

European Banks – ESG Update and 2026 Outlook

- ESG volumes are expected to reach around EUR950bn in 2026, supported by refinancing needs and repeat programmes. Green bonds continue to dominate.
- FIG and SSA issuers will benefit from broadening mandates, large redemptions and policy initiatives.
- So far in 2026, FIG activity has been more resilient while SSAs saw a more tentative start to the year.
- Relative value is increasingly driven by issuer quality, liquidity and standardisation.

William Hahn
Senior Credit Analyst
+44 20 7597 8355
William.Hahn@uk.daiwacm.com

Nicholas Cullum
Credit Analyst
+44 20 7597 8355
Nicholas.Cullum@uk.daiwacm.com

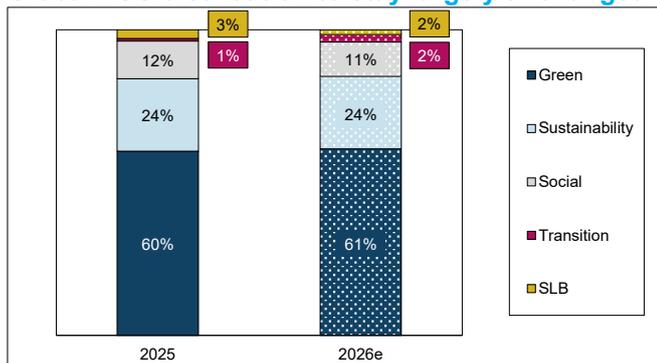
Overview: Benign structural factors to sustain ESG issuance at historically elevated levels in 2026

In 2025, global ESG bond issuance across all sectors – comprising green, social, sustainable and SLB bonds – reached EUR993bn. This was 4% down on the previous year but still represented the second-strongest full-year of issuance. The reduction in volumes was seen across most labelled categories, mainly due to restrained activity early in the year, which was largely but not fully offset by an improved 2H25. The strongest reductions were registered among social (-21% yoy), SLB (-18% yoy), as well as green bonds (-1% yoy). Sustainability debt issuance was the only segment that remained stable, benefitting from broader mandates and greater activity among supnationals and sovereign issuers.

In Europe, ESG-linked bond issuance by SSAs and FIGs reached EUR381bn in 2025, beating last year’s figure (+4.5% yoy) according to Bloomberg data. Of that total, green bond sales stood at EUR182bn (-3.4% yoy), sustainability bond volumes were EUR145bn (+18% yoy) and social bonds accounted for EUR53bn (+19% yoy). ESG-themed bonds issued by European financial institutions were also up EUR21bn from a year earlier to EUR131bn (+19% yoy). SSAs experienced modest declines as volumes fell by EUR4bn to EUR250bn (-1.6% yoy). Only sustainability-labelled debt grew (+18% yoy), mostly offsetting the overall reduction.

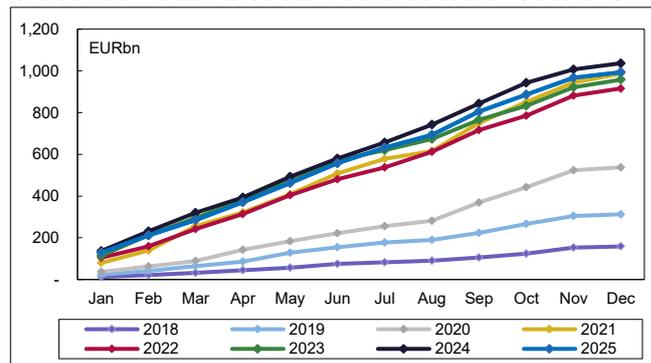
For 2026 our outlook for sustainable debt markets remains broadly benign with global issuance volumes anticipated to reach some ~EUR950bn. We expect support to come from the refinancing pipeline, with sizeable, labelled maturities and redemptions creating a floor for primary activity as repeat issuers recycle existing programmes. Green bonds should remain the predominant label, supported by investment needs tied to energy transition and infrastructure. We also see digital infrastructure (notably data-centre related capex) becoming a more visible funding theme within labelled frameworks. At the same time, we do not expect a return to peak-cycle growth as sustainable issuance in some instances competes with other funding priorities, including higher defence-related spending in Europe, which at the margin may crowd out some ESG allocations. New entrants and repeat issuers under the EU Green Bond Standard (EuGBS), alongside ICMA’s Climate Transition Bond Guidelines (CTBG), should provide incremental support to volumes, with the latter helping credible transition use-of-proceeds structures to become more established.

Global ESG distribution to stay largely unchanged



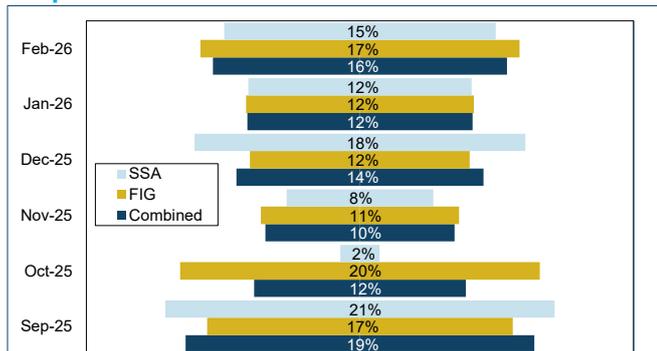
Source: Bloomberg; Daiwa Capital Markets Europe

Global cumulative sustainable debt transactions



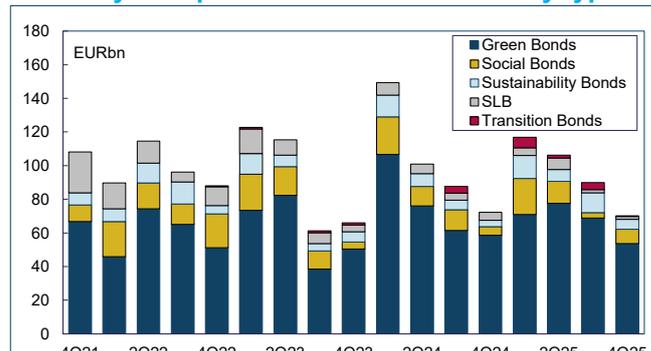
Source: Bloomberg; FIG, SSA & Corporates; Daiwa Capital Markets Europe

Proportion of ESG-themed debt to total issuance*



Source: Bloomberg; Daiwa Capital Markets Europe; *EUR by European issuers

Quarterly European ESG bond issuance by type



Source: Bloomberg; FIG, SSA & Corporates; Daiwa Capital Markets Europe

Please note the disclaimers and disclosures on the last page of this document.

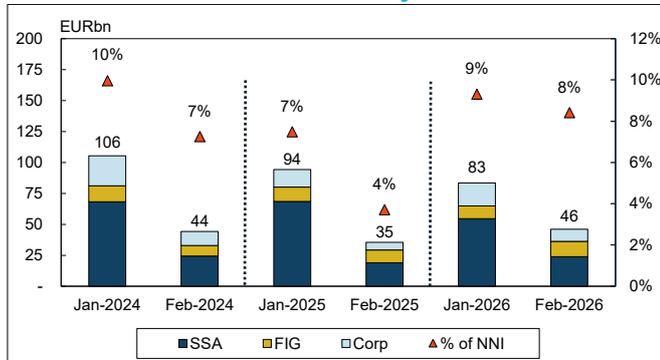
Sustainable Finance Outlook and Trends for 2026

In 2026, sustainable debt markets are likely to be shaped by a mix of refinancing needs, changing issuer funding priorities and tightening definitions around what qualifies as sustainable. Redemption profiles across corporates, SSAs and banks will keep repeat issuance programmes active, while label choices are increasingly driven by eligibility constraints and disclosure expectations. For instance, taxonomy-aligned proceeds need to be evidenced under EuGBS-type reporting, and transition structures need to demonstrate that they are supported by credible transition pathways while providing safeguards against carbon lock-in. This poses the question whether certain formats will remain investable under evolving SFDR fund classifications and exclusion rules. Overall, we expect green use-of-proceeds to remain the dominant format in ESG bond markets, but with greater dispersion across labels and frameworks as standards and product regimes evolve.

