



Beyond Bundeslaender – Canadian Provinces

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Beyond Bundeslaender: Canadian Provinces

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Constitutional principles

The status of the provinces and territories and their connection with the central government

Organisation as a federal state

Canada was formed by the British North America Act of 1867 as a federation not least due to cultural differences between the areas dominated by French-speakers and those where English was the main language. Since then, Canada's external borders and the names of its provinces and territories have been subject to repeated change, with the result that there are now ten provinces and three territories in total. The Canadian constitution defines the fundamental division of powers between the central government and the provinces. However, certain powers – for example, those in connection with the criminal justice system or immigration – are shared between the two levels of the federal system. The Canadian constitution does not explicitly grant any powers to the local authorities within the provinces. Rather, these are established by the provincial legislatures, which delegate part of their powers to the municipal administration.

Division of powers as defined in the Canadian constitution (examples)

Central government	Provinces
Unemployment insurance	Property and civil rights
Sovereign debt and property rights	Exploration of natural resources
Census and statistics	Direct taxation within the province
Regulation of trade and commerce	Hospitals
Insolvency and criminal law	Education
Maritime coastlines and inland fisheries	Municipalities
Defence	Company incorporations
Currency and coinage	Administration/sale of public land
Patents	Energy production

Source: Parliament of Canada, NORD/LB Floor Research

Status of the provinces

The constitution dictates that the central government may decide on changes to provincial borders, provided that the province in question consents. All in all, Canadian provinces enjoy a relatively high degree of autonomy, which is reflected particularly in fiscal policy. For example, provinces are entitled to generate revenue through additional income tax or corporation tax. To this end, the provinces may change the tax rates without requiring authorisation from the central government. Rights to levy taxes on certain products (e.g. tobacco or petrol) extend their flexibility to adapt fiscal policy on the revenue side. On the expenditure side, this is mirrored by relatively extensive competencies: in addition to healthcare, the provinces control education and the exploration of natural resources, for example. The latter provides additional revenue from mining licences and special taxes. These fiscal freedoms, which extend further than those of comparable sub-sovereigns (e.g. the German Laender or the Australian states and territories), are also assessed positively in the rating reports of the Canadian provinces compiled by Fitch, Moody's and S&P.

Status of the territories

The status of the territories under constitutional law differs from that of the provinces. In fact, a clear distinction is made in this regard: while the provinces possess their own constitutional powers, the central government only delegates powers to the territories. In the past, this resulted in the central government exerting substantial control over the territories. However, this influence has been diluted in recent years, with the result that the territories now enjoy rights increasingly on a par with those of the provinces. However, government transfers continue to account for the majority of the territories' revenue.

Connection with the central government: the case of Alberta

As we understand it, there is no unequivocal connection between the central Canadian government and its provinces or territories in terms of liability. Instead, there is only an implicit assumption that the central government would intervene under certain circumstances during crisis situations. Nevertheless, the example of Alberta in the mid-1930s illustrates that this arrangement may not necessarily be enough to avert a payment default. In the specific case of Alberta, the province was only obliged to accept monitoring by a supervisory body in order to avoid a payment default. However, Alberta actually declined the compromise offered by the central government, instead opting to default so as to safeguard its own autonomy. While we would consider such a scenario to be unlikely in view of the importance of the capital markets for the provinces today, from our perspective this does neatly illustrate the fact that the system in place relies entirely on the assumption of state support, even if the likelihood of such support materialising is high.

Liberal Party wins early federal election in 2025 – Mark Carney remains as Prime Minister

With the election brought forward to 28 April 2025, Canada elected a new Parliament only a few months after former Prime Minister Justin Trudeau resigned amid the trade conflict with the United States. The Liberal Party (LPC) won the election by claiming 169 out of a total of 343 seats. However, this result meant that it was once again forced to form a minority government. By increasing its number of seats to 144 and with a vote share of approx. 42%, the Conservative Party of Canada (CPC) achieved its highest share of the vote since being founded in 2003. Mark Carney, who previously took over the party leadership and the office of Prime Minister from Trudeau following an internal party vote, remains Prime Minister. But first, a look at the events leading up to this: amid growing dissatisfaction on the part of Canadians with Prime Minister Trudeau and his minority government in 2024, driven in part by the rising cost of living following the COVID-19 pandemic, Trudeau resigned in January 2025 once it had become clear that support within the party was diminishing ahead of a likely defeat in the October election. In this way, Trudeau was able to get in front of a potentially successful vote of no confidence in Parliament. However, just a few days after taking office, his successor, Mark Carney, brought the scheduled election forward, which he ultimately won (as described above). Nevertheless, the outcome did come as something of a surprise, given that the CPC with Pierre Poilievre as opposition leader and leading candidate for the premiership had held what looked like a virtually unassailable lead until January 2025. The political mood only changed in the wake of Donald Trump's ambitions to annex Canada as the 51st state and the trade disputes surrounding the tariffs imposed by the US government. In fact, the focus of public debate ended up markedly shifting almost immediately, which was to the benefit of the Liberals in particular. The election result was remarkable because it led to a rare polarisation in Canada's otherwise rather pluralistic party system. For the first time in over a century, both the LPC and the CPC each gained a vote share of more than 40%, with smaller parties such as the social democratic New Democratic Party (NDP) and the separatists of the Bloc Québécois ultimately losing seats. Nevertheless, in such a fragmented parliament, these parties could prove to be decisive when it comes to forming sustainable majorities in the future. As such, they retain the potential to significantly influence political developments in Canada.

Constitutional principles

The Canadian financial equalization and transfer system

Three different equalization systems

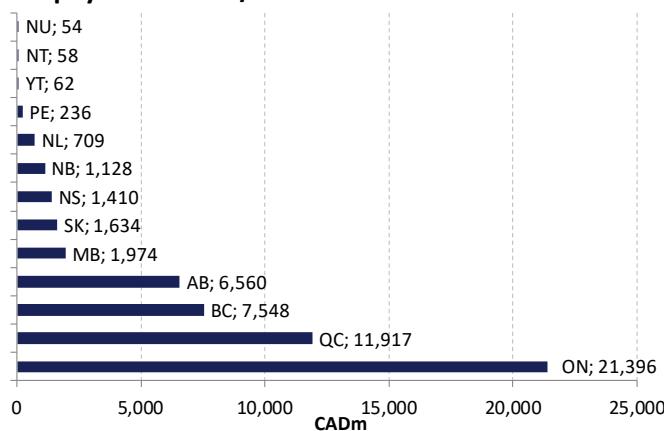
The Canadian central government implements the majority of its financial equalization activities in relation to the provinces and territories through three different [equalization systems](#):

- Canada Health Transfer (CHT)
- Canada Social Transfer (CST)
- Equalization Program (EP) and Territorial Formula Financing (TFF)

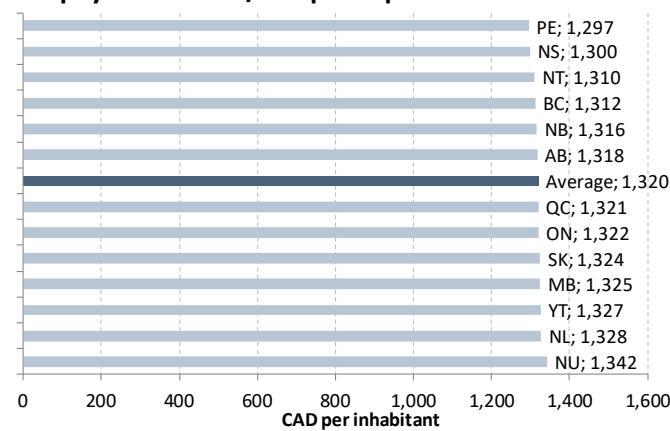
Canada Health Transfer (CHT)

The flow of equalization funds under the CHT constitutes the largest channel within the Canadian financial equalization system. The payments are intended as a predictable, long-term source of funding for the healthcare systems in the provinces and territories. Payments are made on a per capita basis, i.e., the allocation of funds is linked solely to the population of the respective province or territory. This is in line with the aims of the Canadian government, which in 2007 began to implement the long-term plan of providing a comparable standard of treatment for all Canadian citizens irrespective of which part of the country they live in. Minor variations in the paid-out amounts per capita are attributable to the central government's definition of the number of inhabitants in the provinces. Since the 2014/15 budget year, payments have been made solely on a cash basis. In accordance with adopted legislation, payments were increased by +6% up to the 2016/17 budget year. Since the beginning of the 2017/18 budget year, growth in this equalization system has been calculated using a moving three-year average of nominal GDP growth in the Canadian economy, whereby guaranteed growth of at least +3% per year is assured.

CHT payments 2025/26e*



CHT payments 2025/26e per capita*



* Figures for the budget year (01 April to 31 March)

Source: Department of Finance Canada, Statistics Canada, NORD/LB Floor Research

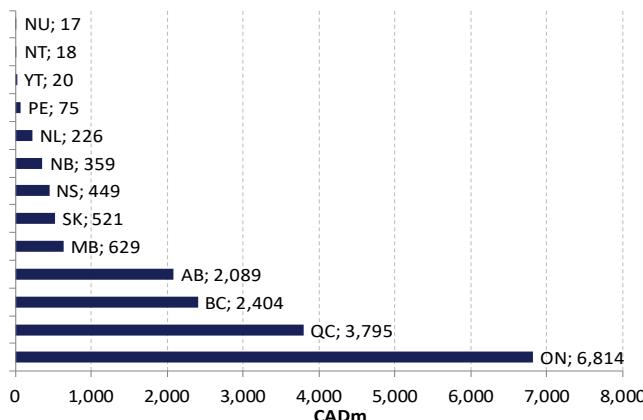
Ontario and Québec remain the largest recipients within the CHT

The provinces of Ontario and Québec continue to receive the highest payments within the CHT, as the system is based on the number of inhabitants. Accordingly, the prospective ranking of recipients within this system for the 2025/26 budget year only reflects the ranking by respective population.

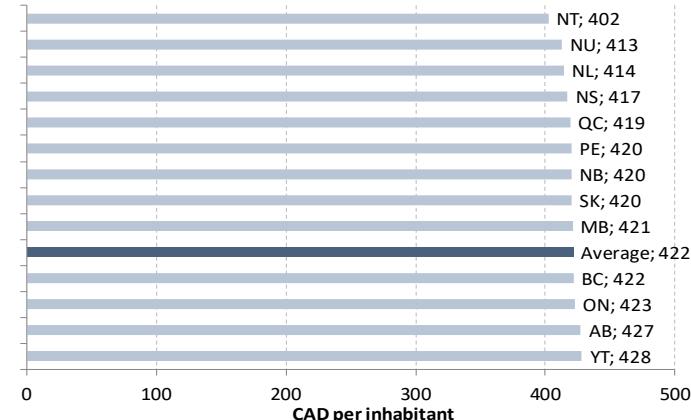
Canada Social Transfer (CST)

The Canadian central government uses the CST to allocate funding for the promotion of post-secondary education, social support and services, as well as for early childhood development, early learning and childcare. As is the case with the CHT, the level of the payments made to a province or territory is based solely on the population of the respective province or territory. This is in line with the plan to provide the entire population of Canada with the same standard of social support. The relevant legislation provides for annual growth of +3% in this equalization level for the 2025/26 budget year and subsequent years.

CST payments 2025/26e*



CST payments 2025/26e per capita*



* Figures for the budget year (01 April to 31 March)

Source: Department of Finance Canada, Statistics Canada, NORD/LB Floor Research

No surprises in the allocation of payments

As in the case of the CHT, a closer examination of the payment flows does not reveal any surprises. While the payments in relation to the number of inhabitants are at comparable levels in all the provinces and territories, the large differences in the population distribution result in absolute payment amounts that diverge substantially from one another.

Canadian government pushes ahead with comprehensive investment plan for the healthcare sector

In February 2023, the Canadian government announced a plan to increase healthcare funding in the provinces and territories by CAD 198.6bn across a period of ten years. This package would reportedly also include CAD 46.2bn in additional funding. Moreover, the previously announced unconditional one-off payment of CAD 2.0bn was made in the same month, with the aim of offering immediate support to the country's healthcare system. In addition, starting in 2023/24, the CHT is guaranteed to grow by +5% per year across the next five years. In this context, it is expected that the CHT will increase by +33% overall during this time frame, and by as much as +61% across the forthcoming decade. In contrast, cuts to this programme could potentially have a negative impact on the financial situation of the provinces and territories. However, Canadian sub-sovereigns are not overly dependent on the payments made under the CST system. As a result, the negative ramifications should be kept in check, especially as there is currently no indication that these payments will be reduced to any significant extent.

Equalization Program (EP) and Territorial Formula Financing (TFF)

With the Equalization Program and Territorial Formula Financing, the third payment flow within the Canadian financial equalization system breaks down into separate mechanisms for the provinces (EP) and the territories (TFF).

EP: allocations to provinces aimed at creating equivalent living conditions

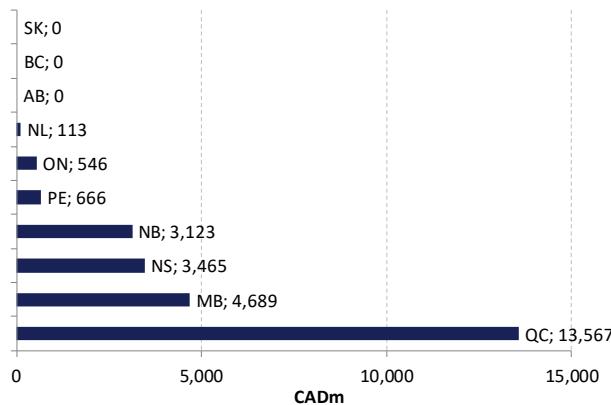
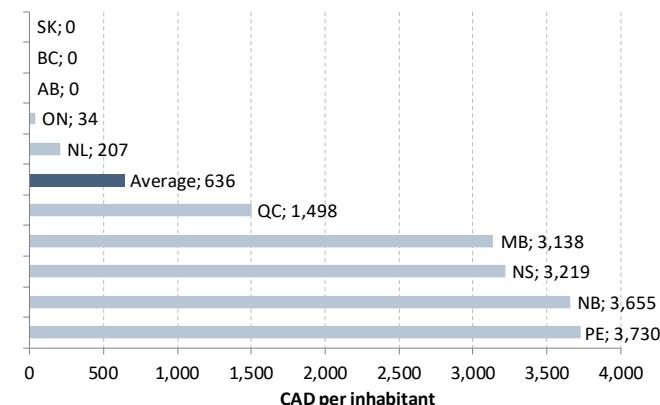
First established in 1957, the Canadian financial equalization system provides for direct financial equalization, in which the central state makes funds available to the provinces with the aim of delivering sufficiently comparable levels of public services at correspondingly comparable levels of taxation. This system of equalization payments, which has been anchored in the Canadian Constitution under Art. 36(2) since 1982, therefore seeks to converge living standards. However, in our view, the original wording ("sufficient revenues") acknowledges the (permanent) existence of disparities between the provinces. Although the objective of the financial equalization system is laid down in the Constitution, the central state disburses the funding to the provinces without attaching any conditions. As such, provinces enjoy unrestricted use of the payment flows transferred. Increases in this regard are stipulated by law based on the moving three-year average for Canadian GDP growth.

How the EP works

The calculation of a province's entitlement to equalization payments is based on an analysis of the respective province's fiscal capacity, which is determined on the basis of its ability to generate revenues per capita. Before any adjustments are made, the entitlement to equalization per capita is calculated from the difference between a province's own fiscal capacity and the average fiscal capacity of all the provinces. Ultimately, however, adjustments tied to certain conditions increase the complexity of the financial equalization system. For example, when two alternative methods are used to calculate the level of equalization payments that a province is entitled to receive, the higher value is ultimately used. For instance, if the equalization entitlement after fully excluding natural resource revenues is higher than after excluding 50% of natural resource revenues, the province is accordingly allocated the higher amount derived from both methods.

EP review in 2024 results in only minor technical adjustments

The legislation governing the EP is reviewed regularly to ensure, firstly, its suitability with a view to achieving the defined objectives, and secondly, that the most up-to-date and accurate metrics are used to determine the allocations awarded to the provinces. Even though no significant methodological alterations were made in the last three renewal cycles, with only technical adjustments carried out instead, these can still lead to significant changes: for example, the adjustments made during the last review in March 2024 resulted in Newfoundland and Labrador receiving payments under the EP starting in 2024/25 for the first time since 2007/08. For certain provinces, such as Prince Edward Island, New Brunswick, Nova Scotia and Manitoba, any changes could potentially have a significant impact on budgets, as transfers account for more than 25% of the revenues in these provinces and the EP represents the largest item of these transfers.

EP payments 2025/26e***EP payments 2025/26e per capita***

* Figures for the budget year (01 April to 31 March)

Source: Department of Finance Canada, Statistics Canada, NORD/LB Floor Research

Québec by far the largest recipient under the EP

Within the Equalization Program, Québec is the largest recipient as measured by absolute amounts. A total of CAD 13.6bn is estimated as revenue from this level of the financial equalization system for the 2025/26 budget year. This relatively high volume, which accounts for over half the system as a whole, can be understood in the context of the population of Québec. At CAD 1,498, allocations per capita are indeed well in excess of the average, although significantly below the levels of Prince Edward Island and New Brunswick, and amount to around only 48% of the financial support awarded to Manitoba. While seven provinces in total are expecting inflows from the Equalization Program, no allocations are planned in the 2025/26 budget year for a total of three provinces, namely Saskatchewan, British Columbia and Alberta.

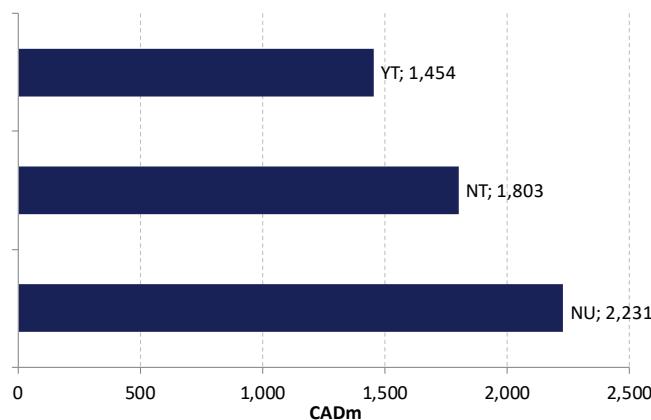
TFF as the Equalization Program for territories

Along the same lines as the Equalization Program for provinces, the TFF constitutes the largest payment flow from the central government to the Canadian territories. The payments are intended to facilitate levels of public services for the inhabitants of the territories that are comparable with those enjoyed by Canadians living in the provinces, again at comparable levels of taxation. In this context, the TFF is used to support the financing of hospitals, schools and infrastructure, for example, which is an expensive endeavour when the low population density of the territories is taken into account. Payments within the TFF are nevertheless made without being earmarked for any specific purpose.

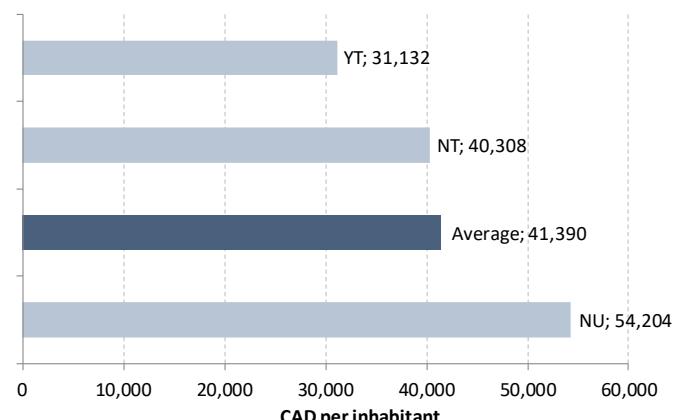
How the TFF works

The TFF uses a complex method of calculation. The payment entitlement of each territory is based on the difference between an approximate figure for its expenditure needs and its capacity to generate revenues. By excluding 30% of their revenue capacity from the calculation, the system aims to incentivise the territories to increase their own revenues and to stimulate growth in their economies. Moreover, revenues obtained from natural resources are not taken into account when determining the revenues relevant for the TFF; the approach towards this item is negotiated separately by the central government with each territory. While Yukon and NWT have already concluded their negotiations in this regard, talks between Nunavut and the central government continue.

TFF payments 2025/26e*



TFF payments 2025/26e per capita*



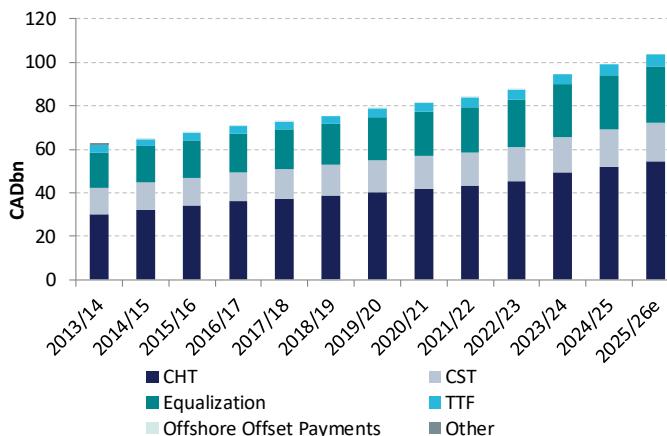
* Figures for the budget year (01 April to 31 March)

Source: Department of Finance Canada, Statistics Canada, NORD/LB Floor Research

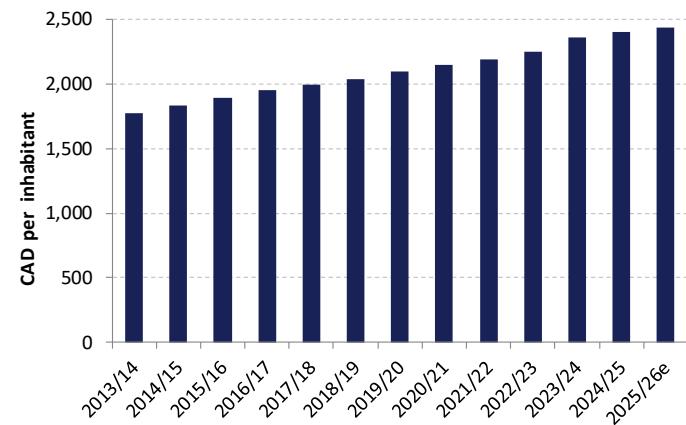
Significant allocations in per capita terms

Although the TFF is relatively low in volume compared with the Equalization Program (budget year 2025/26e: CAD 5.5bn vs. CAD 26.2bn), its importance for the territories in relation to the number of inhabitants is extremely high: local authorities receive an average of CAD 41,390 per capita.

Equalization system payments



Equalization system payments per capita*



* Figures for the budget year (01 April to 31 March)

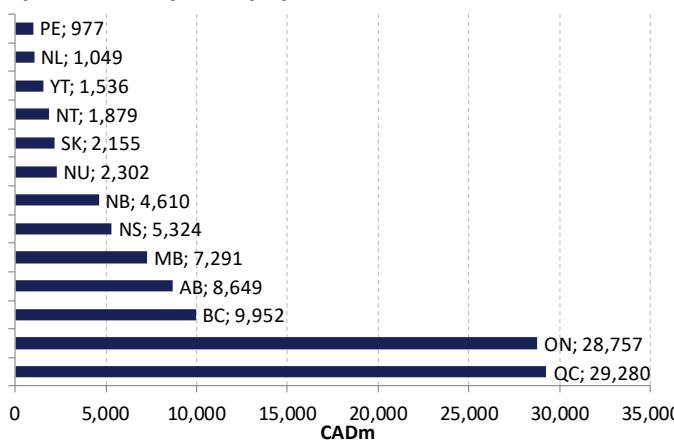
NB: Offshore Offset Payments are equalization payments that only Nova Scotia receives from the central government. They act as compensation for the reduction in payments from the Equalization Program resulting from development of the oil and gas fields off the coast of Nova Scotia.

Source: Department of Finance Canada, Statistics Canada, NORD/LB Floor Research

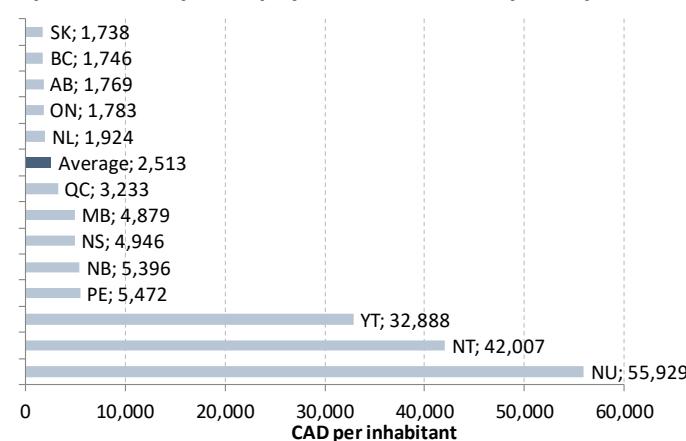
Continuous increase in allocations for financial equalization

The volumes allocated within the financial equalization system have increased steadily in recent years. If future payments continue in line with budget plans, the volume in 2025/26e is likely to be around 54% higher than was the case a decade ago. The funds reallocated within the CHT and Equalization Program were, in particular, drivers of growth (+60.7% and +50.9% respectively), while the growth rate for payments made within the CST system was lower (+34.4%). The payment flows under the TFF in this period were also up significantly (+52.6%), although given their more modest overall volume, contributed only marginally to the overall growth. In fact, the payments within the financial equalization system track the overall revenue development of the provinces and territories: the share of revenue from the provinces' transfer system has hardly changed over the past few years and stands in a corridor between 10% and 40%. For the territories, the transfer payments are of far greater importance; their share in relation to revenues has, on average, amounted to around 80-90% in recent years.

Equalization system payments 2025/26e*



Equalization system payments 2025/26e per capita*



* Figures for the budget year (01 April to 31 March)

Source: Department of Finance Canada, Statistics Canada, NORD/LB Floor Research

Québec and Ontario dominate the system, although territories are the biggest winners

While Ontario and Québec clearly dominate the financial equalization system in terms of absolute amounts, the three territories receive by far the highest payments on a per capita basis. As a result, the system is accordingly more important to the territories.

Conclusion

On balance, we assess the Canadian financial equalization system as a reliable mechanism. The payments have a high degree of constancy and have grown in relatively linear fashion in recent budget years. In our view, the fact that a large part of the system (CHT and CST) is earmarked for a specific purpose can be seen as sustainable, although this equally reduces flexibility in relation to the use of revenues. However, we believe that this circumstance is largely offset by the fact that, for most Canadian provinces, the equalization system does not constitute a dominant portion of their revenue streams. Nevertheless, dependencies could arise among the provinces with comparatively high transfer shares (New Brunswick, Nova Scotia and Prince Edward Island) if these were to exceed the current levels of around 30%. Conversely, an even greater dependency on the financial equalization system, and therefore also on the central state, can be seen in the case of the territories. However, in view of their constitutional status, this should hardly come as a surprise. In this context, transfer payments currently account for shares of up to 72% of the territories' total revenues.

Constitutional principles CETA

CETA – Comprehensive Economic and Trade Agreement between the EU and Canada

Negotiations on a free trade agreement between the European Union (EU) and Canada first began in June 2009. CETA aims to promote trade and cooperation between Canada and the EU in all economic sub-areas. The agreement seeks to create new growth opportunities for both economies, primarily through the abolition of 98% of all customs duties. It took more than eight years from the start of negotiations before the agreement (provisionally) came into force on 21 September 2017. However, the majority of the agreement actually became effective following the provisional application, which was explicitly facilitated by mixed agreements on the part of the EU. This is because the sub-areas that fall exclusively into the sphere of EU competence may in this way be implemented prior to ratification by the EU Member States' respective national parliaments. In the case of CETA, this relates to the agreements on customs regulations and the awarding of public contracts, among other aspects. Nevertheless, CETA will only take full effect once it has been approved and ratified by all 27 EU Member States.

Is CETA a mixed agreement under EU law?

The EU makes a distinction between agreements that fall exclusively under its area of responsibility and those known as mixed agreements, which also affect national competencies. The EU has the power to independently ratify agreements that only affect areas of responsibility transferred to the EU by the Member States. However, if competences of the Member States are affected as well, approval is also required in the respective national parliaments. These are mixed agreements, as in such cases the individual Member States must also ratify the agreements as co-signatories. Nevertheless, the legal distinction as to whether an agreement is to be regarded as mixed is not always totally unambiguous. For example, the European Commission and Italy classified CETA as purely within EU competence, while Germany additionally considered the scope as extending to national parliaments.

Reaching the preliminary agreement: a rocky road

In July 2016, the European Commission, led by the European Commissioner for Trade at the time, Cecilia Malmström, decided that CETA would be classified as a mixed agreement. As such, it was not only the EU institutions that would have to sign and ratify the agreement, but all Member States as well. The reasons for this decision are linked to political and legal demands from Austria, Belgium and Germany, among others, for national parliaments to be more deeply involved in the process. Criticism was directed in particular at clauses concerning investment protection, as the nations saw their legislative sovereignty jeopardised by the investor-state dispute settlement (ISDS). While this classification increased the formal hurdles to be overcome, it also improved the democratic legitimacy of the agreement and paved the way for provisional application. The situation was particularly tense in Belgium, where the Walloon parliament initially blocked CETA, highlighting the threats that it saw to agriculture, the environment and regulatory standards. Following intensive negotiations, further clarifications, and a supplementary political agreement addressing the key concerns, Wallonia finally gave the green light at the end of October 2016, which enabled Belgium to sign the agreement at EU level.

