Fixed Income Update Week 32

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Refinancing auctions ahead

- In August, DKK FRNs of just under DKK 37 billion and EUR FRNs of EUR 1.5 billion maturing in October are due for refinancing
  - The entire FRN maturity is from NYK
  - The EUR FRN maturity consists primarily of an EUR 1.25 billion non-callable SDO to EURIBOR 3M
  - The DKK FRN maturity consists exclusively of CIBOR 3M FRNs.
- In addition, DKK bullets of just over DKK 44 billion maturing in October are due for refinancing.
  - Of this amount, 5Y bullets account for about DKK 15.5 billion. We expect issuance of DKK 9-10 billion, corresponding to a refinancing percentage of just over 60%.
  - In addition, 1Y bullets from JRK amount to DKK 20 billion. It will be interesting to see whether a significant proportion of these borrowers choose to refinance into Jyske Frihed (CIBOR 3M FRNs).
- We expect the issuers to provide further details of the auctions later this week or early next week.

Next payment date: 01-10-2026

Floater maturity (DKKm)

Issuer	Total	CITA 3M	CITA 6M	CITA 12M	CIBOR 3M	CIBOR 6M
NYK	36,762	0	0	0	36,762	0
RD	0	0	0	0	0	0
NDA	0	0	0	0	0	0
BRF	0	0	0	0	0	0
DLR	0	0	0	0	0	0
LRF	0	0	0	0	0	0
Total	36,762	0	0	0	36,762	0

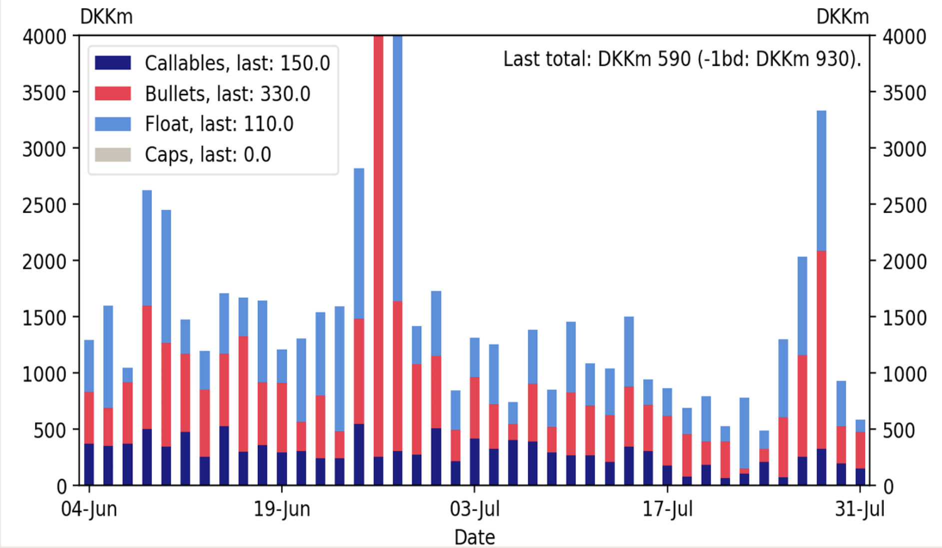
RTL Maturity (DKKm)

Issuer	Total	1Y	2Y	3Y	4Y	5Y	6Y+
NYK	0	0	0	0	0	0	0
RD	0	0	0	0	0	0	0
NDA	24,077	2,293	678	5,219	358	15,528	0
BRF	20,063	20,062	1	0	0	0	0
DLR	0	0	0	0	0	0	0
LRF	0	0	0	0	0	0	0
Total	44,140	22,355	679	5,219	358	15,528	0

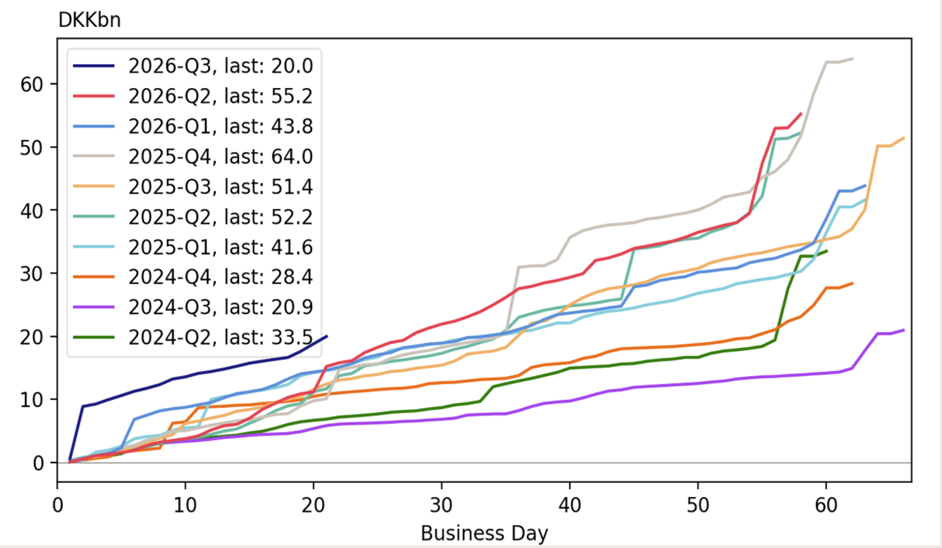
Low issue level during the summer holidays

- Except for last Thursday, when issuance was affected by month-end activity, daily issuance remained low throughout July, averaging around DKK 1 billion.
- Issuance was dominated by FRNs, primarily reflecting increased FRN issuance by NYK.
- But also JRK, NDA and DLR increased their FRN issuance compared with the same time in recent quarters.
- More than half of the FRN issuance in July was in CIBOR3M FRNs.
- NYK accounted for the majority of this volume (just under DKK 9 billion), while most of the remainder came from JRK (just under DKK 3.5 billion).
  - This suggests that demand for JRK remains strong.
  - For NYK, CIBOR3M FRNs are primarily issued to fund business lending.