Indicative volumes and issuance drivers for 2026

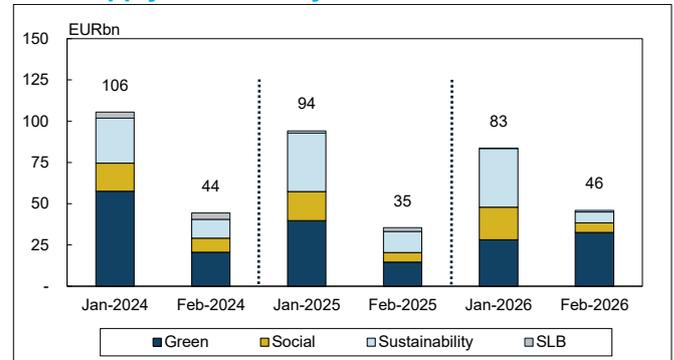
Our expectation remains that sustainable bond issuance will hold up well in 2026 but is unlikely to eclipse the highs seen in recent years. For SSAs and banks, volumes are largely anchored by stable programme needs and maturity profiles, with market sentiment affecting execution windows. When looking at early 2026 primary market activity, we note that participation was strong, with higher average coverage levels and generally lower concessions. However, tight levels in some cases contributed to price sensitivity and stronger book attrition. Funding windows also looked more congested than usual, with a mix of holidays and geo-political events compressing execution opportunities, while secondary spreads were, for the most part, tighter in January and February and therefore supportive for issuers coming early. The charts below point to a split by segment, where FIG activity has been comparatively resilient while the SSA sector lagged previous January periods. That is consistent with a more cautious start from parts of the public sector borrower base due to greater price and duration sensitivity within this more congested window. With regards to ESG labels, January looked less dominated by any one format, with supply more evenly distributed than in the comparable 2024 and 2025 periods. Despite USD SSA supply reaching record levels, the labelled pipeline also reflected the absence of some key issuers early in the year. GBP activity has been firmer than last year while the USD market has so far absorbed more duration. Overall, the early-2026 market has been open and functional. But execution remains sensitive to timing, particularly for SSAs.

SSAs had a slower start to the year



Source: Bloomberg; Daiwa Capital Markets Europe; NNI = Net new issuance

ESG supply more evenly distributed in 2026



Source: Bloomberg; Daiwa Capital Markets Europe

Defence-linked formats expected to gather pace

From 2025 onwards we have observed a willingness for labelled and thematic funding to go beyond established green and social themes into areas linked to greater regional autonomy and security. These themes have emerged due to a significant shift in the geopolitical order and a string of global conflicts. Generally, defence bonds are only considered ESG-aligned when they finance clearly-defined, non-controversial, and often dual-use security activities under a ring-fenced use-of-proceeds and reporting framework. Additionally, investor ESG policy and criteria need to explicitly permit defence exposure, often subject to strict exclusions. We previously noted that SSAs, such as EIB, KfW and Bpifrance have broadened their mandates and become active in this field.

More recently, the first FIG issuers have pushed into this space. France's third largest bank, BPCE, became the first European financial institution to issue a dedicated 'European Defence Bond' under the Euronext label. BPCE's rationale for issuing a defence-labelled bond was to create a ring-fenced, use-of-proceeds funding channel for defence and security-related assets at a time when European policy priorities are shifting and where those exposures do not fit neatly into traditional green or social definitions. The EUR750m 5-year bond drew strong demand, with order books 3.7x oversubscribed. BPCE adopted familiar ESG-style governance features such as an external review and annual allocation reporting. While some of the investor base was segmented by mandate restrictions, the label explicitly allows defence/security and dual-use activities. And the governance framework is designed to make proceeds traceable and reportable. This can broaden the eligible buyer base relative to an unsecured general-purpose bond even if it does not result in a green or social instrument. Looking ahead, this should represent an area of incremental growth.

Please note the disclaimers and disclosures on the last page of this document.

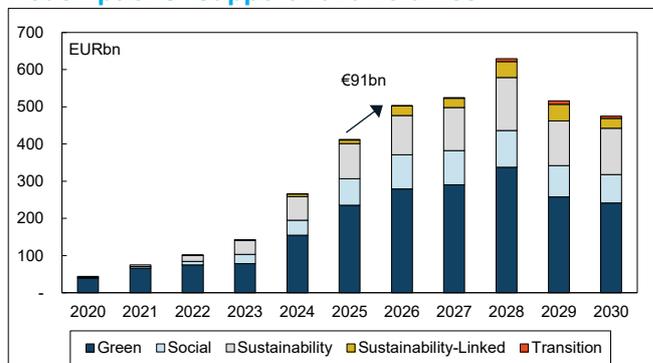
SSAs continue their ESG engagement with broader mandates and the green transition

On the SSA side, 2026 issuance is likely to remain supported by large, repeat funding programmes that are gradually broadening in scope and, as mentioned above, are incorporating areas such as defence-related needs. Additionally, the EU’s ‘Grid Package’ is expected to result in significant allocations towards the green transition, while Germany’s expanded fiscal plans will support more investment for climate action and the energy transition via the country’s Climate Transition Fund. These factors are all considered to be supportive for volume growth over the short to medium term. Regarding defence and security in an SSA context, the EIB illustrates the expanded role that issuers are expected to play. Funding for these purposes has already been stepped up three times in two years and will stand at around EUR4.5bn in 2026. This may appear small compared to overall EIB funding activity in 2026 (likely about EUR100bn), but represents a growing sub-segment. Together with other major supranationals that are also incorporating more defence related activities, this shifts the boundary of what policy priorities are fundable under public-sector mandates. Looking at SSA bond redemptions for the year that amount to EUR14bn, these will undoubtedly play a role in issuance behaviour and supply but are also well below the EUR48bn seen last year. Lastly, sustainable formats are moving toward more developed definitions and standardised disclosures, which support entities that can evidence alignment at a more granular level (i.e. taxonomy-linked reporting, clearer eligible project definitions and repeatable allocation/impact reporting). In our view, SSA issuers are well placed to deal with these additional burdens as their public-sector mandates inherently provide a pipeline for taxonomy-aligned projects with sophisticated reporting standards.

Redemptions provide hard floor for FIG supply

For FIGs, 2026 sustainable issuance should remain broadly steady. In Europe, we expect volumes to reach EUR135bn, roughly one-fifth of euro bank bond supply. One key support factor for issuance is the redemption and refinancing cycle. According to Bloomberg data, bank ESG redemptions will rise to around EUR40bn in 2026, which should keep repeat issuers active. But not all maturities will be refinanced in labelled format due to look-back periods, stricter use-of-proceeds criteria and loan amortisation since issuance. Meanwhile, adoption of new issuance formats could play a growing role in 2026 as banks have started expanding their stock of taxonomy eligible assets, allowing them to access EuGB funding. So far, uptake has been selective ahead of the Commission’s review of technical screening criteria as well as expected simplifications to ‘do no significant harm’ (DNSH) rules with the aim of improving usability. The amendments to the delegated act on taxonomy technical screening criteria are slated for 2Q26.

