b>	<b>Change</b>	<b>Effect on ERP</b>
<b>Financial Markets</b>	U.S. Equity Markets	▲	▼
	Implied Equity Market Volatility	▼	▼
	Corporate Credit Spreads	▼	▼
	Damodaran Implied ERP Model	◀▶	◀▶
	Default Spread Model	◀▶	◀▶
	U.S. Equity Market Uncertainty Index	▼	▼
	<b>Economic Indicators</b>	Historical & Projected Real GDP Growth	▲
Unemployment		▲	▲
Consumer Sentiment		▲	▼
Business Confidence		◀▶	◀▶
Sovereign Credit Ratings		◀▶	◀▶
Economic Policy Uncertainty (EPU) Index		▼	▼

**Exhibit 3:** Factors Considered in the Kroll U.S. ERP Recommendation:  
Relative Change from September 2, 2025 to December 31, 2025

	<b>Factor</b>	<b>Change</b>	<b>Effect on ERP</b>
<b>Financial Markets</b>	U.S. Equity Markets	▲	▼
	Implied Equity Market Volatility	▼	▼
	Corporate Credit Spreads	◀▶	◀▶
	Damodaran Implied ERP Model	▲	▲
	Default Spread Model	◀▶	◀▶
	U.S. Equity Market Uncertainty Index	▲	▲
<b>Economic Indicators</b>	Historical & Projected Real GDP Growth	▲	▼
	Unemployment	◀▶	◀▶
	Consumer Sentiment	▼	▲
	Business Confidence	◀▶	◀▶
	Sovereign Credit Ratings	◀▶	◀▶
	Economic Policy Uncertainty (EPU) Index	▲	▲

