# Beyond Bundeslaender – Belgium

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

# NORD/LB

# PUBLIC ISSUERS SPECIAL 2024

# Beyond Bundeslaender: Belgium 2024

## List of authors


Dr Norman Rudschuck, CIIA
Floor analyst, SSA/Public Issuers
Managing Director
norman.rudschuck@nordlb.de

Lukas-Finn Frese
Floor analyst, SSA/Public Issuers
Associate Director
lukas-finn.frese@nordlb.de

**Assisted by**
Maximilian Lingenfelser

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**Floor analysts:**

**Covered Bonds/Banks**

**Dr Frederik Kunze**
frederik.kunze@nordlb.de

**Lukas Kühne**
lukas.kuehne@nordlb.de

**Alexander Grenner**
alexander.grenner@nordlb.de

**SSA/Public Issuers**

**Dr Norman Rudschuck, CIIA**
norman.rudschuck@nordlb.de

**Lukas-Finn Frese**
lukas-finn.frese@nordlb.de

**Tobias Cordes**
tobias.cordes@nordlb.de


**NORD/LB:**
Floor Research

**NORD/LB:**
Covered Bond Research

**NORD/LB:**
SSA/Public Issuers Research

**Bloomberg:**
RESP NRDR <GO>

# Public Issuers Special 2024
# Beyond Bundeslaender: Belgium

Authors: Dr Norman Rudschuck, CIIA // Lukas-Finn Frese // assisted by Maximilian Lingenfelser

**Introduction and structure of Belgium**

In this publication, we shall be taking a look at the regional governments and local authorities (RGLA) with capital market relevance in Belgium. The "Beyond Bundeslaender: Belgium" publication is part and parcel of our Public Issuers Special series, which also includes special reports on Spain, Portugal and Greater Paris (IDF/VDP), for example. Due to the variety of issuers and (in certain maturity segments) the significant pick-ups available, the sub-sovereigns analysed in this publication may offer opportunities for investors in comparison with Belgian sovereign bonds and the German Laender. The focus here will once again be on the levels below the federal state and the communities, namely the regions and provinces of Belgium. There are three regional institutions which take the name of their respective territory. From north to south, they are as follows: the Flemish Region (Flanders), the Brussels-Capital Region and the Walloon Region (Wallonia). Aside from these three regions, the federal state of Belgium also comprises three communities defined by their language: the Flemish, French and German-speaking communities. Whereas the Flemish-speaking community exercises its competencies in Flanders and Brussels, the French community is located in the Walloon Provinces and, likewise, in the Brussels-Capital Region. The German-speaking community of Belgium, which covers nine municipalities in the extreme east of the Walloon province of Liège, is by far the smallest in this regard. The three language-based communities were introduced following the first state reform (1970). The areas of responsibility of the regions and communities have been extended over the course of various reforms. Following the second state reform (1980), the Flemish and Walloon Regions were each given a parliament and government of their own. In contrast, the Brussels-Capital Region did not obtain its institutions until the third state reform in 1988/89. The members of the regional parliaments are directly elected every five years by the Belgian people. In addition to the regional parliament and regional government, in Wallonia there are also legislative and executive bodies dedicated to the French-speaking and German-speaking communities. As such, there are actually three separate parliaments and three governments in the region of Wallonia. The situation is somewhat different in Flanders, where the Flemish community and regional institutions are merged. As a result, there is just a single parliament and one government here. Both regions and communities are empowered to exercise legislative functions in certain areas. The most recent elections at federal level in Belgium took place on 09 June 2024 and were therefore held in parallel with European Parliament elections. Moreover, the elections to the Flemish parliament in addition to the parliaments of Wallonia and the Brussels-Capital Region also took place on the same day. In general, federal elections are held every five years. With the majority of political parties in Belgium boasting strong, deep-rooted regional connections, forming governments at regional level tends to be somewhat easier than it is the case at national level. In this regard, the various regional parliaments are dominated by stakeholders with a vested interest in promoting the development of their respective local communities.

**Belgian provinces**

Since the fourth state reform, Belgium has been split into a total of ten provinces. In the wake of this reform, the province of Brabant was abolished and replaced by two new provinces: Flemish Brabant and Walloon Brabant. After the provincial split took effect in 1995, the territory of the Brussels-Capital Region was kept separate from the classification of provinces. The provinces are autonomous institutions, but remain under the supervision of the federal state, the communities and above all, the regions. Provincial Councils have been established, whereby the members are directly elected for terms of six years. These councils are empowered to take decisions of a general nature, to hold votes on provincial regulations and to draw up the budget for the province. The Provincial Council appoints six members of the Standing Deputation, which implements the resolutions of the Provincial Council and ensures day-to-day management. It is chaired by a Governor, although this is not an elected position. Rather, the Governor is appointed or dismissed by the King under the responsibility of the Minister for the Home Department.

**Organisation of the Provinces**

The five Flemish provinces are: Antwerp, Limburg, East Flanders, Flemish Brabant and West Flanders. There are also five Walloon provinces: Walloon Brabant, Hainaut, Liège, Luxembourg and Namur. The arrondissements represent the next-smallest administrative subdivision under the provinces ("arrondissement" in French and "arrondissementen" in Dutch). The term "Arrondissement" is sometimes used in German, although the official designation is "Bezirk". At this point, delving deeper into the minutiae of this topic would not make sense in this publication.

**Inter-community tensions place a strain on Belgian politics**

For decades now, the political and social development of Belgium has been shaped by simmering regional conflicts. Tensions between the regions of Flanders and Wallonia significantly undermine the stability of the government and complicate decision-making processes at national level. These deep-rooted conflicts are based on linguistic, economic and political factors. Belgium is a federal state whose present-day structure was formed in 1993 in order to satisfy growing demands for autonomy. However, the geographical and linguistic dividing lines within the sovereign – with Dutch as the dominant language in Flanders and French in Wallonia – has essentially created parallel societies. In addition to being the political and cultural hub of Belgium, the officially bilingual Brussels-Capital Region often takes centre stage as these conflicts play out. A central bone of contention are the economic differences between the regions. While Flanders is a prosperous and economically dynamic part of the sovereign, Wallonia is burdened by structural problems due to the decline of traditional industries such as coal mining. The question how financial resources should be allocated between the regions is one of Belgium's central political issues and is a frequent cause of antipathy. The party-political system is split along language borders, which makes forming stable coalitions to govern at the federal level incredibly challenging. In fact, national parties barely exist. Instead, Flemish and Walloon parties with often opposing interests dominate the political landscape. In the past, this has led to extended periods with no functioning government. This was infamously the case back in 2010/11, when Belgium had to cope without a government for 541 days. In Flanders, there is a strong separatist movement demanding greater autonomy or even independence. On the other side of the debate, a significant proportion of the Walloon population is concerned about these developments, fearing that any further decentralisation could actually exacerbate the economic problems that their region is facing.