Redemptions* support 2026 volumes

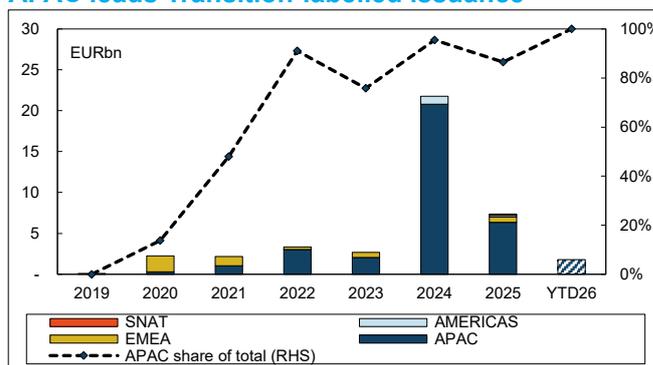


Source: Bloomberg & Daiwa Capital Markets Europe; *FIG, Corp & SSA redemptions.

Transition finance could grow again outside of Asia

Transition finance remains one of the most discussed areas of sustainable debt markets but also one of the least developed in terms of consistent issuance patterns. After peaking in 2024, volumes have dropped off significantly and are predominantly concentrated in APAC. This segment has lacked fully developed framework guidance that works for issuers, investors and regulators alike. But to a large degree this was addressed by [ICMA's Climate Transition Bond Guidelines \(CTBG\)](#) introduced in November 2025. We consider the CTBG a significant step forward as it introduced a standalone ‘Climate Transition Bond’ (CTB) label alongside transition loan guidance. The label is designed to help (re)-finance projects to achieve goals of the Paris Agreement, especially in high-emitting sectors. The issuance guidance supplements the entity-level practices, actions and disclosures recommended by the Climate Transition Finance Handbook (CTFH) for issuers of sustainable bonds.

APAC leads Transition-labelled issuance



Source: Bloomberg; Daiwa Capital Markets Europe

We do not imminently expect a wave of transition bonds to reach the market following this publication, as many near-term use cases can also be labelled as green. But we expect activity to pick up where green labelling is not an option and where lock-in risks can be addressed transparently. This includes areas such as carbon capture, usage and storage (CCUS), infrastructure enabling fuel switching, methane abatement, and financing for the decommissioning of legacy fossil assets in more fossil-heavy grids. In this context, banks providing transition loans may become key issuers of transition bonds, as they already originate sizeable transition loan books and can refinance portfolios through a use-of-proceeds CTB structure with defined eligibility criteria and reporting, making the underlying transition assets easier for investors to evidence and compare. This would provide a more repeatable issuance channel than project-by-project

Please note the disclaimers and disclosures on the last page of this document.

corporate transition capex and could support incremental CTB supply as templates develop. We anticipate some increased transition bond issuance in 2026, possibly doubling from 2025 levels. But adoption will remain gradual and uneven because investor acceptability still differs by sector and project type. Over the medium term, proposed 'SFDR 2.0' investment category changes, including a new transition label, are expected to be benign for category growth.

SFDR 2.0 proposal introduces transition category, reduces relabelling and improves comparability

When the Sustainable Finance Disclosure Regulation (SFDR) was first fully operationalised in 2023, it was intended to help investors compare sustainable finance products and reduce greenwashing. But, in practice, Articles 6, 8, and 9 became de facto labels and the framework went on to struggle with unclear definitions, patchy underlying data, and disclosures that were long and complicated to compare. This lack of clarity arguably undermined the perception of the disclosure regime and even resulted in repeated label reclassifications, distorting demand for certain bonds. The market found it difficult to accommodate SLBs under the SFDR reporting logic, diminishing the investor base for issuer-level transition instruments relative to use-of-proceeds bonds. It is arguably one reason why SLB transactions have become so rare in a European issuance context. The Commission's policy response is the proposal for SFDR 2.0 that moves towards explicit fund categories and clearer rules on ESG fund-naming aimed at making classifications more robust and comparable. Importantly, it also proposes a transition category, which could over time offer a solution for issuer-level transition instruments by giving transition strategies a clearer bucket within labelled portfolios.

The explicit product categorisation under SFDR 2.0 (i.e. Sustainable, Transition, ESG basics) changes incentives for investors and issuers. The proposal's 70% threshold is the minimum share of a fund's portfolio that must be invested in line with the fund's stated sustainability approach, effectively mandating funds that want a label to evidence portfolio alignment. The new categories also introduce mandatory exclusions, such as fossil fuel expansion exclusions in the Transition and Sustainable categories, which is one reason the transition bucket may remain relatively narrow. Furthermore, under the European Commission's SFDR reform proposal it is stated that products with a proportion of EU taxonomy-aligned investment equal to or higher than 15% should be considered as complying with the "contribution" criterion for the Sustainable and Transition product categories. In practice, this would be seen as an incentive because it provides a clearer way to evidence alignment against the 70% test, rather than acting as a hard requirement. Therefore, issuers that can issue EuGB or otherwise taxonomy-aligned bonds may become more attractive to funds in those categories. The SFDR Transition bucket may seem to encourage investors to return to transition instruments such as SLBs. But a key constraint persists, namely fossil fuel exclusions, which could result in the category remaining niche. According to Morningstar Sustainability, only 1.6-3% of EU fund AuMs would be able to qualify for the proposed Transition category, further relegating the label to niche status under the current proposal. The Commission has also suggested that a large share of current ESG products could sit in the 'ESG basics' category, which may limit the scale of any near-term demand shift into the Transition and Sustainable buckets. For now, the SFDR 2.0 proposal will not result in immediate changes, and volume effects should only be felt gradually as the reforms still need to pass the legislative process, which is expected to only take effect in 2027 or 2028.

Daiwa Capital Markets Conference 2025: ESG Panel

Each November, Daiwa Securities hosts its annual Capital Markets Conference (DCMC) in Tokyo, bringing together issuers and investors to debate key market developments. The ESG-themed panel session at this year's DCMC, entitled "*New Horizons in Sustainable Bond Markets*", convened a diverse set of market participants for a discussion on the evolving dynamics of sustainable finance. The conversation explored the state of ESG bond markets after a turbulent year, the increasing prominence of climate adaptation measures, the social dimension, the role of labels and accountability, the momentum of transition finance, and recent product innovation such as sustainability-linked loan bonds (SLLBs) and outcome-based structures. The panel comprised senior representatives from the International Bank for Reconstruction and Development (IBRD), Nordic Investment Bank (NIB), BNG Bank, the Ministry of Finance of Indonesia, and Manulife Investment Management Japan.