Daily issuance (OMX)



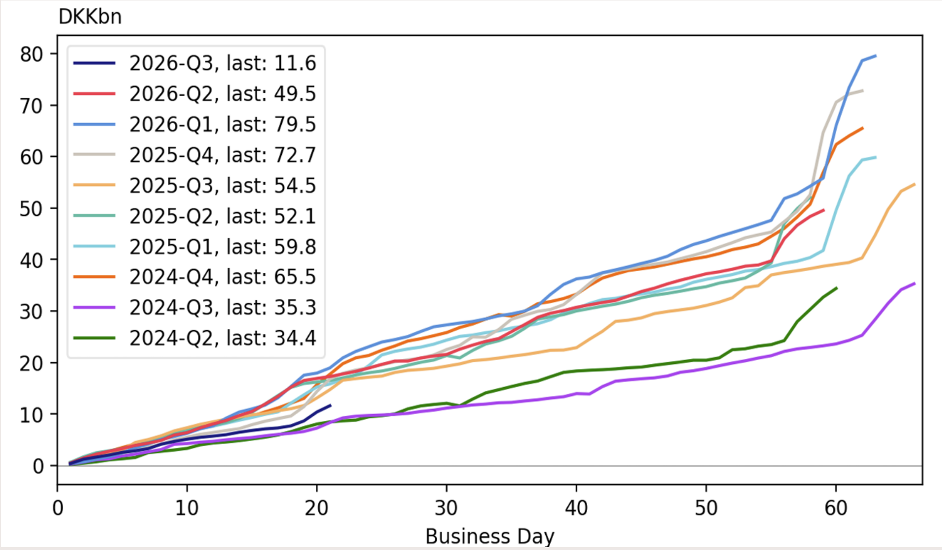
FRNs: Issuance Net of Refi Auctions (CIRMIL)



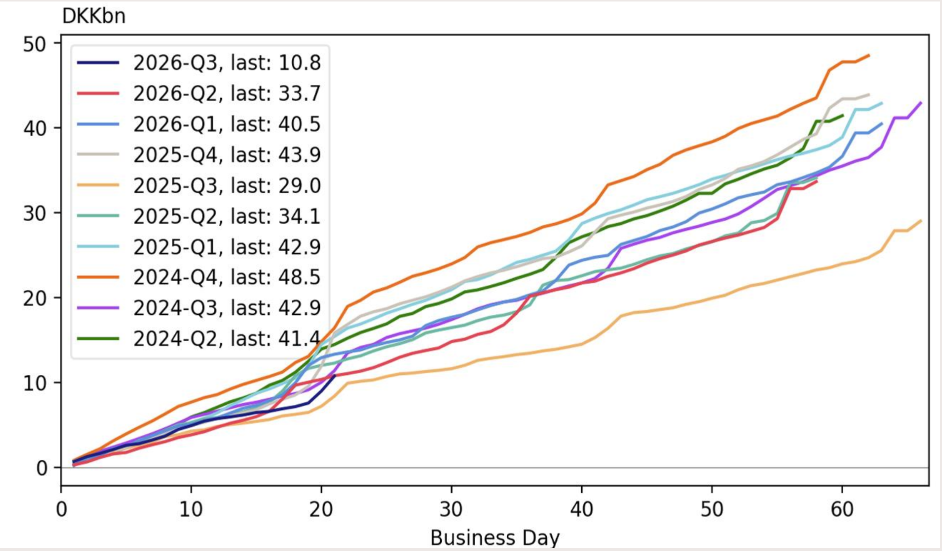
Increased FRN issuance at the expense of bullet issuance

- The increase in FRN issuance came at the expense of lower bullet issuance.
- Bullet issuance declined across maturities, with issuance of 1Y bullets and 3Y bullets remaining particularly low so far.
- Issuance of callables has remained broadly unchanged at the relatively low levels seen over the past several quarters.