**Current political situation**

The Belgian federal election on 09 June 2024 reflected both the sovereign's sheer diversity of the political landscape, as well as its fragmentation. In total, twelve parties won seats in parliament. New Flemish Alliance (N-VA) emerged as the winner, claiming 24 of the 150 seats available. Vlaams Belang followed in second place with 20 seats. This right-wing populist party, which had initially been tipped to win the election, shares both a Eurosceptic attitude and Flemish focus with N-VA. Bart de Wever, leader of the N-VA, is currently mandated by King Philippe to form a government. Negotiations between the five parties involved – N-VA, CD&V, Vooruit, MR and Les Engagés – for the so-called Arizona coalition have been running intensively since then. Issues such as taxation, the labour market and pension reform constitute the focus of these talks, which are now being advanced in numerous meetings. Despite the political challenges, a government could be formed relatively quickly.

**Review of Belgium's presidency of the Council of the EU in H1/2024**

With a large number of elections scheduled to take place over the past twelve months, 2024 was dubbed a super election year with the potential to define the medium-term political course in many countries and regions across the world (in Belgium alone, European, federal and regional elections were all scheduled to be held). At the start of the year, Belgium assumed the presidency of the Council of the European Union, meaning that it had the opportunity to exert a decisive influence on the EU's political agenda during the first half of 2024. One focus of the Belgian presidency was to improve decision-making processes within the EU in order to ensure its ability to act in view of the potential for new members joining. Another priority was to support Ukraine, both through providing financial aid and by promoting EU expansion. For this reason, there was a particular emphasis on progress related to the accession negotiations with Ukraine and Moldova. During the Belgian presidency, numerous legislative projects were successfully finalised, including initiatives on climate policy, digitisation and economic stability. As a mediator between the EU institutions and the Member States, Belgium was able to contribute to strengthening European cohesion. Another focus was on preparing for the 2024 European elections, while Belgium was also tasked with ensuring a smooth handover of the Council Presidency to Hungary in July.

**Deficit procedures of the European Commission**

In its report published in June 2024, the European Commission determined that launching deficit procedures against Belgium and six other EU Member States would be justified. According to EU rules, the public deficit must not exceed 3% of nominal GDP. After falling to 3.6% in 2022, Belgium's deficit grew to 4.2% in 2023 and is projected to rise to 4.4% in 2024 and to 4.9% by 2025. At more than 103% of GDP, public debt remains high at the same time, which threatens to jeopardise the sovereign's long-term debt sustainability. The European Commission has been critical of Belgium's inadequate implementation of fiscal consolidation recommendations. The automatic indexation of wages and social benefits, rising ageing costs and ineffective savings in energy support measures represent drags on the economy. In addition, weak fiscal coordination and delays in the implementation of reforms under the recovery plan are complicating consolidation efforts. Although EU funds are being directed towards green, digital and defence projects, the impact of these is limited by sluggish realisation. Structural reforms, particularly in the areas of pensions and taxes, have also remained thin on the ground. Against this backdrop, the EU is demanding that Belgium applies stricter measures to ensure compliance with fiscal targets and to improve fiscal governance in order to minimise long-term risks and guarantee its capacity for debt sustainability. Ultimately, the Council Decision on the existence of an excess deficit in Belgium was adopted by the Council of the European Union on 26 July 2024.

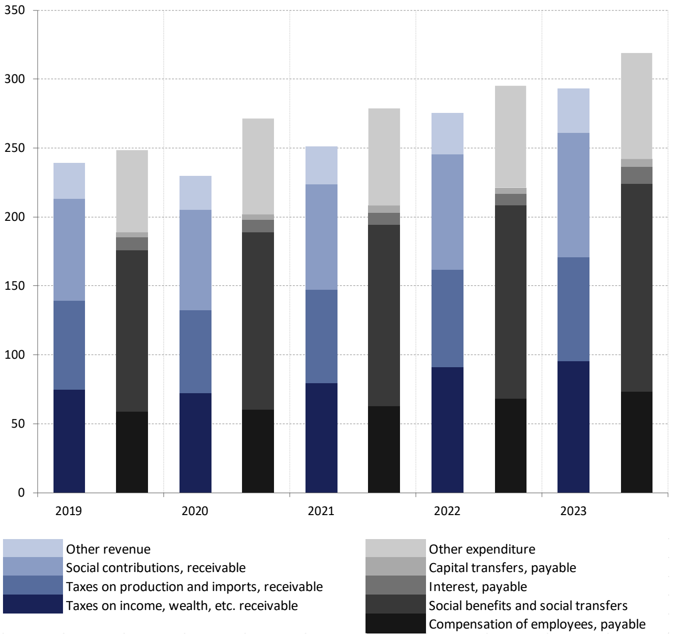
**2023 values**

**Nominal GDP (2022)**
EUR 596.3bn (EUR 563.5bn)
**Real GDP growth (2022)**
+1.3% (+4.2%)
**Nominal GDP per capita (vs. 2022)**
EUR 50,660 (EUR +2,410)
**Unemployment rate (2022)**
5.5% (5.6%)
**Budget balance (2022)**
EUR -25.0bn (EUR -20.4bn)
**Budget balance / GDP (2022)**
-4.2% (-3.6%)
**Debt / GDP (2022)**
103.1% (102.6%)