DCMC 2025: ESG Panel Members		
Panellist	Role	Institution
Colleen Keenan	Senior Financial Officer, Treasury	World Bank (IBRD)
Angela Brusas	Director, Funding & Investor Relations	Nordic Investment Bank (NIB)
Sydney Siahajaja	Head of Funding	BNG Bank
Shunsuke Oshida	Head of Credit Research	Manulife Investment Management (Japan)
Chandra Wibowo	Deputy Director, Directorate of Government Securities	Ministry of Finance, Indonesia
William Hahn (Moderator)	Senior Credit & ESG Analyst Europe	Daiwa Capital Markets Europe (DCME)

Key take-aways from the session included the following:

- **Innovation and new structures:** Investor engagement has changed. Transparency and the impact of projects are increasingly at the forefront of investors' minds. At the World Bank, innovation has revolved around creating more liquid products that address climate action, culminating in the recent outcome-bond structures. Increased collaboration among MDBs is aimed at generating new projects, establishing co-financing structures and increasing transparency. For example, new guidelines for so-called 'Amazon bonds' were developed by the World Bank and the IADB. These are based on ICMA principles and will involve local civil societies and communities, putting the

primary beneficiaries at the heart of these projects. In Japan, transition finance remains the largest opportunity within the ESG space, with issuance largely coming from corporates operating in hard to abate sectors.

- **State of ESG bond markets and investor priorities:** Volatility in rates and geopolitics over 2025 had tested labelled bond markets, but investor demand remained fundamentally strong. NIB reported record green bond issuance in 2024, with demand again outstripping supply in 2025, particularly from Asian investors. A clear trend emerged toward deeper due diligence at the issuer level, while investors are increasingly focused not only on use of proceeds but also on an issuer's overall sustainability strategy, governance, and alignment with the EU taxonomy and other frameworks. While some issuance had slowed in Japan amid rising domestic rates and a preference for simpler structures, investor appetite could rebound once rate pressures eased. Recognition of nature and biodiversity impacts was also increasing, with NIB integrating a dedicated nature strategy into its climate framework.
- **Adaptation & resilience as core themes:** Climate adaptation is no longer a secondary consideration but operates alongside mitigation as an imperative, particularly in developing countries facing heightened physical climate risks and socio-economic vulnerabilities. IBRD emphasised that one in five people globally are at risk from climate-related hazards, often exacerbated by poverty or lack of access to essential services. So, resilience requires investment in both hard infrastructure (e.g. flood-resistant roads, climate-resilient schools) and nature-based solutions (e.g. mangrove rehabilitation, watershed protection), coupled with institutional strengthening and disaster risk management capabilities. Nearly half of IBRD's fiscal-year lending now qualifies as climate finance, with a strategic aim for half of that to support adaptation-related objectives.
- **Social outcomes, housing affordability & integrated approaches:** BNG Bank highlighted that societal resilience is equally relevant in developed markets, citing acute housing shortages and affordability challenges in the Netherlands. These pressures, if unaddressed, risk fuelling populist narratives and polarising politics, as seen in recent election cycles. BNG's financing of the Dutch social housing sector is therefore both a social and a green investment, improving energy efficiency standards while lowering living costs for tenants. The bank's sustainability bonds integrate multiple use-of-proceeds categories under one framework, reflecting how green and social objectives frequently overlap within municipal and housing association budgets.
- **Labels, preferences & alignment with issuer strategies:** Opinions varied on whether the market is still in a phase of label expansion or moving toward consolidation. ICMA's newly published Climate Transition Bond Guidelines were seen as a valuable addition, potentially boosting credibility for transition-related financing. Panellists agreed that labels, when used strategically, can be powerful signalling tools – such as NIB's Blue bond issuance to highlight water sector investments – but stressed that the ultimate benchmark for investor confidence remains issuer strategy alignment and credible impact delivery. There was consensus that labels might become less critical if transparency and disclosure were sufficiently robust across the market, but that stage has not yet been reached.
- **Transition finance momentum & product innovation:** Japan's leadership in transition finance, particularly in power utilities, was likely to endure due in part to surging electricity demand from AI data centres and semiconductor production, as well as energy security considerations. In Europe, adoption has been more cautious, but innovative structures are emerging. NIB's first SLLB framework, financing sustainability-linked loans to hard-to-abate and asset-light sectors, was a bridge between conventional UoP bonds and performance-linked finance. The product attracted the same investors who buy NIB's green bonds, with some allocating SLLBs into Article 9 funds.
- **Greeniums & non-financial benefits:** While there was little measurable greenium in primary pricing, several participants noted stronger investor engagement, larger order books, and, in some cases, longer-tenor investor willingness for thematic bonds compared to vanilla issuance. Indonesia's thematic strategies – green sukuk, SDG, and Blue Samurai bonds – provide benchmarks for domestic corporates, strengthened government sustainability signalling, and improved public communication via allocation and impact reports in politically sensitive debt contexts.
- **Outcome bonds & targeted impacts:** In IBRD's updated outcome bond format, coupon flows are directed to project developers and investor returns are linked to verified success metrics. The USD225m Amazon Reforestation Bond demonstrated potential for larger issues and wider investor bases, while examples such as the Rhino Bond engaged niche impact investors. Future pipeline ideas include coral reef and species rehabilitation, agroforestry, sustainable grasslands, enhanced rock weathering, and clean cookstoves. Outcome bonds remain a small but strategic part of IBRD's programme, designed to channel resources to projects where conventional financing may be insufficient.
- **Impact reporting – burden or value-add?:** While reports impose burdens on issuers, especially for complex outcomes, they are essential for informed investment decisions and engagement. Investors use them to benchmark portfolio emissions, initiate dialogue, and assess issuer credibility. The reports primarily serve investors but can also support wider stakeholder transparency. The key, according to the investor perspective, is tailoring scope and detail to the needs of the intended investor audience rather than attempting to meet all possible use cases

European primary markets

SSA ESG issuance volumes in 2H25 reached EUR93.5bn, down 17% on the previous year, of which 63% had a sustainability bond indicator, 27% were green bonds, and 9% were social bonds. The number of SLB transactions remained low again at just two. Performance across labels was mixed compared to the same period last year, with strong declines among social (-84% yoy) and green bonds (-16% yoy), while sustainability bonds rose markedly to EUR59bn (+94% yoy). The average deal size was down in 2H25 to EUR240m (-14% yoy), but the overall number of registered new issues increased to 397, up from 334. Bid-to-cover ratios improved against the previous year but fell just short of levels seen during the same period last year. Most SSA deals were launched in September (91) and October (97), with the majority of deals carrying 7-10 year tenors (28%), followed by 3-5 years (25%), 20-30 years (14%), and 1-3 years (13%).

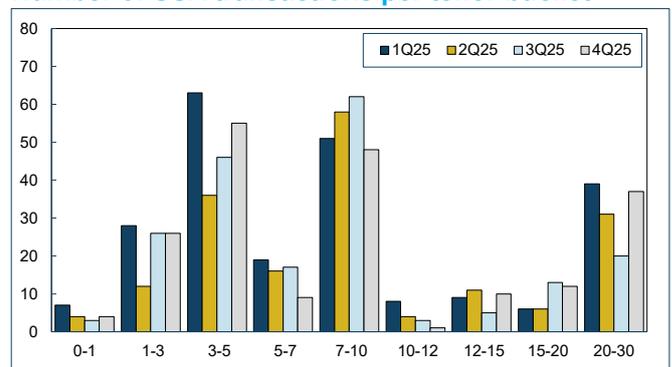
SSA - Top 10 European ESG Issuers 2H25		
Issuers	Total Issued (€m)	Average Tenor (years)
IBRD	22,657	13.6
KfW	10,296	9.9
IDA	9,599	8.8
IFC	5,877	7.8
EIB	5,110	7.7
IDB	3,868	10.3
ACOSS	2,875	1.9
AIIB	2,623	8.4
ADB	1,926	5.6
IDB Invest	1,616	5.6

Source: Bloomberg; Daiwa Capital Markets Europe

2026 SSA supply drivers and expectations

We expect 2026 activity to remain anchored by expanding programme sizes and refinancing needs, staying broadly flat at elevated levels. Gross supply will benefit from key issuers raising funding targets for the year. For example, the EU guided for issuance of around EUR160bn, while its redemptions will step up to around EUR47bn, supporting a more front-loaded funding profile even as the NGEU borrowing phase approaches its expected end. German agencies and Laender will be important sources of activity, with KfW having lifted its funding target to EUR75–80bn and the green component rising to EUR15bn (+EUR5bn yoy). Several Laender will also increase borrowing as fiscal room improves. We also see gradual broadening of EuGBS adoption, with Denmark becoming the first sovereign EuGB issuer, while repeat EuGB issuance by large SSAs such as EIB underlines that the format can be executed at scale. With SSA spreads still tight by recent standards, issuers are likely to remain price-sensitive, with timing and execution shaped by funding needs as well as the ability to clear with limited new issue premium.