Bullets: Issuance Net of Refi Auctions (CIRMIL)

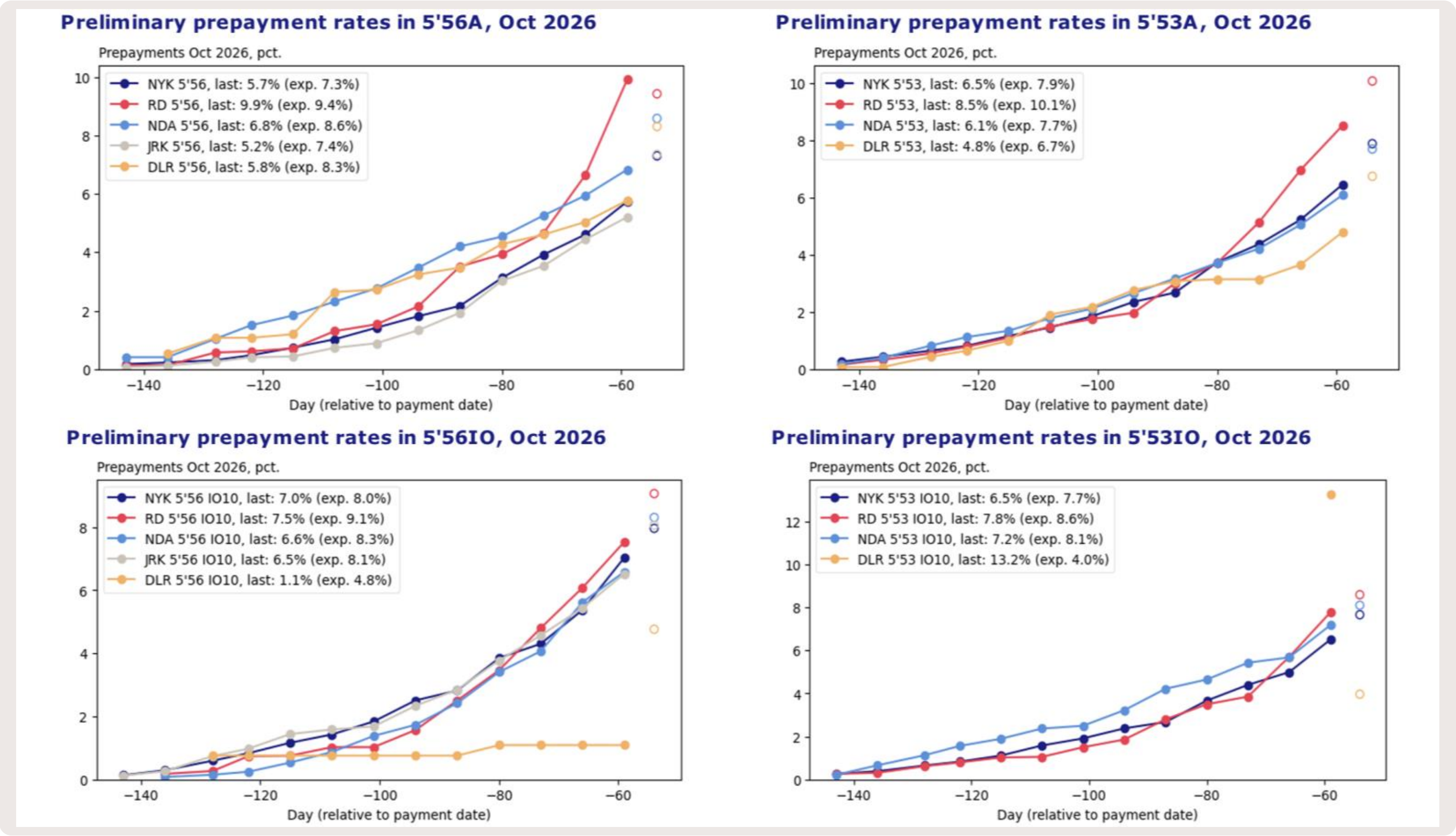


Callables: Issuance Net of Refi Auctions (CIRMIL)



Final prepayments in 5% bonds continue their gradual decline

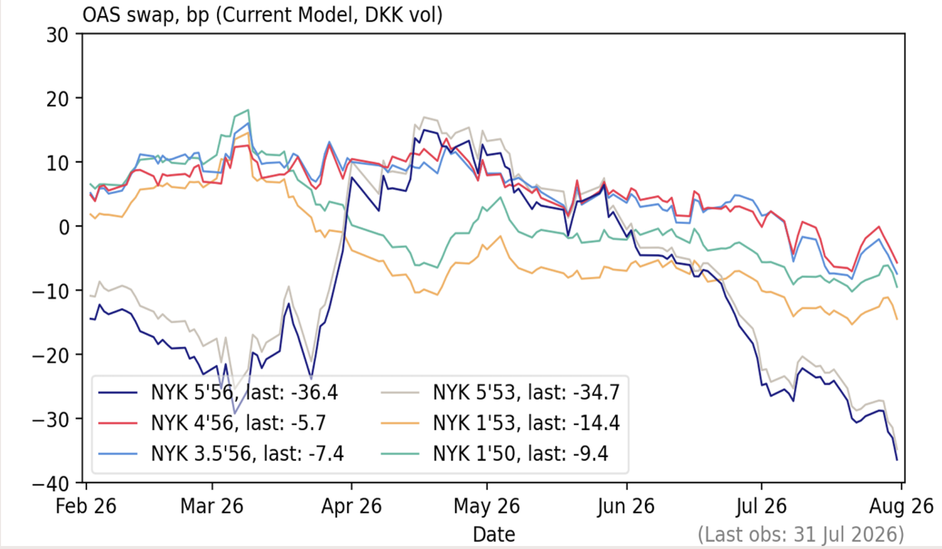
- Final prepayments in 5% bonds will be 6.4% for the October refinancing.
- As expected, prepayments continue to decline gradually.
- The highest prepayments are seen in RD's 5'56 and 5'53 series, at 9.9% and 8.5%, respectively.
- Both are just below their break-even prepayments relative to duration-equivalent bullets.