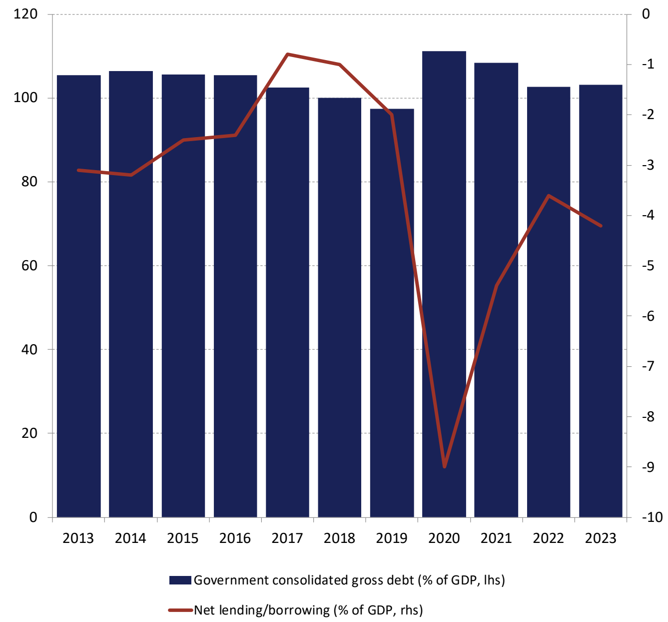
## The Belgian economy – an overview

With nominal GDP per capita amounting to EUR 50,660 in 2023 (preliminary data), Belgium is above average in comparison with the European Union (EU) as a whole (EUR 38,130). However, the regional disparities discussed in previous sections are again obvious here: in 2022, the Brussels-Capital Region performed best with a GDP per capita of EUR 77,800, with Flanders (EUR 49,000) and Wallonia (EUR 34,300) lagging some way behind. According to preliminary data from the National Bank of Belgium (NBB) for 2023, the service sector was again by far the most important pillar of the economy with a share of 78.6% of gross value added. The contribution of the secondary sector amounts to 20.5%, with a share of just 0.9% attributable to agriculture. Belgium is highly dependent on exports, which at EUR 506.9bn in 2023 (preliminary data) put the sovereign among the top seven largest exporters in the EU. In 2023, the export and import ratios were very high at 86.7% and 87.6% in units of GDP respectively. At 49.3%, consumer spending on the part of private households accounted for just under half of the GDP of Belgium. In terms of economic output, the European Commission is projecting growth of +1.1% in 2024 and +1.2% in 2025. In 2023, Belgium was ranked in fifth place in a European comparison with a debt ratio of 103.1% of GDP. As a result of an increase following the COVID-19 pandemic to 111.2% in 2020, this metric fell in each of the following two budget years. According to estimates from the European Commission, this value is expected to rise again slightly to 103.4% in the 2024 budget year, while further growth in this debt metric is projected next year (2025: 105.1%). The government measures implemented with the aim of managing the challenging economic environment have significantly impacted the state's coffers over the past few years: the export-orientated economy has been hit especially hard by numerous global crises and uncertainties. In 2023, the budget deficit came to -4.2% of GDP, with negative budget balances projected for the years to come as well.

### State revenues vs. government spending (EURbn)




### Sovereign debt vs. budget balance




Source: Eurostat, NORD/LB Floor Research

**Capital market activities**

The following administrative units below the Belgian Federal State (officially: the Kingdom of Belgium; Bloomberg ticker: BGB; commonly referred to as OLOs), as sorted by their respective Bloomberg tickers, are currently active in the capital market:

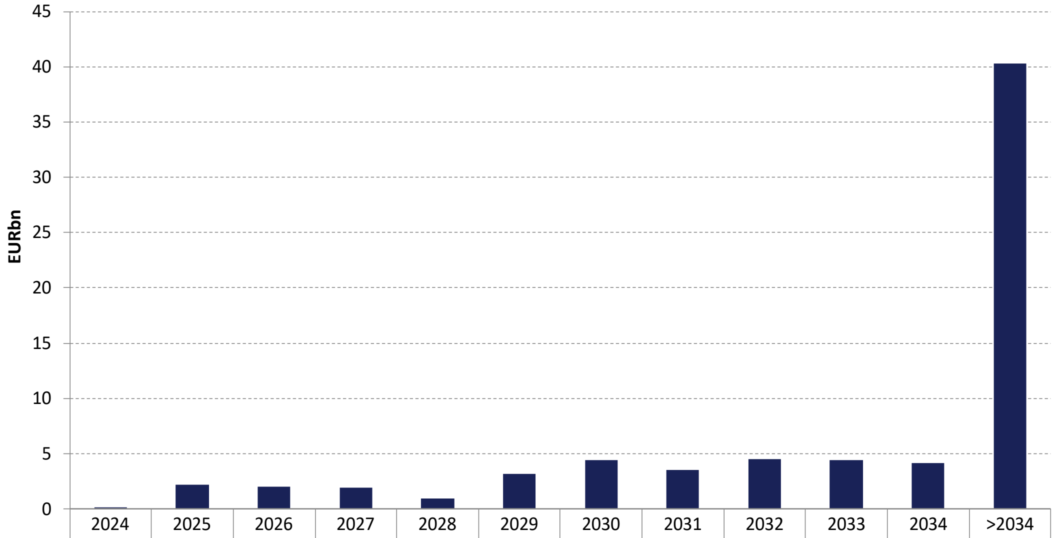
- ANTWRP (Provincie Antwerpen)
- BLMBRB (Province of Vlaams-Brabant)
- **BRUCAP** (Region des Bruxelles-Capitale)
- BRUGGE (City of Brugge)
- DENDEM (Stad Dendermonde)
- DGBE (Deutschsprachige Gemeinschaft Belgiens)
- **FLEMSH** (Ministeries Van de Vlaamse Gemeenschap)
- **FRBRTC** (Brussels Municipalities Regional Fund; garantiert durch BRUCAP)
- GHENTB (City of Ghent ASBL)
- HASSLT (City of Hasselt)
- IZEGEM (City of Izegem)
- **LCFB** (Communaute Francaise de Belgique)
- MECHLN (Stad Mechelen)
- SPABSS (Société Publique d’Administration des Bâtiments Scolaires)
- STDNZE (Stad Deinze)
- VILLIE (Ville de Liege)
- VLNAMR (Ville de Namur)
- **WALLOO** (Region Wallonne)
- ZAVENT (Gemeente Zaventem)
- ZOTTGM (Stad Zottegem)