Number of SSA transactions per tenor bucket

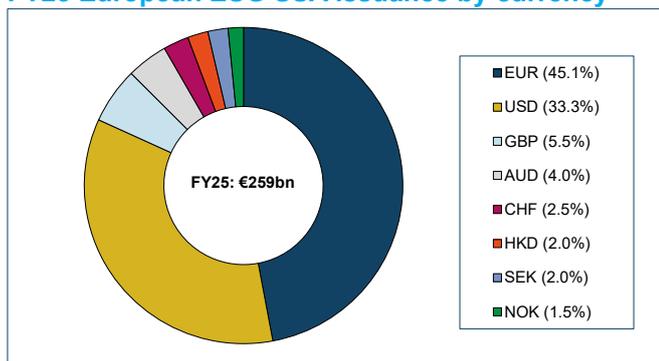


Source: Bloomberg; Daiwa Capital Markets Europe

EuGBS finds increasingly broad adoption

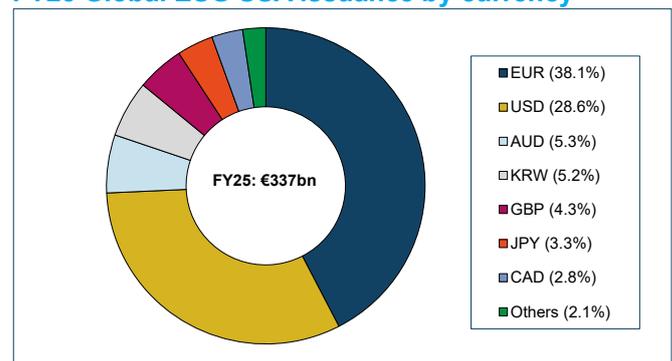
In February, the **EIB** executed its second EuGB-aligned Climate Awareness Bond, issuing EUR4bn and attracting demand in excess of EUR42bn, with pricing tightening by 2bp from guidance to MS+14bp. The deal was framed around updated EuGB documentation and an expanded eligible project set within the CAB programme. The pricing outcome suggested only a minimal new issue premium, with secondary levels at issue implying just 1bp premium versus fair value. **Bpifrance** also expanded the SSA EuGB issuer base with a EUR1bn 10-year transaction in February, building an orderbook of EUR8.8bn and pricing at 15bp over OATs. Beyond the novelty of the label, the deal also stood out for its no-grow language and strong pre-marketing, which supported execution and reinforced the notion that EuGB prints are not confined to supranationals. Notably, the transaction was priced inside Bpifrance’s curve, highlighting the fact that these trades can result into beneficial funding cost outcomes, beyond orderbook size. At the sub-sovereign level, **Madrid** printed a no-grow EUR1bn sustainable bond with orders peaking around EUR6.6bn and tightening by 5bp to 5bp over SPGBs, alongside a high international allocation (76%) and banks/private banks taking 65%. Madrid has also indicated plans to return with a EuGB in 2Q26, highlighting a broader pipeline among regional borrowers. Lastly, **Denmark** remains the key sovereign reference for the new standard, having launched its DKK7bn bond, outlining plans to build the line via taps towards DKK10bn, while also signalling that future green issuance will be in the EuGB format.

FY25 European ESG SSA issuance by currency



Source: Bloomberg; Daiwa Capital Markets Europe

FY25 Global ESG SSA issuance by currency



Source: Bloomberg; Daiwa Capital Markets Europe

Please note the disclaimers and disclosures on the last page of this document.

Total FIG ESG volumes in 2H25 reached EUR61bn (+7% yoy), and market activity issuance windows saw some distinct shifts compared to the same period last year. There was a notable uptick in the number of deals completed in July, which is traditionally quiet, while 4Q25 deal flow was more muted. Green bonds continue to make up the overwhelming portion of labelled issuance with EUR54bn (+19% yoy), followed by EUR5bn in social bonds (-46% yoy), and EUR2bn in sustainability bonds (-11% yoy). SLB issuance continues its absence from the FIG space since 2Q24. The average deal size increased in 2H25 to EUR160m (+7% yoy) and the overall number of registered new issues also rose to 384, up from 334. Bid-to-cover ratios were up against the previous year, supported by higher-yielding duration trades that attracted greater investor interest. Bond maturities were concentrated in the 3-5-year maturity bucket (48% of total). We saw the shift into longer duration trades with overall tight spread levels incentivising issuers and investors to be active in these segments. Supply was otherwise in the 7-10 year maturity bucket (18%), followed by 5-7 years (13%).

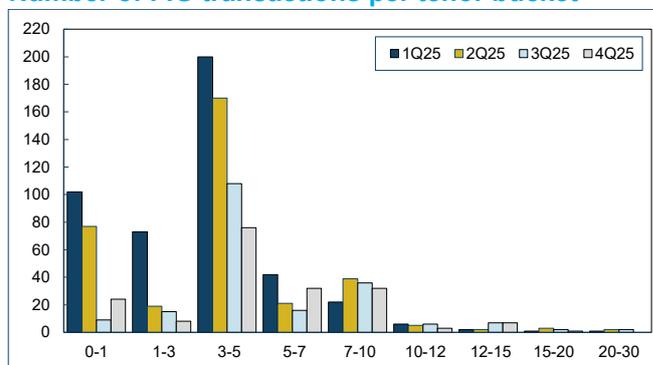
FIG - Top 10 European ESG Issuers 2H25		
Issuers	Total Issued* (€m)	Average Tenor (years)
Crédit Agricole SA	3,200	7.0
ABN AMRO	1,609	6.0
BNP Paribas SA	1,500	8.0
SHB	1,500	8.5
Danske Bank	1,250	9.1
Nordea Bank	1,250	10.0
Swedbank	1,061	5.0
DZ HYP	1,010	5.0
CA Home Loan	1,000	8.0
AIB Group	1,000	11.0

Source: Bloomberg; Daiwa Capital Markets Europe

2026 FIG supply drivers and expectations

We expect FIG ESG bond supply to remain broadly steady in 2026, supported by structural balance-sheet factors. ESG bond redemptions are material (EUR40bn) and will be a supportive supply-side factor. We expect higher redemptions to bring repeat issuers back to market. But the share of refinancing will continue to depend on look-back periods, asset eligibility criteria, and asset amortisation since issuance. This should keep issuance skewed towards larger, repeat-issuer frameworks and more standardised asset categories. Continued climate mitigation lending will support green issuance, while social themes are expected to remain mostly constrained to social housing, employment generation, and gender equality themes. Furthermore, EuGBS adoption is likely to remain selective among banks in 2026, as full taxonomy alignment and reporting requirements remain operationally taxing and funding advantages versus established ICMA-aligned structures are inconsistent. To date only six separate FIG issuers have utilised the voluntary format.