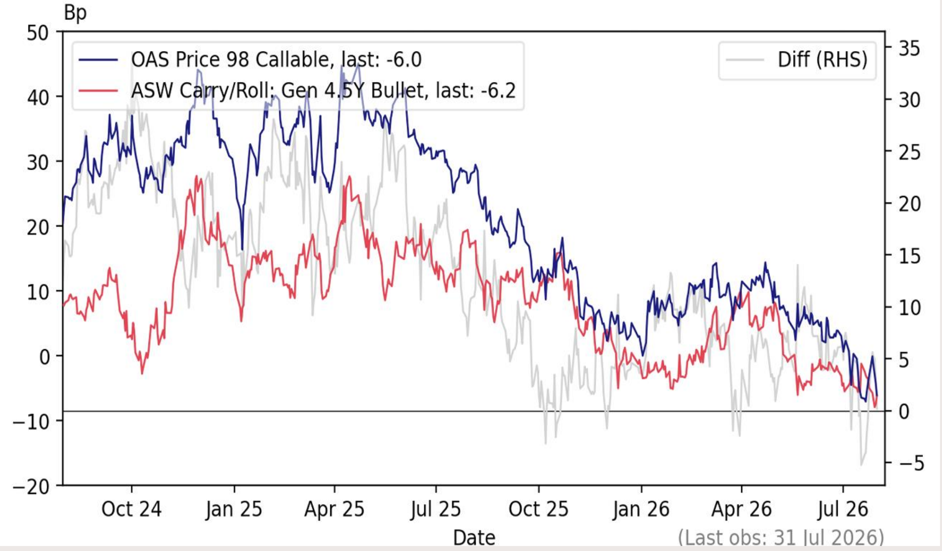
Expensive callables

- Callables continued to outperform on an OAS basis throughout July, despite appearing expensive already at the beginning of the month.
- The end of last week saw further OAS tightening, partly driven by higher implied volatility that was not fully priced in.
- As a result, the relative pricing of 4% bonds vs longer-dated bullets has become even more stretched, despite the latter also posting a strong performance last week.
- We expect the coming weeks to bring a price correction across the callables segment, with spreads widening across coupons.

30Y Callables: OAS swaps



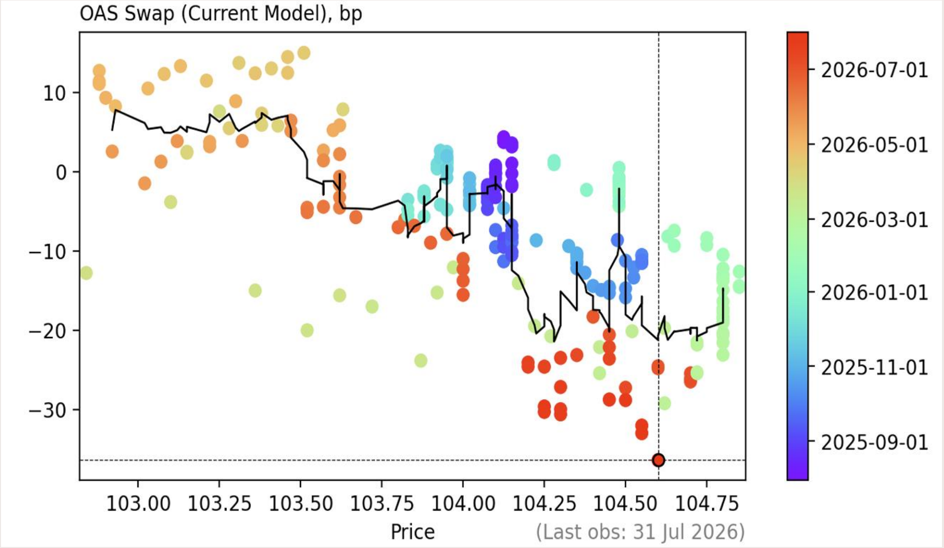
OAS Price 98 Callable vs Gen 5Y Bullet (Start 31 Jul 24)



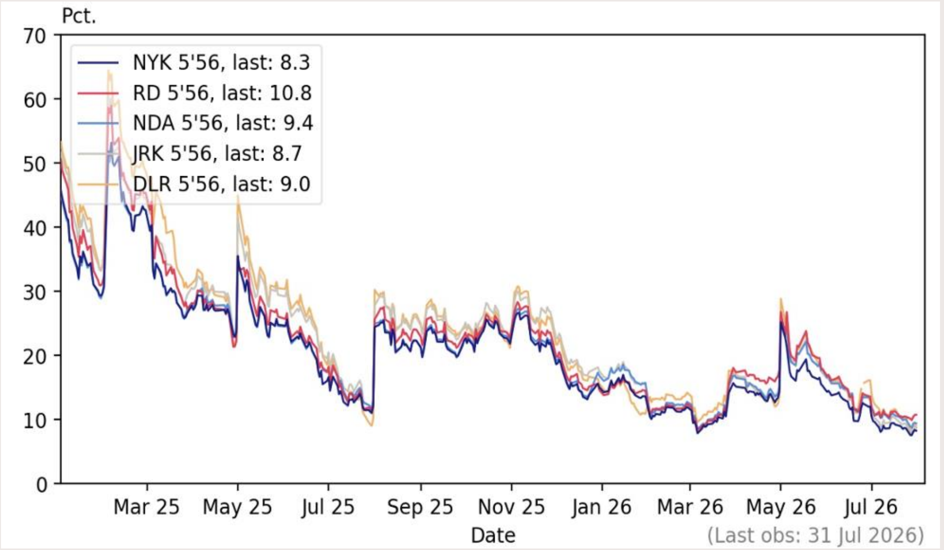
Break-even prepayments in 5% look increasingly stretched