**Bold:** Already purchased as part of the PSPP/PEPP
Source: Bloomberg, NORD/LB Floor Research

**Outstanding volumes on the Belgian sub-sovereign market**

In total, the regional market as a whole currently amounts to EUR 71.5bn split across 737 bond issues. In this context, FLEMSH (EUR 28.1bn) and WALLOO (EUR 21.1bn) lead the way, followed at some distance behind by BRUCAP (EUR 11.4bn) and LCFB (EUR 9.2bn). Finally, DGBE (EUR 1.1bn) and FRBRTC (EUR 0.3bn) complete the picture here. FLEMSH has been top of the table in this regard for many years. Due to its increased issuance activity with benchmark bonds, WALLOO has climbed the rankings to become the second largest sub-sovereign issuer in Belgium. Private placements with terms of up to 100 years also ensure that the overall structure of outstanding Belgian sub-sovereign bonds can be described as highly granular. This situation is also illustrated by the chart below. Liquidity suffers under these circumstances, although there is a certain degree of pick-up on offer in the form of an illiquidity premium. Incidentally, the issuers SOCWAL and FRBRTC are defined as “Local Authorities” and have been included on the purchase list of the Eurosystem under “Agencies”. Both are classified as local public-sector issuers (Société Wallone du Credit Social and Brussels Municipalities Regional Fund [FRBRTC guaranteed by BRUCAP]).

**Belgian issuers: outstanding bonds**




| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | >2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EUR | 65 | 2,175 | 2,000 | 1,946 | 936 | 3,114 | 4,388 | 3,537 | 4,493 | 4,390 | 4,150 | 40,284 |

Source: Bloomberg, NORD/LB Floor Research; Table values in EURm

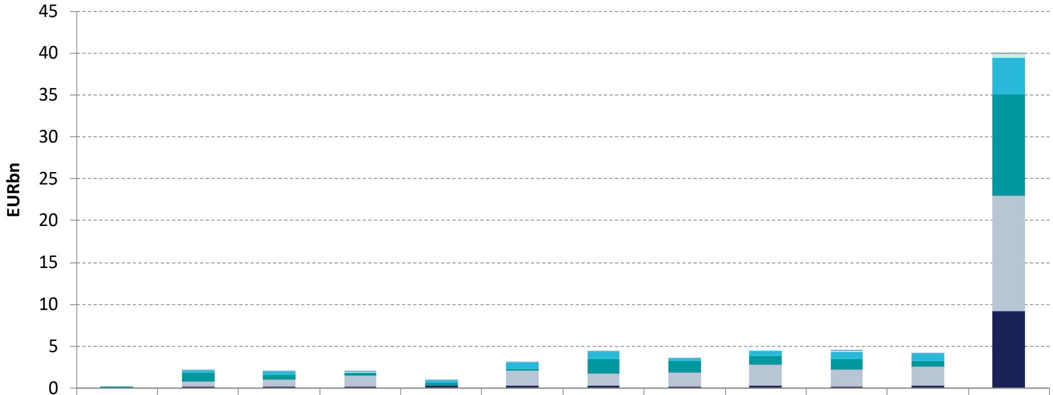
**Focus on long maturities**

Not all the tickers listed above are regions. Other RGLA or other regional vehicles and agencies are also active in the capital market. Nevertheless, the above breakdown reveals 737 bonds now outstanding – as against approximately 680 in our previous study. To recap: when we first looked at this data in September 2016, there were around 300 ISINs. As at the reporting date, the outstanding volume totals EUR 71.5bn overall. Once again, there are no foreign currency bonds to discuss. Accordingly, the FX segment plays no part in the composition of the liabilities, meaning that any diversification is provided solely in the form of different maturity segments. A total of EUR 40.3bn or 56.4% of the outstanding bond volume is only set to fall due after 2034, which indicates that the issuers in question are opting for extremely long-term refinancing operations. Of the 737 outstanding bonds, only 46 meet the criterion of a benchmark bond (outstanding volume: EUR ≥500m). Alongside 21 bonds issued by the Flemish Community (ticker: FLEMSH) and 17 bonds from Wallonia (ticker: WALLOO), this now includes six bonds issued by the French Community of Belgium (ticker: LCFB) and two ISINs attributable to the Brussels-Capital Region (ticker: BRUCAP). ESG bonds issued on the basis of the associated frameworks have already been placed by the regions of Flanders and Wallonia as well as by the French Community. In addition, Belgian regions are open to private placements and bespoke maturity requests on the part of institutional investors.

**Fixed-rate bonds are dominant**

Fixed coupons account for a dominant share of the bonds issued by Belgian regions. Of the bonds we have analysed (737), a total of 633 bonds featured a fixed coupon. This equates to a share of 85.9%. These are followed by FRNs (floating rate notes; 10.2%) and bonds with a variable rate, which only account for a marginal share. Zero-coupon bonds and step-up coupon bonds hardly merit discussion at all. In this respect, Bloomberg makes a distinction in terms of the nomenclature between floaters (classic FRNs, e.g. 3mE +70bp) and inflation-linked bonds (variable). The proportion of fixed-rate bonds is on the high side in comparison with, for example, the German Laender.

