

MONTHLY EXECUTIVE BRIEFING



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Financing European defence: the role of banks

Defence spending in Europe is set to increase for the 12th consecutive year in 2026, with growth projected to reach 9% in real terms following near 13% uplifts in both 2024 and 2025. However, several countries will struggle to maintain such rates of growth as deficit levels rise. Some may therefore fail to reach the June 2025 NATO pledge to invest 3.5% of GDP annually on core defence requirements by 2035. With public finances under pressure, national and institutional initiatives aimed at mobilising private funding are starting to deliver positive results. Alongside increased venture capital and market activity, banks are playing a growing role in supporting and financing defence innovation.

- **Market activity was fast paced in 2025.** Defence companies experienced significant increases in share prices, profits, returns and order backlogs. The sustainability of this momentum will depend on government demand and industrial production capacity.
- **Private banks are playing a greater role in supporting defence investment.** Looser exclusionary policies, thematic funds and targeted reforms are enabling greater financing, while institutions are also playing an increasingly important advisory role – supporting the defence-industrial base in navigating access to private finance.
- **France has been particularly active in engaging the private sector, seeking to mobilise new sources of potential funding.** Efforts have yielded positive results in terms of the level of funding open to the defence sector.

GSIS 2026 News

The Global Security and Innovation Summit 2026 further strengthens its strategic positioning through new partnerships and expanded international engagement.

- *Cooperations with the German Maritime Centre (DMZ) and the Hamburg Chamber of Commerce enhance the Summit's content focus across digital technologies, maritime security and dual-use innovation, complemented by curated side events and new dialogue formats.*
- *Internationally, GSIS reinforced its transatlantic footprint with a strategic roundtable in Washington, D.C., during the SCSP AI+ Expo, underscoring its ambition to act as a year-round platform for security- and innovation-policy exchange.*



Private capital investment in European defence has grown considerably over the last two years as investors seek to gain from the strong performance of defence entities. Market activity has been fast paced, and the share prices of established defence primes such as BAE Systems, Rheinmetall and Saab have significantly increased. Rheinmetall's performance was particularly strong, with a near 540% increase in its share price between Q1 2023 and Q1 2026. According to its 2025 annual report, the company's backlog reached €63.8 billion (US\$72.1bn), up from €46.9bn (US\$50.7bn) in 2024, and €13bn (US\$15.4bn) in 2021.

Defence entities are also making successful debuts on stock markets. For example, shares of German company RENK and French firm Exosens increased almost threefold during 2025 following their listings in 2024. The Czechoslovak Group's (CSG) share price soared 31% on its trading debut in January 2026, valuing the company at over US\$33bn. ThyssenKrupp Marine Systems (TKMS) also soared on its Frankfurt market debut in October 2025 and swiftly met the criteria to be listed on the MDAX just two months later.

Following a strong 2025, share prices stalled in early 2026 after investors' concerns that high valuations could potentially limit further gains in the defence sector. Future performance will hinge on strong government demand signals and actual orders as well as effective execution of efforts by industry to increase production capacity.

Venture capital investment in defence also continued to grow in 2025. According to a February 2026 report from Dealroom and the NATO Innovation Fund, European defence, security and resilience (DSR) start-ups secured US\$8.7bn in venture capital in 2025, a 55% annual increase and largely underpinned by artificial intelligence (AI) investment.

"Finance is now part of deterrence. Bigger budgets only matter if long-term, affordable capital can flow quickly and at scale."