Number of FIG transactions per tenor bucket

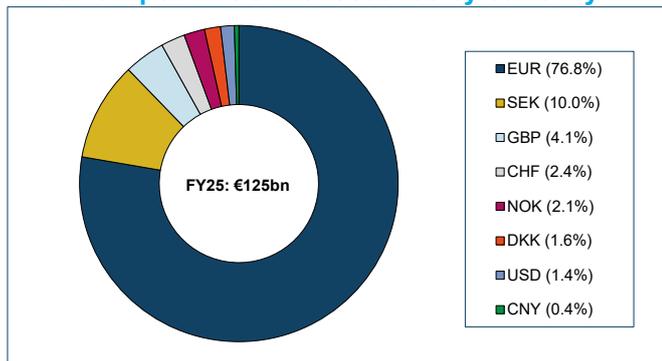


Source: Bloomberg; Daiwa Capital Markets Europe

EuGB and debut euro green benchmarks

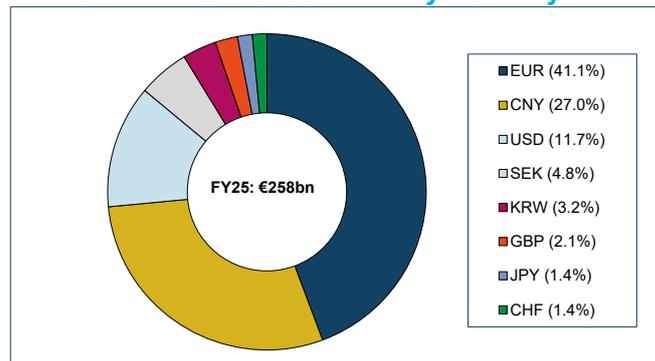
In early 2026, **Deutsche Bank** placed its inaugural EuGB in the market, the first from a G-SIB. The EUR500m bond was issued in senior non-preferred format, a 4NC3 tenor at MS+65bps (-30bps from IPT). Label, size, tenor and strong demand helped DB price some 5bps inside fair value. The transaction followed an update to the bank's [Sustainable Instruments Framework](#), with proceeds allocated to refinance taxonomy-compliant residential green building loans. In January, **Standard Chartered (SCB)** came to market to print its debut euro green benchmark, placing a EUR1bn green Sr. HoldCo bond with an 8NC7 maturity. The bond was met with strong demand, garnering book orders beyond EUR3.9bn, tightening the spread by 30bps from IPT to MS+105bps, and implying only a low single-digit concession. It was the first issuance under the bank's [updated sustainability bond framework](#) from December 2025 and was positioned around emerging-market impact, with the bank disclosing that around 70% of its green assets are located in Asia, Africa and the Middle East. The deal marked an earlier than usual return to euro funding in the year. SCB's previous euro outing came in March last year when it launched its first ever EUR1bn social bond, also with an 8NC7 tenor. The proceeds had the same regional focus and were geared to women-led SMEs and fostering food security.

FY25 European ESG FIG issuance by currency



Source: Bloomberg; Daiwa Capital Markets Europe

FY25 Global ESG FIG issuance by currency

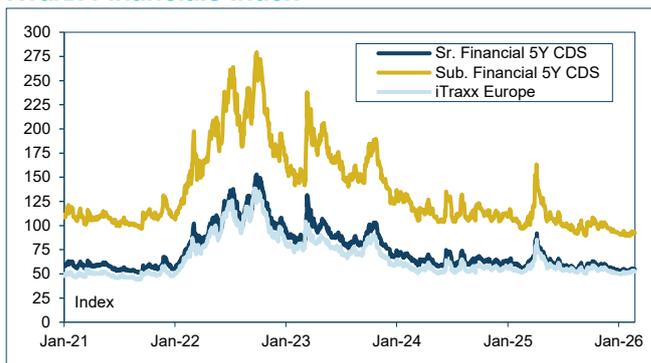


Source: Bloomberg; Daiwa Capital Markets Europe

Secondary markets

European bank CDS spreads have generally enjoyed a downward trajectory in recent months, remaining near 12-month lows. However, geopolitical tensions and concerns about private credit losses pushed markets into a risk-off sentiment as of end-February, resulting in CDS spreads widening. At this stage, with events in the Middle East having escalated significantly, it is not clear how long the current sentiment will last. But we note that, following on from the tariff-induced stresses from April-2025, there was no lasting idiosyncratic dislocation of the market. The confrontational approach of the U.S. administration after the recent Supreme Court ruling, followed by military strikes on Iran more recently injected major volatility into markets. But the 3-month average price of the subordinated financials CDS index was 7bp tighter at the beginning of March compared to the preceding three months, while the average senior index price was seen 4bps tighter over the same period. The 3-month difference between the subordinated and senior indices averaged some 38bps, 3bps tighter than the preceding three-month period and still below the four-year average of 62bps. Solid FIG FY25 credit fundamentals have also underpinned CDS prices and are expected to continue to do so over coming quarters with many entities revising up forward-looking financial targets.

iTraxx Financials Index



Source: Bloomberg; Data until 27.02.2026; Daiwa Capital Markets Europe

Greenium finds stability albeit diminished

The option-adjusted spread (OAS) between the ESG and non-ESG themed indices has been demonstratively less reactive to key events since the beginning of last year, signalling greater market maturity and improved demand/supply dynamics. A consistent supply pipeline, greater liquidity and better price discovery have contributed to the observed greenium broadly hovering around 1-2bps. The average greenium between the benchmarks over the past three months was measured at -2bps, diminished from the historical average of -3.3bps. Greeniums have not been a guaranteed benefit of labelling for some time now. And looking ahead, we expect them to be most defensible for liquid issuers with index-relevant benchmark size deals and good market timing. The 'right' label can still deepen demand and allow tighter pricing with better secondary performance.

Spreads (OAS) of ESG vs. non-ESG benchmarks

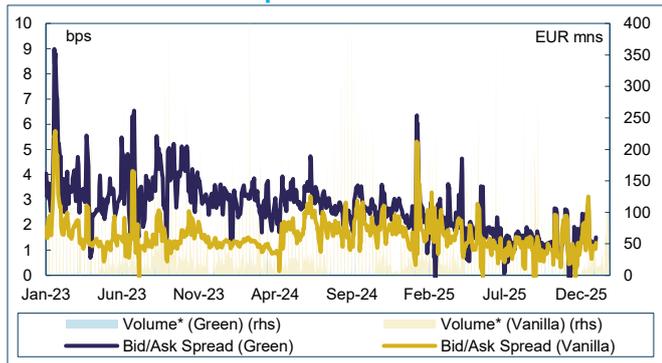


Source: Bloomberg; Barclays MSCI Euro-Corporate ESG Index vs Barclay Pan-European Aggregate Corporate Index; Data until 27.02.2026; Daiwa Capital Markets Europe

Danish EuGB and green Bund greeniums identical

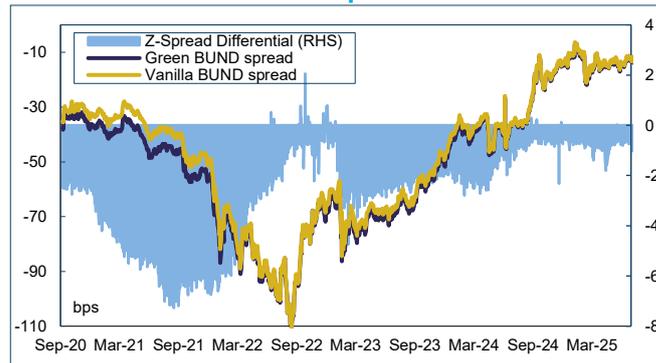
Average greeniums for liquid sovereigns such as German Bunds have stabilised towards the end of last year and even widened slightly at the beginning of 2026. The YTD median spread differential of the German Twin Bunds was -0.8bp, outperforming the same period last year (-0.6bp). Likewise, Denmark's new EuGB twin bond also demonstrated a greenium of -0.8bps since launching in October 2025. Green twin Bund bid-ask spreads narrowed slightly, benefitting from an upturn in traded volumes YTD (+50% yoy). The 3-day rolling average bid-ask spread over the past three months was 1bp for the green (previous 3-month reading: 1bp) and also 1bp for the conventional bond (unchanged). The 3-month average bid-ask spread differential between green and vanilla was also flat.