**Outstanding bonds of selected Belgian issuers**



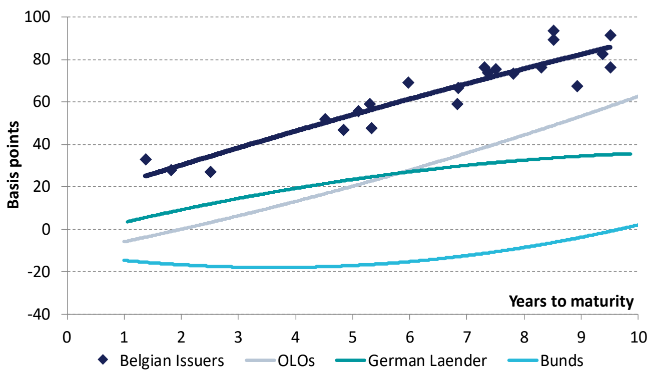

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | >2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FRBRTC | 0 | 14 | 25 | 24 | 18 | 26 | 38 | 34 | 0 | 10 | 20 | 103 |
| DGBE | 0 | 55 | 68 | 79 | 70 | 53 | 71 | 70 | 55 | 61 | 65 | 434 |
| LCFB | 0 | 235 | 290 | 45 | 255 | 665 | 765 | 210 | 600 | 833 | 800 | 4,466 |
| WALLOO | 40 | 1,085 | 635 | 287 | 279 | 244 | 1,862 | 1,420 | 1,065 | 1,285 | 720 | 12,159 |
| FLEMSH | 0 | 627 | 780 | 1,320 | 0 | 1,849 | 1,377 | 1,640 | 2,500 | 2,031 | 2,250 | 13,688 |
| BRUCAP | 25 | 113 | 175 | 175 | 300 | 233 | 265 | 159 | 273 | 170 | 285 | 9,220 |

Source: Bloomberg, NORD/LB Floor Research; Table values in EURm

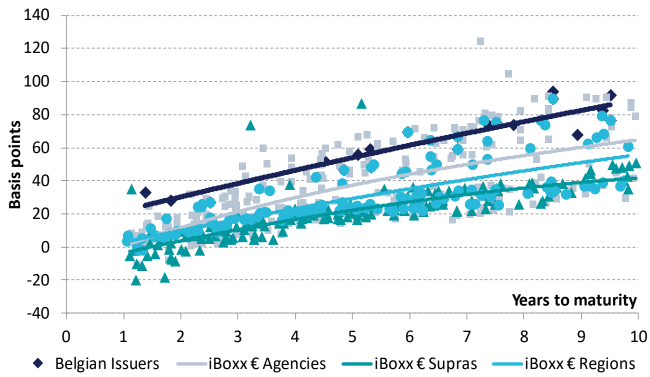
**Belgian regions in the iBoxx € Regions and spread analysis**

There is no doubt that Belgian regions rank among the most important issuers in the sub-sovereign segment. A glance at the composition of the iBoxx € Regions makes this clear. In global terms, the indisputable leading issuer group remains the German Laender, which account for 75.7% of the composition of the iBoxx € Regions. After Canadian provinces (10.3%), Belgian sub-sovereigns then rank in third place with a share of 8.7%. Apart from the volumes, the spread levels are of course also suitable: compared with the iBoxx € Regions, the Belgian regions trade at premiums across the entire maturity spectrum. This is hardly surprising given the dominance of German Laender bonds in this index outlined above. Although the regulatory classification of both sub-sovereign segments is identical, the Belgian regions trade at significantly wider spread levels compared with their German counterparts. Spread premiums can also be seen along the maturity curve in comparison with agencies and supranationals. Compared in particular with the supras that are better rated on average and the fact that those bonds are usually far more liquid, this hardly comes as a surprise.

**Generic ASW spreads – a comparison**




**ASW spreads of Belgian Issuers vs. iBoxx**




Source: Bloomberg, NORD/LB Floor Research; data as at 17 December 2024

## General information

[Homepage]

**Number of inhabitants (2024)**
1,249,597

**Capital city**
Brussels

**Nominal GDP (2022)**
EUR 96.5bn

**Nominal GDP per capita (2022)***
EUR 77,800

**Unemployment (Q3/2024)**
11.1%

**Budget deficit (as a % of revenue, 2022)**
20.2%

**Bloomberg ticker**
BRUCAP

**Outstanding volume**
EUR 11.4bn

| Ratings | Long-term | Outlook |
|---|---|---|
| Fitch | - | - |
| Moody's | - | - |
| S&P | A+ | stab |