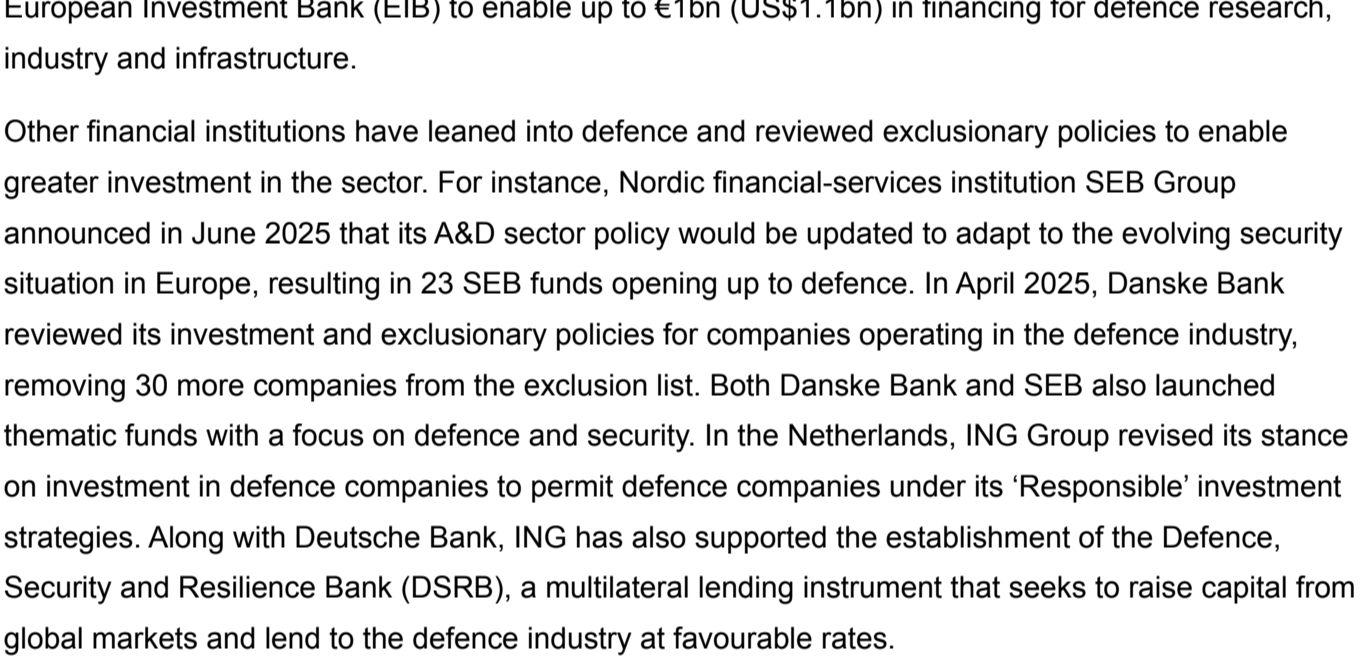
Fabrizio Campelli, head of Deutsche Bank Corporate Bank and Investment Bank and Management Board, February 2026

"It is both a responsibility and an opportunity to support the development of a stronger, safer, and more competitive Europe."

Robert Vicsai, Portfolio Manager of the SEB European Defence & Security Fund, August 2025

"We cannot meet today's security challenges with yesterday's financial tools. As a big European bank, we support the societies we operate in. Clearly there now is a bigger need for financing of defence activities focused on protecting Europe."

Mark Pieter de Boer, Chief Commercial Officer, ING, August 2025



The role of private banks

In April 2025, Deutsche Bank laid out the case for greater private investment in defence. Fabrizio Campelli, the head of Deutsche Bank Corporate Bank and Investment Bank and Management Board, stated the following month that the traditional bank lending model would fail to meet capital requirements and that public and private sources would need to play a role in the expansion of available capital. In June 2025, Deutsche Bank was the first bank to sign an agreement with the European Investment Bank (EIB) to enable up to €1bn (US\$1.1bn) in financing for defence research, industry and infrastructure.

Other financial institutions have leaned into defence and reviewed exclusionary policies to enable greater investment in the sector. For instance, Nordic financial-services institution SEB Group announced in June 2025 that its A&D sector policy would be updated to adapt to the evolving security situation in Europe, resulting in 23 SEB funds opening up to defence. In April 2025, Danske Bank reviewed its investment and exclusionary policies for companies operating in the defence industry, removing 30 more companies from the exclusion list. Both Danske Bank and SEB also launched thematic funds with a focus on defence and security. In the Netherlands, ING Group revised its stance on investment in defence companies to permit defence companies under its 'Responsible' investment strategies. Along with Deutsche Bank, ING has also supported the establishment of the Defence, Security and Resilience Bank (DSRB), a multilateral lending instrument that seeks to raise capital from global markets and lend to the defence industry at favourable rates.

Progress on French private-finance initiatives, December 2024–March 2026



French success
France has engaged in a series of measures since March 2025 as part of a national effort to finance the defence-industrial and technological base, and to bolster private and public investment. This has included increased engagement with the EIB, events to bring together public and private investors with industry, and regulatory reform. The public investment bank Bpifrance also established a public fund for defence, Bpifrance Défense, in October 2025. By the end of March 2026, the fund had already raised €56m (US\$65.3m) of the €450m (US\$508.3m) fund target.

Other achievements, as highlighted in an April 2026 report examining the country's progress on financing the defence-industrial base over the previous year, included a 26% increase in financing to French defence companies from the six main French banks – to reach a total of €46.6bn (US\$54.4bn). Furthermore, the report found that domestic financial institutions had created more defence-branded investment vehicles in 2025 than over the previous 30 years. Importantly, several new French funds focus on innovative dual-use companies, while others specialise in SMEs and mid-cap companies to bolster supply chains.

EIB reforms

At the European Union level, several reforms aimed at bolstering finance for defence have been enacted following the announcement of the EU's 'White Paper for European Defence – Readiness 2030' in March 2025. In November 2025, the European Commission (EC) proposed an 'EU Defence Industry Transformation Roadmap', which included support for a €1bn (US\$1.2bn) fund to provide growth capital to defence-related SMEs and scale-ups with the support of private funds.

