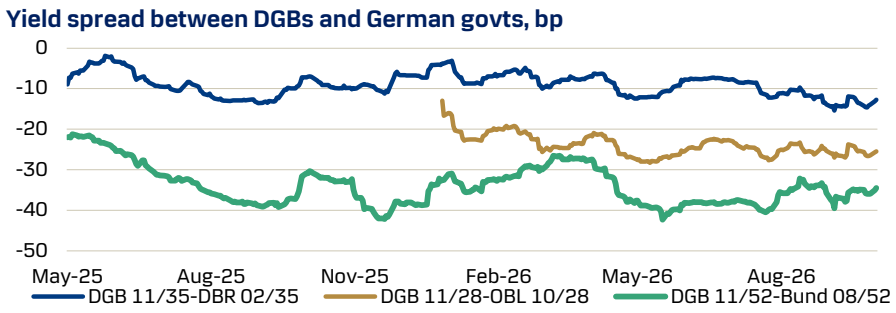
21 October 2026

DGB outlook

Pros and cons of DGBs in Q4

Today, the Danish Debt Management Office will tap in the 10Y and 30Y benchmarks – DGB 2.25% 11/35 and DGB 0.25% 11/52. The Debt Office has not specified the amount it will sell in the 30Y benchmark as it has done previously, which could be due to the Debt Office being well ahead with the funding for 2026. It has sold DKK53bn through tap auctions and tap selling relative to an issuance target of DKK65bn. We expect it to sell DKK2-3bn at today's auction. There are only three auctions left for 2026 (two in November and one in December). On top of this we have redemptions of DKK12bn in DGB 11/26 and coupon of DKK9bn.The reinvestment need in Q4 is thus limited relative to previous years, but net issuance will be negative in Q4. When we look at the pricing of DGBs we traditionally look at the spread to Bunds (or DKK swaps) relative to the Bund spread, as we have seen a solid correlation between the 10Y DGB-Bund yield spread and the Bund ASW-spread as shown on page 2. Looking at this measure, 10Y DGBs look a bit expensive. When we look at the movement in the yield spread between DGBs and German government bonds, DGBs also look a bit expensive as shown below.

2Y, 10Y and 30Y DGB-German govt spreads



Note: Past performance is not a reliable indicator of current or future results. Source: Danske Bank

Furthermore, there has been limited impact from the widening of EGB spreads, where the 10Y OAT-Bund spread widened to 150bp and the German ASW-spreads widened modestly. Traditionally, smaller countries such as Denmark would underperform German government bonds, but there has been very limited spillover effect to DGBs. Given that the reinvestment need is modest, the traditional Q4 effect is likely to be modest and with the 5Y noncallable-govt spread being wide, domestic investors have higher yielding alternatives. **Short term we take a cautious approach to DGBs, but in the longer term DGBs offer a better alternative than EGBs such as Bunds and EU bonds given the lack of fiscal 'responsibility' in the EU**, where governments seem to have given up on the deficit and debt criteria (3% deficit to GDP and 60% debt to GDP).

Today's key points

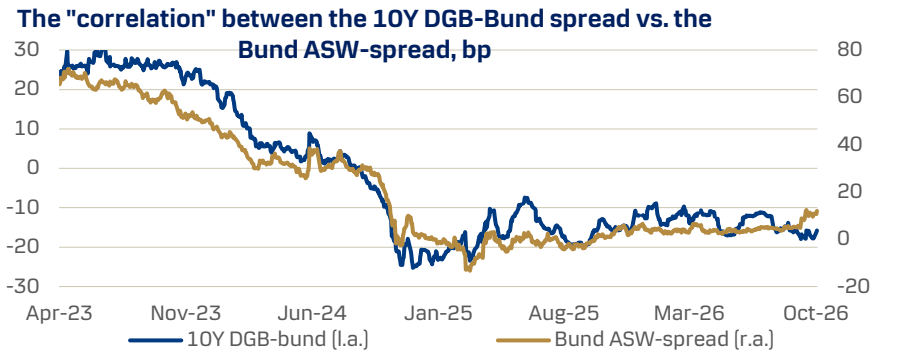
- Today, the Danish Debt Management Office will tap in DGB 2.25% 11/35 and DGB 0.25% 11/52. We look at the pros and cons of DGBs in Q4.
- When looking at the pros and cons we see a mixed picture short term, as there will be limited issuance as well as modest redemptions. The pricing looks a bit expensive given the recent turmoil in Europe and the Bund ASW-spread widening. However, Denmark has stable public finances relative to Europe, where it seems that governments have given up on the Maastricht criteria of 3% deficit and 60% debt to GDP.
- We expect that the issuance target for 2027 will be set at DKK65bn despite the upward revision of the net borrowing requirement in 2027, but this is covered by the solid surplus on the government's cash account. Hence, longer term we are positive on DGBs relative to Bunds, EU etc.