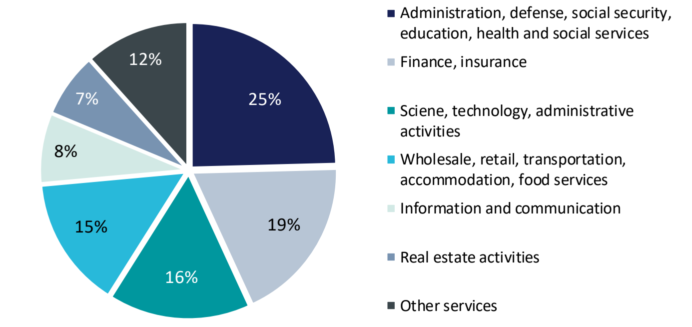
* Provisional values

## Brussels-Capital Region

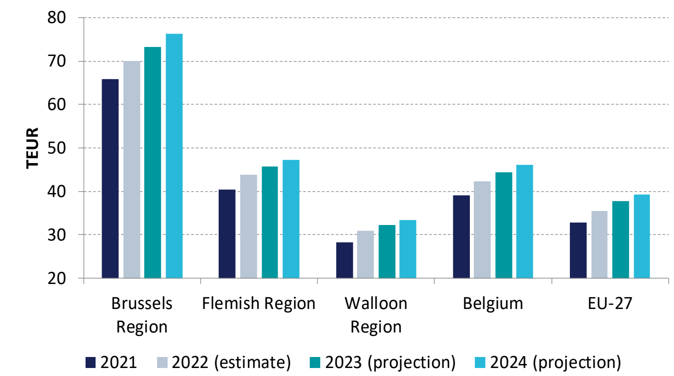
With a population of more than 1.2m people, the Brussels-Capital Region (referred to in French as "Région de Bruxelles-Capitale" and in Dutch as "Brussels Hoofdstedelijk Gewest") is home to roughly 11% of the Belgian population. It is therefore the least populous of the three Belgian regions. In geographical terms, the region is centrally located in Belgium within the territory of Flanders. Both French and Dutch are official languages. With a total of 19 associated municipalities, including the City of Brussels itself, the region has effectively coalesced into a single city. The largest municipalities after the City of Brussels itself are Schaerbeek with just over 130,000 inhabitants and the municipality of Anderlecht, where roughly 129,000 people live. The Brussels-Capital region has existed in its current form since 01 January 1995. The government consists of a linguistically neutral Minister-President and four Ministers (two French speakers and two Dutch speakers), who are elected by the regional parliament. In addition to the regional government, the French and Flemish-speaking communities exercise powers in Brussels. There is also a Governor, who acts as the central government's commissioner. The level below the regional parliament is, in turn, subdivided into municipal parliaments. With GDP per capita of EUR 77,800 (provisional value, 2022), the Brussels-Capital Region boasts by far the highest value at the level of the Belgian regions – the national average comes in at EUR 47,400. With Brussels being home to organisations such as the EU and NATO, for example, this substantial figure is mainly attributable to the administrative and business headquarters of European institutions and multinational companies. This is reflected in a local economy that is extensively shaped by the service sector: in 2022, 91.8% of all jobs were attributable to the tertiary sector (provisional figure). Alongside the EU institutions, banking and insurance, the transport sector and tourism are all of relevance to the economy. Like other major urban agglomerations, the Brussels-Capital Region is one of Europe's leading business centres (as measured by GDP). However, this is accompanied by a concentration of social risks. For instance, unemployment of 11.1% in Q3/2024 was significantly in excess of both the national (6.0%) and European (5.9%) averages. As a member of the European Union Network for the Implementation and Enforcement of Environmental Law (IMPEL), the Brussels-Capital Region has been advancing transformation programmes, particularly in the areas of sustainable mobility, sustainable neighbourhoods and environmental matters, since 2014. The region has also committed to the European goal of achieving climate neutrality by 2050.

### Gross value added by sector (2022)

**EUR 87bn**




### A comparison of GDP per capita*




* Due to the use of data from Statistiek Vlaanderen, there may be deviations from Eurostat.
Source: Issuer, NBB, Statistics Flanders, NORD/LB Floor Research

### General information

[Homepage](#)

**Number of inhabitants (2024)**
6,821,770

**Capital city**
Brussels

**Nominal GDP (2022)**
EUR 330.5bn

**Nominal GDP per capita (2022)***
EUR 49,000

**Unemployment (Q3/2024)**
4.3%

**Budget deficit (as a % of revenue, 2022)**
3.4%

**Bloomberg ticker**
FLEMSH

**Outstanding volume**
EUR 28.1bn

| Ratings | Long-term | Outlook |
|---|---|---|
| Fitch | AA | neg |
| Moody's | Aa3 | neg |
| S&P | - | - |

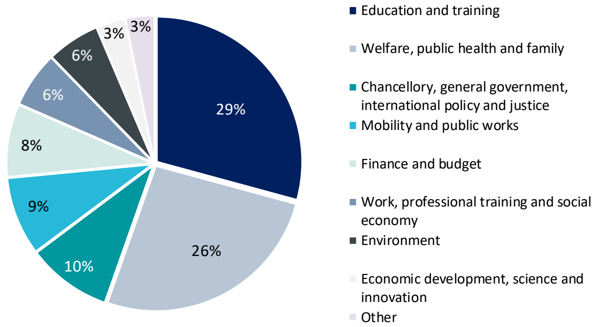
* Provisional values

## Flanders

With 6.8m inhabitants, approximately 58% of the Belgian population lives in Flanders ("Flandre" in French and "Vlaanderen" in Dutch). The Brussels-Capital Region is an official enclave within the Flemish region. After Antwerp, which has a population of approximately 550,000 people, Ghent and Bruges are the next largest cities in Flanders with around 270,000 and 120,000 inhabitants respectively. Legislative authority is exercised by the Flemish parliament and the regional government. The Flemish parliament consists of 124 seats, of which 118 Council members are directly elected in Flanders, in addition to six Dutch-speaking members of the Council of the Brussels-Capital Region. Since 2010, the separatist party Nieuw-Vlaamse Alliantie (N-VA; New Flemish Alliance) has been the strongest force in the parliament, although the right-wing populist Vlaams Belang ("Flemish Interest") substantially narrowed the gap to N-VA in the wake of the federal and regional elections in 2024. The Flemish government is led by Minister-President Matthias Diependaele (N-VA) as part of a coalition with the social democratic party Vooruit (Dutch for "Onward") and the Christian-democrats CD&V. The regional economy is heavily dependent on foreign trade, which can be seen in the fact that Flanders accounts for a high share of 79% of total Belgian exports. In 2022, the export volume amounted to around EUR 480bn, reflecting growth of +26% versus 2021. The most important export products include mineral products as well as chemical and pharmaceutical products. The region's primary source of income is federal allocations, which account for 57% of regional and municipal financial resources. A further 30% comes from its own fiscal instruments such as regional taxes (13%) and an additional surcharge on income tax (17%). In 2021 and 2022, consolidated debt grew by just over EUR 3bn each year. In view of planned investments, Flanders also intends to take on additional debt to support the long-term development and resilience of the regional economy. The sub-sovereign, which is represented on the capital market via the Ministeries Van de Vlaamse Gemeenschap under the FLEMSH ticker, uses its [EMTN programme](#) established in 2009 to issue benchmarks and [sustainability bonds](#). In 2024, the total volume was increased from EUR 25bn to EUR 40bn. Private placements are also regularly used for refinancing purposes.