Ratification in all 27 parliaments necessary

With the agreement signed by the EU and Canada, CETA is not yet definitively in force in formal terms. The agreement will only take full effect once it has been ratified by all 27 EU Member States – although there is no firm deadline by which the national procedures must be completed. In several Member States, regional councils must be involved in the process alongside the national parliaments, which only slows the process further. Since 21 September 2017, CETA has been provisionally applied in those areas that are indisputably within the EU's remit. These include, in particular, reducing tariffs, facilitating market access for services and public procurement processes. The provisions on investment protection (Investment Court System; ICS) have not yet entered into force provisionally and will only be applicable after full ratification. To date, 17 Member States have ratified the agreement, including Germany (2022). In the remaining countries, including Belgium, political factors such as changes of government, coalition agreements or controversial debates on investment protection are either blocking or delaying the ratification process. While in practice this means that most of the trade-related facilitations are already in effect, full legal certainty, especially in terms of investment protection, is dependent on all procedures at national level being finalised.

Overview of CETA objectives

CETA is a wide-ranging trade and economic pact that, according to the European Commission, pursues the aim of setting new standards for global trade. The agreement seeks to deepen transatlantic trade and facilitate investments, at the same time as maintaining high standards. CETA comprises 30 articles with more than 1,200 pages of annexes overall. One of the key elements is the elimination of tariffs, 98% of which have already been removed. This results in tangible cost advantages for companies on both sides. For example, the European Commission anticipates annual savings of EUR 590m. And it is not only large exporters that stand to benefit; smaller businesses, for example in the areas of agriculture, food and textiles are expected to reap the rewards offered by CETA as well. EU consumers will also gain access to a wider range of goods without weakening European regulations on food safety, environmental protection or consumer protection. In addition to trade in goods, CETA also opens up the Canadian market to services and investments on an unprecedented scale. In line with the agreement, EU companies will be eligible to submit bids to supply goods and services in Canada at federal, provincial and municipal level. In this way, they will be able to take part in public tenders – the first non-Canadian enterprises to enjoy such wide-ranging rights. The mutual recognition of professional qualifications as well as simplified mechanisms to temporarily exchange skilled workers will further facilitate cooperation. Moreover, CETA includes clauses that bolster the protection of intellectual property and secure geographical indications of origin for typical European products, while the agreement also incorporates new mechanisms for transparent and independent investment protection. In this context, the ISDS is to be replaced by the improved ICS. At the same time, CETA makes sustainable development a priority, whereby labour rights, environmental protection and climate targets are all enshrined in the agreement. The overarching objective of CETA is not only to intensify economic exchanges, but also to foster a partnership between the EU and Canada based on the pillars of fairness, innovation and mutual trust.

CETA impacts on Canadian imports and exports

The core of CETA, namely trade in goods, has been in force since 21 September 2017. In this context, the reductions in tariffs have largely been implemented, with the final phases having expired on 01 January 2024. For Canada, the benefits include lower market entry costs and more reliable rules in one of the world's largest single markets. The expanding sales and procurement area also aids diversification and serves to reduce dependencies on the US market. However, the economic benefits for Canada are not reflected in explosive growth, but rather in a steady, marginal development of integration with the EU. In terms of exports, the EU accounted for a share of around 7.0% in 2016, which grew slightly to around 7.3% in 2024. However, in this context it is clear that the EU has not even come close to replacing the dominant role of the USA. The effect is somewhat more pronounced in relation to imports: the EU share of Canadian imports rose from around 10.0% in 2016 to approx. 12.1% in 2024, which suggests that domestic companies are increasingly opting to utilise EU products and services. Moreover, Brexit has also played a part in shifting the import share towards the EU. Nevertheless, the United Kingdom remains an important trading partner for Canada, alongside the EU. Taking the two economic areas together, imports have increased from 13.3% in 2016 to approx. 16.1% in 2024.

Export-oriented provinces and territories primarily stand to benefit

Among the Canadian sub-sovereigns, it is those that already export a significant share of their goods and services to the EU, such as the Northwest Territories and Nunavut, that primarily stand to benefit from CETA. However, provinces such as Saskatchewan can also be considered as potential beneficiaries of CETA. The province's export target of achieving an increase of +50% by 2030 was achieved and exceeded as early as 2023. In 2024, exports remained at a high level, which is likely to be down to free access to a market comprising around 450 million consumers. The Canadian hydrogen industry could also be a huge beneficiary of the agreement. For example, new wind farms and hydrogen plants are to be built in the provinces of Newfoundland and Labrador, Nova Scotia and New Brunswick, with the investment volume in this area now standing at a double-digit billion amount. In terms of Germany alone, the energy companies Uniper and E.ON each signed declarations of intent in 2022, which included the procurement of up to 500,000 tonnes of green ammonia per year. However, the project has fallen behind schedule, with the first deliveries now expected to take place in 2026/27. From a European perspective, importing hydrogen is regarded as the favoured alternative to purchasing LNG, as the Canadian east coast lacks sufficient infrastructure for exporting the latter. CETA will also open up additional opportunities for more urban regions in Ontario and Québec, where value creation is largely driven by the service sector. The closer cooperation between the EU and Canada in the mutual recognition of academic and professional qualifications and the liberalisation of the service sector will simplify temporary employment in particular. It will also facilitate transatlantic cooperation on a business level. For example, the first agreement for the mutual recognition of professional qualifications was concluded in 2024 in the form of the Mutual Recognition Agreement (MRA) for architects. Other beneficiaries are expected to include Canadian small and medium-sized enterprises (SMEs), over 50% of which are located in Ontario and Québec alone. In 2024, these SMEs accounted for more than 97% of the total of 48,036 registered exporting companies. The fishing industry also anticipates that tangible benefits will come its way: as a result of the free trade agreement, it is expected that up to 96% of all EU tariff lines will be eliminated for fish and seafood products from Canada. On average, the tariffs on such products come in at 11% – but can reach as high as 25% in some cases. According to the information, Nova Scotia and New Brunswick, which together account for the majority of Canada's fishing exports to the EU, stand to benefit from dismantling these trade barriers in particular.

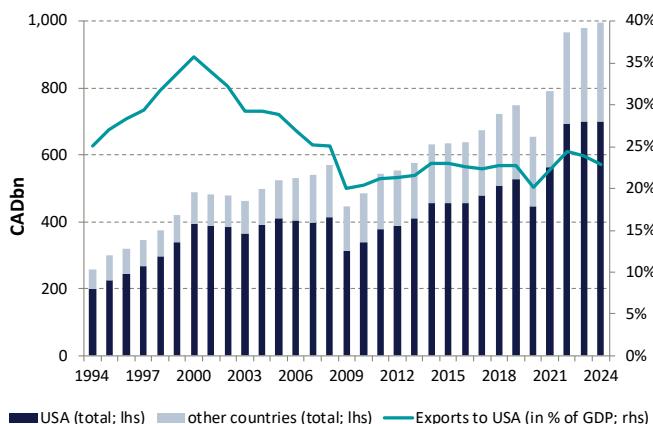
Constitutional principles

NAFTA and its successor CUSMA

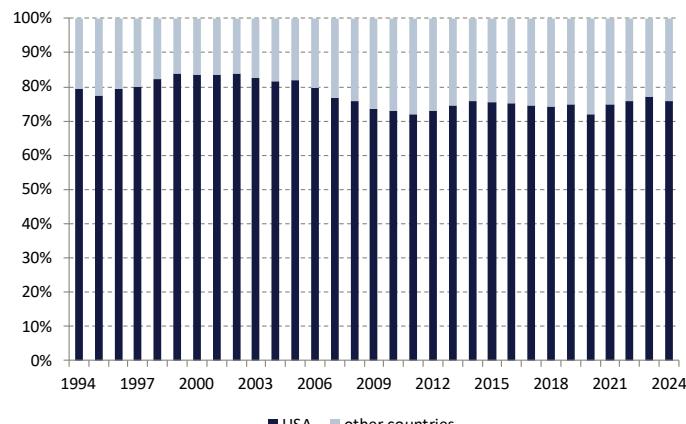
The USA as Canada's most important trading partner

The Canadian export industry is dependent on the US economy to an unparalleled extent. In 2024, a total of 70.3% of all Canadian export revenues came from the USA, generating just under 22.8% of Canada's total GDP. By way of comparison, the equivalent share for the United Kingdom was just 1.3%. This makes the USA the most important external economic influence on Canada, which is the second-largest country on Earth in terms of area. Across 2025, the US government has moved to impose increased tariffs on Canadian steel and aluminium products, which has led to substantial tension in the bilateral trade relations. Should the United States expand these measures or introduce additional sectoral tariffs, imports from Canada would become even more expensive for US consumers. In turn, this would lead to a reduction in trade volumes. The feared consequences of these developments ultimately concern job losses and a weakened Canadian economy.

Balance of trade for exports since 1994



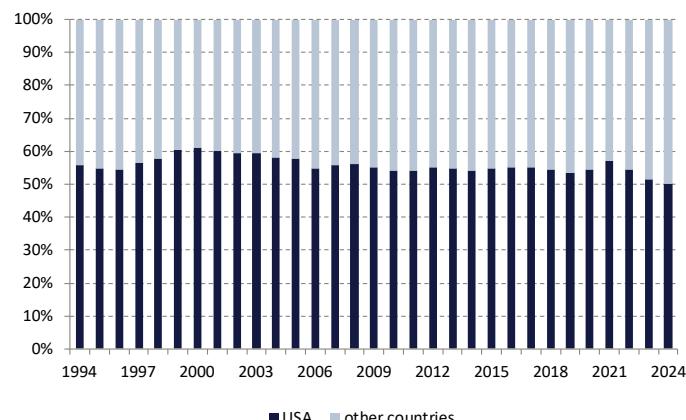
Balance of trade for exports since 1994 (in %)



Source: Statistics Canada, NORD/LB Floor Research

Free trade without major effect on trade in goods

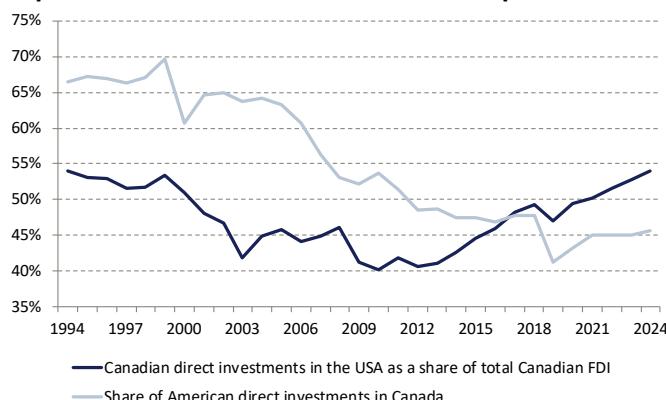
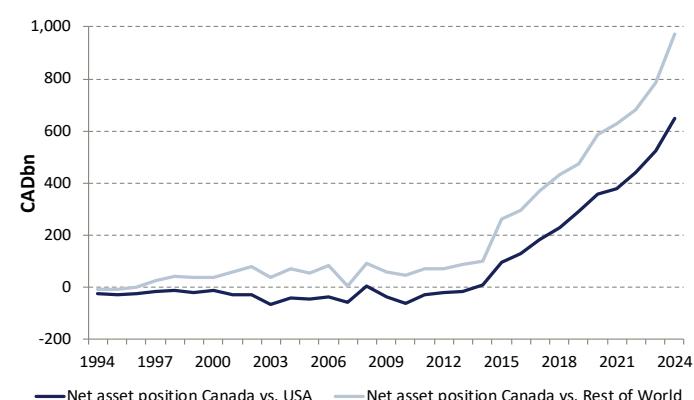
The implementation of NAFTA resulted in exports in the balance of trade tripling during the subsequent years up to 2008. Yet this trend actually began as early as 1992, i.e. two years before NAFTA. Up to 2002, the proportion of exports to the USA in relation to total exports increased steadily, from an initial level of 79.3% in 1994 to a final figure of 83.8% in 2002. Thereafter, however, a countermovement began to set in. Prior to the COVID-19 pandemic, the US share amounted to 74.9% in 2019, before rising to around 75.9% in 2024. These values are below the level seen in the years immediately after the turn of the millennium. As such, Canadian exports to its southern neighbour only became marginally more important – and gained only temporary importance. It is interesting that the proportion of exports to the USA in relation to Canadian GDP also rose significantly in line with the growth recorded between 1993 and 2002, with a peak value of 32.4% recorded in the year 2000 for this metric. At a value of 19.3% in 2024, however, the ratio has fallen back below the level recorded in the early days of the NAFTA era. In retrospect, it can therefore be said that neither exports nor GDP are to any significant degree more dependent on the USA as a result of NAFTA. All the same, this should not lead to the conclusion that abolition of trade privileges would not result in any implications for exports.

Service exports since 1994**Trade balance for service exports since 1994 (in %)**

Source: Statistics Canada, NORD/LB Floor Research

Service exports and foreign direct investment (FDI)

As is the case with the export of goods, the volume of service exports has significantly increased over time. In the 1990s, the importance of the USA grew without leading to the formation of an excessive dependency. Measured as a percentage of GDP, service exports to the USA remained below the level of around 3.3% until 2019, significantly lower than the share attributable to the trade in goods. Following a decline at the beginning of the 2000s, the ratio stabilised again at 3.6% by 2024. The service exports of Canadian companies to the USA have remained stable over time, fluctuating in a range of between around 50% and 60%. However, since 2021, they have been on the slide, falling to 50.2% in 2024. As such, the ties here remain strong without any long-term increase in concentration. A similar pattern can be seen in relation to cross-border capital flows. The USA remains Canada's most important partner, although its dominant status has diminished compared with the 1990s. This can be seen in the US share of foreign direct investment in Canada, which has fallen from around 70% in 1999 to 41.2% in 2019. After the pandemic-related low-water mark, this figure has since risen again to 45.7% in 2024. Conversely, Canadian direct investment in the USA accounted for 54% of the total foreign direct investment from Canada. Disregarding the shutdown, Canadian investment has been on the rise since 2012. Until the early 2010s, Canada consistently had an unfavourable position compared to the USA, i.e. the USA was investing more in Canada than vice versa. Since 2014, this relationship has reversed, with Canada having become a net investor. This steady increase reached a historic high in 2024.

Importance of the USA as an investment partner**Direct investments**

Source: Statistics Canada, NORD/LB Floor Research

USMCA/CUSMA as the successor agreement to NAFTA

At the initiative of the Trump administration, the USA, Canada and Mexico renegotiated their economic relationships, which up to this point had been shaped by NAFTA and struck a deal to replace the 1994 agreement. In addition to continuing to closely cooperate in the area of trade in goods and services, the three countries are also set to jointly host the FIFA World Cup 2026. The United States-Mexico-Canada Agreement (USMCA), rearranged in Canada to read CUSMA (in Québec known as “L’Accord Canada-États-Unis-Mexique” [ACEUM]), was signed on 30 November 2018. It defines the conditions for free trade across North America in the 21st century. The agreement considers aspects including digital trade, environment, employee rights and copyright laws. In contrast to NAFTA, CUSMA will run for a limited term of just 16 years. The agreement also stipulates that it should be jointly reviewed after six years. If all parties agree to a continuation, the term of the agreement can be extended by a further 16 years. Canada ratified CUSMA in March 2020 and the agreement entered into force on 01 July 2020. This restored legal and planning certainty for the North American export industry. In the period immediately before COVID-19, US tariffs levied against steel and aluminium imports from Canada and Mexico created a sense of instability. These were applied from 2018 until an agreement was reached on 17 May 2019. Since 16 September 2025, the three partners have been preparing for the first joint review as of 01 July 2026. The USA has launched a formal consultation process to define the scope of the evaluation and to create leeway for substantive adjustments. Earlier in 2025, Washington imposed fresh tariffs and increased the rates already in place. Steel and aluminium were initially subject to tariffs of 25% from 12 March 2025, which was then upped to 50% on 04 June 2025. This had a negative impact on planning security. Meanwhile, Ottawa and Washington sought to find an exit plan based on sectoral agreements. Following discussions in October 2025, it appears that industry-specific solutions for steel, aluminium and the automotive sector are likely to remain in place even if CUSMA is adjusted after the review.

Amendments arising from CUSMA

The provisions regarding the automotive industry represent an important part of the agreement. According to comments from the US President Donald Trump, the automotive industry in the USA was unfairly disadvantaged under the previously applicable regime. CUSMA now stipulates that 75% (previously: 62.5%) of the automotive components used in a car must have been manufactured in North America for no tariffs to be applied. In addition, 40% of the components must have been manufactured by employees earning at least USD 16 per hour. If a CUSMA Member State enters into another free trade agreement with a country that one of the other parties to the agreement deems not to be a free market economy, the other members have the option to exclude the Member State in question from CUSMA with a notice period of six months. This would subsequently transform CUSMA into a bilateral agreement between the two remaining states. This clause allows each Member State that is party to the agreement to independently classify non-market economies. China is the primary target of this provision, as the USA defines China as a non-market economy. In contrast, Canada and Mexico pursue a case-by-case approach. As such, CUSMA limits the scope for bilateral free trade agreements with China and emphasises the primacy of economic interrelationships across North America. In this way, Mexico and Canada have made some concessions to the USA. The requirement about wages within the automotive industry and conditions on employee protection are a pressure point for Mexican manufacturers, while Canada has opened its import market further for dairy products, poultry and eggs. This could primarily impact Saskatchewan, Prince Edward Island and Manitoba, where the importance of the agri sector is higher than in other provinces. However, given that the agri sector only constitutes around 2% of Canadian GDP, the effects on the Canadian economy are not expected to be overly excessive.

Constitutional principles

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

The long road from TPP to CPTPP

The Trans-Pacific Partnership (TPP) was a proposed trade agreement resulted from negotiations lasting several years. In terms of content, it was seen as building upon the TPSEP (Trans-Pacific Strategic Economic Partnership), a free trade agreement between Chile, Brunei, New Zealand and Singapore signed in 2005 with the main aim of eliminating customs duties. US efforts to contribute to the TPP gained momentum during Barack Obama's presidency, regarding the service sector and the international financial markets. Following a political agreement in principle, the TPP was signed in Auckland on 04 February 2016 by twelve nations: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the USA and Vietnam. However, the agreement was never fully ratified. Nevertheless, the agreement successfully establishes a modern framework to regulate market access, rules of origin, investment, services and digital trade. Following Donald Trump's election win in 2016, the prospects of US approval for the TPP immediately faded. Ultimately, Trump withdrew US support for the agreement in 2017, with the result that the TPP was essentially politically stonewalled. The remaining signatories, however, decided to adhere to the core principles and objectives of the TPP to uphold the achieved standards.

Trump orders withdrawal from the TPP just days after first taking office

Donald Trump placed himself at the centre of the debate, having sharply criticised the TPP during his presidential election campaign in 2016, warning against the prospect of job losses in the USA in the process. Upon taking office, the announced change of course was immediately implemented. With the memorandum of 23 January 2017, the Trump administration withdrew US support, citing the goal of strengthening domestic industry and employment in a reflection of his "America First" approach to trading partners. This marked the beginning of an official policy of protectionism. For the Pacific Rim nations, this represented a turning point – albeit not one that would force them to deviate from their integrationist political approach. Consequently, bilateral and multilateral options gained greater prominence, creating incentives to pursue an independent agreement without US involvement.

Agreement will continue without the USA

Exactly a year to the day since the US withdrawal from the TPP, the remaining eleven partners relaunched the CPTPP as a revised version of the agreement. This was signed on 08 March 2018 in Santiago de Chile. In terms of content, the CPTPP adopted the core principles of the TPP and suspended certain commitments to facilitate rapid implementation. The agreement initially entered into force for six members on 30 December 2018, with additional countries following suit on a staggered basis thereafter. Brunei completed the ratification process on 13 May 2023 (entry into force on 12 July 2023). With the accession of the United Kingdom, the geographical scope of the CPTPP was extended beyond the Pacific region for the first time on 15 December 2024. In this way, the agreement stands for rules-based market access, which is increasingly being operationalised in supply chains and – with continued tariff reductions for agricultural and industrial products in particular – sends a clear signal for multilateral cooperation. The objectives were clearly defined: to ensure integration, to increase planning security and predictability in trade, and to promote the opening up of the Asia-Pacific region, even without US participation.

Conclusion

Today, Canada's trade architecture is based around three stable pillars, yet still retains a degree of agility. Since 21 September 2017, CETA has opened up the European single market, and with the expiration of the last tariff lines on 01 January 2024, it has significantly lowered barriers to market entry. The end effect has not been a huge leap, but rather a gradual development of relationships. Companies are using Europe as a second axis alongside North America, particularly where processes, quality and certifications are crucial. At its core, the economic alignment of Canada has been centred on CUSMA since 01 July 2020. The prospect of the first review, scheduled for 01 July 2026, has now appeared on the horizon and underlines just how intricately planning and policy remain intertwined. While the tariff increases in 2025 fell short of formally breaching CUSMA protocols, they have served to expose vulnerabilities in the Canadian system. It is therefore all the more important that Canada is able to consistently capitalise on opportunities arising within the single market while simultaneously strengthening resilience against US tariff measures in vulnerable sectors. This does not seem to be lost on Canada, which already grasped the gravity of this situation even before the tariff disputes seen in recent months. At least the investment data points to this being the case: Canada is increasingly operating as a net capital provider to the USA, which firstly serves to strengthen its revenue base in the most important foreign market and secondly reduces one-sided dependencies without severing economic ties. Since 30 December 2018, the CPTPP has walked a fine line, keeping the door open to Asia at the same time as expanding beyond the Pacific Rim region, as seen in the accession to the agreement of the UK on 15 December 2024. While the agreement could still be expanded further, the way forward would appear to be in compatibility with existing standards and not in political shortcuts. For Canada, this represents a lever through which it can diversify supply chains as well as scaling its technology and service segments without turning its back on the domestic market. Ultimately, the direction of travel is clear. Proper implementation of the agreed rules, reliable framework conditions and the utilisation of existing contracts will now be crucial aspects. This increases planning security and reduces risks from tariffs, exchange rates and economic fluctuations. The added value of CETA, CUSMA and the CPTPP is linked in particular to the stable, rules-based market access that such agreements can offer.

Regulatory framework of the Canadian provinces

Key factor for relative attractiveness

In the SSA segment, we regard the regulatory treatment of exposure as one of the main determinants of the relative attractiveness of an issuer or bond. For this reason, we will analyse the implications of the risk weight, LCR and NSFR classifications, ECB repo collateral rules and treatment under Solvency II in the sections below. In this context, however, we will not provide a general overview of each regulation in this publication. Instead, we refer our readers to the [Issuer Guide – German Laender](#), in which we cover the individual legislation in (more) detail.

Risk weight

0% risk weight possible under the CRR

The key takeaway up front: we take the view that a risk weight of 0% can be applied to Canadian provinces in line with the standard approach of the CRR.

Relevant regulatory frameworks: [CRR](#); [Commission decision](#); [CAR](#)

The basis for the risk weights of outstanding claims against Canadian provinces and territories is essentially derived from four legal acts: the European Capital Requirements Regulation ([CRR](#)); Regulation (EU) Nr. 575/2013 and [Regulation \(EU\) 2019/876](#)), the [Implementing Decision \(EU\) 2021/1753](#) of the European Commission and the Canadian Capital Adequacy Requirements ([CAR](#)).

CRR: Art. 115(4) allows for the possibility of a 0% risk weight for sub-sovereigns outside the EEA

The risk weight of exposure to regional governments and local authorities (RGLA) is equated with that of the respective sovereign in accordance with Art. 115(2) CRR, subject to two conditions: rights to levy taxes must be in place and, based on the existence of specific institutional arrangements aimed at reducing the default risk, there is no risk-related difference in comparison with risk positions held against the central government of the sovereign in question. Pursuant to Art. 115(4) CRR, this also applies in the same way to sub-sovereigns of third countries that are equivalent from a legal and supervisory viewpoint, provided that the competent authorities in these countries treat exposure to RGLA and the central government in an identical manner. As such, for Canadian provinces and territories to qualify for a risk weight of 0%, the following two conditions, which we shall examine in greater detail later in this section, must essentially be satisfied:

1. The third country's regulatory and legal provisions are at least equivalent to those of the European Union.
2. The regulatory body in the third country treats exposure to the respective sub-sovereigns in the same way as exposure to the central government. This is because there is no difference in relation to the risks of these positions due to the special powers to levy taxes held by these sub-sovereigns and the institutional precautions put in place to reduce the risk of default.

BCBS approves reforms

In 2018, the Basel Committee on Banking Supervision (BCBS) adopted amendments to the regulations governing capital requirements under the credit risk approach, among other measures. A buffer was also added to the leverage ratio and the calculation of the necessary regulatory capital by the banks was also tightened up. These adjustments were implemented against the backdrop of unjustified variability in the risk weights between the individual banks.

Commission decision: equivalence of regulatory and legal provisions

Examination of the first requirement was made far easier in October 2021. The European Commission published Implementing Decision (EU) 2021/1753, which defined those countries in which the regulatory and legal provisions are at least equivalent to those of the EU. In conjunction with Annex IV of the Implementing Decision, Art. 4 explicitly indicates those countries which comply with this first requirement of Art. 115(4) CRR. This list includes the following jurisdictions:

List of third countries that are equivalent from a supervisory and legal viewpoint

Argentina	India	Saudi Arabia
Australia	Isle of Man	Switzerland
Bosnia and Herzegovina	Japan	Serbia
Brazil	Jersey	Singapore
China	Canada	South Africa
Faroe Islands	Mexico	South Korea
Greenland	Monaco	Türkiye
Guernsey	New Zealand	USA
Hong Kong	North Macedonia	

Source: [EU 2021/1753](#), NORD/LB Floor Research

Equivalence confirmed

Since Canada is explicitly included on the list of third countries that enjoy regulatory and legal parity, equivalence is thereby confirmed by Implementing Decision (EU) 2021/175. In effect, the first requirement of Art. 115(4) can therefore be regarded as satisfied.

CAR: 0% risk weight of Canadian regions in Canada

The risk weight is therefore exclusively based on the regulatory treatment of the Canadian provinces and territories as defined by the Canadian regulatory and supervisory authority. The relevant legal provision is the CAR, which specifies the definitions for risk weights under the standardised approach in Chapter 4.1.2. This provision enables equivalent regulatory treatment of Canadian provinces and territories as well as the central government, therefore resulting in a risk weight of 0%.

0% risk weight for Canadian provinces possible under CRR

Taken as a whole, the method of deriving the risk weight through the CRR, the decision of the European Commission and the CAR therefore confirm the possibility of assigning a risk weight of 0% based on the standard approach. Accordingly, in our opinion, Canadian provinces and territories represent interesting alternatives to other issuer groups that benefit from similar preferred regulatory treatment (e.g. the German Laender and Belgian regions).

LCR classification

LCR classification dependent on two conditions

The LCR classification of bonds issued by Canadian provinces and territories is defined by the [LCR Regulation](#), which is based on the [CRR](#). We believe that Level 1 classification is possible since the requirements of Art. 10(1)(c)(iv) LCR are met.

Art. 10(1)(c)(iv) LCR requires two conditions to be met

Art. 10(1)(c)(iv) LCR enables the possibility of Level 1 classification for bonds issued by regional governments and local authorities (RGLA) that are not based in the EEA. For this, two requirements are defined:

1. LCR classification of the respective central state is possible under Art. 10(1)(c)(ii)
2. Exposure to sub-sovereigns may be treated as exposure to the respective central state under Art. 115(4) CRR

First requirement: validity of Art. 10(1)(c)(ii) LCR for Canada

The first requirement is that exposure to Canada can be classified as Level 1 assets under Art. 10(1)(c)(ii) LCR. Classification at this level requires a Credit Quality Step (CQS) of 1 in accordance with Art. 114(2) CRR. In order to qualify for a classification as Level 1 assets, Canadian sovereign bonds must have a minimum rating of AA-/Aa3. Given that Canada is currently rated AA+/Aaa/AAA by Fitch, Moody's and S&P respectively, this requirement is deemed to be met. Moreover, due to the fact that Canadian government bonds can consequently be categorised as Level 1 assets, the first condition of Art. 10(1)(c)(iv) LCR is also satisfied.

Second requirement: 0% risk weight for Canadian provinces

For the second requirement, the LCR refers to the risk weight of the respective sub-sovereign pursuant to Art. 115(4) CRR. Since we conclude that a risk weight of 0% can be applied to exposure against Canadian provinces and territories in accordance with the standard approach of CRR (see previous pages), from our point of view this requirement is therefore met.

Bonds issued by Canadian provinces: Level 1 assets

As a result, in an overall context, we arrive at the conclusion that Canadian provinces and territories benefit from Level 1 classification within the framework of the LCR, similar to the German Laender, for example. For a more in-depth analysis of the LCR, we would refer readers at this point to our [Issuer Guide – German Laender](#) as well as our [weekly publication dated 14 May 2025](#).