Chief Analyst
Jens Peter Sørensen, Ph.D.
+45 45 14 14 87
jenssr@danskebank.dk

The correlation between the 10Y DGB-Bund spread and the Bund ASW-spread

There has been a solid correlation between the Bund ASW-spread and the DGB-Bund spread for several years, where a tightening/widening of the Bund ASW-spread leads to a tightening/widening of the 10Y DGB-Bund yield spread.

DGBs gain versus Bunds, when Bunds lose to EUR swaps



Note: Past performance is not a reliable indicator of current or future results. Source: Danske Bank

Funding need in 2027

The net borrowing need was adjusted upward by DKK30bn in the recent budget proposal from the government relative to the technical budget that was released in August. The revision was the result of an increase in additional spending, and we do not know exactly what the proceeds will be used for. It could be additional defence spending, support for Ukraine etc.

Funding requirements for 2026 and 2027

	2026	2027		
	May '26	Aug '26	Aug '26	Oct'26
Net financing requirement	16	9	-40	-10
Repayment of LT debt(**)	48	51	66	66
Repayment of ST debt(***)	17	17	20	20
Net purchase of state owned funds	1	1	0	0
Net purchase of bonds for special purposes(****)	38	37	43	43
Gross finance requirement	120	115	88	119

Source: Ministry of Finance, Danske Bank

The additional spending will be covered using the government's accounts, which is significant and the issuance target for DGBs is set at some DKK65bn. Hence, there will be no change in the issuance in 2027 relative to 2026. This also gives limited room to introduce a new 30Y government bond if the Debt Office also introduces a new 10Y benchmark.

General disclaimer and disclosure

The following disclaimer and disclosure apply to all communication as such, including communication to which it is attached, linked to or otherwise referenced (the "Communication"). For the parts that refer to the term "investment recommendation", the disclaimer and disclosure are only applicable as far as the Communication falls under the definition in Regulation (EU) No 596/2014. The Communication has been prepared by personnel in the LC&I's Sales & Trading departments or non-independent Research departments of Danske Bank A/S. The views set forward in the Communication may differ from views or opinions in other departments of Danske Bank A/S. It constitutes a short-term view and is subject to change and Danske Bank A/S does not undertake to notify any recipient of the Communication of any such change. A list of all previous investment recommendations on any financial instrument made in the past 12 months, including all previous investment recommendations made by the producer is available upon request, free of charge.

The LC&I's Sales & Trading departments' or non-independent Research departments' personnel are not independent research analysts, and the Communication is not intended to constitute "investment research" as that term is defined by applicable regulations. The Communication has as such not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of the communication. The personnel in the LC&I's Sales & Trading departments or non-independent Research departments may be remunerated based on investment banking revenues, and may receive bonuses or other remuneration linked to specific investment banking transactions. Danske Bank A/S or its personnel may hold a position in any financial instrument discussed herein. Personnel is subject to a Personal Account Dealing policies. Further, Danske Bank A/S may act as market maker or have performed other services for the entities mentioned, which could include investment banking or other services, leading to payments or promises of payments. Prices and availability are indicative and may change without notice.

The Communication is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments. Danske Bank A/S is not acting as an advisor, fiduciary or agent. Recipients of the Communication should obtain advice based on their own individual circumstances from their own tax, financial, legal and other advisors about the risks and merits of any transaction before making an investment decision, and only make such decisions on the basis of the investor's own objectives, experience and resources. All investments carry risks. The value of any investment may fluctuate, and investors may get back less than they invested. Past performance is not indicative of future results.

The Communication has been prepared independently and solely on the basis of available information that Danske Bank A/S considers to be reliable, but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness, currentness or reasonableness of the information, opinions and projections contained in the Communication and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on the Communication.

For current disclosures of Danske Bank A/S' interests and potential conflicts of interest regarding issuers and financial instruments subject of investment recommendations please refer to the Danske Bank's Disclosure and disclaimer webpage: https://danskeci.com/ci/research/disclosures-and-disclaimers.

Please note that while information on the great majority of relevant issuers and financial instruments are contained on this website, it may not contain information on all relevant issuers and financial instruments. The absence of information on any relevant issuer or financial instrument should not be seen as an indication that Danske Bank A/S does not have any interests or potential conflicts of interest on the issuer or financial instrument. Please contact your Danske Bank A/S representative for information regarding any issuer subject of investment recommendation that is not mentioned on https://danskeci.com/ci/research/disclosures-and-disclaimers.

Danske Bank A/S is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank A/S is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank A/S on request.

The Communication is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S' prior written consent.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, the Communication is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

The Communication is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the United States

The Communication was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The communication is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this investment recommendation in connection with distribution in the United States solely to 'U.S. institutional investors'. Any U.S. investor recipient of the Communication who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

The Communication is for the general information of our clients and is a 'solicitation' only as that term is used within CFTC Rule 23.605 promulgated under the U.S. Commodity Exchange Act. Unless otherwise expressly indicated, the Communication does not take into account the investment objectives or financial situation of any particular person.

Report completed: 21 October 2026 at 09:29 CET
Report disseminated: 21 October 2026 at 10:20 CET