Twin Bund bid/ask spreads and traded volumes



Source: Bloomberg; until 27.02.2026; Daiwa Capital Markets Europe

Green vs. Vanilla Bund Z-spreads



Source: Bloomberg; until 27.02.2026; Germany Aug-2030 Twin; Daiwa Capital Markets Europe

Appendix: Key ESG Transactions 2026 YTD

Bank	Rank	Amount	Maturity	IPT (bps)	Final Spread (bps)	Book Orders
SSA						
AfDB	Sr. Unsecured (Social)	AUD1bn	5Y	ASW + 40	ASW + 40	n.a.
AFD	Sr. Unsecured (Sustainability)	EUR2bn	10Y	FRTR + 30	FRTR + 27	>EUR8.4bn
AiIB	Sr. Unsecured (SDB)	USD1bn	10Y	SOFR MS + 47	SOFR MS + 43	>USD14.1bn
AiIB	Sr. Unsecured (CAB)	AUD500m	5Y	ASW + 36	ASW + 35	>AUD1.65bn
AiIB	Sr. Unsecured (SDB)	GBP500m	5Y	SONIA MS + 37	SONIA MS + 36	>GBP1.2bn
ADB	Sr. Unsecured (Gender)	AUD1.5bn	5Y	ASW + 41	ASW + 40	>AUD2.45bn
ADB	Sr. Unsecured (Education)	HKD5bn	3Y	HIBOR + 3	HIBOR + 0	>HKD5.2bn
Basque Government	Sr. Unsecured (Sustainability)	EUR750m	10Y	SPGB + 9	SPGB + 4	>EUR6.5bn
BPIFrance	Sr. Unsecured (EuGB)	EUR1bn	10Y	OAT + 19	OAT + 15	>EUR8.8bn
CABEI	Sr. Unsecured (Social)	USD2bn	3Y	MS + 52	MS + 49	>USD8.8bn
CABEI	Sr. Unsecured (Sustainability)	GBP500m	3Y	SONIA MS + 65	SONIA MS + 57	>GBP4.3bn
CADES	Sr. Unsecured (Social)	GBP1bn	5Y	SONIA MS + 63	SONIA MS + 62	>GBP1.8bn
CADES	Sr. Unsecured (Social)	EUR2.5bn	7Y	FRTR + 10	FRTR + 10	>EUR10bn
CADES	Sr. Unsecured (Social)	USD4bn	5Y	SOFR MS + 60	SOFR MS + 57	>USD17bn
CAFFIL	Sr. Unsecured (Social)	EUR1bn	8Y	MS + 46	MS + 40	>EUR1.9bn
CDP	Sr. Unsecured (Social)	EUR750m	8Y	BTPS + 26	BTPS + 19	>EUR4.5bn
LCFB	Sr. Unsecured (Sustainability)	EUR750m	15Y	BGB + 40	BGB + 37	>EUR7.6bn
Comm. of Madrid	Sr. Unsecured (Sustainability)	EUR1bn	10Y	SPGB + 10	SPGB + 5	>EUR6.3bn
Council of Europe	Sr. Unsecured (Social)	GBP750m	3Y	SONIA MS + 36	SONIA MS + 35	>GBP3.2bn
EIB	Sr. Unsecured (Sustainability)	GBP1bn	4Y	SONIA + 33	SONIA + 33	>GBP6.9bn
EIB	Sr. Unsecured (EuGB)	EUR4bn	8Y	MS + 16	MS + 14	>EUR42bn
IDB	Sr. Unsecured (Social)	AUD1bn	5Y	ASW + 40	ASW + 39	>AUD3.48bn
IDB	Sr. Unsecured (Sustainability)	USD3bn	10Y	SOFR MS + 45	SOFR MS + 41	>USD9bn
IDB	Sr. Unsecured (Sustainability)	USD750m	5Y	SOFR + 29	SOFR + 28	>USD1.2bn
IFC	Sr. Unsecured (Social)	USD2bn	3Y	SOFR MS + 26	SOFR MS + 22	>USD5.4bn
Ile de France	Sr. Unsecured (Sustainability)	EUR1bn	10Y	OAT + 13	OAT + 10	>EUR3bn
Junta de Andalucia	Sr. Unsecured (Sustainability)	EUR1.25bn	10Y	SPGB + 18	SPGB + 14	>EUR4.9bn
KfW	Sr. Unsecured (Green)	AUD1.5bn	5Y	ASW + 39	ASW + 39	>AUD5.85bn
KfW	Sr. Unsecured (Green)	EUR5bn	7Y	MS + 12	MS + 10	>EUR26bn
KfW	Sr. Unsecured (Sustainability)	GBP2bn	5Y	SONIA MS + 42	SONIA MS + 41	>GBP5bn
KfW	Sr. Unsecured (Sustainability)	EUR5bn	3Y	MS + 5	MS + 3	>EUR47bn
KfW	Sr. Unsecured (Sustainability)	EUR5bn	10Y	MS + 20	MS + 17	>EUR50bn
KfW	Sr. Unsecured (Sustainability)	USD5bn	5Y	SOFR MS + 32	SOFR MS + 29	>USD25.5bn
KfW	Sr. Unsecured (Sustainability)	HKD6bn	3Y	MS + 3	MS + 0	>HKD9.2bn
FIG (Senior)						
Banco BPM	SP (Social)	EUR500m	5Y	MS+ 95	MS + 63	>EUR1.4bn
BNP Paribas	SNP (Green)	EUR1.5bn	8.25NC7.25	MS+ 130	MS + 105	>EUR3.3bn
Commerzbank	SNP (Green)	EUR750m	11NC10	MS+ 147.5	MS + 120	>EUR1.8bn
Credit Agricole	SNP (Green)	EUR1.25bn	12Y	MS+ 132.5	MS + 100	>EUR3.7bn
Deutsche Bank	SNP (EuGB)	EUR500m	4NC3	MS+ 95	MS + 65	>EUR2.3bn
DNB Bank	SP (Green)	EUR750m	6NC5	MS+ 80	MS+ 53	>EUR2bn
Iccrea Banca	SP (Social)	EUR500m	5Y	MS+ 95	MS + 68	>EUR1bn
ING	Sr. HoldCo (Green)	EUR1.25bn	6NC5	MS+ 100	MS+ 72	>EUR4.1bn
Lloyds	Sr. HoldCo (Green)	EUR750m	4NC3	3mE + 90	3mE + 63	>EUR1.9bn
Lloyds	Sr. HoldCo (Green)	EUR750m	11NC10	MS+ 122.5	MS+ 95	>EUR2.1bn
NBG	SP (Green)	EUR600m	5NC4	MS+ 105	MS + 75	>EUR3.1bn
NatWest	Sr. HoldCo (Green)	EUR750m	11NC10	MS+ 130	MS+ 100	>EUR2bn
Raiffeisen	SP (Green)	EUR500m	6NC5	MS+ 125	MS+ 93	>EUR2.4bn
Standard Chartered	Sr. HoldCo (Green)	EUR1bn	8NC7	MS+ 135	MS+ 105	>EUR3bn
FIG (Subordinated)						
Bank of Ireland	Tier 2 (Green)	EUR500m	12NC7	MS + 170	MS + 135	>EUR2.4bn
Bayern LB	Tier 2 (Green)	EUR500m	11NC6	MS + 160	MS + 130	>EUR1.4bn
BPCE	Tier 2 (Social)	EUR750m	11NC6	MS + 180	MS + 145	>EUR9.4bn
Commerzbank	Tier 2 (Green)	EUR500m	12NC7	MS + 165	MS + 135	>EUR3bn