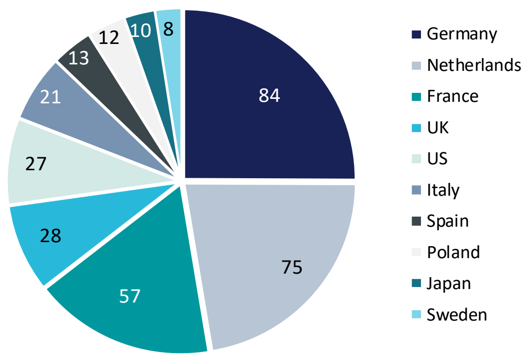
### Planned budget expenditures 2024

**EUR 64bn**




### Top 10 export destinations 2022 (EURbn)

**EUR 334bn**




Source: Issuer, Eurostat, NORD/LB Floor Research

## General information

[Homepage](#)

**Number of inhabitants (2024)**
3,692,283

**Capital city**
Namur

**Nominal GDP (2022)**
EUR 126.7bn

**Nominal GDP per capita (2022)***
EUR 34,300

**Unemployment (Q3/2024)**
7.5%

**Budget deficit (as a % of revenue, 2022)**
6.0%

**Bloomberg ticker**
WALLOO

**Outstanding volume**
EUR 21.1bn

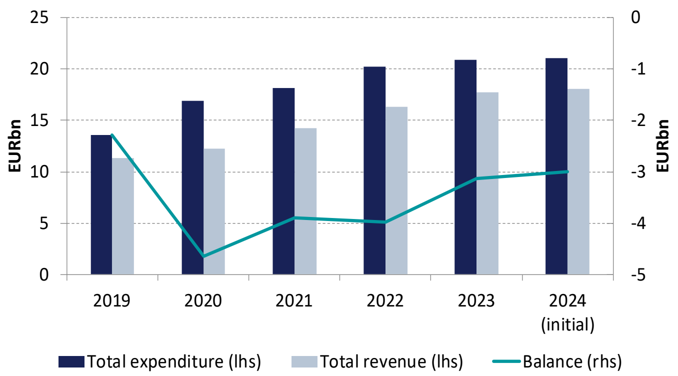
| Ratings | Long-term | Outlook |
|---|---|---|
| Fitch | - | - |
| Moody's | A3 | neg |
| S&P | - | - |

* Provisional values

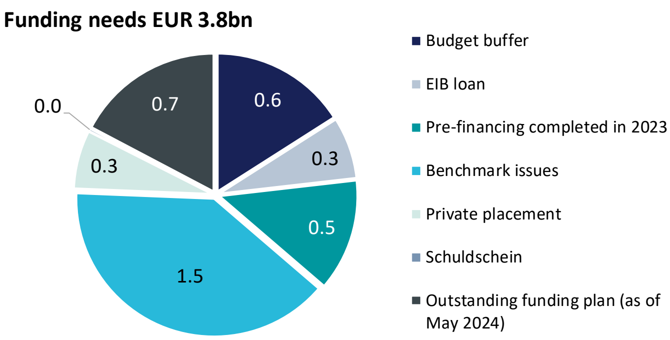
## Wallonia

At 16,901km², Wallonia, which makes up the southern half of the territory of the Kingdom of Belgium, is the largest of the three Belgian regions by area. However, with a population of approximately 3.7m people, Wallonia accounts for less than one third of the total population of Belgium. Officially, Wallonia is bilingual. In addition to Belgium's French-speaking community, it is home to the sovereign's German-speaking community as well. Namur, which has a population of approximately 116,000 people, is the capital of Wallonia. Charleroi and Liège are the largest cities in the region, with populations of around 200,000 people in each case. There is a long history of tension and simmering conflict between Wallonia and Flanders, its Dutch-speaking neighbour to the north. While Wallonia was home to a flourishing coal and steel industry at the beginning of the 20th century, its northern counterpart, Flanders, was regarded as structurally weak. Following the decline of these industrial sectors in the 1950s and the sluggish implementation of structural change in the French-speaking part of Belgium, the balance of economic power started to shift in favour of Flanders. With GDP per capita of EUR 34,300 (provisional value, 2022), Wallonia ranks third among the Belgian regions. This compares with a figure of EUR 48,250 at national level. At a share of 31.4%, pharmaceutical products represent the most important export sector, while mineral products and fuels as well as food are among the fastest growing sectors. The most frequent destination by far of Wallonia's exported goods is Germany (share: 39.8%), followed by France (19.2%). The economic slump caused by the COVID-19 pandemic led to a rise in the sub-sovereign's debt level. A committee was set up in 2021 to ensure a sustainable debt burden. In addition, Wallonia has assumed the debts of several subordinate organisations referred to as "Unités d'Administration Publique", with the aim of cutting their financing costs and ensuring greater transparency. One example here are the SPABS (Sociétés Publiques pour l'Administration des Bâtiments Scolaires), public companies responsible for the management and financing of school buildings. Their debts are managed as direct regional debts financed through the regional budget. Wallonia regularly places bonds in benchmark format under the [EMTN programme](#) established in 2012, which has a volume of EUR 30bn. The funding profile is supplemented by ESG bonds issued on the basis of the [Green, Social & Sustainability Bond Framework](#), which was originally launched back in 2019. Private placements are also a key component of the region's refinancing strategy.

### Public revenues and expenditure over time




### Funding 2024




Source: Issuer, NORD/LB Floor Research

## Wallonia-Brussels Federation

**General information**

[Homepage](#)

**Number of inhabitants (2023)**

4,842,867

**Administrative headquarters**

Brussels

**Revenue (2023)**

EUR 13.0bn

**Budget deficit (as a % of revenue, 2022)**

3.8%

**Bloomberg ticker**

LCFB

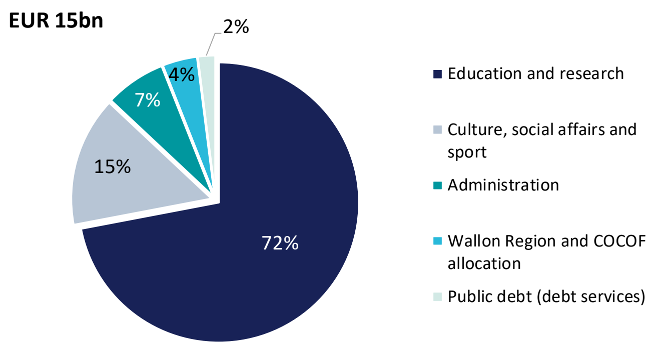
**Outstanding volume**

EUR 9.2bn

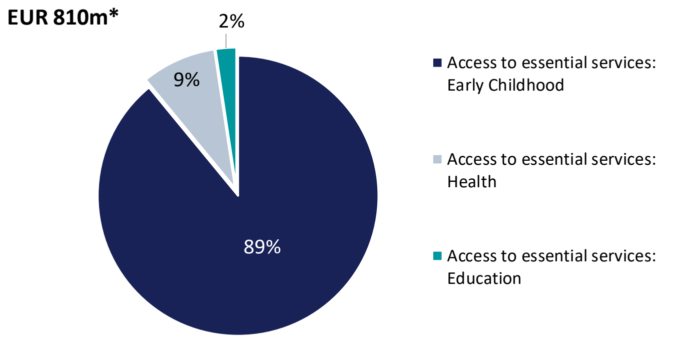
| Ratings | Long-term | Outlook |
|---|---|---|
| Fitch | - | - |
| Moody's | A2 | neg |
| S&P | - | - |