- Strong performance in 5% bonds over the past week has reduced break-even prepayments vs duration-equivalent bullets to around 8-10% for the 5'56 series. A similar picture applies to the 5'53 series.
- Although October prepayments have been low and we expect prepayments to continue their gradual decline, current break-even prepayments appear too low.
- We believe last week's outperformance in 5% bonds was overdone, and the bonds now look expensive at current levels.
- Against this backdrop, we maintain our recommendation of 4'56 vs 5'53 and 1'50.

NYK 5'56: OAS vs price



Break Even Prepayments vs MOAD Eq Bullets



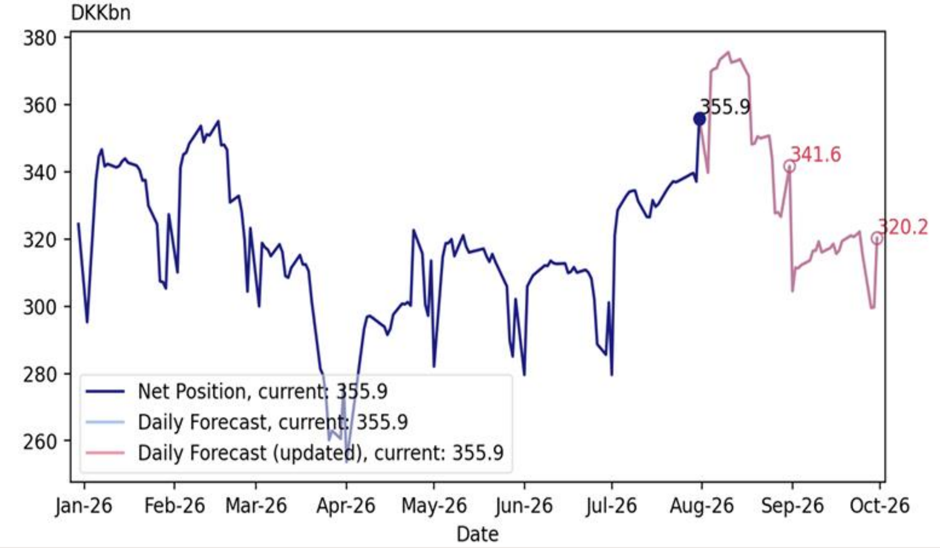
Liquidity news: Up a notch!

- The net position increased as expected in July and currently stands at DKK 356 billion.
  - It is expected to rise further in the first half of August before declining to around DKK 320 billion in September,
  - a level which is also expected at year-end.
  - Updated estimates of the central government's financing requirement will be released at the end of August and could lead to some revisions to the outlook.

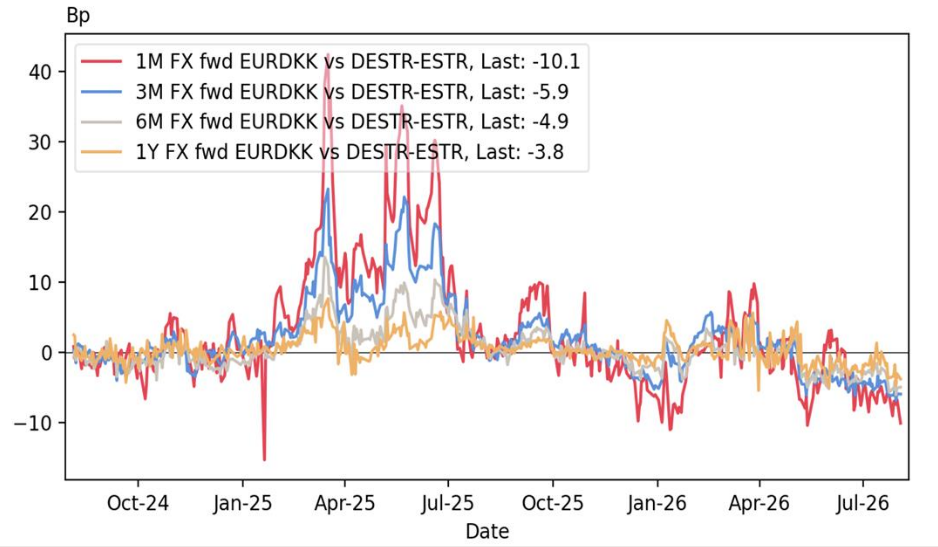
- The higher liquidity level is once again reflected in short-dated FX forwards.
  - For a EUR-based investor, the pickup in the 3M FX forward (EURDKK) is currently around 6bp above the level implied by the 3M DESTR-ESTR spread.
  - The recent increase in liquidity is particularly evident in 1M FX forwards, which are expected to normalise during August.