NSFR classification

Introduction of the NSFR within the framework of the [CRR](#)

After the CRR came into effect, requirements regarding the Net Stable Funding Ratio (NSFR) were also implemented into European law, although the European Commission adopted the BCBS draft with a handful of amendments. Like the LCR, the purpose of the NSFR is to avoid funding risks. In essence, it aims to ensure that banks have an adequate volume of stable funding at their disposal to avoid excessive maturity transformation and, in particular, a stress-prone dependency on short-term funding. In contrast to the LCR, however, the focus of the NSFR is on a time frame of 12 months, rather than stress periods of one month. For more detailed information in this regard, we again refer to our [Issuer Guide – German Laender](#).

Required Stable Funding Factor (RSFF) of 0% in accordance with Art. 428r – 428ah CRR

The classification of assets in respective RSFF categories is regulated by Art. 428r – 428ah of the CRR. As unencumbered Level 1 assets in line with the LCR (see previous pages), an RSFF of 0% can be applied to bonds issued by Canadian provinces and territories, which is the best possible classification. In comparison with the draft version drawn up by the BCBS, which stipulated an RSFF of 5%, this classification is even more advantageous. Canadian sub-sovereigns are therefore placed on an equal footing with the German Laender, for example.

ECB repo collateral rules

General framework and **Temporary framework** define collateral rules

Within the scope of its statutes, access to ECB liquidity is only possible on a collateralised basis. The [ECB](#) defines the assets that are eligible as collateral in its *General framework* and *Temporary framework*. In order for collateral to be recognised as marketable assets, the following criteria must essentially be fulfilled:

Eligibility criteria	Marketable assets
Type of asset	ECB debt certificates, other marketable debt instruments (Art. 60)
Credit standards	The asset must meet high credit quality standards. These are assessed using ECAF (Eurosystem credit assessment framework) rules for marketable assets (Art. 59)
Place of issue	Debt instruments must be issued with a central bank or an approved securities settlement system in the EEA (Art. 66)
Settlement/ handling procedures	Debt instruments shall be transferable in book entry form and shall be held and settled in Member States whose currency is the euro through an account with a national central bank (NCB) or with an eligible securities settlement system, so that the provision and realisation of collateral is or can be subject to the law of a Member State whose currency is the euro (Art. 67)
Type of issuer/ debtor/guarantor	NCBs, public sector entities, institutions with a public promotional mandate, private sector, multilateral development banks or international organisations (Art. 69)
Place of establishment of the issuer/debtor/ guarantor	Issuer: EEA or non-EEA G-10 sovereigns; Debtor: EEA; Guarantor: EEA (Art. 70)
Acceptable markets	Regulated markets as defined in Directive 2014/65/EU , non-regulated markets approved by the ECB (Art. 68)
Currency	Euro (Art. 65)
Minimum amount	-
Legal basis	For asset-backed securities (ABS), the acquisition of the cash-flow generating assets by the SPV shall be governed by the law of an EU Member State. The law governing the cash-flow generating assets shall be the law of an EEA country (Art. 75)
Cross-border use	Yes (Art. 148)

Source: [ECB, Guideline \(EU\) 2015/510](#), NORD/LB Floor Research

Bonds issued by Canadian provinces recognised as marketable assets

Regarding the criteria outlined above that must be fulfilled for assets to be recognised by the ECB as marketable assets, it is now possible to show in detail that the criteria for EUR-denominated bonds issued by Canadian provinces are, in principle, met. The key aspect in this regard is that Canadian provinces constitute issuers that are geographically located in a non-EEA G-10 sovereign. However, it is easier to consult the [overview](#) of eligible marketable assets published and updated daily by the ECB, which also lists bonds issued by a number of different Canadian provinces as marketable assets. This leads us to conclude that (fundamentally speaking) the bonds issued by Canadian provinces and denominated in EUR are recognised as marketable assets, even though a case-by-case review of the respective debt instrument is still necessary.

Haircuts for collateral based on Guideline (EU) 2016/65

ECB-compliant collateral (marketable) is divided into five haircut categories, whereby the allocation to a haircut category is the key factor in determining the valuation discounts (haircuts) to which certain debt securities are subject. In accordance with [Guideline \(EU\) 2016/65](#), debt securities issued by RGLA are always subject to valuation discounts as defined by haircut category II. The haircuts, which also differ based on rating, residual term to maturity and coupon structure, amount to between 1.0% and 32.5% (cf. [publication on ECB repo collateral rules](#)).

Solvency II classification

Solvency II classification according to BaFin

To calculate the solvency capital requirements on insurance companies, [Delegated Regulation \(EU\) 2015/35](#) (DR, Solvency II) demands that various risk modules are taken into account, whereby the market risk module entails significant implications in respect of the regulatory treatment of bonds. In turn, this can be broken down into a series of sub-modules. In the standard formula under Solvency II, bonds are considered in the sub-modules of the market risk, specifically the risk of interest rates changing, the spread risk, the market concentration risk and – for bonds denominated in foreign currencies – the foreign currency risk. In the spread risk and market concentration risk, bonds are assigned a risk factor of 0% under certain circumstances. In this respect, please refer in particular to Art. 180(2) DR for specific risk exposures in relation to the spread risk and Art. 187(3) DR for the market concentration risk.

Capital requirement for the spread risk largely dictated by duration and rating

The capital requirement for the spread risk of bonds is basically determined as a stressed market value. The related stress factor to be used is essentially derived from the two parameters, namely duration and credit rating (Credit Quality Step [CQS]). For further details of this, please refer to Art. 176 ff. of the Delegated Regulation. The CQS is primarily based on the (external) rating. For this purpose there is a specific mapping described in "[Implementing Technical Standards on the mapping of ECAs credit assessment](#)". Exposure to local governments is only to be treated as exposure to the relevant central government if they are explicitly included on the [lists](#) published by the European Banking Authority (EBA).

Canadian provinces in the context of Solvency II classification

Given that none of the provinces of Canada constitutes a regional government or local authority (RGLA) of a Member State, Art. 180(2)(b) DR is in particular not applicable initially. Moreover, as most of the issued bonds are additionally not denominated in the currency of the relevant central government (Canada, i.e. CAD), but rather denominated in EUR, Art. 180(3) DR is notably not applicable either. As a result, the capital deposit is determined in line with the requirement specified in Art. 176 DR. In terms of fixed-interest bonds, Art. 176(3) DR is specifically relevant for stress factor allocation, provided that these bonds are rated. In the case of variable-interest bonds, Art. 176(2) DR and Art. 176(4) ff. DR must be observed in particular.

Result – CQS

The decisive factor is that bonds of this type denominated in foreign currency that are issued by provinces or regional governments of Non-Member States are not assigned preferred status and, as a rule, must accordingly be covered by equity capital, irrespective of rating and consequently CQS too. This also applies to bonds denominated in CAD, since the exposure against the province is not regarded as exposure to the Canadian state under Solvency II. For this reason, it is not Art. 180(3) DR that is crucial to the allocation of the stress factor, but rather Art. 176 DR again. Consequently, *no* bonds are assigned preferred status, regardless of the rating.

Result – SCR

The SCR (Solvency Capital Requirement) is calculated on the basis of “individual addresses” under Solvency II. Accordingly, it is the respective regional governments that constitute the individual addresses in question. In the case of EUR bonds, there would again be *no* risk factor of 0% in this instance (cf. Art. 186(1) in particular). This would also apply to bonds if they were denominated in CAD. Consequently, no bonds are assigned a risk factor of 0% in the market concentration risk either.

International regions (still) missing from EIOPA list – alignment in the same manner as RGLA guarantees again omitted from latest update

Interestingly, the EIOPA only includes RGLA from the EEA in its list, although there is no restriction to Member States under Art. 85 DR. In its [Final Report](#) published in 2015, following public consultations, the EIOPA had already refused to totally rule out extending the scope of application to RGLA-relevant third countries in the future, after this had been recommended by some stakeholders. While the EIOPA certainly looked again at the question as to which exposures to RGLA are to be equated in regulatory terms with those against central states in its latest Solvency II review, and in its [Report on the revision of technical implementation standards](#) also indicated adjustments in this regard, these do however only refer to RGLA in EEA Member States. The planned changes to the [Implementing Regulation \(EU\) 2015/2011](#) provide in future for additional RGLA in France and Latvia to be included on the list and accordingly these should then benefit from a stress factor of 0%, while in contrast RGLA in the UK are to be deleted from the list in the context of Brexit. Unfortunately, in our view, the EIOPA has once again passed up an opportunity to expand its list to cover RGLA from relevant third countries, which we believe should also include Canada. If Solvency II were to follow banking regulations in this respect and also grant preferred status to international sub-sovereigns from (legally equivalent) relevant third countries, Canadian regions would subsequently, in our view, also benefit from a stress factor of 0%. Moreover, if exposure to Canadian regions were treated in the same way as exposure to the Canadian central government, our interpretation of Art. 180(3) leads us to believe that this would also result in a stress factor of 0% based on the rating of Canada.

Conclusion

As we see it, bonds issued by Canadian sub-sovereigns are still *not* preferred under Solvency II and should therefore be assessed on a case-by-case basis according to credit rating (CQS) and duration.

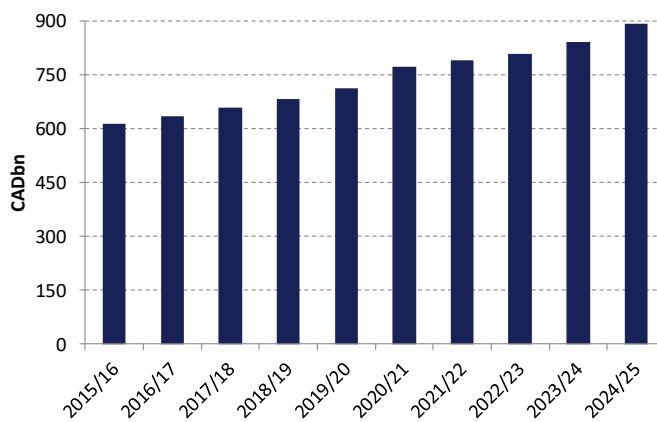
Fundamental development of the Canadian provinces

Budget and debt development – an overview

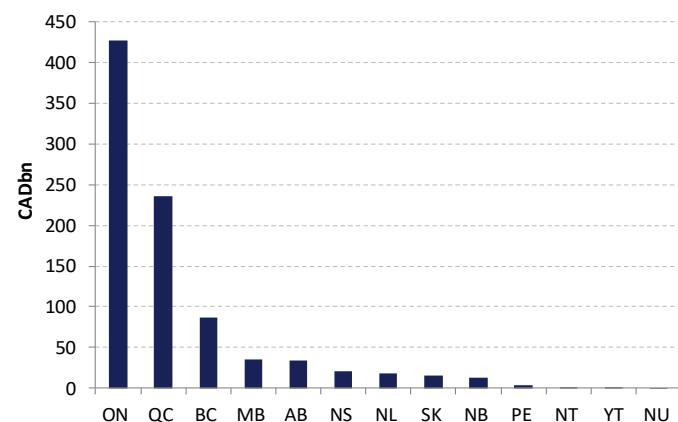
High degree of heterogeneity

In relation to their budgets, Canadian provinces and territories again feature a high degree of heterogeneity. There are major differences evident in the budgets of the individual sub-sovereigns, not least due to the fact that the population of Canada is concentrated in just a handful of provinces.

Trend in net debt



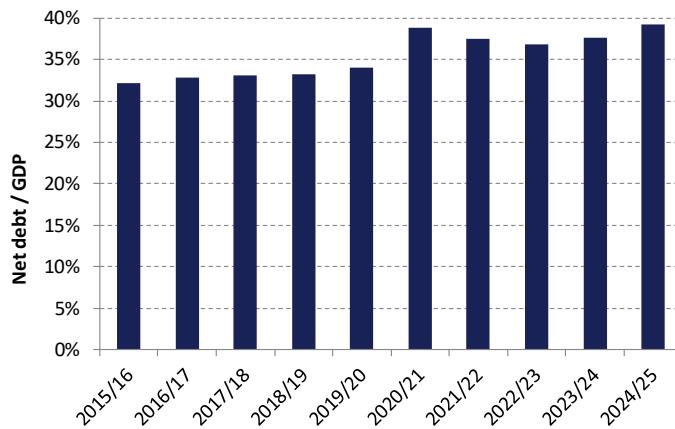
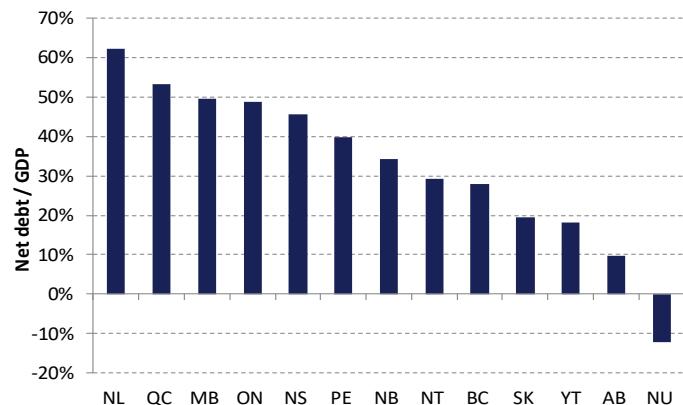
Comparison of outstanding net debt 2024/25



Source: Budgets of the individual provinces and territories (Department of Finance Canada), NORD/LB Floor Research

Sustained growth in net debt

As was the case in previous years, the net debt of Canadian sub-sovereigns rose again in the 2024/25 budget year to a total of CAD 891.6bn. This equates to an increase of CAD +50.4bn year on year. Unsurprisingly, the largest portion of this debt is attributable, at CAD 427.1bn and CAD 236.2bn respectively, to the two most populous provinces of Ontario and Québec. Looking at total debt, there has been a rise of nearly +10.3% over the past three years. In the 2024/25 budget year, by far the highest debt growth in percentage terms was recorded by Yukon (one of the three Canadian territories), where net liabilities increased by +22.7% Y/Y. However, this development should be contextualised by highlighting the territory's low overall debt level to start with. Among the provinces, British Columbia recorded the largest relative increase in liabilities with new debt growing in percentage terms by +22.5% Y/Y. This can be attributed to its higher budget deficit. In absolute figures, this growth totals CAD +16.0bn, which also represents the third-largest absolute debt growth in Canada. Ontario ranks first with CAD +17.3bn compared to the 2023/24 fiscal year, followed by Québec with CAD +16.1bn. The largest debt reduction in the previous budget year was again recorded by the province of Alberta, where net liabilities fell by considerable -17.0%. In absolute terms, this equates to a debt reduction of CAD -7.0bn.

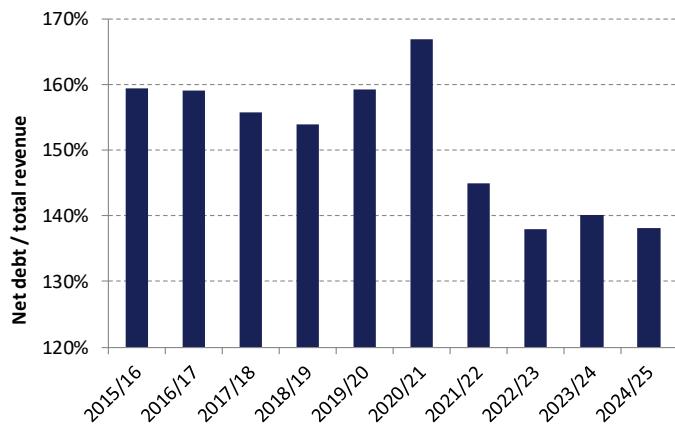
Trend in net debt / GDP**A comparison of net debt* / GDP in 2024/25**

* Debt figures as at budget year-end (31 March); real GDP data as at calendar year-end; debt figures for NT refer to the 2023/24 budget year

Source: Budgets of the individual provinces and territories (Statistics Canada, Department of Finance Canada), NORD/LB Floor Research

Debt measured against GDP

Since the 2008/09 budget year up to and including the 2020/21 budget year, net debt growth has always exceeded economic growth. Above all in 2020/21, this imbalance increased enormously in comparison with the previous year by +4.8 percentage points. This can be attributed both to higher levels of net borrowing and the pandemic-related decline in GDP. However, in 2021/22 and the following year, this trend was emphatically ended. In the 2022/23 budget year, the trend in net debt in relation to GDP was reduced to 36.9%, whereas net debt was again predominant since 2023/24. For example, the ratio of net debt to GDP rose in the 2024/25 budget year by +1.6 percentage points to stand at 39.3% overall, with significant regional differences again in evidence here. At 31.5%, the province of Newfoundland and Labrador recorded the highest deficit in percentage terms, while Nunavut, in contrast, is the only constituent region of Canada with negative net debt, as liquid assets or short-term financial assets exceed interest-bearing liabilities.

Trend in net debt / revenue**A comparison of net debt* / revenue in 2024/25**

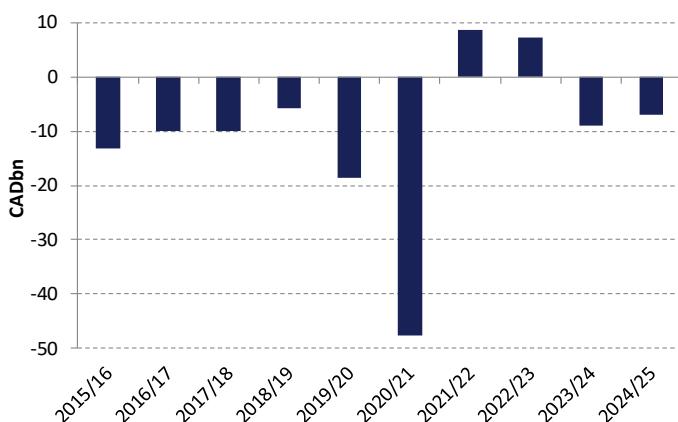
* Debt figures for NT refer to the 2023/24 budget year

Source: Budgets of the individual provinces and territories (Department of Finance Canada), NORD/LB Floor Research

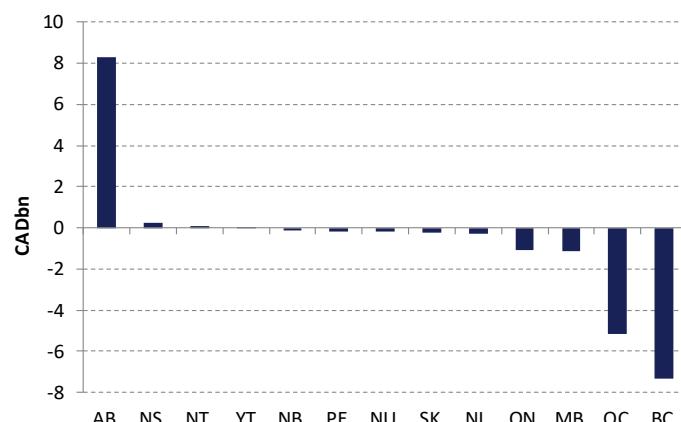
Turning point reached in debt sustainability

After the ratio of net debt to revenues reached a peak value in the 2020/21 budget year, this metric started to fall sharply again as early as the 2021/22 budget year. The reason for this sharp decline was revenue growth in the provinces and territories of just under +18% Y/Y in 2021/22. Following a rise in the previous year, the ratio declined once more in 2024/25, returning – like in 2022/23 – to 138%. From a historical perspective, this figure was last at a similarly low level in 2011/12, which should certainly be seen as good news. As expected, the differences between the various parts of the country are again substantial here, although it is striking that the territories perform far better than the provinces in this regard. While the average value for debt sustainability in the provinces amounts to 153% over the past decade, the equivalent value for the territories across the same time frame comes in at 11%. Among the provinces, Alberta stands out positively against the backdrop of its success in reducing the debt level. In contrast, the net debt level of Ontario was nearly twice as high as its revenues in 2024/25.

Trend in budget balances



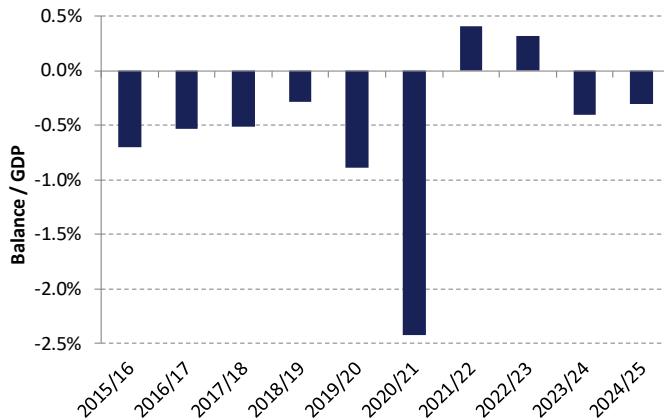
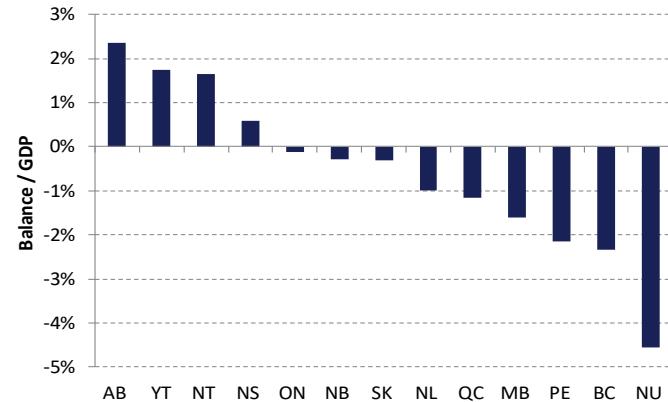
A comparison of budget balances in 2024/25



Source: Budgets of the individual provinces and territories (Department of Finance Canada), NORD/LB Floor Research

Improvement in the aggregated budget balance

Since the 2009/10 budget year, the Canadian provinces as a whole have recorded a deficit. While the aggregated budget balance remained in negative territory throughout the 2010s, an exceptionally positive trend can be seen – with the exception of 2015/16. However, the budget balance deteriorated drastically with the onset of the COVID-19 pandemic, reaching its nadir in 2020/21. The strong recovery that occurred the following year, with the sub-sovereigns achieving a surplus, is noteworthy. Although this positive momentum was continued in 2022/23, there is evidence of a negative trend. Ultimately, a negative overall budget balance was again recorded since 2023/24, which can be attributed to development in Québec and British Columbia in particular. Across all provinces and territories, the budget deficit totalled CAD -7.1bn for the 2024/25 budget year. However, it should be noted that the majority of Canadian sub-sovereigns posted nearly balanced budgets, with Alberta in particular achieving a significant surplus of CAD +8.3bn. This puts Alberta at the top of the list by a considerable margin, with an increase of +94.2% following the decline in 2023/24. At the other end of the table, Québec and British Columbia posted the highest deficits of CAD -7.3bn and CAD -5.2bn respectively. Manitoba ranks third bottom in this regard with a deficit of CAD -1.1bn. It is worth noting that Ontario's budget balance deteriorated again in 2024/25, after having improved significantly in the previous year. Nevertheless, the deficit of CAD -1.1bn is considerably lower than in 2022/23, when Ontario recorded the highest deficit among all Canadian provinces at CAD -5.9bn.

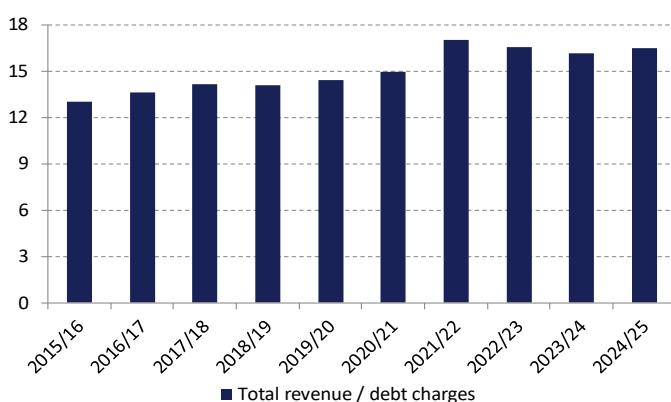
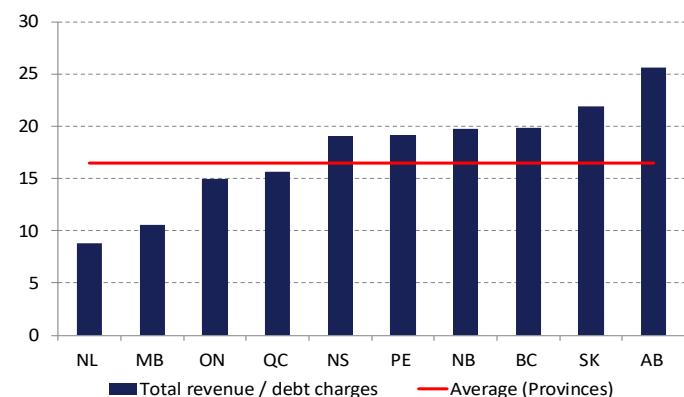
Trend in budget balances / GDP***A comparison of budget balances / GDP in 2024/25**

* Real GDP data as at calendar year-end

Source: Budgets of the individual provinces and territories (Department of Finance Canada), NORD/LB Floor Research

Improvement in interest coverage

The interest coverage of Canadian provinces improved again in 2024/25, after having declined in 2022/23 and 2023/24. Key to this development were rising revenues, while the effects related to the interest rate environment will only be seen in the budget figures over time. As expected, there are also significant differences in interest coverage between the various provinces. For example, Alberta is ranked first in a comparison of all provinces with a score of 25.7x due to its below-average per capita interest burden, whereas the province of Newfoundland and Labrador records the lowest value, at just 8.8x. In the 2024/25 budget year, the average interest coverage across all provinces stood at 16.5x.

Trend in revenues / interest expenditure***Comparison of revenues / interest expenditure* in 2024/25**

* Excluding territories, as they have hardly any interest expenditure or none at all.

Source: Budgets of the individual provinces (Department of Finance Canada), NORD/LB Floor Research

Conclusion

As in previous years, the total debt level of the Canadian sub-sovereigns rose further in the 2024/25 budget year and now amounts to CAD 891.6bn (39.3% of GDP). However, it should be noted that the financial situation of individual provinces and territories is characterised by a high degree of heterogeneity. This can be explained by the fact that the different parts of the country vary significantly in terms of population, economic structure and other factors. Nevertheless, some key metrics did develop positively: for example, the debt sustainability, budget balance and interest coverage of the provinces have all significantly improved in the recent past.

Fundamental development of the Canadian provinces

A comparison of Canadian sub-sovereigns and German Laender

First things first – some basic information to start

In our view, there are significant differences between Canadian sub-sovereigns and German Laender. Although the financial equalisation mechanisms now share more in common since the abolition of the horizontal financial equalisation between the German Laender in 2020, there are still differences – primarily in terms of fiscal autonomy and budget development.

Connection with central government – greater fiscal autonomy for Canadian provinces

The provinces of Canada have been awarded extensive constitutional powers in the areas of taxation and use of resources, which are regulated in Points 92 and 92A of the “Consolidation of Constitution Acts”. In practice, the provinces set their own income and corporate tax rates, with the collection and assessment of corporate tax handled by the Canada Revenue Agency (CRA) on behalf of most provinces. In specific terms, only Québec and Alberta administer corporate tax matters of their own accord. VAT in Canada has a two-tier structure. First, the federal government imposes a uniform nationwide Goods and Services Tax (GST) of 5%. The provinces are then able to independently decide whether to also levy a Provincial Sales Tax (PST), combine it with the federal tax to form the Harmonized Sales Tax (HST), or, like Québec, use a separate Québec Sales Tax. In the main, the CRA is responsible for collection and settlement. In Québec this is handled by Revenu Québec based on an administrative agreement. The freedom of the provinces to structure their taxes is reflected in ongoing adjustments; for example, Nova Scotia reduced the provincial component of the HST to 9% with effect from 01 April 2025. In contrast, the territories, unlike the provinces, do not enjoy constitutionally guaranteed sovereignty. Rather, they exercise the powers legally granted to them by the federal government. In Germany, Art. 105 of the Grundgesetz (GG) – essentially the constitution of Germany – regulates the entities that may enact tax laws, while Art. 106 governs the bodies that are entitled to receive tax revenue. In summary, taxes are imposed by the federal government (Bund) and at the level of the individual Laender, in addition to combined Bund/Laender taxes. The latter includes, among other aspects, income tax, corporate tax and VAT, revenues from which are divided between the Bund and Laender in line with specific allocation keys. In essence, the Laender only enjoy a degree of leeway in setting tax rates regarding real estate transfer tax, the level of which they have been authorised to independently set since 2006 (Art. 105 GG). As such, the Laender have less fiscal freedom than is the case for the Canadian provinces. The Regional Authority Index (RAI) compiled by Hooghe, Marks and Schakel (2010) also confirms that Canadian provinces enjoy greater fiscal autonomy. This index measures the autonomy of regions based on various categories, distinguishing between autonomy in terms of self-administration (self-rule) and the degree of co-determination at the national level (shared rule). As a result, the index attributes a higher level of autonomy in (almost) all underlying categories to the German Laender, which, in an overall view, must therefore be seen as more autonomous than the Canadian provinces. It is only in the “fiscal autonomy” category where Canadian provinces are on top – this is consistent with the results of our analysis too. With the reform of the debt brake, the Bund can now establish special funds for defence and infrastructure spending outside of the regular debt rules. Moreover, the Laender are also now granted structural debt leeway amounting to 0.35% of GDP, meaning that, from our perspective, the German Laender are likely to enjoy even greater autonomy in future, despite the fact that the debt brake will otherwise remain in effect.