**Exhibit 4: Factors Considered in the Kroll Eurozone ERP Recommendation:**

Relative Change from April 15, 2025 to December 31, 2025

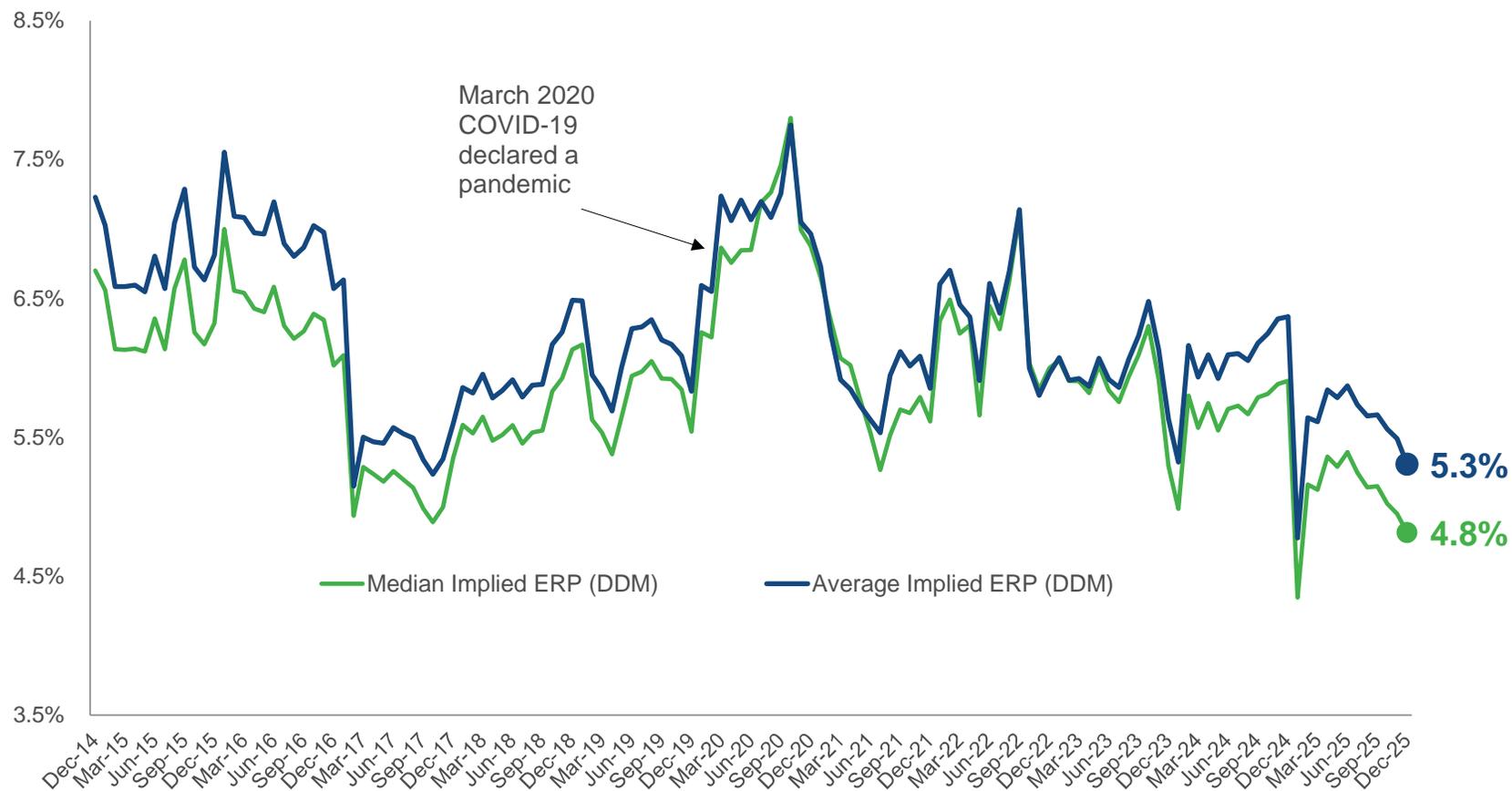
	<b>Factor</b>	<b>Change</b>	<b>Effect on ERP</b>
<b>Financial Markets</b>	European Equity Markets	▲	▼
	Implied Equity Market Volatility	▼	▼
	Corporate Credit Spreads	▼	▼
	Dividend Discount Model Implied ERP	▼	▼
	Default Spread Model	◀▶	◀▶
	<b>Economic Indicators</b>	Historical & Projected Real GDP Growth	▲
Unemployment		◀▶	◀▶
Consumer Sentiment		◀▶	◀▶
Business Confidence		◀▶	◀▶
Sovereign Credit Ratings		◀▶	◀▶
Economic Policy Uncertainty (EPU) Index		▼	▼

**Exhibit 5: Factors Considered in the Kroll Eurozone ERP Recommendation:**

Relative Change from September 2, 2025 to December 31, 2025

	<b>Factor</b>	<b>Change</b>	<b>Effect on ERP</b>
<b>Financial Markets</b>	European Equity Markets	▲	▼
	Implied Equity Market Volatility	▼	▼
	Corporate Credit Spreads	◀▶	◀▶
	Dividend Discount Model Implied ERP	◀▶	◀▶
	Default Spread Model	◀▶	◀▶
	<b>Economic Indicators</b>	Historical & Projected Real GDP Growth	▲
Unemployment		◀▶	◀▶
Consumer Sentiment		◀▶	◀▶
Business Confidence		◀▶	◀▶
Sovereign Credit Ratings		◀▶	◀▶
Economic Policy Uncertainty (EPU) Index		▼	▼

**Exhibit 6: Kroll Eurozone Conditional ERP – Dividend Discount Model (DDM) – Top Down**  
 December 2014 to December 31, 2025



Source of underlying data: Refinitiv I/B/E/S estimates and market data, various sources for German long-term real GDP and inflation estimates. Analysis by Kroll.

**Exhibit 7: Kroll Eurozone Conditional ERP – Quantitative Models**  
 December 2014 to December 31, 2025



Source of underlying data: Refinitiv I/B/E/S estimates and market data, Capital IQ, Bloomberg, various sources for German long-term real GDP and inflation estimates. Analysis by Kroll.