- There were no clear signs of FX intervention in July, based on daily deviations from our forecast.
  - If any interventions did take place, they were most likely limited.

Currently additional liquidity abundance



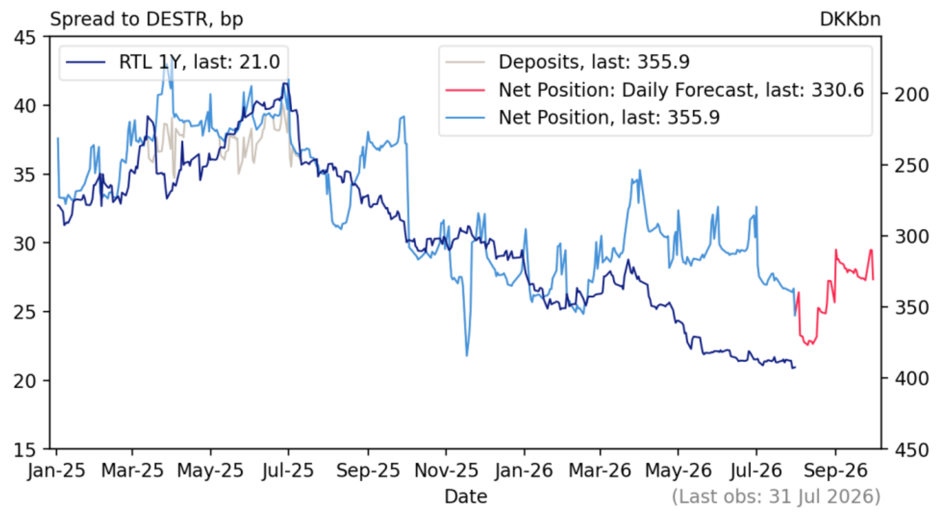
Liquidity is (still) reflected in FX forwards



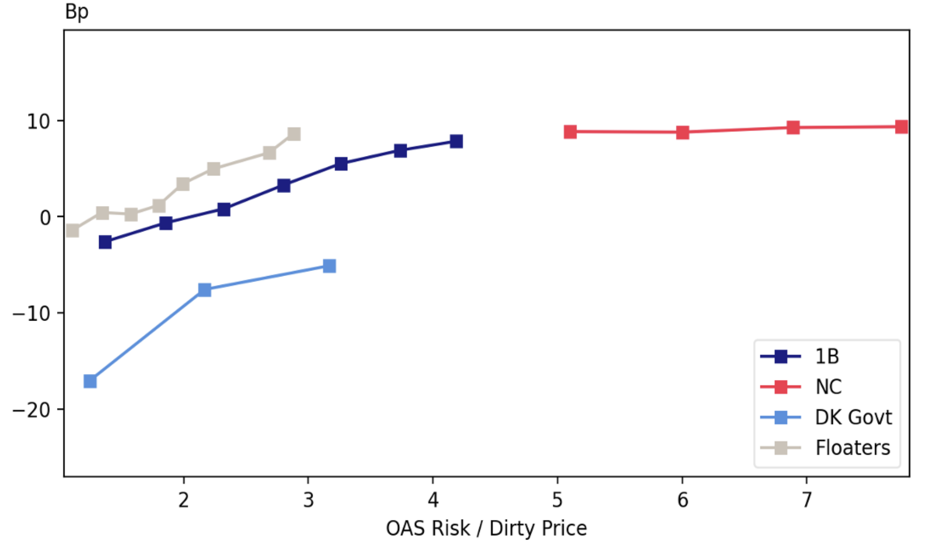
Bullets: Are they too expensive?

- 1Y bullets have traded broadly stable vs DESTR since the first half of May, while longer-dated bullets performed well in July.
  - Against the backdrop of current liquidity conditions and the liquidity outlook, 1Y bullets appear expensive (see top chart). However, as we have noted previously, valuations are supported by the outright rate level.
  - The recent performance of longer-dated bullets has left 2-3Y bullets looking expensive relative to the 4-5Y segment on a hedged and funded basis (see bottom chart).
  - Given the current spread curve, a flattening of 4-5Y bullets vs 2-3Y bullets DESTR spreads appears more likely than a further steepening.

- We currently prefer 5Y bullets over 2-3Y bullets, both as asset swap packages.
  - We therefore maintain our recommendation of 5Y bullets vs 3Y bullets!