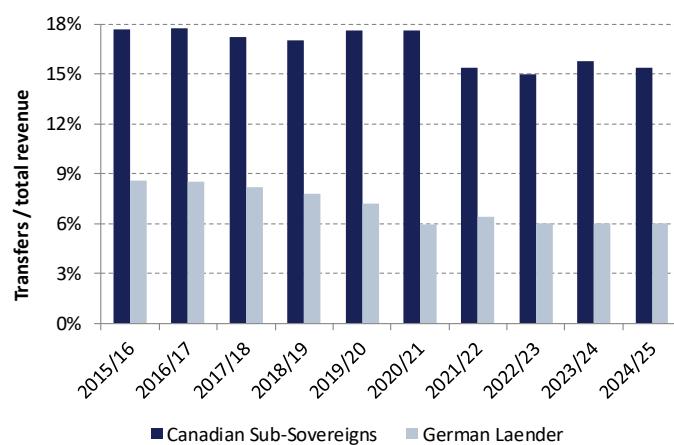
Implicit chain of liability – assumptions vs. implicit constitutional entitlement

We see another difference between Canada and Germany in the implicit chain of liability that connects sub-sovereigns with the central government. As we understand it, the liability link between province and central government in Canada is based solely on the assumption that, in a critical situation, the central government would act accordingly by providing support, thereby acting as implicit guarantor. Fundamentally, the situation is similar in Germany, although here the principle of federal loyalty gives rise to implicit constitutional entitlement, which is consequently far more established, even if the Basic Law only implies liability (for a discussion of the principle of federal loyalty, we refer to our [Issuer Guide – German Laender](#)).

How the financial equalisation mechanism works

In the past, the financial equalisation system in Canada was very different to its German counterpart. However, following the reform of the federal financial equalisation system in Germany with effect from 01 January 2020, there are now more similarities. Following the reform of the Laender financial equalisation system, direct equalisation payments between the Laender themselves were abolished and replaced by a reorganised VAT distribution element. In contrast to Canada, where equalisation payments are made on a purely vertical basis through various systems, a two-tier system has been in place in Germany since 2020. Initially, 63% of the deviation from the compensation base rate is horizontally equalised by way of surcharges and deductions on the respective VAT shares of the Laender. Thereafter, federal supplementary grants (Bundesergänzungszuweisungen, BEZ) are distributed vertically. A look at the development of allocations from the equalisation systems reveals that the proportion of provincial revenues from the Canadian transfer system has fluctuated within a corridor between 15% and 18% in recent years. As a result of strong revenue growth recorded in the 2021/22 and 2022/23 budget years, the share of transfer payments has decreased recently, although it did increase again (moderately) in 2024/25 to stand at 15.4% (2023/24: 15.8%). In contrast, the trend in Germany has been on a downward trajectory for some time now, settling at a level of roughly 6.0% over the past few years. While in 2014/15, just around 9.0% of total revenues at Laender level were attributable to financial equalisation payments, the most recent figure for this metric (FY 2024/25) amounted to 6.0%.

Revenues from financial equalisation in relation to total revenue



Transfer payments (absolute)



NB: Figures for the Laender as at calendar year-end. Estimates for most recent budget year in Canada.

German transfer payments in CAD were calculated at average yearly exchange rates.

Source: Budgets of the individual provinces and territories (Department of Finance Canada), Federal Ministry of Finance, NORD/LB Floor Research

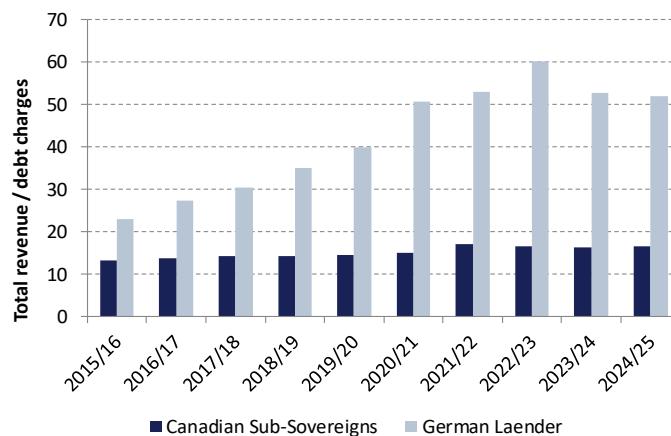
A comparison of the trend in transfers

In terms of total transfer payments to the German Laender and Canadian sub-sovereigns, an interesting picture emerges: growth in Canadian transfers is greater than that of the German Laender. In Canada, the payments made across a ten-year period increased by +52.9%, while in Germany they rose by just +10.3%. Over the same time frame, total revenues of the Canadian sub-sovereigns and the German Laender grew by +67.6% and +48.5% respectively, which also explains the declining relative transfer share of total revenues at German Laender level. The dependency of the Laender on transfer payments is therefore increasingly diminishing, whereas the situation for Canadian sub-sovereigns has only improved at a slower pace and with a few setbacks along the way.

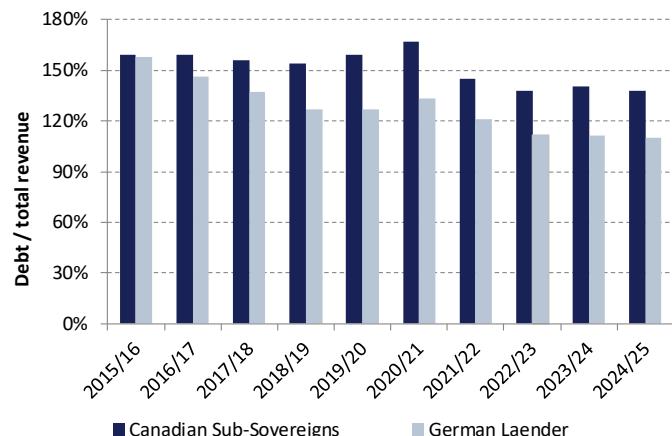
Budget trend – stabilisation vs. positive trend

A look at the budget development of all Canadian sub-sovereigns and German Laender reveals clear differences. Particularly with regard to interest coverage, the German Laender leave the Canadian provinces and territories trailing in their wake: while the ratio of total revenues to interest payments has more than doubled over the past decade for the Laender, a moderate rise from 13.2x to 16.7x has been recorded in Canada. Except for 2022, the ratio for the German Laender has been around the 52.0x mark. A similar trend can be identified regarding debt sustainability, which the German Laender have been able to continuously improve in the past – apart from in 2020/21. Since 2015/16, the German Laender have again come in below the Canadian sub-sovereigns for this metric. The improvement in the budget metrics can potentially be attributed to the stricter regulations to which German Laender are subject. Since the start of 2020, German Laender have not been permitted to take on any new debt (an exception was made during the COVID-19 pandemic, when the debt brake was suspended between 2020 and the end of 2022), while they are also subject to a review by the Stability Council every six months. The debt brake is now in force (again) in all German Laender. From our point of view, it is certainly plausible in the future that the interest coverage of German Laender will decrease further in relation to their refinancing activities, as current refinancing rates are way above the levels seen in the 2010s following the interest rate turnaround – despite the fact that the ECB has now implemented several rate cuts. Owing to long maturities, the effect of these interest rate cuts will only be felt at a later date once the liabilities begin to fall due. For Canadian sub-sovereigns, the interest burden is likely to increase at a more moderate pace, as interest rates started out at a higher level, so that the resultant difference was not so great.

A comparison of the trend in interest coverage



A comparison of the trend in debt sustainability



NB: Figures for the Laender as at calendar year-end. Estimates for most recent budget year in Canada.

Source: Budgets of the individual provinces and territories (Department of Finance Canada), Federal Ministry of Finance, NORD/LB Floor Research

Conclusion

All in all, we see marked differences between Canadian provinces and German Laender. While in Germany the principle of federal loyalty is the foundation for close ties between the Laender and the federal government, the relatively high fiscal autonomy of the Canadian sub-sovereigns is a significant advantage from a fundamental perspective. We continue to assess the overall budget trend in the German Laender as more positive, although the Canadian provinces and territories did manage to post a positive budget balance overall for 2021/22 and 2022/23 for the first time in many budget years. The principle of federal loyalty has also led to a stronger correlation between the German Laender in terms of creditworthiness, minimising the differences between the individual Laender in the process. However, a comparable mechanism does not exist for the Canadian provinces, with the result that we see a far higher degree of heterogeneity here that is ultimately reflected in their respective credit ratings.

Refinancing of Canadian sub-sovereigns

Funding strategies – an overview

Significant differences between the provinces

There are notable differences between Canadian sub-sovereigns in terms of their capital market activities. While none of the three territories had issued any kind of bond prior to 2020, the Northwest Territories (ticker: GNWT) approached the market with its first and so far only bond deal in September 2020, raising CAD 180m in the process. Moreover, there are notable differences between provinces in terms of the extent and structure of their respective primary market activities.

Ontario and Québec remain the largest bond issuers by some distance

Ontario (ticker: ONT) and Québec (ticker: Q) remain the two largest issuers, with ONT alone having accounted for more than half of all bond issues by Canadian provinces in the past. The state of play has now proved to be somewhat more balanced, although at 39.8% versus 25.1%, ONT continues to be busier on the capital market than Q. ONT and Q are no longer the only two Canadian sub-sovereigns to have placed EUR benchmarks (volume: EUR \geq 500m): for example, British Columbia (ticker: BRCOL) has joined the ranks of EUR provinces in Canada, among others. In April 2018, Alberta also entered the scene with a bang, placing an inaugural EUR bond in the amount of EUR 1.5bn. Manitoba exceeded the EUR benchmark threshold in 2022 through taps for one bond, with the total volume of its 18 outstanding EUR bonds amounting to EUR 2.1bn. Saskatchewan (ticker: SCDA) also made its debut in 2024, raising EUR 1.25bn. In 2025, the Canadian provinces have been active with a total of six EUR benchmarks and an aggregated volume of EUR 11bn.

Diversified refinancing – USD remains the most important foreign currency

There is a moderate level of diversification in terms of funding. Apart from Nova Scotia and Prince Edward Island, all other provinces now use foreign currencies as part of their funding strategies. The foreign currency shares in relation to the outstanding bonds volumes range from 1.1% (Newfoundland and Labrador) to 38.6% (British Columbia), with an average of 21.7% – and this trend is rising! The USD is the most important foreign currency among Canadian sub-sovereigns, accounting for the equivalent of EUR 85.6bn (12.2%) of total outstanding liabilities. EUR-denominated bonds, which we shall examine separately in the following paragraph, represent the second most important foreign currency (EUR 47.3bn). Other relevant foreign currencies include the AUD, GBP and CHF.

Five issuers of EUR benchmarks: ONT, Q, BRCOL, ALTA and SCDA

Up until October 2015, ONT and Q were the only issuers of EUR benchmarks. Since this time, British Columbia (BRCOL) has also sought to access new investor groups. In April 2018, Alberta (ALTA) followed suit and then Saskatchewan (SCDA) placed its debut issue in April 2024. At EUR 42.4bn overall, the contribution to the funding mix of the now five issuers plus Manitoba is certainly experiencing organic growth, but there is still some room for improvement here. The volume had declined temporarily as a result of maturities in ONT in particular, but has increased again by more than EUR 10bn since 2020. We expect EUR-denominated funding to rise further over time, due among other aspects to the EMTN programme operated by [Newfoundland and Labrador](#) since 2023.

Overview of funding volumes

Province/territory (ticker)	Outstanding volume of bonds (EURbn)	Proportion of foreign currencies	Of which in EUR (EURbn)	No. of EUR benchmarks	Issuance volume 2025 (EURbn equivalent)
Ontario (ONT)	279.8	15.9%	8.2	5	30.1
Québec (Q)	176.8	26.7%	20.0	10	12.6
British Columbia (BRCOL)	84.2	38.6%	9.5	5	19.4
Alberta (ALTA)	57.4	25.7%	5.0	3	3.3
Manitoba (MP)	36.7	20.3%	2.1	1	2.6
Saskatchewan (SCDA)	22.6	20.4%	2.3	2	3.6
New Brunswick (NBRNS)	15.4	9.2%	-	-	1.3
Newfoundland and Labrador (NF)	15.0	1.1%	0.1	-	1.9
Nova Scotia (NS)	12.2	0.0%	-	-	1.1
Prince Edward Island (PRINCE)	2.3	0.0%	-	-	0.4
Northwest Territories (GNWT)	0.1	0.0%	-	-	-
Nunavut (-)	-	-	-	-	-
Yukon (-)	-	-	-	-	-
Total/average	702.5	21.7%	47.3	26	76.3

NB: Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Bloomberg, NORD/LB Floor Research

Issuance volumes: a game of two halves – part stabilisation, part expansion

In previous budget years, the trend in issuance volumes has been characterised by a rising trajectory that reached a (provisional) peak in the 2014/15 budget year. While the issuance volume in the 2007/08 budget year came to CAD 34bn, for example, it more than doubled to nearly CAD 80bn before dropping to just under CAD 75bn prior to COVID-19. At the same time, the balanced budgets continued to decrease. Due to the pandemic, funding started to increase again. In such cases, issuance activities primarily rise in CAD in the first instance, although there were considerable fluctuations in the domestic currency as well. It was a similar story for foreign currencies, with the result that the EUR in particular lost relevance in the short term, but in other budget years has outperformed the Greenback. Of course, this is always opportunistically driven due to the cross-currency basis swap spreads (XCCY) in the respective market situation. The trend in issuance volumes also not only reflects the economic conditions or interest rate environment. Instead, regarding the refinancing operations of the provinces, it also reflects commodity prices on global markets (particularly crude oil) and consequently any loss of (budgeted) tax receipts that needed to be compensated for, and – depending on market prices – those that will need to be offset in future.

Funding volumes for Ontario and Québec remain relatively stable

Recently, however, this trend in volumes has applied to the two largest issuers, namely Ontario and Québec, to a limited extent only. Due to the sheer size of their budgets alone, ONT and Q always have high funding requirements (together they consistently account for between 50% and 80% of the total volume). With 39.8% of the total issuance volume outstanding, ONT is and will remain a heavyweight on the capital market, followed by Q (25.1%). In the meantime, however, Alberta, Manitoba and British Columbia, have also ventured onto the capital market with increasing frequency, at times also in EUR. Saskatchewan as well as Newfoundland and Labrador have been increasingly active as issuers too, but not all of them in the European single currency. As was the case globally, the pandemic led to increased funding requirements. This in turn resulted in both a deterioration in budgetary situations and, in some cases, rating and/or outlook downgrades.

EUR remains the second most important foreign currency

In terms of the pure numbers, the EUR is the second most important foreign currency for the Canadian provinces' refinancing activities. Only the USD is ahead of the EUR, although the AUD and other currencies such as the GBP and CHF lag significantly behind the EUR in some cases. In relative terms, the EUR is still of minor importance compared with the CAD: only in the 2009/10 and 2014/15 budget years did the EUR account for around 10% of the total issuance volumes. Aside from Ontario and Québec, up until 2011, only British Columbia had issued a bond denominated in EUR. It is still in circulation with a volume of EUR 40m up to 2038. In 2024 and 2025, the Canadian sub-sovereign was active with two EUR benchmarks in each year, although the issuance volumes have increased substantially compared to the high-profile transaction in 2015 (EUR 500m), resulting in a total of EUR 6.5bn being raised in this way. Canada's westernmost province has also regularly been active with other smaller bonds in the past. Since 2011, BRCOL has issued a total of 22 EUR bonds with a total volume of around EUR 10.2bn. Up to the onset of the COVID-19 pandemic, the province had always been awarded the top rating AAA/Aaa. A couple of issuance windows also opened up for Alberta in 2015 and 2016. The EUR played an important role here, enabling the province to access a new investor group through private placements. Manitoba has also been active in similar formats with a series of private placements. In April 2018, Alberta issued an inaugural EUR bond with a volume of EUR 1.5bn and 7y term – precisely matching that of Ontario in the same month. The deal was priced at ms +5bp (ONT: ms +2bp). By way of comparison: the 10y benchmark placed by Québec in May 2025 (EUR 3bn) was priced at ms +72bp. It is also interesting to note that the only other EUR bond ever to have been issued before by a Canadian sub-sovereign other than Ontario and Québec expired in 2007, with Nova Scotia having placed this bond back in 2001. As such, a sixth Canadian province has actually gained experience in the area of EUR issuances. In addition to the provinces, [pension funds](#) have also regularly issued bonds in the recent past.

General information

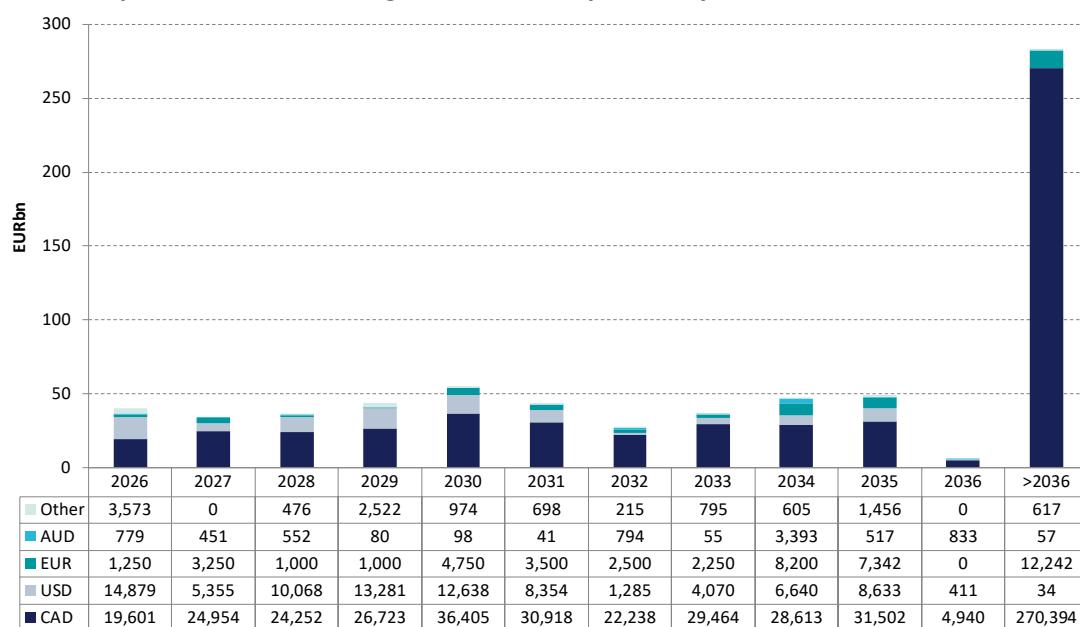
Outstanding bonds (EUR equivalent)

EUR 702.5bn

Of which in EUR

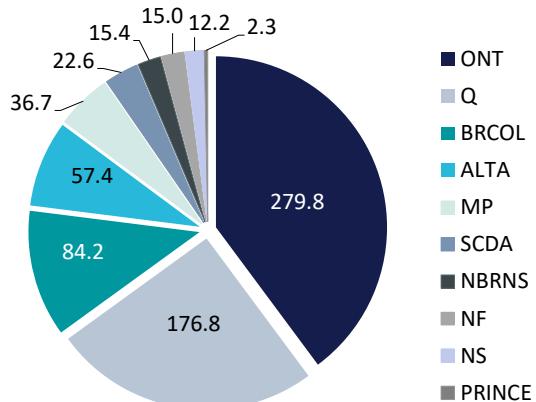
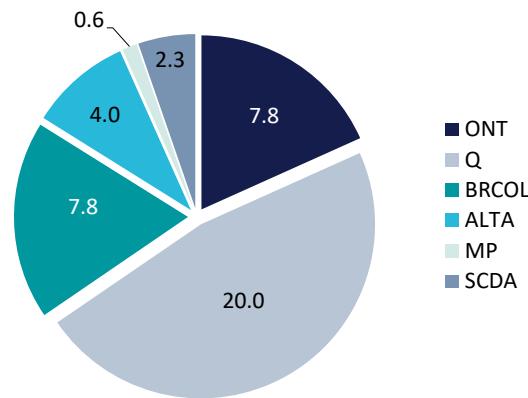
EUR 47.3bn

Canadian provinces: outstanding bonds issued by currency



NB: Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Bloomberg, NORD/LB Floor Research

Outstanding equivalent bond volumes (EURbn)**Outstanding EUR benchmarks (EURbn)**

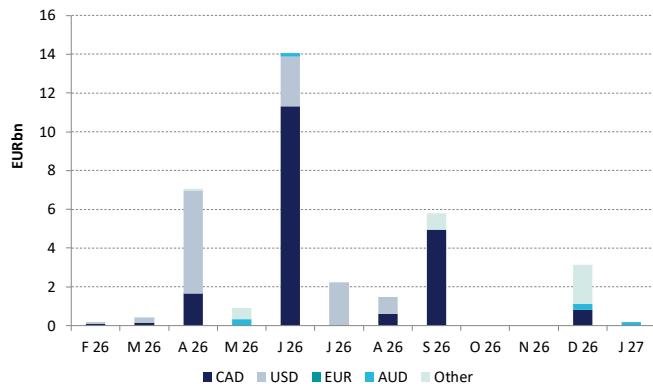
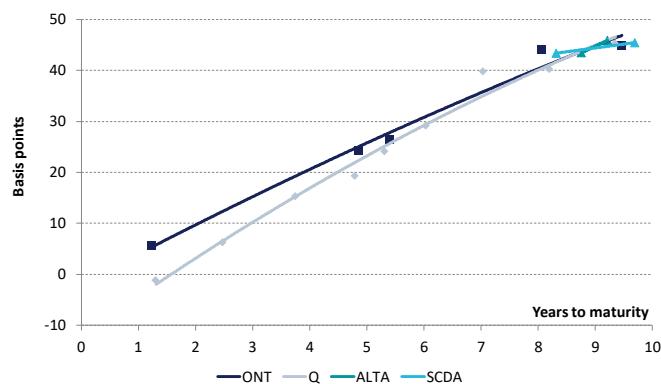
NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn.

Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Bloomberg, NORD/LB Floor Research

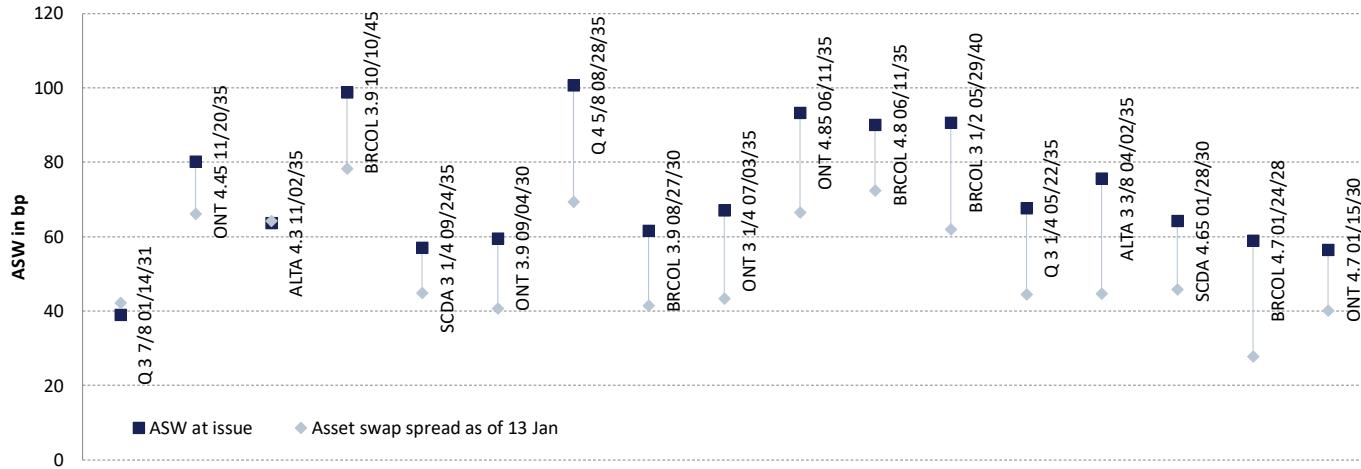
The Canadian capital market for bonds issued by the provinces and territories

The total volume of outstanding bonds issued by Canadian provinces amounts to the equivalent of EUR 702.5bn. Of this, 6.7% is denominated in EUR, meaning that the European single currency continues to play rather a minor role from the perspective of these issuers, even though the share of EUR bonds has grown compared with October 2023 (6.0%) and March 2024 (6.1%), for example. With an outstanding volume totalling EUR 47.3bn, the EUR is the second most important foreign currency after the USD (equivalent to EUR 85.6bn in total). However, if anything, this highlights the supreme importance of the CAD. The focus on ultra-long maturities is rather fascinating: the volume-weighted average produces a mean residual maturity of 12.6 years (as at: 13 January 2026), while well in excess of one third of the bonds outstanding will not mature until after 2036 (40.3%, trend rising). A preference for longer maturities can now also be seen for foreign currency maturities denominated in EUR. While foreign currency liabilities in previous years were primarily still concentrated at the shorter end of the maturity spectrum, EUR 12.2bn of the total EUR 47.3bn, and therefore around a quarter, will mature after 2036. However, this does not apply to the other foreign currency maturities, with those denominated in USD in particular still to be found in the shorter-term maturity segment.

Bond amounts maturing in the next 12 months**Canadian provinces – a comparison**

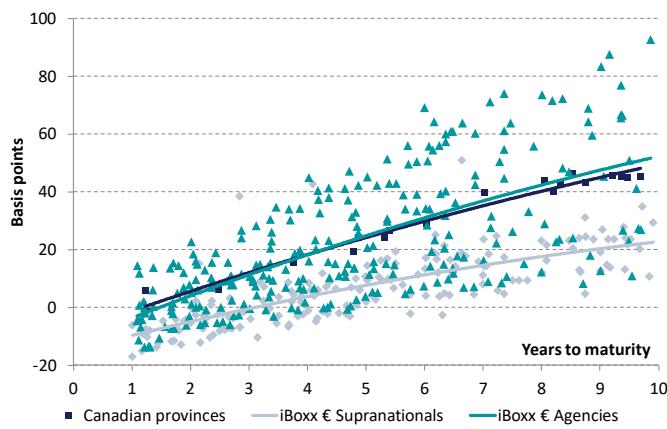
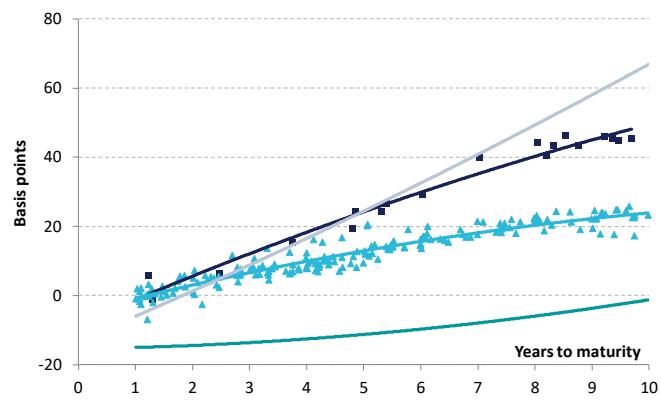
NB: Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Bloomberg, NORD/LB Floor Research

Performance of fixed-income benchmark issues 2025-26

NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn or USD 1.0bn.

Source: Bloomberg, NORD/LB Floor Research

ASW spreads vs. iBoxx € Indices**ASW spreads vs. Bunds, OATs & Laender**

NB: Residual term to maturity ≥ 1 year and ≤ 10 years; outstanding volume at least EUR 0.5bn. As at: 13 January 2026

Source: Bloomberg, Markit, NORD/LB Floor Research

Conclusion and outlook

After we saw just one EUR benchmark deal from a Canadian province and a few small EUR transactions in 2023, there was a significant increase in EUR issuance activities again in 2024 and especially in 2025. In particular, the “heavyweights” of Québec (Q) and Ontario (ONT) returned to the scene with (several) EUR benchmarks – in fact, following a break of more than two years, ONT was active again with a deal placed in EUR in January 2024 for the first time since November 2021. While neither Q nor ONT has any EUR maturities set to fall due until 2027, ALTA does have some in 2026. Overall, this segment remains highly attractive to European investors. Of course, the prevailing interest rate environment at the time of the transaction and the cross-currency basis swap spread also play an important role in the funding of the provinces. Ultimately, new issues are opportunistically driven by the conditions in play at the time of the relevant issuance window. In Canada, the second half of the tax year began on 01 October 2025. As readers may well be aware, the fiscal and therefore budget year ends on 31 March 2026, meaning that there is still room for speculation as to when, rather than if, the EUR market will be approached again.