Source: BondRadar; Bloomberg; SDB=Sustainable Development Bond; CAB = Climate Awareness Bond; EuGBS = EU Green Bond Standard; SIB = Social Inclusion Bond; NEB = Environmental Bond; Daiwa Capital Markets Europe

Credit Research

Key contacts

London

Head of Research

Head of Financials, Supras/Sub-sovereigns & Agencies, ESG

Credit Analyst

Chris Scicluna +44 20 7597 8326

William Hahn +44 20 7597 8321

Nicholas Cullum +44 20 7597 8844

Head of Translation, Economic and Credit

Maki Duffield +44-20 7597 8101

Tokyo

Chief Credit Analyst, Banks, Non-Japanese/Financials

Local government, Government agency

Real Estate, REIT, Non-Banks, Telecommunication Services

Non-Japanese/Corporates

Insurance, Non-Japanese/Financials

Chemicals, Iron & Steel, Marine Transportation, Pulp & Paper, Oil, Rail Transportation

Rail Transportation, Foods, Pharmaceuticals, Air Transportation

Automobiles, Power, Electronics

Fumio Taki +81 3 5555 8787

Koji Hamada +81 3 5555 8791

Takao Matsuzaka +81 3 5555 8763

Stefan Tudor +81 3 5555 8754

Yuki Sakamoto +81 3 5555 8756

Kazuaki Fujita +81 3 5555 8765

Kotaro Kusaka +81 3 5555 8779

Hiroki Uchida +81 3 5555 8693

International Credit

Non-Japanese/Financials

Non-Japanese/Financials

Non-Japanese/Corporates

Fumio Taki +81 3 5555 8787

Hiroaki Fujioka +81 3 5555 8761

Stefan Tudor +81 3 5555 8754

ESG

Chief Strategist of Securitization

Chief Market Strategist

Chief Analyst

Economist

Koji Matsushita +81 3 5555 8778

Shun Otani +81 3 5555 8764

Takao Matsuzaka +81 3 5555 8763

Kaori Ichikawa +81 3 5555 8758

DAIR <GO>

All of the research published by the London and New York research teams is available on our Bloomberg page at DAIR <GO>.

Access our research at:

<http://www.uk.daiwacm.com/ficc-research/research-reports>

This research report is produced by Daiwa Securities Co. Ltd., and/or its affiliates and is distributed by Daiwa Capital Markets Europe Limited ("DCME"). DCME is authorised and regulated by The Financial Conduct Authority and is a member of the London Stock Exchange. DCME and its affiliates may, from time to time, to the extent permitted by law, participate or invest in other financing transactions with the issuers of the securities referred to herein (the "Securities"), perform services for or solicit business from such issuers, and/or have a position or effect transactions in the Securities or derivatives or options thereof and/or may have acted as an underwriter during the past twelve months for the issuer of such securities. In addition, employees of DCME and its affiliates may have positions and effect transactions in such the Securities or derivatives or options thereof and may serve as Directors of such issuers. DCME may, to the extent permitted by applicable UK law and other applicable law or regulation, effect transactions in the Securities before this material is published to recipients.

This publication is intended only for investors who are professional clients as defined in MiFID II and should not be distributed to retail clients as defined in MiFID II. Should you enter into investment business with DCME's affiliates outside the United Kingdom, we are obliged to advise that the protection afforded by the United Kingdom regulatory system may not apply; in particular, the benefits of the Financial Services Compensation Scheme may not be available.

DCME has in place organisational arrangements for the prevention and avoidance of conflicts of interest. Our conflict management policy is available at <http://www.uk.daiwacm.com/about-us/corporate-governance-regulatory>. Regulatory disclosures of investment banking relationships are available at <https://daiwa3.bluematrix.com/sellside/Disclosures.action>.

Please note the disclaimers and disclosures on the last page of this document.

IMPORTANT DISCLOSURES

This report is provided as a reference for making investment decisions and is not intended to be a solicitation for investment. Investment decisions should be made at your own discretion and risk. Content herein is based on information available at the time the report was prepared and may be amended or otherwise changed in the future without notice. We make no representations as to the accuracy or completeness. Daiwa Securities Co. Ltd. retains all rights related to the content of this report, which may not be redistributed or otherwise transmitted without prior consent.

Ratings

Issues are rated 1, 2, 3, 4, or 5 as follows:

- 1: Outperform TOPIX/benchmark index by more than 15% over the next 12 months.
- 2: Outperform TOPIX/benchmark index by 5-15% over the next 12 months.
- 3: Out/underperform TOPIX/benchmark index by less than 5% over the next 12 months.
- 4: Underperform TOPIX/benchmark index by 5-15% over the next 12 months.
- 5: Underperform TOPIX/benchmark index by more than 15% over the next 12 months.

Benchmark index: TOPIX for Japan, S&P 500 for US, STOXX Europe 600 for Europe, HSI for Hong Kong, STI for Singapore, KOSPI for Korea, TWII for Taiwan, and S&P/ASX 200 for Australia.

Target Prices

Daiwa Securities Co. Ltd. sets target prices based on its analysts' earnings estimates for subject companies. Risks to target prices include, but are not limited to, unexpected significant changes in subject companies' earnings trends and the macroeconomic environment.

Disclosures related to Daiwa Securities

Please refer to https://drp.daiwa.co.jp/rp-daiwa/direct/reportDisclaimer/e_disclaimer.pdf for information on conflicts of interest for Daiwa Securities, securities held by Daiwa Securities, companies for which Daiwa Securities or foreign affiliates of Daiwa Securities Group have acted as a lead underwriter, and other disclosures concerning individual companies. If you need more information on this matter, please contact the Research Production Department of Daiwa Securities.

Explanatory Document of Unregistered Credit Ratings

This report may use credit ratings assigned by rating agencies that are not registered with Japan's Financial Services Agency pursuant to Article 66, Paragraph 27 of the Financial Instruments and Exchange Act. Please review the relevant disclaimer regarding credit ratings issued by such agencies at: https://drp.daiwa.co.jp/rp-daiwa/direct/reportDisclaimer/credit_ratings.pdf. If you need more information on this matter, please contact the Research Production Department of Daiwa Securities.

Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law

(This Notification is only applicable to where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with our company based on the information described in this report, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

** The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

Corporate Name: Daiwa Securities Co. Ltd.

Registered: Financial Instruments Business Operator, Chief of Kanto Local Finance Bureau (Kin-sho) No.108

Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association, Japan Security Token Offering Association