The EC also proposed changes in the Defence Readiness Omnibus (DRO) to enable InvestEU to increase its financial support for the defence sector. The DRO provides the classification of weapons in sustainable finance and investment frameworks. This list is based on the international conventions by which most EU member states abide. The DRO also contains detailed guidance to help investors navigate the sustainable finance framework when investing in the defence sector, an important service for investors and new market entrants seeking to gain access to finance. At an individual bank level, Danske Bank, for example, also provides financial services to the defence sector, including bank guarantees, foreign-exchange, services and supply-chain financing.

€4.5 BILLION

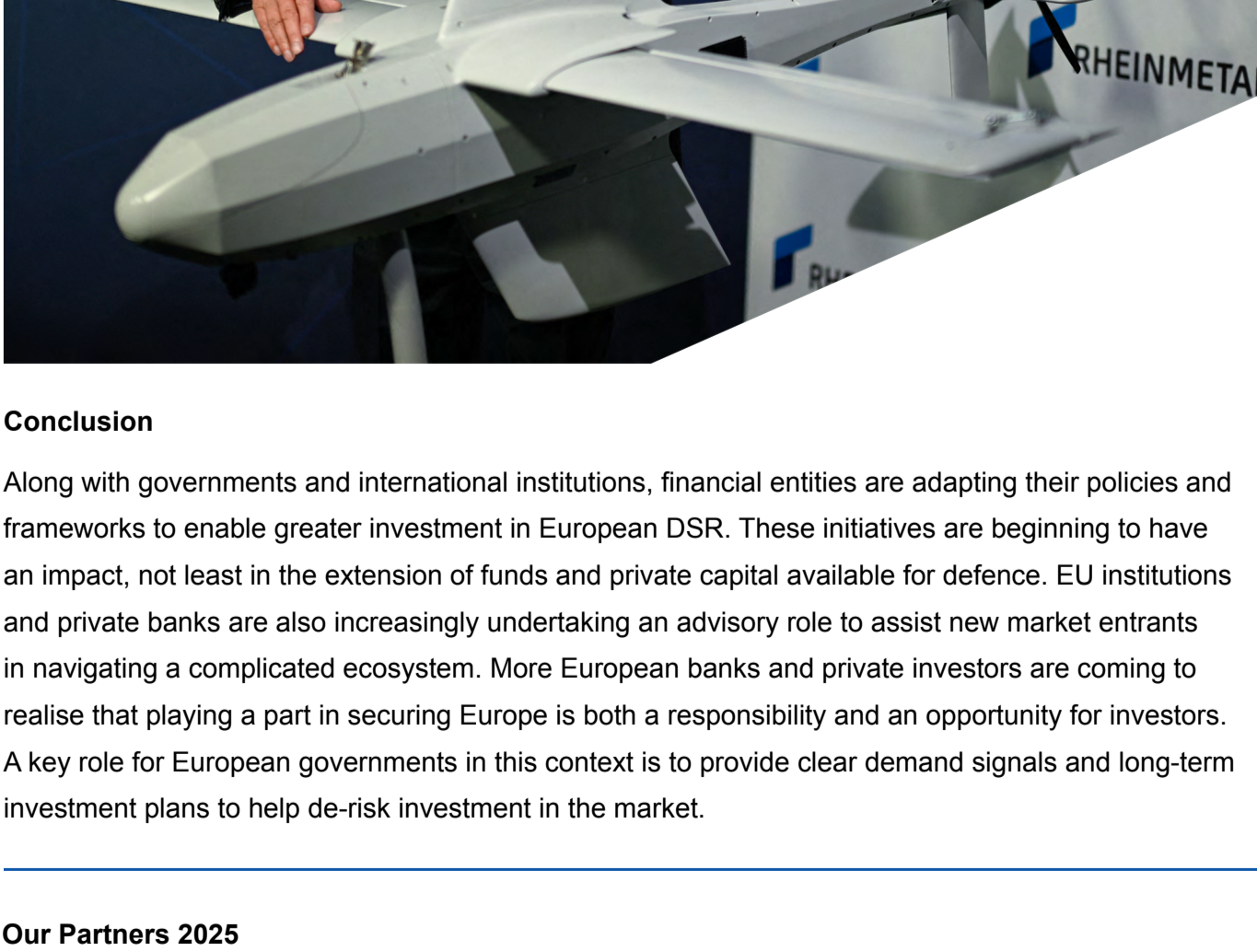
PLANNED EIB SECURITY AND DEFENCE FINANCING IN 2026

+57%

GAIN ON THE STOXX EUROPE AEROSPACE AND DEFENSE INDEX IN 2025

€73 BILLION

RHEINMETALL ORDER BACKLOG AT END Q1 2026



Conclusion

Along with governments and international institutions, financial entities are adapting their policies and frameworks to enable greater investment in European DSR. These initiatives are beginning to have an impact, not least in the extension of funds and private capital available for defence. EU institutions and private banks are also increasingly undertaking an advisory role to assist new market entrants in navigating a complicated ecosystem. More European banks and private investors are coming to realise that playing a part in securing Europe is both a responsibility and an opportunity for investors. A key role for European governments in this context is to provide clear demand signals and long-term investment plans to help de-risk investment in the market.

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