Specific features of the refinancing profiles of Canadian provinces

ESG bonds as part of the funding mix

Ontario and Québec already active as green bond issuers

The first green bond deal placed by a Canadian province was recorded in 2014, when [Ontario](#) issued a green bond (4y) in its domestic currency with a volume of CAD 500m. At the end of January 2016, the same issuer carried out a second transaction in the amount of CAD 750m (7y). This bond was then tapped at the start of 2017, which can be seen, to some extent, as a third green transaction. This amounted to an additional CAD 800m, bringing the overall volume to CAD 1.55bn in the process. At the end of February 2017, [Québec](#) also placed an inaugural deal of CAD 500m, for which the order books were more than twice oversubscribed. Four years later, again at the end of February, Manitoba also placed a [Green Impact Bond](#) in the amount of CAD 1m (!) in order to promote environmental protection measures. In the meantime, Ontario alone has now issued 21 green bonds, of which ten are re-openings, with a total volume of CAD 24.6bn. Of this, CAD 19.75bn is still outstanding. This means that the largest province of Canada is also the undisputed leader of these rankings. As a result, it can be said that Canadian provinces are already making use of the green route to the capital market both on a regular basis and to a significant extent.

Growing awareness of sustainability on the global capital markets

As sustainability and environmental protection having increasingly become the focus of societal attention in recent years, a growing awareness of these topics has also been seen on the capital markets. According to data from the Climate Bonds Initiative (CBI), green bonds accounted for 64% of the GSS+ volume (green, social and sustainability bonds including sustainability-linked bonds) in 2024, which underlines the popularity of green bonds. In 2024, green bonds totalling around USD 672bn were issued on a global basis (+9.4% Y/Y). Themed bonds accounted for 4% of the total volume of bonds issued in 2024, according to CBI data. Ontario and Québec have been using green bonds as funding instruments for quite some time now. The term Socially Responsible Investments (SRI) has come into usage in a similar context. These investments are characterised by the fact that a positive net effect on society is targeted and that certain minimum ethical requirements are fulfilled, for example. In this context, for instance, the arms industry is not eligible for financing. While ecological aspects are certainly considered with SRI on occasion, the focus is more on societal considerations. ESG-compliant investments cover a somewhat broader spectrum of criteria, incorporating aspects related to Environmental, Social and Governance issues in investment decisions. The fact that these issues are being taken seriously by the largest market players is also reflected in the ECB announcement dated 04 July 2022, which outlined the central bank's ambition of decarbonising its portfolio of corporate bonds. Furthermore, a group of institutional investors developed the "Principles for Responsible Investments" at the initiative of the United Nations (UN). In essence, these six principles represent a commitment on the part of the signatories to take greater account of ESG factors in investment decisions and to promote their adoption within the financial sector. Since 2024, the global reporting standards (IFRS S1 and S2) issued by the International Sustainability Standards Board (ISSB) have also been in effect for disclosing information on sustainability-related opportunities and risks, as well as their (potential) financial impact on the reporting companies. These standards serve to harmonise sustainability reporting requirements across all industries and are intended to support investors in their decision-making processes.

Green Bond Principles and allocation of issuance volume

We regularly publish a study on the topic of green bonds and ESG/SRI, in which we seek to delve deeper into this relatively young market segment. We most recently published an updated version of this study in [June 2025](#), while another update is also in the pipeline for 2026. The International Capital Market Association (ICMA) defined the Green Bond Principles (GBP). These regulate bond issuances that qualify as green bonds and were most recently updated in June 2025. However, the Green Bond Principles do not represent a legally binding definition. They are focused on four criteria: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting. In terms of their content, the GBP essentially remain unchanged despite the most recent update. On 25 June 2024, guidelines regarding “Green Enabling Projects” were published and then supplemented by an annex and FAQ in 2025, to which the GBP 2025 explicitly refers. In the past, green bonds have been differentiated from conventional bonds solely in the use of proceeds. Meanwhile, additional yield effects have become apparent: according to a study published by the International Monetary Fund (IMF) in April 2023, green sovereign bonds feature an average spread of -4bp against conventional sovereign bonds, although in certain cases the spread differences between individual states are more pronounced. The findings of our own [analysis](#) also indicate that a “greenium” might exist. However, the amount varies significantly depending on the issuer and asset class, while the sign in front of the number is not always the same. Irrespective of any potential premium for green bonds, we take the view that the market for such bonds will develop significantly over the years to come, not least due to the implementation of the EU Green Bond Standard (EUGBS), which has been in force since the end of 2024. We have already recorded several new issues to have used this new label. Issuers from the SSA segment are likely to use this format more frequently in the future. According to [CIB](#), three issuers from the SSA segment – EU (USD 20.9bn), EIB (USD 16.6bn), and KfW (USD 13.4bn) – are among those with the highest issuance volumes in green bonds for 2024. Looking at the new issuance volume (USD 672bn) by country, the largest share (just under USD 85bn) came from the USA, followed by Germany and China with around USD 73bn and USD 69bn respectively. With an aggregated issuance volume of approx. USD 388bn (+16.8% Y/Y), Europe was particularly active in this segment, whereas North America (USA and Canada) ranked only in third place (issuance volume: USD 104bn; +51% Y/Y), with Asia-Pacific in the silver medal position.

Influence of ESG factors on credit ratings

In 2019, the rating agency Fitch introduced a scoring model (ESG Relevance Score) that allows the influence of ESG factors (Environmental, Social, Governance) on an issuer's rating to be assessed. However, this only considers the influence of these factors on the rating and not the behaviour of the respective issuer with regard to this aspect. The background to this was a desire on the part of investors to create greater transparency in respect of the influences underlying a rating. For this analysis, each of the three ESG factors is divided into five sub-groups, for which a rating on a scale of 1 to 5 is awarded, with Fitch able to refer to 106 sector-specific templates to assess the relevant aspects for each sector. In this context, values of 1 and 2 represent no existing influence on the rating (1: not relevant to either issuer or sector; 2: not relevant to issuer, but relevant to sector). A score of 3 is awarded where a potential influence exists, while scores of 4 and 5 are awarded for relevant factors and particularly influential factors respectively. The five sub-groups then produce a score from 1 to 5 for each of the three ESG factors, with three sub-levels for each value. At the end of the process, there are ultimately 15 different levels for each ESG factor. The values of the three ESG factors are then added up to produce an overall score that follows the same system to provide insights as to the extent to which the ESG factors influence the ratings of the respective issuers. For more details, please refer to [Fitch Ratings](#) publications.

Applying the scoring model to Canadian provinces

For British Columbia, Ontario and Québec, the Fitch reports show an overall score of 3 across the board as the highest ESG relevance level, which indicates that ESG factors are of relatively low importance for their ratings. For Alberta and Saskatchewan, where the oil production industry plays a prominent role in the local economies, divergent scores are awarded for the “Biodiversity and Natural Resource Management” sub-point (categorised under the Environmental factor). Alberta receives a score of 4, whereas the equivalent value for Saskatchewan is 3. As such, Alberta’s rating is influenced by ESG factors to a marginally stronger extent than is the case for the other provinces mentioned. In addition, it is also surprising that the province of Québec, which covers 98% of its energy requirement from renewable energies (primarily hydroelectric power), is awarded a score of 3 for the “Water Resources and Management” sub-group. This is exactly the same score as the other provinces mentioned above.

Québec – green bond activities over time

The [province of Québec](#) has – as described above – now issued eight additional green bonds on the capital market since making its debut in this segment back in 2017. Following the inaugural issuance of CAD 500m in February 2017, further green bonds of the same volume were placed almost precisely 12 months later and in June 2018. In May 2022, the largest-volume deal to date (CAD 1bn) was placed. The most recent deal was issued in November 2022, which carried a volume of CAD 800m. This issuance was increased in June 2023 by way of a reopening in the amount of CAD 600m to a new total of CAD 1.4bn. As such, the total volume of green bonds placed by Québec stands at CAD 5.7bn, reflecting a share of roughly 2.6% of the province’s net debt amounting to CAD 220bn overall. While the last three issuances have each had a term to maturity of ten years, the first five deals included two maturities of seven years and three with initial terms of five years. It is notable that the order books for each of the new issuances have all been several times oversubscribed, although a declining trend in this regard has recently been in evidence. For example, the fifth green bond deal placed by Québec (February 2020) generated an order book of CAD 2.8bn, which equates to an oversubscription ratio of more than 5.0x, while demand for the November 2022 deal was just 1.75x greater than the bond volume. The investors for all of these bond issuances came predominantly from Canada, with just over three quarters of the volume being allocated to asset managers and pension funds.

Conclusion and outlook

It is not possible to state with any degree of certainty when and whether Ontario or Québec will issue another green bond. Based on the evidence from previous years, in principle we can continue to expect at least one deal per year from Ontario. However, the same does not exactly apply to Québec now, after this province was absent from the market in 2024 and 2025. Up to this point, green bonds from Canada have been exclusively issued in the domestic currency (CAD). We have now also seen the first green bonds issued at local level, for example from the cities of [Toronto](#), [Ottawa](#) and [Vancouver](#). Moreover, Manitoba was active with its first green deal in the form of a small Green Impact Bond (volume of just CAD 1m; further details provided at the beginning of this section) in February 2021.

Specific features of the refinancing profiles of Canadian provinces

Will Social Response Bonds become a key theme?

Sustainable Development Goals go above and beyond “just” green aspects

In order to target new investor groups even more specifically, Canadian provinces may be well advised to consider issuing other bonds with a specific thematic focus in addition to green bonds. In this way, the Canadian provinces would be able to put the issuance proceeds towards specifically earmarked (re)financing of sustainable projects that go beyond green initiatives. For example, social bonds and sustainability bonds are already tried and tested on the market and can be used in a variety of ways and with pinpoint accuracy to contribute to achieving the UN Sustainable Development Goals (SDGs) – such as Affordable Housing and Social Inclusion.

SDG Housing Bonds

Since 2017, the Dutch agency Nederlandse Waterschapsbank N.V. (NWB Bank) has had a framework for “SDG Housing Bonds” (previously known as “Affordable Housing Bonds”) in place. The proceeds from such bonds are used by NWB to grant loans for social housing projects in the Netherlands. In this context, the focus is on the social mission of these housing development organisations. Community management is an important part of their work, and as such the organisations strive to create a safe and healthy environment for inhabitants, in addition to increasing the standard of living across neighbourhoods.

Social Bond Principles

The International Capital Market Association (ICMA) defines the Social Bond Principles (SBP). These regulate bond issuances that qualify as social bonds and were most recently updated in [June 2025](#). However, the Social Bond Principles do not represent a legally binding definition. As with the Green Bond Principles, the Social Bond Principles likewise focus on four criteria: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting. Social projects, i.e. those assessed and quantified by the issuer as providing a tangible social benefit, aim to solve or alleviate a specific (social) problem and/or achieve positive social outcomes. Categories of social projects include, but are not limited to, providing and/or promoting affordable basic infrastructure, access to basic services, affordable housing, the creation of jobs and food security, in addition to socio-economic progress and empowerment. Social bonds are not limited to a single category and can be targeted at specific demographic groups (e.g. ethnic minorities, migrants, people with disabilities) or to serve more general purposes. The Social Bond Principles recommend that compliance should be verified via external auditors. Social bonds differ from other bonds solely in terms of the Use of Proceeds category, with no differences to be seen in the structure and other characteristics such as yield and risk.

Comment

Social bonds are continuing to gain in importance and in future could also be used by Canadian provinces to address social challenges in a targeted manner. However, we are unable to say with any degree of certainty when and even if a Canadian province will issue a social bond. At a local level, we have already seen the first smaller bonds, for example on the part of the city of [Toronto](#). Moreover, the city of [Vancouver](#) issued an inaugural sustainability bond in 2021, through which it sought to finance both social and environmental projects.

Canadian Provinces

Issuer profiles



Key facts

[Link to the Ministry of Finance](#)

[Homepage](#)

Population (2024)

16,124,116

Capital city

Toronto

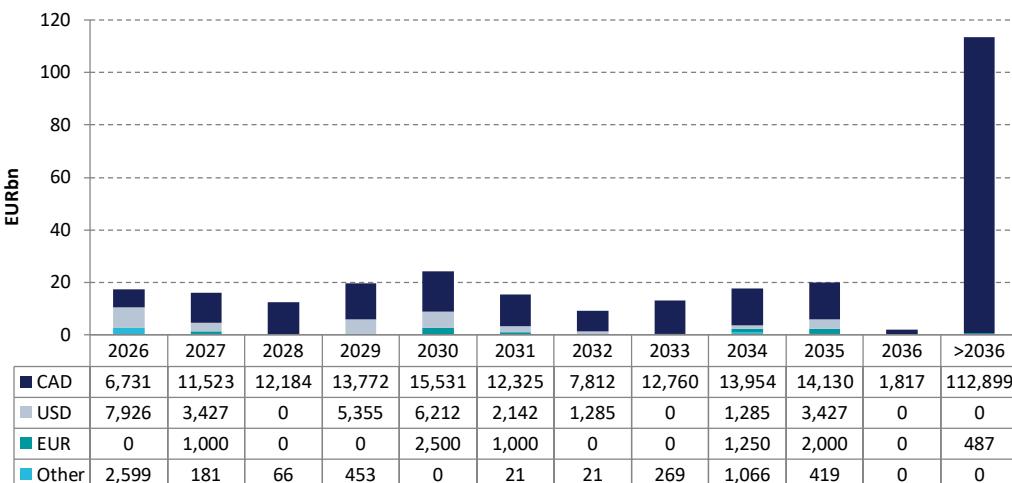
Ontario

In 1867, the process of Canadian Confederation saw the former United Province of Canada split into two separate regions: Ontario and Québec. Together with New Brunswick and Nova Scotia, these four regions became the first Canadian provinces by way of the British North America Act and were granted wide-ranging rights as well as their own constitutions. Following the Second World War, the Greater Toronto Area in particular grew at a disproportionate pace, replacing Montreal as the largest city in the process. With 16.1 million inhabitants (39.1% share of the Canadian population), Ontario is the largest province of Canada as measured by this metric, whereby Toronto alone is home to around 3 million people. In addition, the Canadian capital, Ottawa, is located in the south-east of Ontario. The provincial economy is well diversified, although at 7.0% unemployment is in excess of the national average (6.3%). With GDP of CAD 865.9bn, which equates to 38.2% of Canadian economic output, Ontario makes the largest contribution to the Canadian economy. Despite the huge area covered by the province (892,412km²), agriculture plays only a minor role. Conversely, a far larger and increasingly important role is played by the automotive industry. Five major car manufacturers as well as key suppliers operate manufacturing facilities in the region, including those focused on the production of batteries and electric vehicles, as Ontario boasts the necessary deposits of key raw materials for this purpose.

Ratings

	Long-term	Outlook
Fitch	AA-	stab
Moody's	Aa3	stab
S&P	AA-	stab

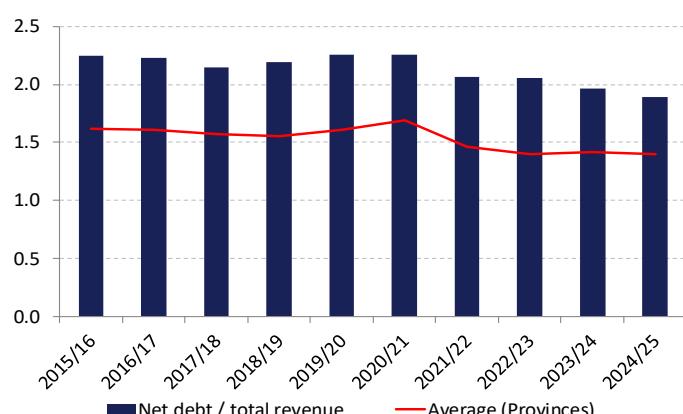
Maturity profile by currency



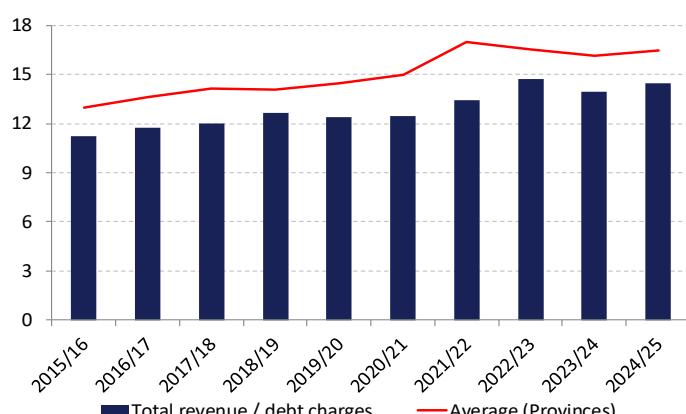
NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Table values in EURm.

Source Bloomberg, NORD/LB Floor Research

Trend in debt sustainability



Trend in interest coverage



Capital market**Net debt* (ranking**)**

CAD 427.1bn (10th)

Outstanding bonds***

EUR 279.8bn

Of which EUR bonds

EUR 8.2bn

Bloomberg ticker

ONT

Economy 2024/25**Real GDP (ranking)**

CAD 876.6bn (1st)

Real GDP per capita (ranking)

CAD 54,367 (5th)

Real GDP growth (ranking)

1.2% (8th)

Unemployment (ranking)

7.0% (6th)

Key figures 2024/25**Tax-interest coverage (ranking)**

12.5x (5th)

Total revenue/interest paid (ranking)

15.0x (8th)

Net debt/GDP (ranking)

48.7% (7th)

Net debt/taxes (ranking)

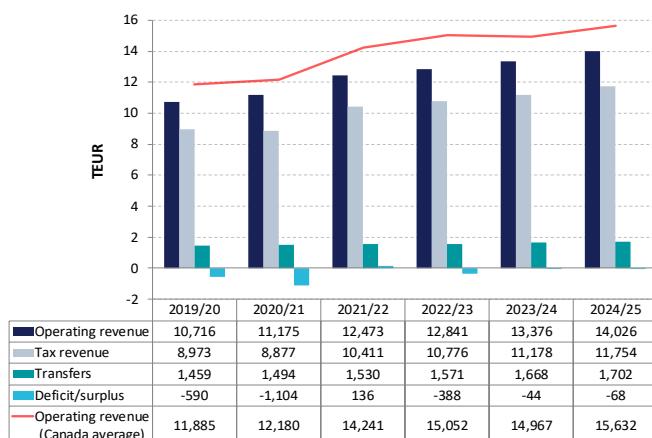
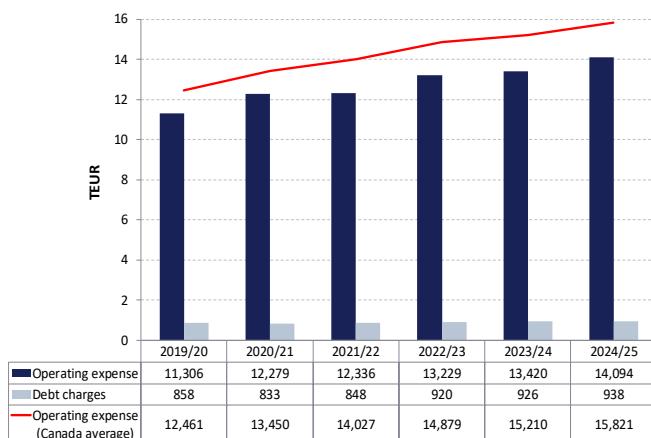
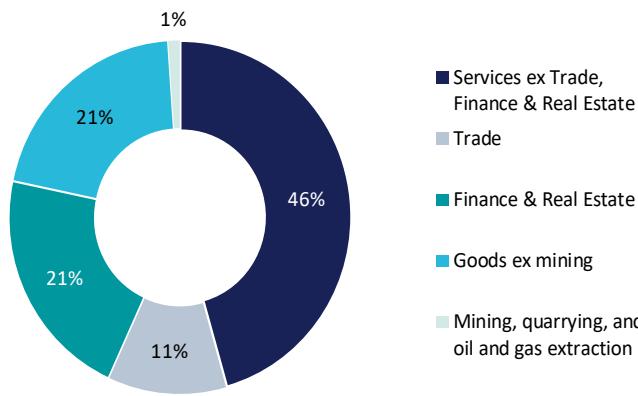
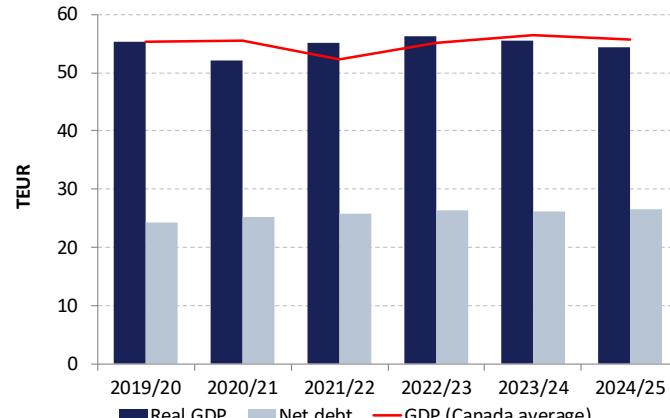
2.3x (10th)

* Budget year 2024/25

** Current ranking of the province for the respective key figure, whereby a ranking of 1st is the best result in the sub-sovereign comparison.

*** Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Development of revenue in CAD per capita**Development of expenditure in CAD per capita****Gross value added by economic sector****Development of GDP and total debt per capita**

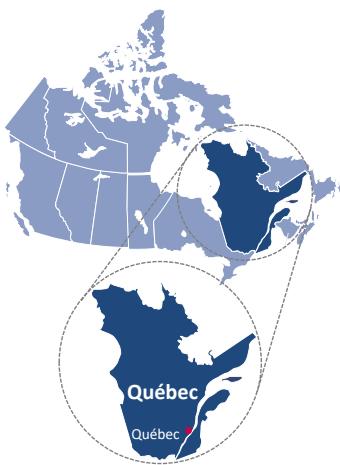
Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Strengths/Chances

- + Well-diversified economy
- + Relatively low dependency on raw materials
- + Dependency on state transfers on the low side

Weaknesses/Risks

- Per capita debt and debt-to-GDP ratio remain comparatively high
- Debt sustainability and interest coverage



Québec

As the second largest province of Canada in terms of population, Québec is also the only province in which French is the sole official language. After initial colonial settlers from France established the first permanent settlements in the region around the year 1600, Québec became one of the four founding provinces of Canada in 1867. The province's identification with its French heritage and a strong sense of regional self-assurance are also reflected in the prevailing political outlook of Québec. Bloc Québécois is a political party that campaigns exclusively in Québec during federal elections with a commitment solely to represent the province's interests, whereby its ultimate ambition for the long term is to secure independence from Canada. In the 2025 election, Bloc Québécois won the third highest number of seats, claiming 22 of the 343 seats in the House of Commons of Canada. After Ontario, the economy in Québec is the second largest in Canada. However, only marginal growth of +1.3% Y/Y to CAD 424.9bn was recorded in 2024. At 5.3%, unemployment was the lowest across all provinces and came in below the Canadian average of 6.3%. Despite the stable labour market, a budget deficit of CAD -6.0bn was generated in the 2023/24 budget year. This deteriorated further in 2024/25, when a record deficit of CAD -10.4bn was posted. The causes for this included the strained trade relations with the USA, which negatively impacted the export-oriented economy, as well as rising healthcare and social expenditures on account of demographic change: while the number of inhabitants has grown more sluggishly (+6.8%) than the national average over the past five years as a result of lower birth rates and measures aimed at limiting immigration, the population is increasingly ageing. It is also intriguing to note that since year-end 2024, Québec has guaranteed the debts amounting to CAD 57.4bn of the utility company Hydro-Québec.

Key facts

[Link to the Ministry of Finance](#)

[Homepage](#)

Population (2024)

9,056,044

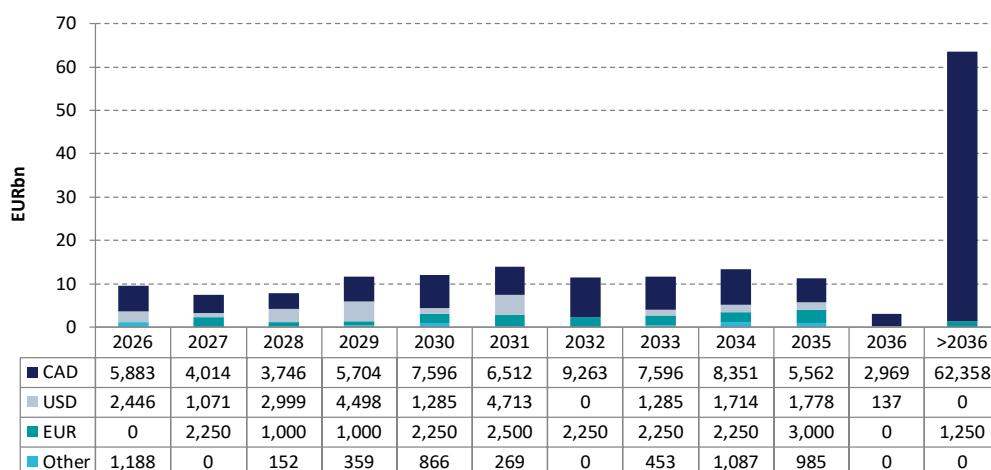
Capital city

Québec

Ratings

	Long-term	Outlook
Fitch	AA-	stab
Moody's	Aa2	stab
S&P	A+	stab

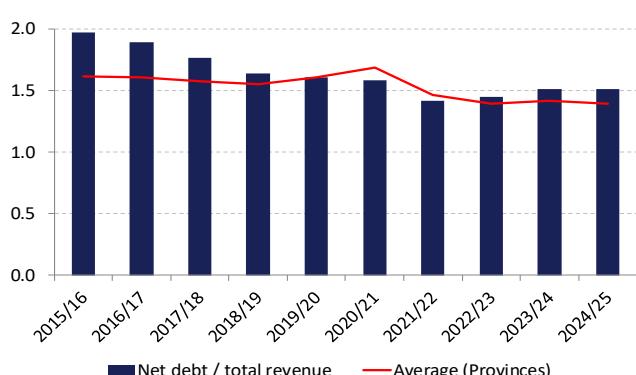
Maturity profile by currency



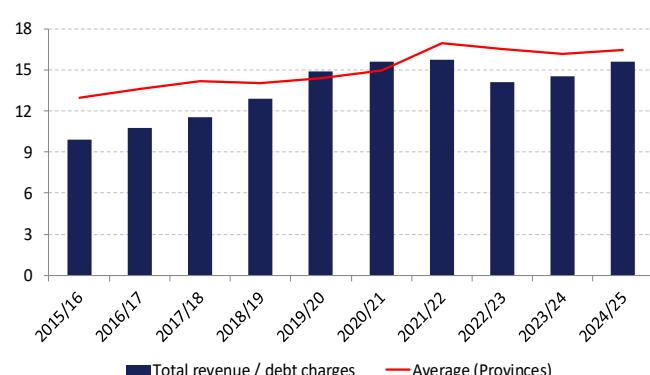
NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Table values in EURm.

Source Bloomberg, NORD/LB Floor Research

Trend in debt sustainability



Trend in interest coverage



Capital market**Net debt* (ranking**)**

CAD 236.2bn (9th)

Outstanding bonds***

EUR 176.8bn

Of which EUR bonds

EUR 20.0bn

Bloomberg ticker

Q

Economy 2024/25**Real GDP (ranking)**

CAD 442.9bn (2nd)

Real GDP per capita (ranking)

CAD 48,903 (6th)

Real GDP growth (ranking)

1.3% (7th)

Unemployment (ranking)

5.3% (1st)

Key figures 2024/25**Tax-interest coverage (ranking)**

12.6x (4th)

Total revenue/interest paid (ranking)

15.7x (7th)

Net debt/GDP (ranking)

53.3% (9th)

Net debt/taxes (ranking)

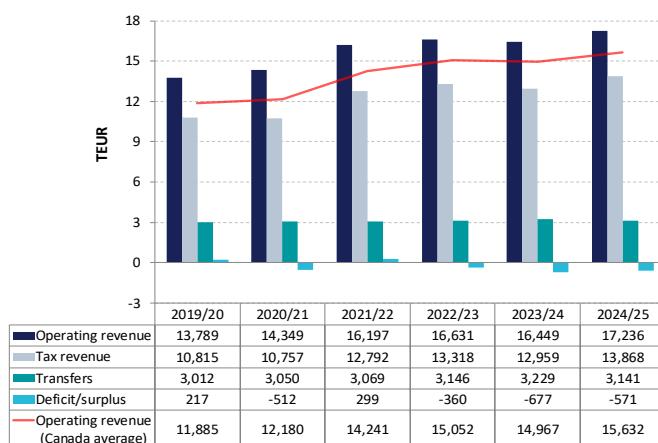
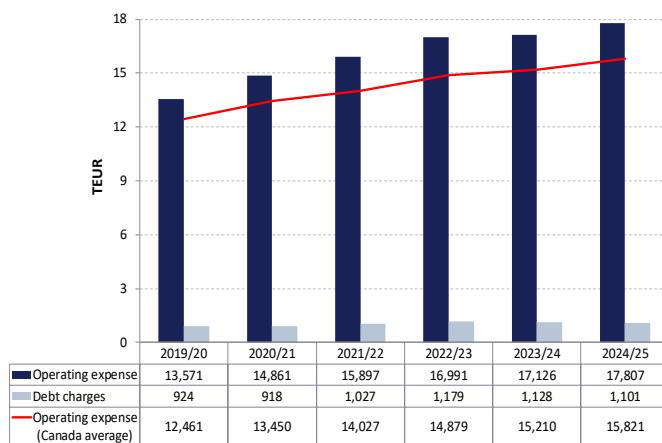
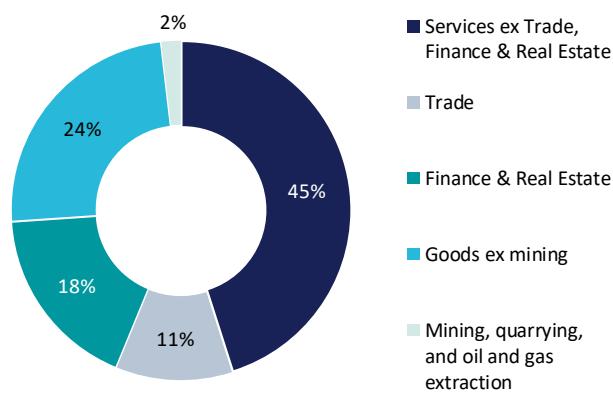
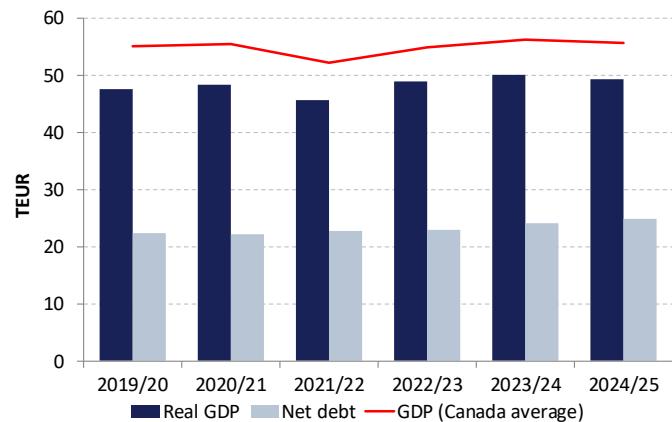
1.9x (6th)

* Budget year 2024/25

** Current ranking of the province for the respective key figure, whereby a ranking of 1st is the best result in the sub-sovereign comparison.

*** Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Development of revenue in CAD per capita**Development of expenditure in CAD per capita****Gross value added by economic sector****Development of GDP and total debt per capita**

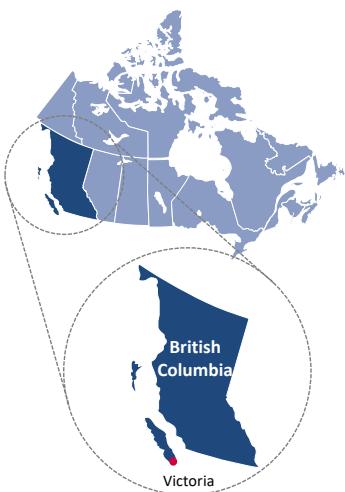
Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Strengths/Chances

- + Low unemployment rate
- + Strong, diversified economy
- + Relatively low dependency on raw materials

Weaknesses/Risks

- Below-average economic output per capita
- Per capita debt and debt-to-GDP ratio remain high
- Ageing population



Key facts

[Link to the Ministry of Finance](#)

[Homepage](#)

Population (2024)

5,698,430

Capital city

Victoria

British Columbia

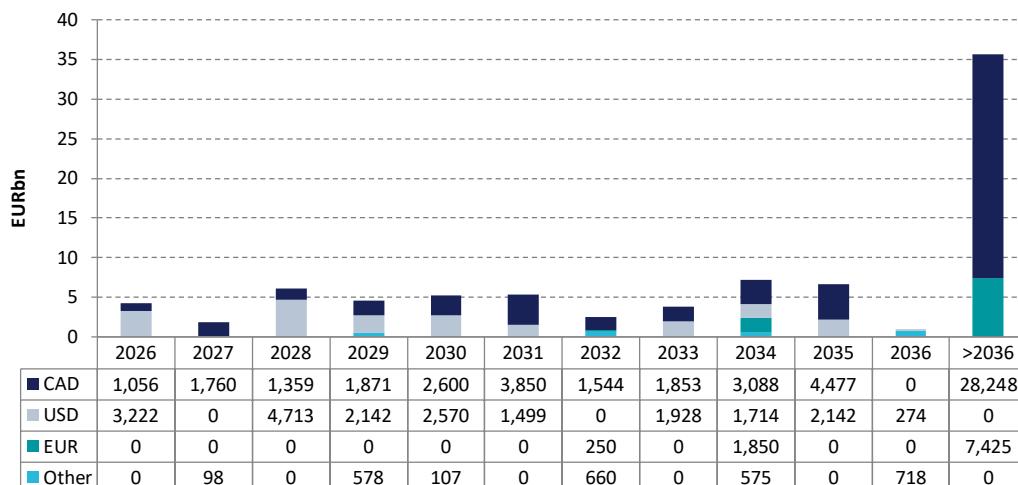
British Columbia is the third largest province in Canada as measured by population. Around 5.7 million people live in the province, which covers 10.5% of the total territory of Canada, whereby the majority of the population is concentrated in the south of the province, primarily in and around the cities of Vancouver and Victoria. Similar to the neighbouring province of Alberta, British Columbia has experienced a disproportionately sharp rise in its population over recent years too. As the only province of Canada with a Pacific coastline, the province's main trading partners naturally include Asian nations, such as China, Japan and South Korea. Despite its average economic output per capita, British Columbia boasts one of the strongest financial profiles of the Canadian provinces and is among the leading lights for various budget metrics. In 2024, British Columbia generated GDP of CAD 313.1bn, which corresponds to growth of +1.2% versus the prior year. Accounting for just 4.3% of economic output, the raw materials sector is by no means a dominant economic factor, although it has started to become more important over the past five years. Moreover, one of the largest energy projects in the history of Canada is currently being realised in British Columbia: [LNG Canada](#). Among other aspects, this project encompasses the construction and operation of an LNG export terminal, as well as the associated infrastructure such storage plants. The first of two project phases has now been completed, following which the first LNG tanker departed the port in the direction of Asia in the summer of 2025. The total project costs are expected to come in around the CAD 40bn mark. In spring 2025, S&P and Moody's downgraded the province's rating in view of its growing debt level.

Ratings

Long-term Outlook

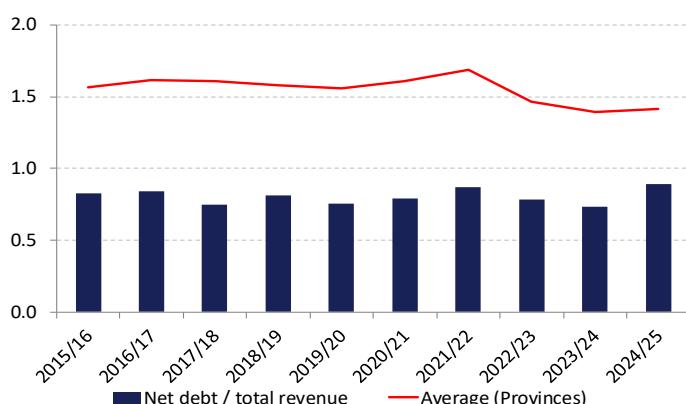
Fitch	AA+	neg
Moody's	Aa1	neg
S&P	A+	neg

Maturity profile by currency

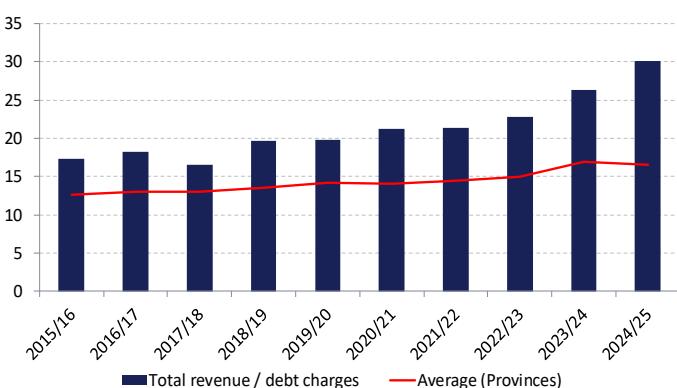


NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Table values in EURm.
Source Bloomberg, NORD/LB Floor Research

Trend in debt sustainability



Trend in interest coverage



Capital market**Net debt* (ranking**)**

CAD 87.3bn (8th)

Outstanding bonds***

EUR 84.2bn

Of which EUR bonds

EUR 9.5bn

Bloomberg ticker

BRCOL

* Budget year 2024/25

** Current ranking of the province for the respective key figure, whereby a ranking of 1st is the best result in the sub-sovereign comparison.

*** Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Economy 2024/25**Real GDP (ranking)**

CAD 313.1bn (4th)

Real GDP per capita (ranking)

CAD 54,951 (3rd)

Real GDP growth (ranking)

1.2% (9th)

Unemployment (ranking)

5.6% (4th)

Key figures 2024/25**Tax-interest coverage (ranking)**

16.4x (3rd)

Total revenue/interest paid (ranking)

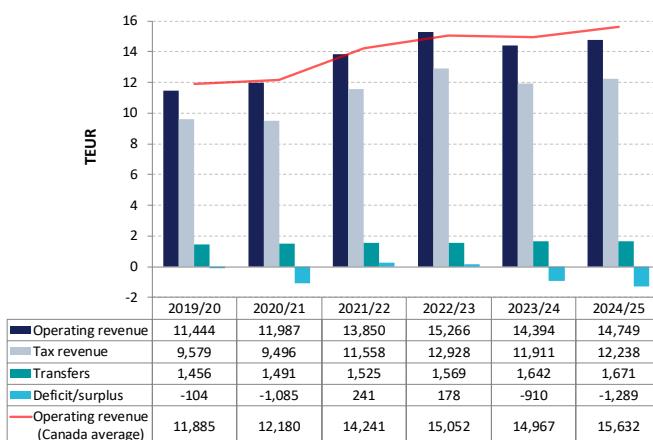
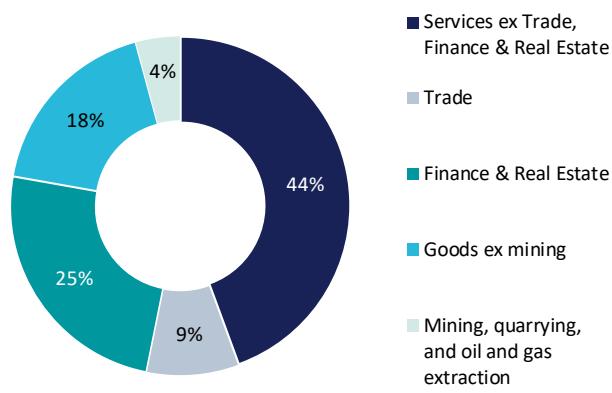
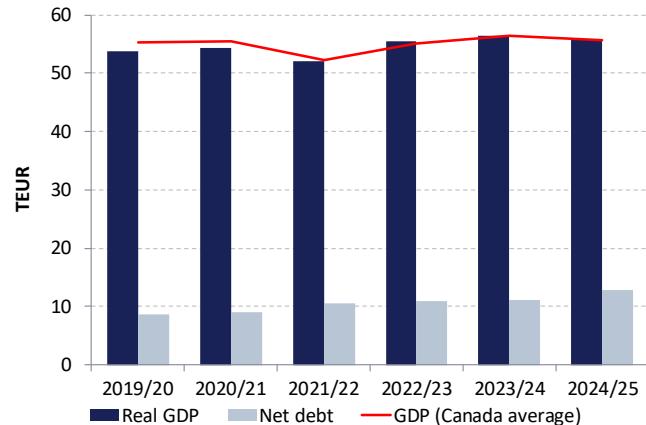
19.8x (3rd)

Net debt/GDP (ranking)

27.9% (3rd)

Net debt/taxes (ranking)

1.3x (3rd)

Development of revenue in CAD per capita**Development of expenditure in CAD per capita****Gross value added by economic sector****Development of GDP and total debt per capita**

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Strengths/Chances

- + Low unemployment
- + Comparatively good budget metrics

Weaknesses/Risks

- Dependency on the real estate sector
- Comprehensive investment programme leading to (further) growth in debt level



Alberta

With GDP of CAD 344.2bn and approx. 4.9 million inhabitants (which corresponds to 11.8% of the overall population of Canada), Alberta is both the economically strongest and most populous of the trio of prairie provinces comprising Alberta itself in addition to Saskatchewan and Manitoba. Just like in Saskatchewan, the extraction of raw materials is of huge importance in Alberta, with crude oil playing a prominent role in this regard. In 2024, Alberta was responsible for 85% of Canadian oil production. A large proportion of this is attributable to oil sand-based extraction activities. The province remains dependent on oil prices, whereby the degree of its reliance has in fact risen again in recent years. This can be seen in higher oil prices and the trend regarding the GDP share of the raw materials sector. Whereas the value here stood at 13% in 2016, it had increased to 25% in 2023. Following the sharp fall in oil prices seen in 2015 and 2016, Alberta slipped into a recession, which again serves to underline the province's dependency on oil. The sub-sovereign is characterised by disproportionately rapid population growth from both a short and long-term perspective. In fact, over the past five years, the population of Alberta has increased by +12.2%. While Alberta's reputation as Canada's most affluent province is certainly justified in view of its GDP per capita, it has also had to contend with several budget deficits in recent years. In the 2024/25 budget year, Alberta generated a surplus of CAD 8.3bn after revenues increased far more strongly in comparison with the previous year (+10.3%) than was the case for expenditure (+5.3%). GDP rose by +2.6% Y/Y, while net debt was significantly reduced by -17.0% Y/Y.

Key facts

[Link to the Ministry of Finance](#)

[Homepage](#)

Population (2024)

4,888,723

Capital city

Edmonton

Ratings

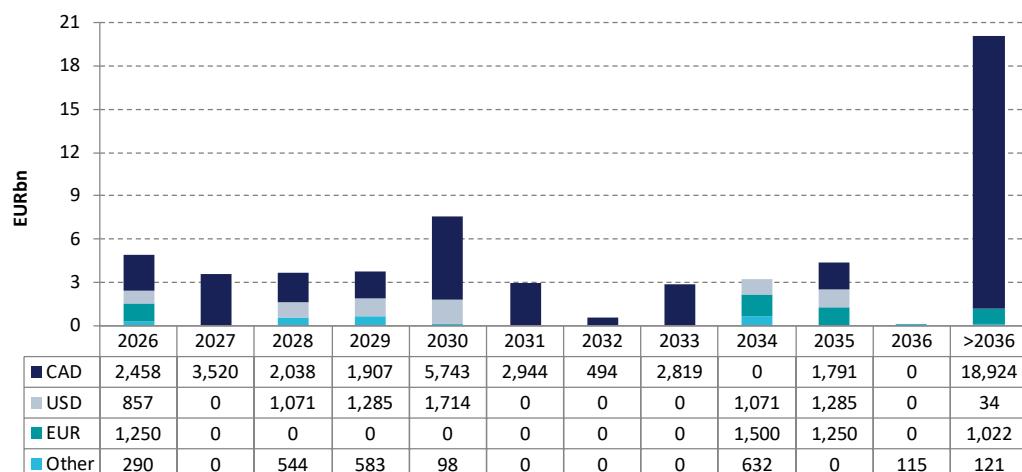
Long-term **Outlook**

Fitch AA stab

Moody's Aa2 stab

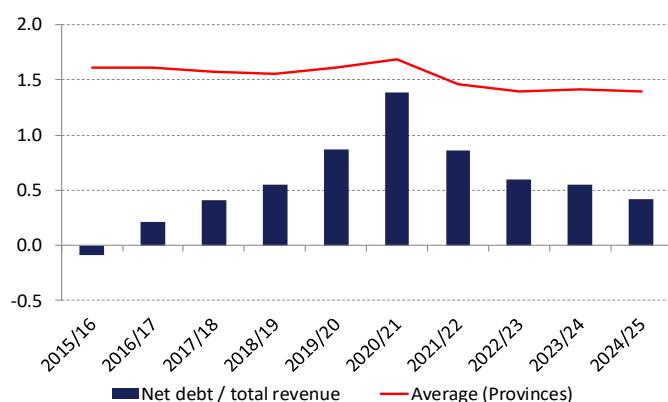
S&P AA- stab

Maturity profile by currency

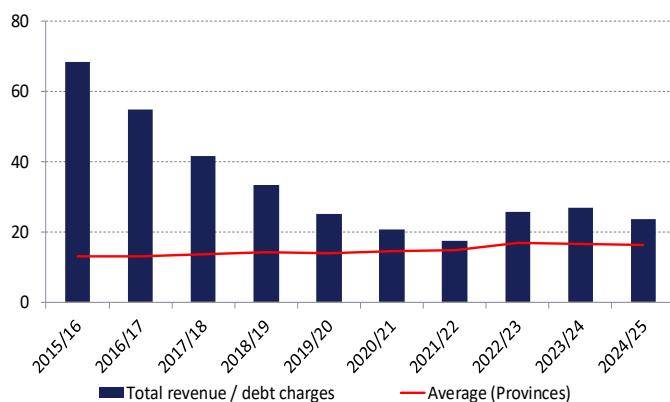


NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Table values in EURm.
Source Bloomberg, NORD/LB Floor Research

Trend in debt sustainability



Trend in interest coverage



Capital market**Net debt* (ranking**)**

CAD 34.3bn (6th)

Outstanding bonds***

EUR 57.4bn

Of which EUR bonds

EUR 5.0bn

Bloomberg ticker

ALTA

* Budget year 2024/25

** Current ranking of the province for the respective key figure, whereby a ranking of 1st is the best result in the sub-sovereign comparison.

*** Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Economy 2024/25**Real GDP (ranking)**

CAD 353.3bn (3rd)

Real GDP per capita (ranking)

CAD 72,268 (1st)

Real GDP growth (ranking)

2.7% (4th)

Unemployment (ranking)

7.0% (6th)

Key figures 2024/25**Tax-interest coverage (ranking)**

21.7x (1st)

Total revenue/interest paid (ranking)

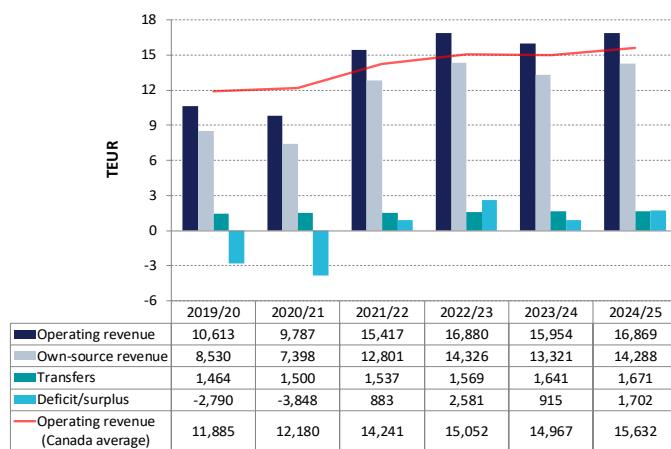
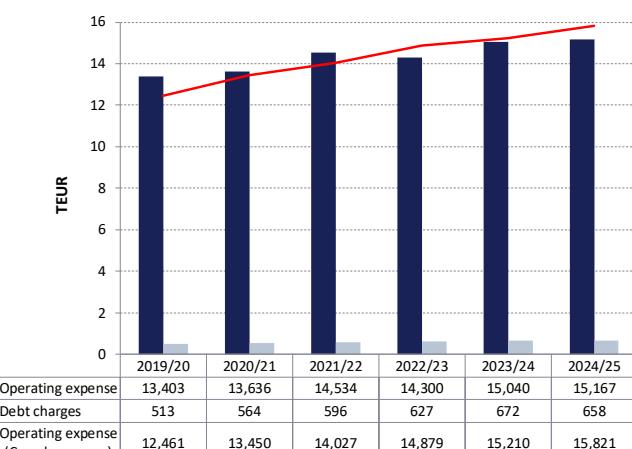
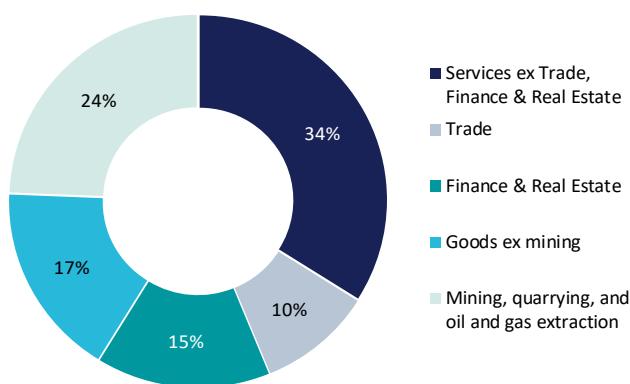
25.7x (1st)

Net debt/GDP (ranking)

9.7% (1st)

Net debt/taxes (ranking)

0.5x (1st)

Development of revenue in CAD per capita**Development of expenditure in CAD per capita****Gross value added by economic sector**

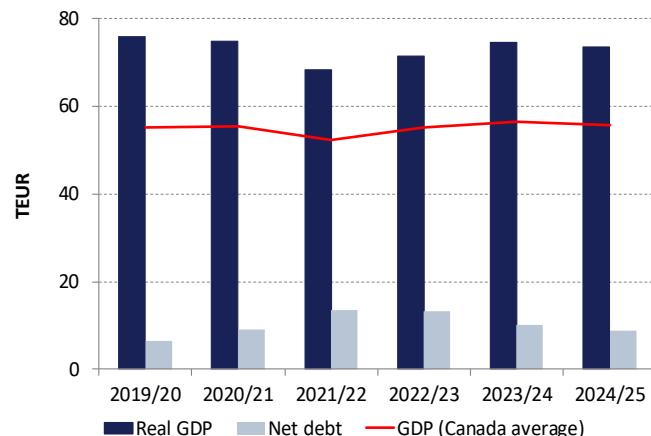
Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Strengths/Chances

- + Debt metrics at a good level
- + Highest GDP per capita among the provinces
- + Low taxes compared with other provinces

Weaknesses/Risks

- Substantial dependency on raw materials
- Comparatively high unemployment figures
- Carbon transition risk

Development of GDP and total debt per capita



Manitoba

In 1870, Manitoba became the first of the three prairie provinces to be carved out of the Northwest Territories. The province, which covers an area of 540,310km², was home to nearly 1.5 million people in 2024. With a median age of 37.3 years, Manitoba boasts the youngest population of all Canadian provinces ahead of second-placed Alberta. The economy grew by +1.1% Y/Y in 2024, meaning that Manitoba comes in slightly below the Canadian average in this respect. Nevertheless, Manitoba has recorded positive economic growth in recent years, ranking in seventh place among the Canadian sub-sovereigns with total GDP growth of +15.5% since 2012. At 5.4% in 2024, Manitoba recorded the joint second-lowest unemployment rate in Canada (tied with Saskatchewan but behind Québec). Despite these positive labour market figures, Manitoba is still confronted by the challenges presented by a sustained “brain drain”, i.e. the migration of well-trained specialists. This is reflected in the fact that more than 30% of the people leaving Manitoba are educated to degree level, which is presenting a long-term problem for the province. The economy of Manitoba is broadly diversified, with agriculture and manufacturing industries, among others, constituting key sectors. In 2024, exports from Manitoba totalled approx. CAD 21.0bn, with the USA representing the main destination (70.3%). GDP growth of +1.1% Y/Y is expected for 2025. In addition, the 2025/26 budget has earmarked CAD 3.7bn for an investment programme aimed at stimulating the economy. Of this figure, around 750m is expected to be put towards transport infrastructure.

Key facts

[Link to the Ministry of Finance](#)

[Homepage](#)

Population (2024)

1,494,301

Capital city

Winnipeg

Ratings

Long-term Outlook

Fitch

-

-

Moody's

Aa2

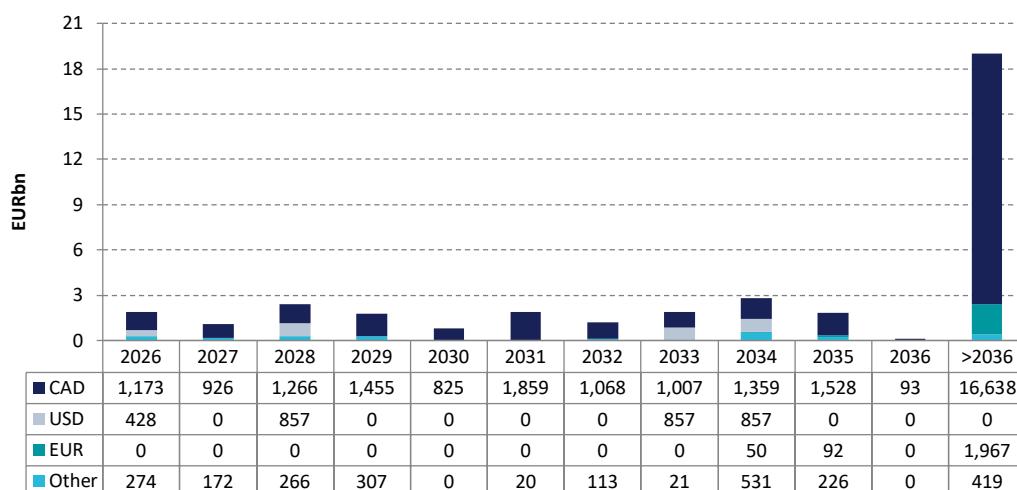
stab

S&P

A+

stab

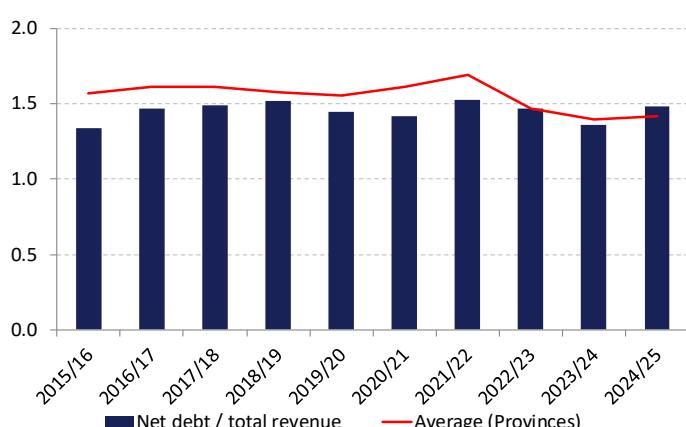
Maturity profile by currency



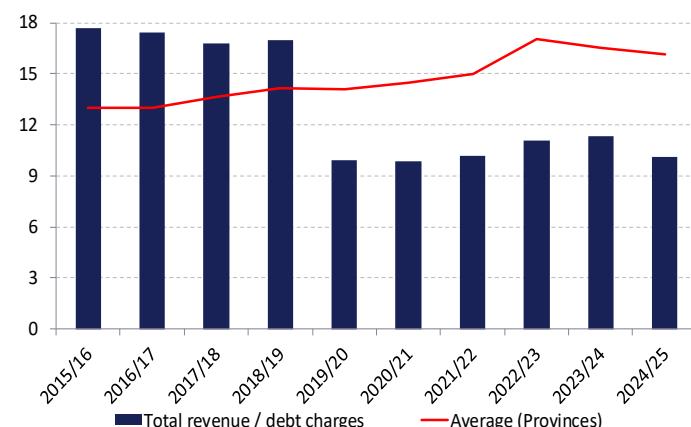
NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Table values in EURm.