Hedged and funded 1Y HPR (vs DESTR)

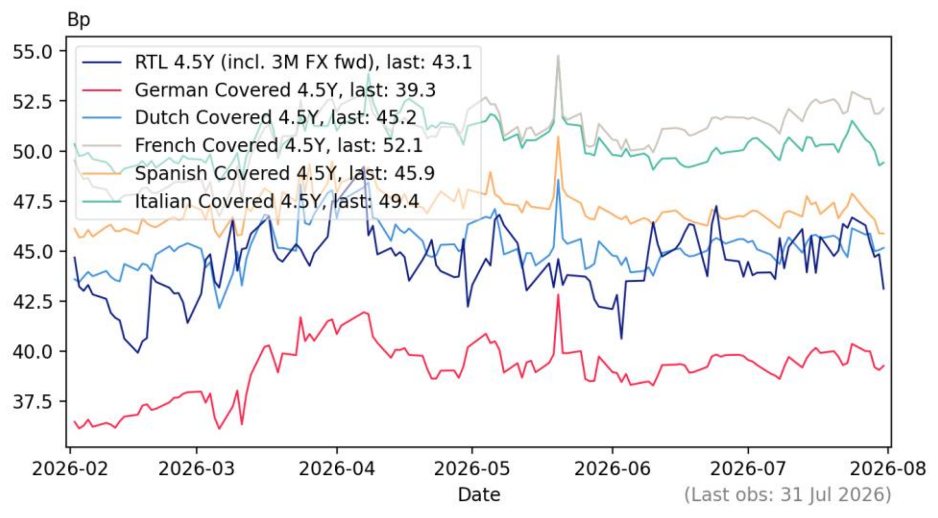


… still depends on the eye of the beholder

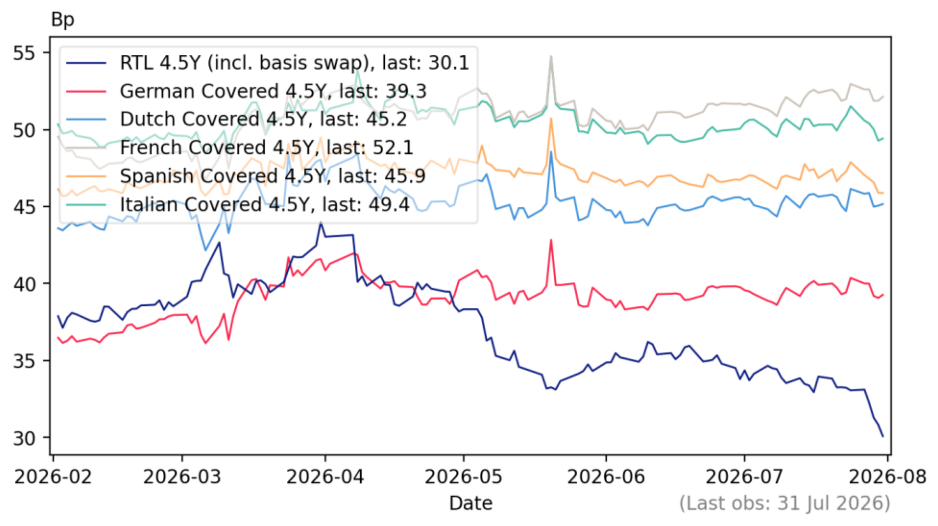
- 4-5Y bullets only appear cheap when compared with EUR covered bonds on an FX-hedged basis using a 3M FX forward (see top chart).
  - The performance vs DESTR in July has done little to change their relative pricing from this perspective.

- However, when compared with EUR covered bonds on a maturity matched basis swap (see bottom chart), the recent performance has only made 4-5Y bullets appear even more expensive.
  - In this light, it is not only short-dated bullets but also pricing of the 4-5Y segment which appear to be significantly impacted by the liquidity situation.
  - Moreover, pricing of longer-dated bullets has become increasingly dependent on how the marginal investor chooses to hedge FX risk and obtain funding.

EUR covered bonds and 4.5Y bullets (incl 3M FX fwds):



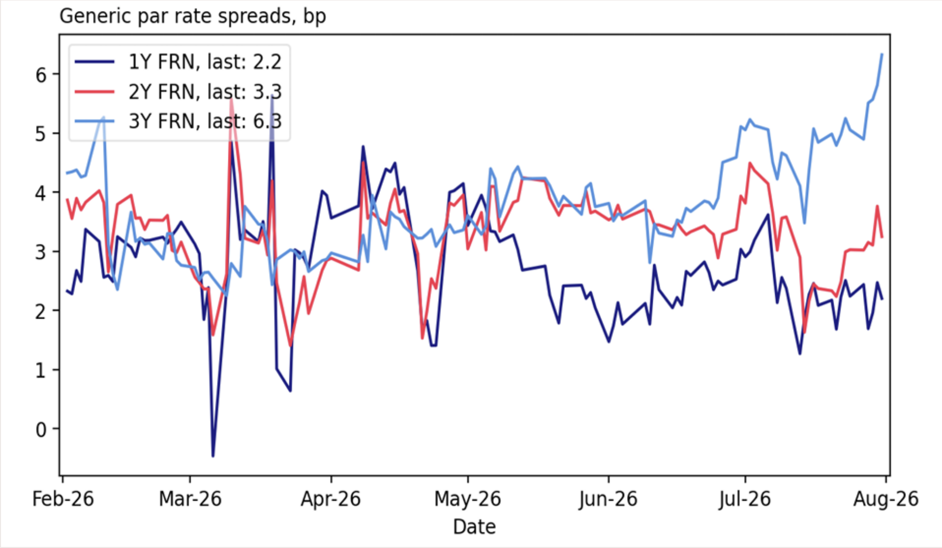
EUR covered bonds and 4.5Y bullets (incl basis swaps):