Source Bloomberg, NORD/LB Floor Research

Trend in debt sustainability



Trend in interest coverage



Capital market**Net debt* (ranking**)**

CAD 35.3bn (7th)

Outstanding bonds***

EUR 36.7bn

Of which EUR bonds

EUR 2.1bn

Bloomberg ticker

MP

Economy 2024/25**Real GDP (ranking)**

CAD 71.3bn (6th)

Real GDP per capita (ranking)

CAD 47,695 (7th)

Real GDP growth (ranking)

1.1% (10th)

Unemployment (ranking)

5.4% (2nd)

Key figures 2024/25**Tax-interest coverage (ranking)**

7.0x (10th)

Total revenue/interest paid (ranking)

10.5x (9th)

Net debt/GDP (ranking)

49.5% (8th)

Net debt/taxes (ranking)

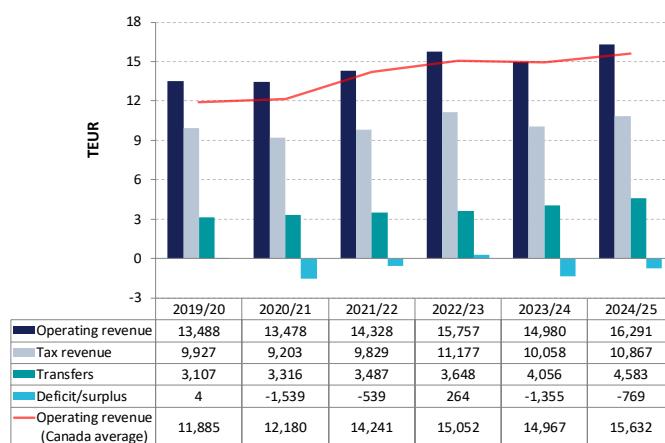
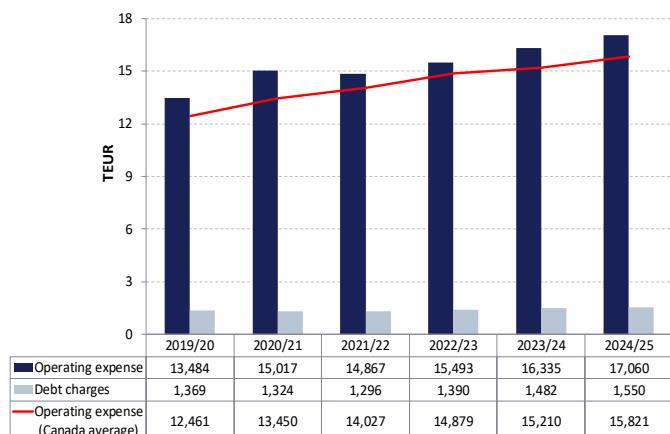
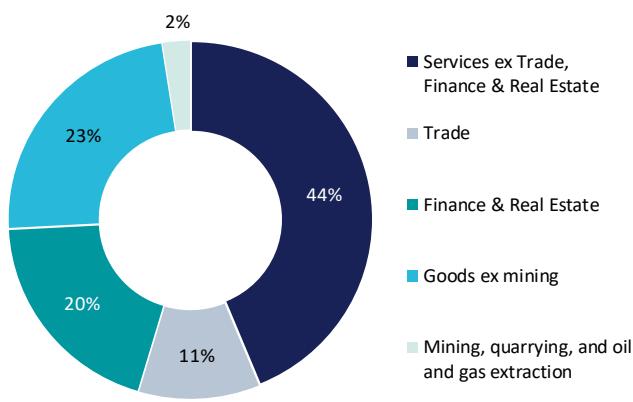
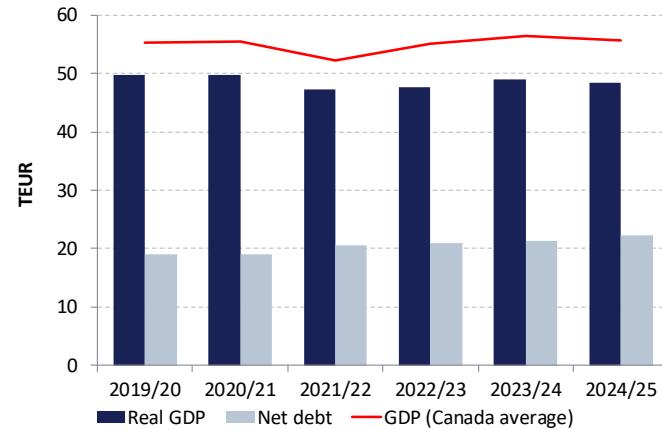
2.2x (8th)

* Budget year 2024/25

** Current ranking of the province for the respective key figure, whereby a ranking of 1st is the best result in the sub-sovereign comparison.

*** Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Development of revenue in CAD per capita**Development of expenditure in CAD per capita****Gross value added by economic sector****Development of GDP and total debt per capita**

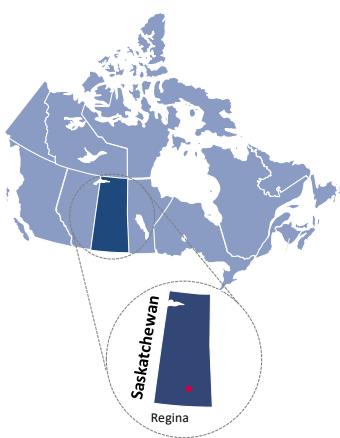
Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Strengths/Chances

- ⊕ Stable labour market
- ⊕ Diversified economy

Weaknesses/Risks

- ⊖ Dependency on transfers
- ⊖ Net debt/GDP ratio in a provincial comparison



Saskatchewan

The province of Saskatchewan was formed in 1905 after being carved out from the Northwest Territories. In 2024, a total of just over 1.2 million people lived in Saskatchewan, which is situated in the centre of the three prairie provinces. This equates to roughly 3.1% of the overall Canadian population. The province's population grew by +2.5% in 2024, meaning that Saskatchewan continues to lag marginally behind the national trend. The economy is equally balanced between the goods and service sectors (approx. 50% each), whereby mineral extraction, the financial sector and agriculture all play a core role. In 2024, GDP amounted to CAD 80.5bn, with the provincial government projecting growth in real terms of between +1.8% and +2.3% per annum in the period from 2025 to 2029. Moreover, Saskatchewan boasts the world's largest deposits of uranium and potassium. In fact, with a share of 31% in global potassium production, Saskatchewan is the leading supplier of this element to international markets, followed by Russia with a share of 19%. At CAD 7.9bn, these also accounted for a significant share of total exports (approx. 17%), which actually fell for the third consecutive year to a level of CAD 45.4bn. Other key exports included oil (CAD 12.5bn), oilseed rape products (CAD 7.4bn) and uranium (CAD 2.8bn). The raw materials sector is supported by a growing capital stock: private investments, which increased by +17.3% to CAD 14.7bn in 2024, are projected to rise to CAD 16.2bn in 2025. The GDP per capita of Saskatchewan reached CAD 64,413 in 2024, exceeding the national average of CAD 54,931. Compared with other Canadian sub-sovereigns, the share of the province's total revenues obtained from transfers is modest at 18.7%.

Key facts

[Link to the Ministry of Finance](#)

[Homepage](#)

Population (2024)

1,239,865

Capital city

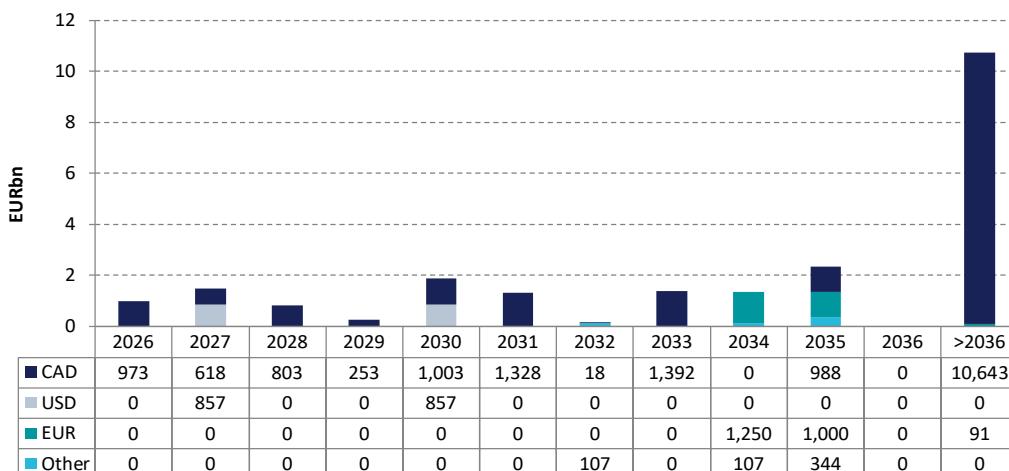
Regina

Ratings

Long-term **Outlook**

	Long-term	Outlook
Fitch	AAu	stab
Moody's	Aa1	stab
S&P	AA	stab

Maturity profile by currency



NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Table values in EURm.

Source Bloomberg, NORD/LB Floor Research

Trend in debt sustainability



Trend in interest coverage



Capital market**Net debt* (ranking**)**

CAD 15.6bn (3rd)

Outstanding bonds***

EUR 22.6bn

Of which EUR bonds

EUR 2.3bn

Bloomberg ticker

SCDA

Economy 2024/25**Real GDP (ranking)**

CAD 80.5bn (5th)

Real GDP per capita (ranking)

CAD 64,941 (2nd)

Real GDP growth (ranking)

3.4% (2nd)

Unemployment (ranking)

5.4% (2nd)

Key figures 2024/25**Tax-interest coverage (ranking)**

17.9x (2nd)

Total revenue/interest paid (ranking)

21.9x (2nd)

Net debt/GDP (ranking)

19.4% (2nd)

Net debt/taxes (ranking)

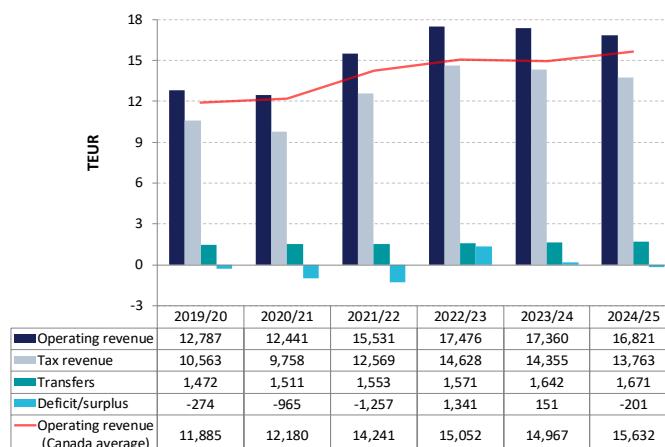
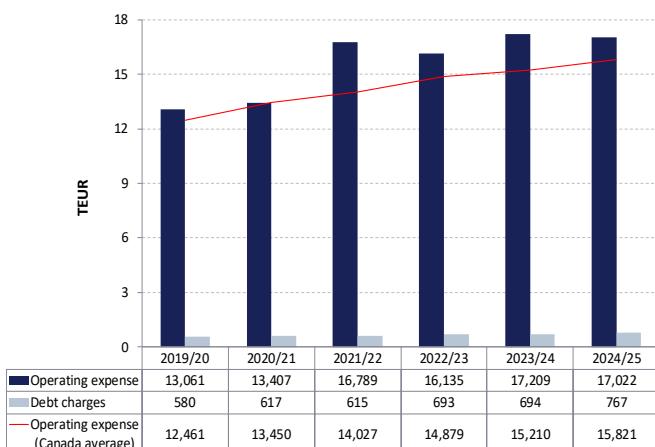
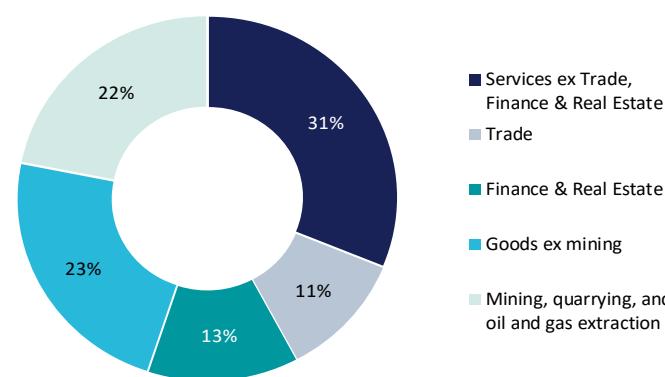
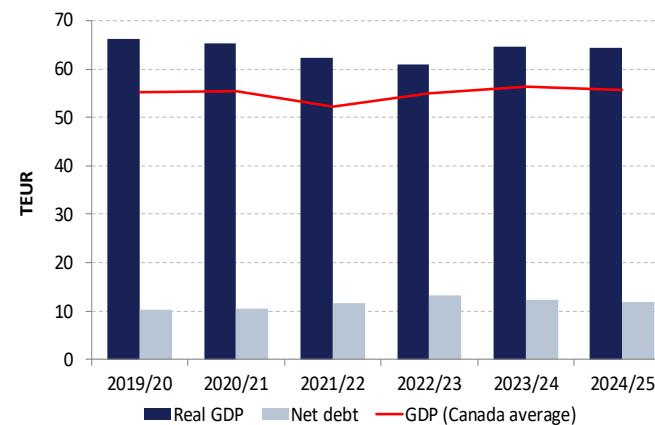
0.9x (2nd)

* Budget year 2024/25

** Current ranking of the province for the respective key figure, whereby a ranking of 1st is the best result in the sub-sovereign comparison.

*** Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Development of revenue in CAD per capita**Development of expenditure in CAD per capita****Gross value added by economic sector****Development of GDP and total debt per capita**

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Strengths/Chances

- + Above average economic output per capita
- + Net debt remains low

Weaknesses/Risks

- Hardly any economic growth except for 2022
- Dependency on the raw materials sector



New Brunswick

New Brunswick was one of the first four Canadian provinces and to this day is the only province with two official languages. Across an area of 72,908km², New Brunswick had a population of around 854,000 people in 2024, which is +2.7% up on the prior year and constitutes 2.2% of the Canadian population. The sustained high-level population growth is primarily being driven by strong international immigration trends, while inter-provincial population movements have been in decline since the peak recorded in 2021/22. With an average age of 44.2 years, New Brunswick remains one of the oldest provinces even though migratory movements have recently slowed the pace of ageing to some extent. The labour market data points to a solid environment: in 2024, employment rose by +2.9% to a record level of approx. 400,000 people in work. However, as growth in the working-age population was even stronger (+3.5%), the unemployment rate rose slightly to 7.0%, having stood at 6.6% in 2023. Wages and salaries rose by +6.5% Y/Y to CAD 22.4bn, which was the third highest increase among all provinces. New Brunswick recorded economic growth of +1.8% Y/Y in 2024, which was slightly above the national trend of +1.5%. Driven by developments in the fields of energy and consumer goods, exports were up by +2.7% Y/Y to CAD 17.4bn. At the same time, imports increased even more sharply, reducing the trade surplus to CAD 171.5m. In terms of its fiscal position, the province remains on solid ground: the debt ratio has been declining for years, and New Brunswick has consistently recorded budget surpluses since the 2017/18 budget year. However, the dependency on state transfer payments, which accounted for 37% of total revenues in 2024/25, is striking.

Key facts

[Link to the Ministry of Finance](#)

[Homepage](#)

Population (2024)

854,355

Capital city

Fredericton

Ratings

Long-term Outlook

Fitch

Moody's

Aa1

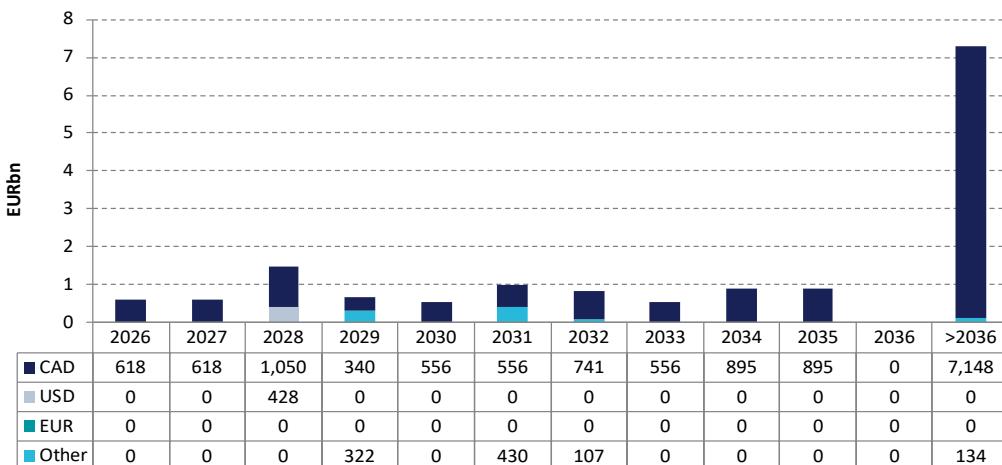
stab

S&P

A+

stab

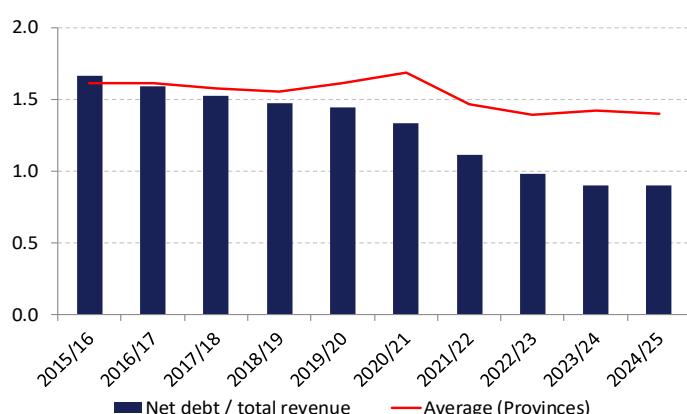
Maturity profile by currency



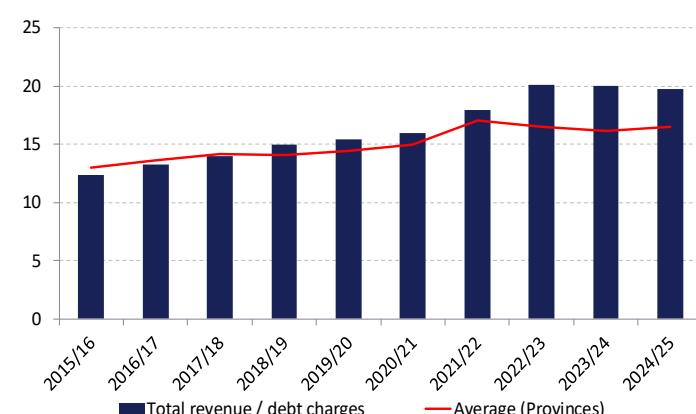
NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Table values in EURm.

Source Bloomberg, NORD/LB Floor Research

Trend in debt sustainability



Trend in interest coverage



Capital market**Net debt* (ranking**)**

CAD 12.3bn (2nd)

Outstanding bonds***

EUR 15.4bn

Of which EUR bonds

EUR 0.0bn

Bloomberg ticker

NBRNS

Economy 2024/25**Real GDP (ranking)**

CAD 35.8bn (8th)

Real GDP per capita (ranking)

CAD 41,945 (10th)

Real GDP growth (ranking)

1.8% (6th)

Unemployment (ranking)

7.0% (6th)

Key figures 2024/25**Tax-interest coverage (ranking)**

12.4x (6th)

Total revenue/interest paid (ranking)

19.8x (4th)

Net debt/GDP (ranking)

34.2% (4th)

Net debt/taxes (ranking)

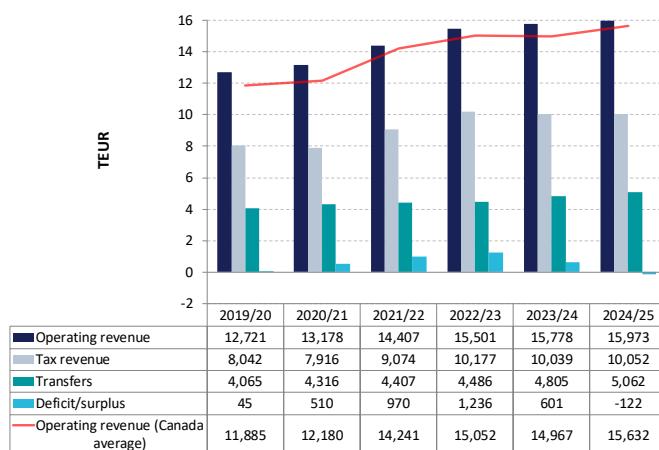
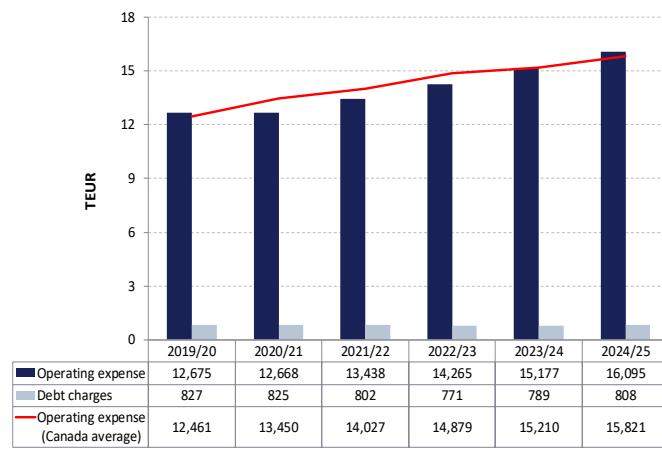
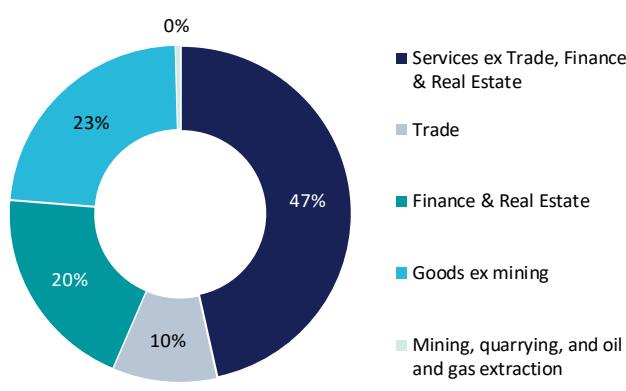
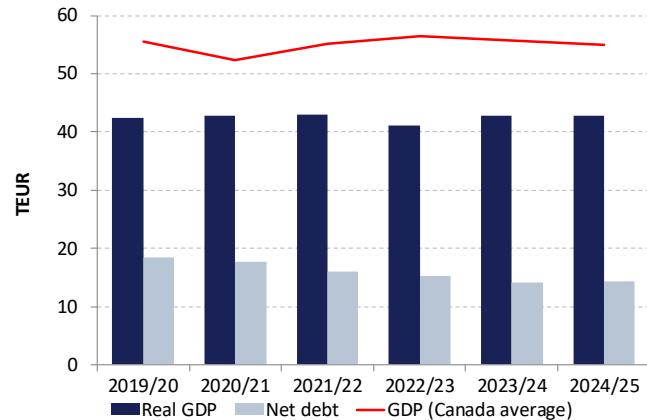
1.4x (4th)

* Budget year 2024/25

** Current ranking of the province for the respective key figure, whereby a ranking of 1st is the best result in the sub-sovereign comparison.

*** Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Development of revenue in CAD per capita**Development of expenditure in CAD per capita****Gross value added by economic sector****Development of GDP and total debt per capita**

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Strengths/Chances

- + Improved budget situation
- + Government adopting proactive approach to counteract stagnation
- + Surpluses generated in recent years

Weaknesses/Risks

- Sluggish economic growth
- Relatively high unemployment
- Substantial dependency on federal transfers



Newfoundland and Labrador

With a population of around 545,000 people (1.4% of the total Canadian population) and covering an area of 358,170km², Newfoundland and Labrador (NL) ranks among the least populous provinces of Canada. Around one fifth of the population lives in the capital St. John's, which is also the oldest city in Canada. The economy of NL is to a significant extent centred on the raw materials and energy sectors (48% of Canadian iron ore is mined in NL). The oil and gas sector accounts for around 14% of value added, while international exports reached CAD 13.7bn in 2024. The province recorded strong GDP growth in real terms of +6.7% Y/Y in 2024, which was driven by higher oil and mineral production and strong consumer spending. While a further increase in real terms of +5.3% Y/Y has been projected for 2025, economic growth is expected to slow in 2026 and amount to +1.3% Y/Y. In terms of demographics, the province is experiencing slight growth (+1.2% Y/Y in 2024), primarily on account of international immigration. However, structural unemployment remains at a lofty 10%, while the province's labour market is ageing at the same time. The provincial government's fiscal projections for 2025/26 point to revenues in the amount of CAD 10.7bn, offset by expenditures of CAD 11.0bn. Net debt is set to rise in the wake of the province's comprehensive investment plan, with a gross financing requirement of CAD 4.1bn expected for 2025/26 in tandem with an increase in net debt to CAD 19.4bn. In view of the high debt level, interest payments continue to constitute a structural risk. For the current budget year (2025/26), tax receipts are expected to account for 44% of revenues, while offshore royalties will make up a share of around 15%. With transfer payments accounting for a share of 18% of total revenues, NL is one of the provinces least dependent on state transfers in Canada.

Key facts

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Population (2024)

545,247

Capital city

St. John's

Ratings

Long-term Outlook

Fitch

-

-

Moody's

A1

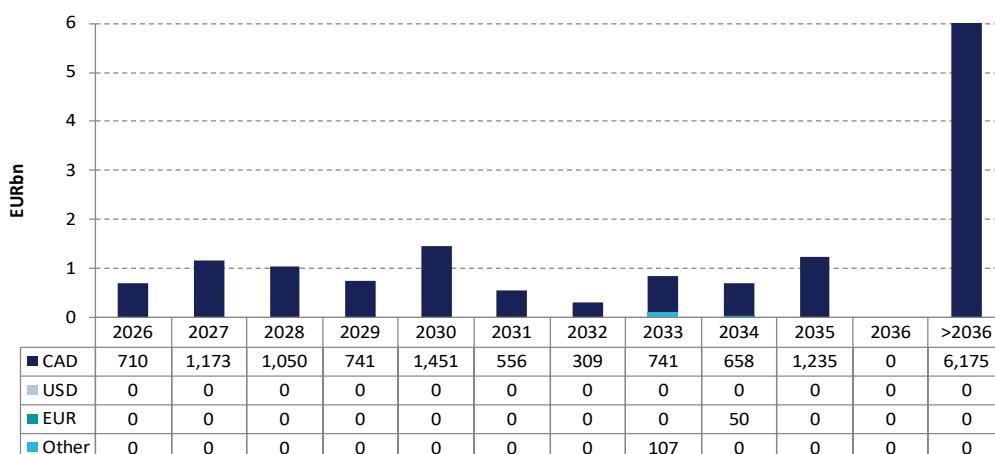
stab

S&P

A

stab

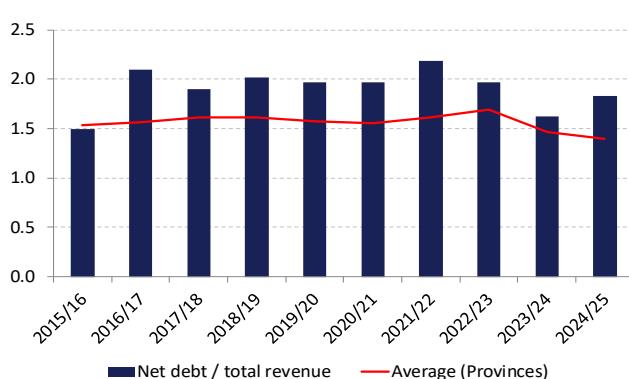
Maturity profile by currency



NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Table values in EURm.

Source Bloomberg, NORD/LB Floor Research

Trend in debt sustainability



Trend in interest coverage



Capital market**Net debt* (ranking**)**

CAD 18.4bn (4th)

Outstanding bonds***

EUR 15.0bn

Of which EUR bonds

EUR 0.1bn

Bloomberg ticker

NF

Economy 2024/25**Real GDP (ranking)**

CAD 29.6bn (9th)

Real GDP per capita (ranking)

CAD 54,370 (4th)

Real GDP growth (ranking)

2.4% (5th)

Unemployment (ranking)

10.0% (10th)

Key figures 2024/25**Tax-interest coverage (ranking)**

7.2x (9th)

Total revenue/interest paid (ranking)

8.8x (10th)

Net debt/GDP (ranking)

62.2% (10th)

Net debt/taxes (ranking)

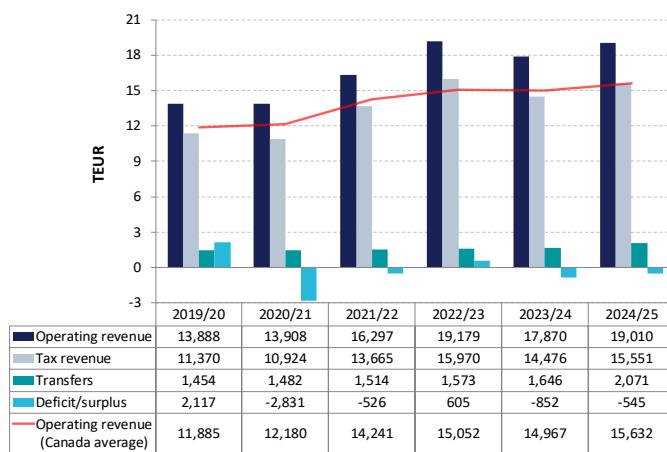
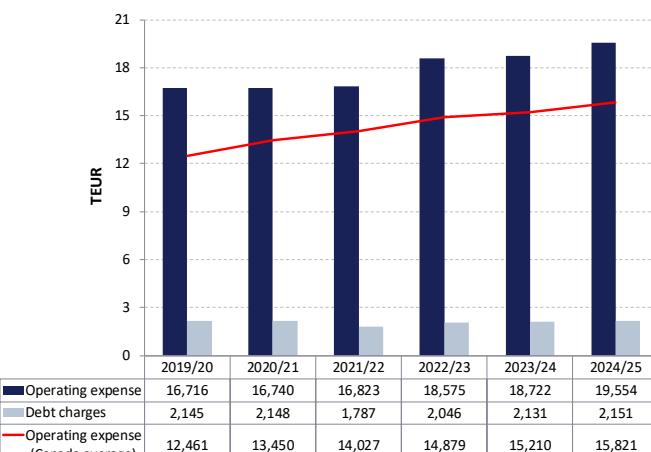
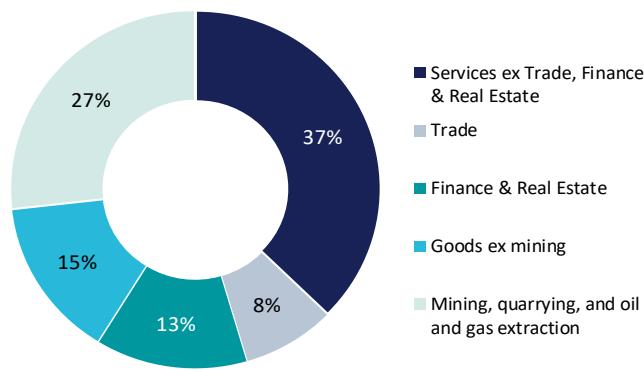
2.2x (9th)

* Budget year 2024/25

** Current ranking of the province for the respective key figure, whereby a ranking of 1st is the best result in the sub-sovereign comparison.