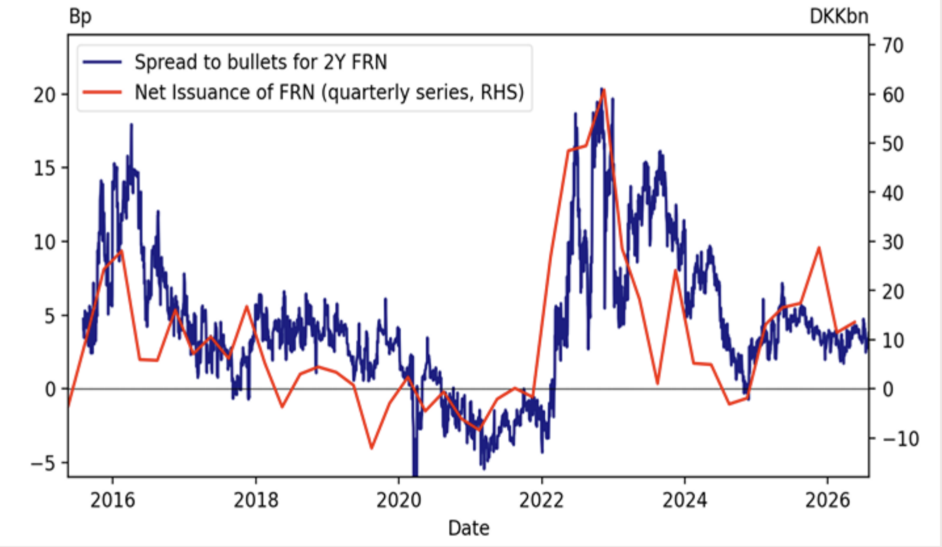


FRNs: Not quite as expensive

- 3Y FRNs have not kept up with the most recent performance in bullets at a ratio of 1:1.
  - As a result, the FRNs spread vs the bullet curve has widened to just over 6bp at the 3Y point.
  - We do not expect this spread level to become the new normal, it is more likely that it will be readjusted.

- At the 3Y point, we therefore prefer 3Y FRNs over bullets at the current levels.
  - We open a recommendation of 3Y FRNs vs 3Y bullets (vs DESTR), for example 955280 vs 954519 at a ratio of 1:1.





Recommendations

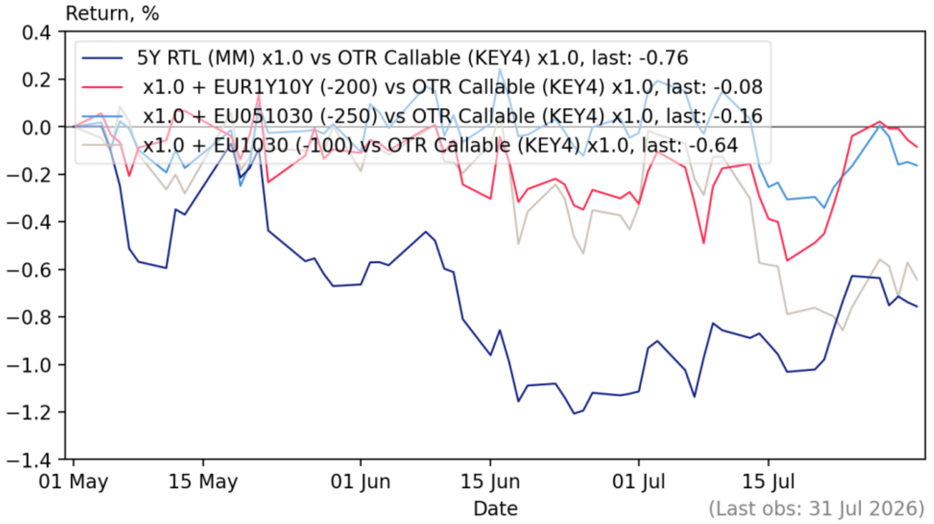
- Our recommendation of FRNs vs 2Y bullets has performed well since it was opened at the beginning of July. We therefore take profit and close this recommendation.
- Instead, we open a recommendation of 3Y FRNs vs 3Y bullets (hedged), see also the previous page.
- Our recommendation of 4'56 vs 5'53 and 1'50 has been loss-making since it was opened at the beginning of July. However, we maintain the recommendation for now, based on our expectation of spread widening in the 5% bonds.
- We maintain our other recommendations.

Current recommendations

Opening date	Name	Return 5bd	Total return
2026-06-01	RD 4'56IO vs NYK 4'56IO	0.00	0.01
2026-06-15	DGBi'34 vs DGBi'30 (BOX)	0.11	-0.95
2026-06-26	RTL5 vs RTL3	-0.04	-0.05
2026-07-01	FRN vs. RTL2	-0.06	0.49
2026-07-07	4'56 vs 1'50 & 5'53	0.09	-0.46

Outlook recommendations

Opening date	Name	Return 5bd	Total return
2025-08-25	CITA vs CIBOR 3M FRN	0.01	-0.00
2025-11-27	CIBOR 6M vs CIBOR 3M FRN	0.01	0.13
2026-01-15	NYK 4'56 vs RD 5'56 + JRK 1.5'53 IO	0.01	-0.99
2026-01-26	4'56 vs RTL5	0.04	0.47



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Recommendation	
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Sell	50%

As at 13.12.2024
Note: Distribution of our recommendations, which therefore add up to 100%.

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