*** Foreign currencies are converted into EUR at rates as at 13 January 2026.

Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Development of revenue in CAD per capita**Development of expenditure in CAD per capita****Gross value added by economic sector**

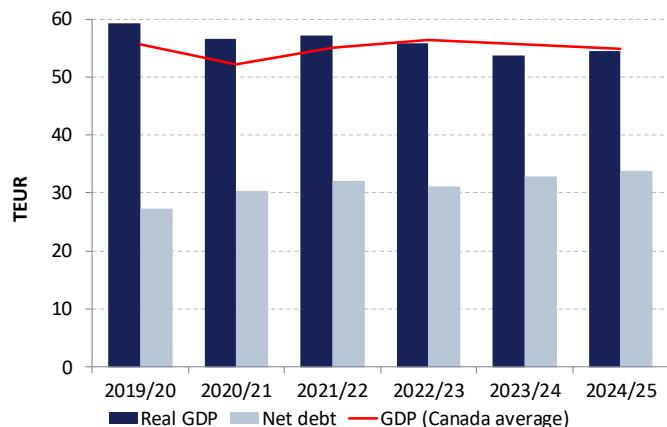
Source: Statistics Canada, Department of Finance Canada, NORD/LB Floor Research

Strengths/Chances

- + Above-average economic output per capita
- + Low dependency on transfers
- + Growing population from migratory movements

Weaknesses/Risks

- High unemployment
- Dependency on the raw materials sector
- High and rising interest burden as a result of the debt level

Development of GDP and total debt per capita



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Population (2024)

1,076,374

Capital city

Halifax

Bloomberg ticker

NS

Nova Scotia

With just under 1.1 million inhabitants (2.6% of the total population) and covering an area of 55,285km², Nova Scotia ranks as one of the smallest provinces in Canada. As one of the Maritimes, a region of Eastern Canada along the Atlantic coast, Nova Scotia is largely comprised of the eponymous peninsula. The economy of the sub-sovereign heads the list of Canadian provinces dominated by the service sector, while public administration and real estate are also key pillars. In addition, the areas of healthcare and social affairs, as well as manufacturing industries and construction, are of vital importance to the Nova Scotian economy. In contrast, the raw materials sector is less relevant. Although significant deposits of natural gas are suspected to be located off the coast of Nova Scotia, the share of energy as a percentage of GDP is falling with every year and most recently stood at 0.4% in 2023. In 2024, Nova Scotia generated real GDP of CAD 45.6bn (2.0% of total Canadian economic output), although the growth rate of +2.7% Y/Y and +20.0% since 2015 is in line with the average of other provinces. One positive factor to highlight is that just a single deficit has been recorded over the past nine budget years (in 2020/21), which is due, among other factors, to consistently low levels of per capita expenditures. However, at the same time, per capita revenues are only lower in Ontario. Moreover, Nova Scotia is highly dependent on the central government's transfer system, which accounts for 35.6% of the province's total revenues. In 2024, unemployment rose by +0.1 percentage points and at 6.5% overall it remains marginally in excess of the Canadian average (6.3%).

General information

Outstanding volume of bonds (EURbn)

EUR 12.2bn

Of which EUR bonds

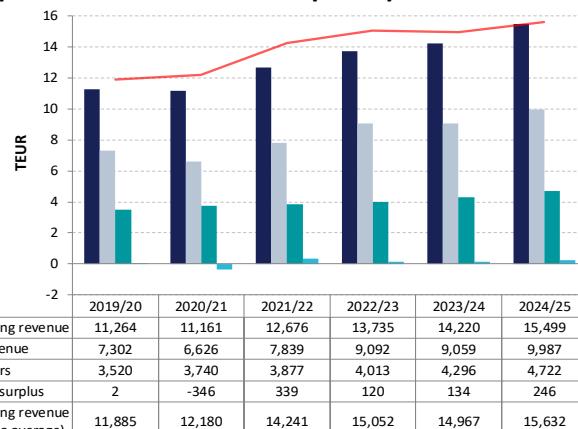
EUR 0.0bn

NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Source: Bloomberg, NORD/LB Floor Research

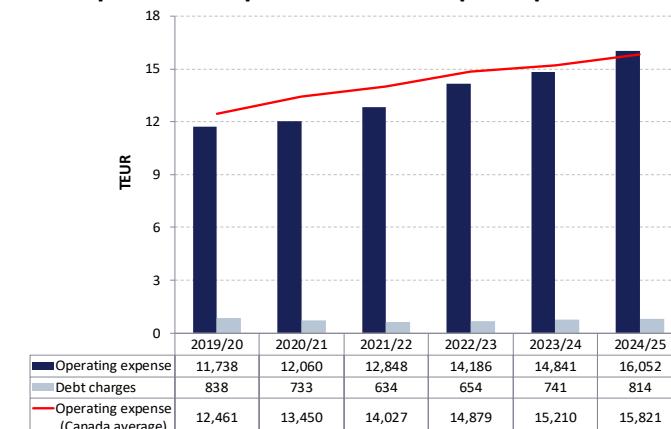
Ratings

	Fitch		Moody's		S&P
	Long-term	Outlook	Long-term	Outlook	Long-term
	-	-	Aa2	stab	AA-
					neg

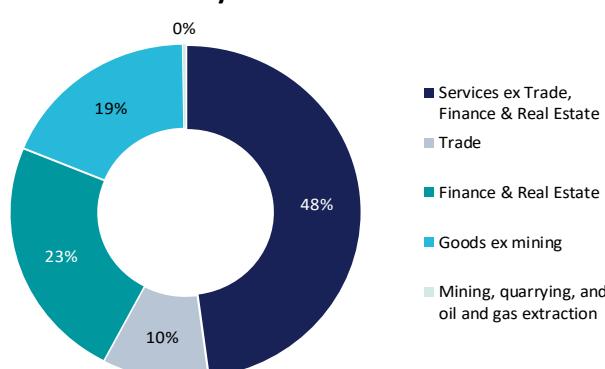
Development of revenue in CAD per capita



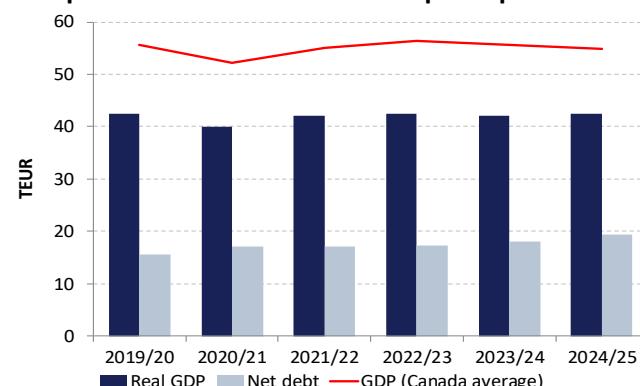
Development of expenditure in CAD per capita

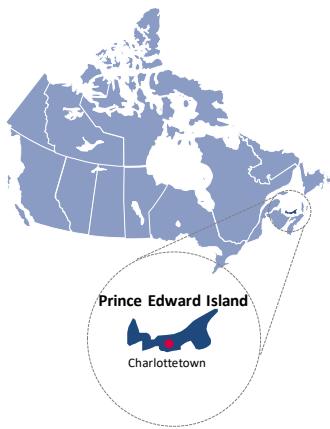


Gross value added by economic sector



Development of GDP and total debt per capita





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Population (2024)

178,550

Capital city

Charlottetown

Bloomberg ticker

PRINCE

Prince Edward Island

Prince Edward Island (PEI) is the smallest Canadian province with just 5,681km², while only the three territories have lower populations than the 178,550 (2024) inhabitants living in PEI. Having become part of Canada in 1873, PEI is one of the three Maritimes. French settlers began to develop agriculture as early as 1720 and this sector today accounts for 6.7% of the province's economic output. Otherwise, the economy is shaped by a high degree of diversification. The extraction of raw materials is less important for the economy in PEI than in any other Canadian sub-sovereign. Nevertheless, the existence of gas deposits beneath the province has now been verified, although it is not clear how extensive these are. The development of public infrastructure, educational institutes and healthcare facilities, in addition to renewable energies, is being promoted, with the aim of safeguarding the future viability of the PEI economy. In 2024, just 0.3% of Canadian economic output originated in PEI, with the province generating real GDP of CAD 7.6bn overall. The sub-sovereign has always ranked towards the bottom of the table in terms of economic output per capita, while the unemployment rate (8.0%) is one of the highest in Canada. In the 2024/25 budget year, a deficit of CAD -164m was recorded. Moreover, compared with other provinces PEI is highly dependent on payments from the financial equalization system (39.0% of total revenues). The population growth of 14.6% over the past five years is also worth mentioning, as this is the sharpest of any Canadian province during this period.

General information

Outstanding volume of bonds (EURbn)

EUR 2.3bn

Of which EUR bonds

EUR 0.0bn

NB: Foreign currencies are converted into EUR at rates as at 13 January 2026. Source: Bloomberg, NORD/LB Floor Research

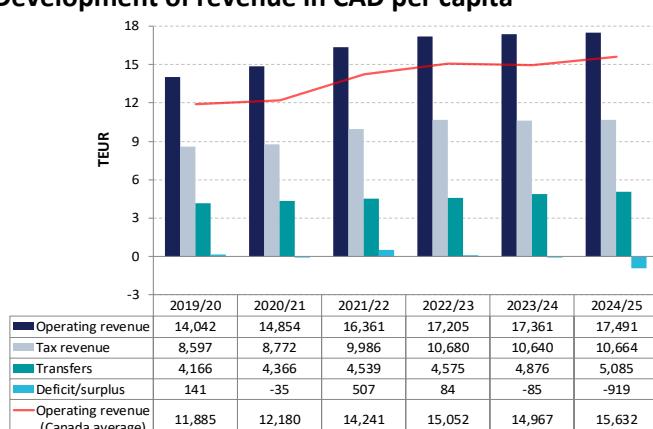
Ratings

	Fitch		Moody's		S&P
	Long-term	Outlook	Long-term	Outlook	Long-term
	-	-	Aa2	stab	A
					stab

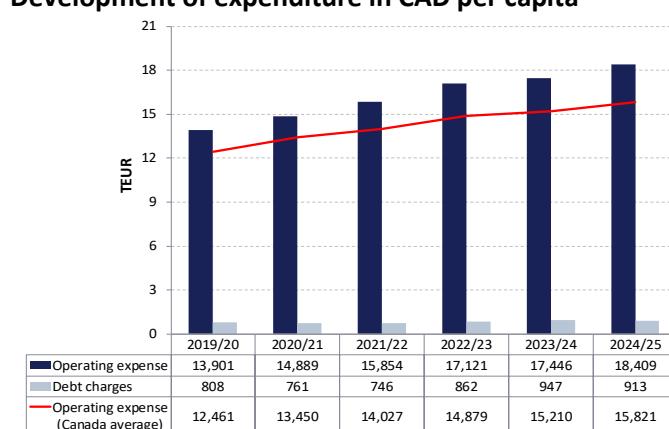
Rating: Fitch Long-term: - Moody's Long-term: Aa2 S&P Long-term: A

Rating: Moody's Outlook: stab S&P Outlook: stab

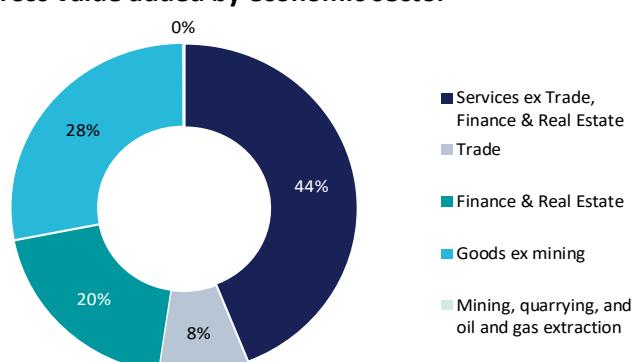
Development of revenue in CAD per capita



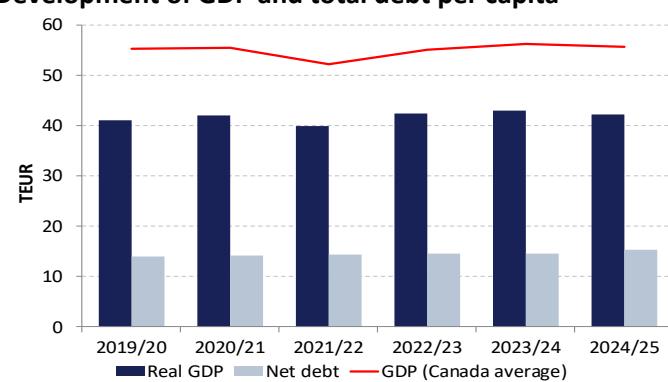
Development of expenditure in CAD per capita



Gross value added by economic sector



Development of GDP and total debt per capita



Appendix**Ratings overview**

Issuer (Bloomberg ticker)	Fitch		Moody's		S&P	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Ontario (ONT)	AA-	stab	Aa3	stab	AA-	stab
Québec (Q)	AA-	stab	Aa2	stab	A+	stab
British Columbia (BRCOL)	AA+	neg	Aa1	neg	A+	neg
Alberta (ALTA)	AA	stab	Aa2	stab	AA-	stab
Manitoba (MP)	-	-	Aa2	stab	A+	stab
New Brunswick (NBRNS)	-	-	Aa1	stab	A+	stab
Nova Scotia (NS)	-	-	Aa2	stab	AA-	neg
Saskatchewan (SCDA)	AAu	stab	Aa1	stab	AA	stab
Newfoundland & Labrador (NF)	-	-	A1	stab	A	stab
Prince Edward Island (PRINCE)	-	-	Aa2	stab	A	stab
Northwest Territories (GNWT)	AA-	stab	Aa2	stab	-	-
Nunavut	-	-	-	-	-	-
Yukon	-	-	-	-	AA	stab
Canada (CANADA)	AA+u	stab	Aaa	stab	AAA	stab

Source: Bloomberg, NORD/LB Floor Research

Appendix**Overview of budget and economic metrics****Trend in real GDP (CADbn)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Ontario	708.8	727.6	744.0	764.5	789.5	807.3	769.9	817.3	850.5	865.9	876.6
Québec	366.1	369.7	375.7	386.4	398.9	410.7	391.0	419.9	434.5	437.2	442.9
Alberta	329.2	317.7	306.2	319.2	325.8	326.2	300.8	316.8	336.3	344.1	353.3
British Columbia	238.3	243.8	251.0	260.2	270.1	277.8	269.2	290.2	302.1	309.4	313.1
New Brunswick	31.2	31.4	31.7	32.5	32.9	33.3	32.1	33.9	34.6	35.2	35.8
Newfoundland and Labrador	30.5	30.2	30.6	31.0	30.1	31.3	29.8	30.2	29.7	29.0	29.6
Nova Scotia	37.7	38.0	38.5	39.3	40.0	41.4	39.5	42.1	43.6	44.5	45.6
Manitoba	62.1	62.9	63.9	66.0	67.4	68.1	65.3	66.3	69.2	70.5	71.3
Prince Edward Island	5.7	5.8	5.9	6.2	6.3	6.6	6.4	6.9	7.2	7.3	7.6
Saskatchewan	74.4	73.9	73.6	75.3	76.5	76.0	72.8	71.1	76.1	77.9	80.5
Northwest Territories	4.1	4.3	4.3	4.5	4.5	4.3	4.0	4.1	4.2	4.2	4.2
Nunavut	2.5	2.5	2.6	3.0	3.1	3.3	3.4	3.6	3.7	3.8	4.1
Yukon	2.8	2.5	2.7	2.8	2.9	2.8	2.9	3.1	3.4	3.4	3.3

Trend in real GDP in CAD per capita

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Ontario	52,050	53,083	53,618	54,300	55,109	55,393	52,158	55,063	56,168	55,421	54,367
Québec	44,918	45,226	45,672	46,595	47,557	48,419	45,730	48,985	50,097	49,416	48,903
Alberta	80,615	76,664	72,967	75,334	75,908	74,899	68,248	71,491	74,550	73,465	72,268
British Columbia	50,627	51,052	51,662	52,738	53,796	54,363	52,006	55,519	56,392	55,937	54,951
New Brunswick	41,062	41,403	41,538	42,332	42,700	42,896	41,017	42,872	42,761	42,306	41,945
Newfoundland and Labrador	57,716	57,095	57,834	58,523	57,017	59,332	56,650	57,218	55,823	53,724	54,370
Nova Scotia	40,207	40,602	40,881	41,305	41,599	42,431	39,958	42,105	42,482	42,076	42,405
Manitoba	48,535	48,704	48,608	49,453	49,806	49,696	47,321	47,658	49,011	48,481	47,695
Prince Edward Island	39,409	39,904	40,090	41,111	41,160	42,101	39,989	42,391	42,993	42,242	42,588
Saskatchewan	66,869	65,895	64,813	65,633	66,172	65,253	62,354	60,868	64,593	64,413	64,941
Northwest Territories	94,043	97,724	96,732	100,233	101,963	97,813	89,161	92,084	94,412	93,977	92,822
Nunavut	69,500	68,242	70,940	78,845	81,024	86,151	86,552	91,004	91,233	94,128	100,027
Yukon	74,104	67,472	70,745	70,346	70,713	68,590	68,521	73,159	76,948	75,622	71,215

NB: Lowest values in orange, highest values in blue.

Source: Statistics Canada, NORD/LB Floor Research

Trend in budget balances (CADbn)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ontario	-11.27	-5.35	-2.44	-3.67	-7.33	-8.60	-16.29	2.03	-5.87	-0.69	-1.09
Québec	-0.73	3.27	3.94	2.80	7.68	1.85	-4.38	2.57	-3.13	-5.99	-5.18
Alberta	1.12	-6.44	-10.78	-8.02	-6.71	-12.15	-16.96	3.92	11.64	4.29	8.32
British Columbia	1.19	0.05	2.22	0.20	1.32	-0.53	-5.62	1.26	0.96	-5.04	-7.35
New Brunswick	-0.37	-0.26	-0.12	0.06	0.06	0.04	0.40	0.77	1.00	0.50	-0.10
Newfoundland and Labrador	-1.01	-2.21	-1.15	-0.91	-0.55	1.12	-1.49	-0.28	0.32	-0.46	-0.30
Nova Scotia	-0.14	-0.01	0.15	0.23	0.12	0.00	-0.34	0.34	0.12	0.14	0.27
Manitoba	-0.54	-0.93	-0.79	-0.69	-0.15	0.01	-2.12	-0.75	0.37	-1.97	-1.15
Prince Edward Island	-0.02	-0.01	0.00	0.07	0.06	0.02	-0.01	0.08	0.01	-0.01	-0.16
Saskatchewan	0.06	-1.52	-1.22	-0.30	-0.27	-0.32	-1.13	-1.47	1.58	0.18	-0.25
Northwest Territories	0.10	0.11	0.16	0.13	-0.03	-0.07	0.07	0.05	0.12	-0.01	0.07
Nunavut	0.11	0.10	0.06	0.12	0.05	0.04	0.10	0.18	0.10	0.19	-0.19
Yukon	0.07	0.01	-0.01	0.02	-0.01	0.00	0.02	0.01	0.11	-0.04	0.06

Trend in budget balances in CAD per capita

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ontario	-827	-390	-175	-261	-511	-590	-1,104	136	-388	-44	-68
Québec	-90	400	479	338	915	217	-512	299	-360	-677	-571
Alberta	273	-1,554	-2,570	-1,893	-1,563	-2,790	-3,848	883	2,581	915	1,702
British Columbia	253	10	457	40	262	-104	-1,085	241	178	-910	-1,289
New Brunswick	-487	-348	-159	78	82	45	510	970	1,236	601	-122
Newfoundland and Labrador	-1,905	-4,177	-2,168	-1,719	-1,046	2,117	-2,831	-526	605	-852	-545
Nova Scotia	-153	-14	160	238	128	2	-346	339	120	134	246
Manitoba	-421	-721	-600	-520	-110	4	-1,539	-539	264	-1,355	-769
Prince Edward Island	-141	-90	-9	498	368	141	-35	507	84	-85	-919
Saskatchewan	56	-1,356	-1,072	-264	-232	-274	-965	-1,257	1,341	151	-201
Northwest Territories	2,175	2,479	3,483	2,847	-561	-1,598	1,514	1,092	2,733	-179	1,543
Nunavut	3,027	2,713	1,563	3,255	1,432	1,020	2,634	4,565	2,521	4,545	-4,568
Yukon	1,831	371	-130	481	-149	-73	453	163	2,392	-938	1,242

Trend in net debt (CADbn)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ontario	294.6	306.4	314.1	323.1	337.6	352.4	372.5	382.8	399.8	409.8	427.1
Québec	198.4	198.1	195.2	192.0	188.6	188.1	194.6	196.8	208.8	220.0	236.2
Alberta	-13.1	-3.9	8.9	19.3	27.5	40.1	59.8	59.0	45.6	41.4	34.3
British Columbia	37.8	39.5	38.2	42.4	42.9	46.1	54.1	56.7	59.9	71.3	87.3
New Brunswick	13.5	14.0	14.2	14.3	14.3	14.3	13.8	12.7	12.3	11.8	12.3
Newfoundland and Labrador	10.3	12.5	13.6	14.7	15.4	14.4	16.0	16.9	16.5	17.7	18.4
Nova Scotia	15.0	15.1	15.0	15.0	15.0	15.2	17.0	17.2	17.7	19.1	20.8
Manitoba	19.9	21.9	23.3	24.5	25.8	26.2	28.4	29.3	30.2	32.3	35.3
Prince Edward Island	2.1	2.2	2.2	2.1	2.1	2.2	2.3	2.3	2.4	2.6	3.0
Saskatchewan	5.6	7.9	10.2	11.3	11.8	12.3	13.7	15.5	14.6	14.3	15.6
Northwest Territories	0.6	0.7	0.7	0.8	0.9	1.1	1.1	1.1	1.2	1.2	1.2
Nunavut	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.6	-0.8	-0.5	
Yukon	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.2	0.3	0.5	0.6

Comments: Lowest values in orange, highest values in blue.

Source: Statistics Canada, NORD/LB Floor Research

Trend in net debt in CAD per capita

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ontario	21,631	22,350	22,636	22,948	23,566	24,180	25,234	25,794	26,405	26,228	26,485
Québec	24,342	24,226	23,724	23,153	22,485	22,168	22,756	22,957	24,077	24,866	26,078
Alberta	-3,197	-946	2,121	4,565	6,401	9,217	13,576	13,312	10,112	8,830	7,024
British Columbia	8,034	8,273	7,868	8,595	8,546	9,026	10,461	10,843	11,188	12,882	15,321
New Brunswick	17,722	18,436	18,545	18,602	18,554	18,348	17,599	16,056	15,206	14,181	14,362
Newfoundland and Labrador	19,558	23,677	25,684	27,700	29,103	27,357	30,398	32,093	31,062	32,782	33,812
Nova Scotia	15,990	16,093	15,876	15,718	15,584	15,620	17,194	17,157	17,307	18,079	19,365
Manitoba	15,561	16,952	17,712	18,333	19,069	19,102	20,553	21,018	21,365	22,214	23,597
Prince Edward Island	14,791	15,096	14,798	14,213	13,947	14,153	14,443	14,476	14,603	15,242	16,959
Saskatchewan	4,988	7,047	8,972	9,839	10,231	10,555	11,721	13,264	12,387	11,864	12,604
Northwest Territories	13,053	15,066	16,633	17,435	20,680	24,031	24,273	24,839	25,944	27,103	27,073
Nunavut	-8,213	-8,318	-8,043	-7,812	-8,032	-7,932	-10,639	-15,043	-15,622	-18,624	-12,172
Yukon	-6,005	-4,059	-2,283	-936	0	1,141	1,144	3,608	5,900	10,900	13,018

Trend in net debt/revenue (excluding transfer payments)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ontario	2.83	2.71	2.70	2.57	2.62	2.69	2.84	2.48	2.45	2.35	2.25
Québec	2.56	2.44	2.35	2.23	2.06	2.05	2.12	1.79	1.81	1.92	1.88
Alberta	-0.30	-0.11	0.26	0.49	0.66	0.97	1.61	1.81	0.80	0.64	0.55
British Columbia	0.98	1.01	0.89	0.99	0.90	0.94	1.10	0.94	0.87	1.08	1.25
New Brunswick	2.47	2.57	2.45	2.34	2.28	2.28	2.22	1.77	1.49	1.41	1.43
Newfoundland and Labrador	1.75	2.54	2.25	2.41	2.31	2.41	2.78	2.35	1.95	2.26	2.17
Nova Scotia	2.45	2.41	2.32	2.14	2.19	2.14	2.60	2.19	1.90	2.00	1.94
Manitoba	1.80	1.97	2.02	2.05	1.94	1.92	2.23	2.14	1.91	2.21	2.17
Prince Edward Island	2.02	1.96	1.91	1.68	1.63	1.65	1.65	1.45	1.37	1.43	1.59
Saskatchewan	0.47	0.69	0.96	0.97	0.99	1.00	1.20	1.06	0.85	0.83	0.92
Northwest Territories	1.41	1.64	1.65	1.85	2.69	3.09	2.64	2.48	2.54	2.53	2.47
Nunavut	-1.65	-1.49	-1.35	-1.16	-1.20	-1.27	-1.83	-2.27	-2.27	-2.31	-1.60
Yukon	-1.23	-0.88	-0.44	-0.19	0.00	0.21	0.22	0.64	1.00	1.76	1.94

Trend in revenue (excluding transfer payments)/interest expenditure

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ontario	9.29	9.75	9.91	10.56	10.39	10.46	10.66	12.28	11.71	12.08	12.53
Québec	7.49	8.03	8.69	9.17	10.32	11.71	11.72	12.46	11.30	11.49	12.60
Alberta	60.25	45.72	33.71	27.95	21.09	16.62	13.12	21.48	22.84	19.82	21.73
British Columbia	15.37	13.90	16.53	16.35	17.85	17.95	18.06	22.03	25.47	20.01	16.43
New Brunswick	8.03	8.03	8.58	9.15	9.67	9.72	9.59	11.31	13.20	12.72	12.45
Newfoundland and Labrador	7.69	5.45	6.33	6.11	6.39	5.30	5.09	7.65	7.80	6.79	7.23
Nova Scotia	7.00	7.31	7.84	8.48	8.01	8.71	9.04	12.36	13.89	12.22	12.27
Manitoba	13.13	12.98	12.36	12.55	7.39	7.25	6.95	7.58	8.04	6.79	7.01
Prince Edward Island	8.11	8.57	9.10	10.11	10.36	10.64	11.52	13.38	12.40	11.23	11.68
Saskatchewan	22.59	22.79	19.63	20.70	18.54	18.22	15.80	20.44	21.12	20.68	17.94
Northwest Territories	46.49	43.07	28.28	24.36	16.29	15.73	25.05	16.82	12.32	10.41	15.34
Nunavut	-*	-*	-*	-*	-*	-*	-*	-*	-*	-*	-*
Yukon	-*	-*	-*	-*	-*	-*	-*	-*	-*	-*	-*

Comments: Lowest values in orange, highest values in blue. * No reported interest charges.

Source: Statistics Canada, NORD/LB Floor Research

Appendix

Publication overview

Covered Bonds:

[Issuer Guide – Covered Bonds 2025](#)

[Risk weights and LCR levels of covered bonds](#) (updated semi-annually)

[Transparency requirements §28 PfandBG Q3/2025](#) (quarterly update)

[Transparency requirements §28 PfandBG Q3/2025 Sparkassen](#) (quarterly update)

[Covered bonds as eligible collateral for central banks](#)

[EBA report on the review of the EU covered bond framework](#)

SSA/Public Issuers:

[Issuer Guide – German Laender 2025](#)

[Issuer Guide – Canadian Provinces & Territories 2024](#)

[Issuer Guide – Down Under 2024](#)

[Issuer Guide – European Supranationals 2025](#)

[Issuer Guide – Non-European Supranationals \(MDBs\) 2025](#)

[Issuer Guide – German Agencies 2025](#)

[Issuer Guide – French Agencies 2025](#)

[Issuer Guide – Nordic Agencies 2025](#)

[Issuer Guide – Dutch Agencies 2025](#)

[Issuer Guide – Austrian Agencies 2025](#)

[Beyond Bundeslaender: Belgium](#)

[Beyond Bundeslaender: Greater Paris \(IDF/VDP\)](#)

[Beyond Bundeslaender: Spanish regions](#)

Fixed Income Specials:

[ESG-Update 2025](#)

[NO! You joyful... pause! – ECB keeps key rates unchanged](#)

Appendix

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