As is the case for the other two linguistic communities, Belgium's French community (referred to in French as the "Fédération Wallonie-Bruxelles", or the "Wallonia-Brussels Federation" in English) forms part of the Belgian federal state. Its legal existence is codified in the Belgian constitution. The competencies cover all people resident in the territory defined as the "Region of the French language" within Belgium. This firstly comprises Wallonia (with the exception of members of the German-speaking community), and secondly extends to include the French-speaking institutions in the officially bilingual Brussels-Capital Region. Specifically, the Wallonia-Brussels Federation is responsible for the areas of education, culture, youth welfare and scientific research, in addition to justice centres etc. The community's parliament consists of a chamber with 94 indirectly elected deputies; of these, 75 are Walloon and 19 are French-speaking deputies from Brussels. Since the federal and regional elections in 2024, the sub-sovereign's government is formed of the Reformist Movement (MR; Mouvement réformateur) and Les Engagés, which together account for more than 50 seats. The coalition talks progressed rapidly, meaning that just one month after the election the parties were in a position to present the coalition agreement. Under the terms of the sixth state reform in 2014, the Belgian government boosted the powers of the community and has since guaranteed the requisite funding to exercise these. Since the Wallonia-Brussels Federation does not generate any direct tax revenues of its own, the main source of funding is based on tax revenues collected by federal authorities, which are subsequently redistributed. Since the Special Financing Act was enacted in 1989, the Federation has enjoyed extensive autonomy in the area of budget management and has retained 99% of general revenues. A support mechanism is also codified in Article 54 of the Financing Act, which guarantees that the communities have access to a government loan in the event of a payment default or delay to the payment of amounts owed by the central government, the interest costs of which are also borne by the sovereign. The funding activities of the French Community of Belgium are supported by selective capital market appearances. To this end, the sub-sovereign has an [EMTN programme](#) in place, for which a volume of EUR 12bn was determined in September 2024. Furthermore, the content of the existing Social Bond Framework has been expanded: under the motto "Having the courage to change to shed light on the future", there will in future be the option of issuing social bonds, as well as those in green and sustainable formats, under the [Sustainable Bond Framework](#) that has now come into force.

**Breakdown of planned budget expenditures 2024**




**Breakdown of funding under Social Bond Framework**




* From EUR 1.13bn overall budget in 2022

Source: Issuer, NORD/LB Floor Research

## General information

[Homepage]

**Number of inhabitants (2024)**
79,479

**Administrative headquarters**
Eupen

**Nominal GDP (2022)**
EUR 2.3bn

**Nominal GDP per capita (2022)**
EUR 32,042

**Unemployment (Q3/2024)**
7.0%

**Budget deficit (as a % of revenue, 2022)**
16.3%

**Bloomberg ticker**
DGBE

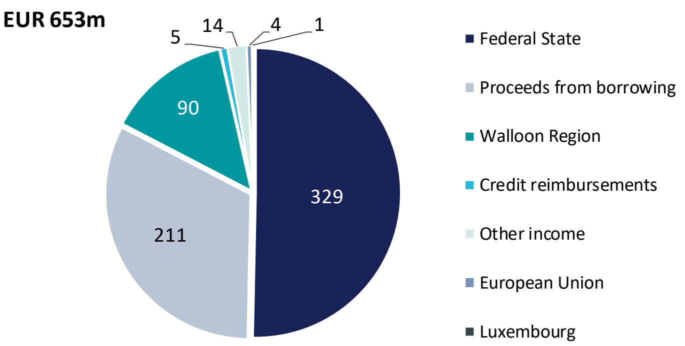
**Outstanding volume**
EUR 1.1bn

| Ratings | Long-term | Outlook |
|---|---|---|
| Fitch | - | - |
| Moody's | - | - |
| S&P | - | - |

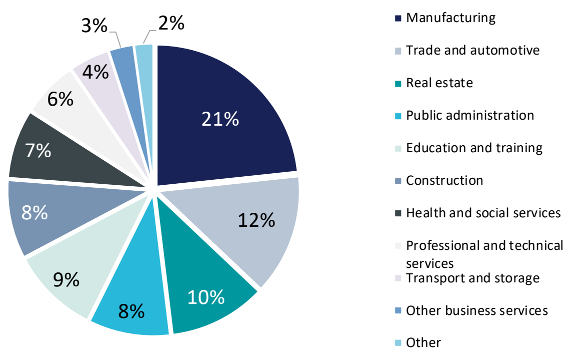
## German-speaking Community of Belgium

With just over 79,000 inhabitants, the German-speaking Community of Belgium (German: Deutschsprachige Gemeinschaft Belgiens; French: Communauté germanophone) is the smallest federated member of the Belgian federal state. The sub-sovereign is situated in the east of Belgium and borders the Netherlands, Germany and Luxembourg. As is the case with the other two linguistic communities, its legal existence is codified as part of the Belgian constitution. The path towards political autonomy can be traced back to several state reforms since the 1960s. In this context, the public institutions today enjoy a spectrum of competencies that have been developed and extended over a significant period of time (last state reform: 2014). In essence, these competencies relate to community affairs, starting in the cultural sphere and extending through to include family, social, educational and healthcare policies, as well as international relations. In parallel with the most recent state reform, negotiations were held with Wallonia that centred on transferring the areas of supervision and financing of the nine German-speaking municipalities, tourism, local authorities and employment. The four-strong government is elected by the parliament and appoints a Minister-President from among its members. In addition to day-to-day political business, the government executes the decrees passed by the parliament. It also presents the community budget to parliament and is responsible for implementing this. The tenth government of the German-speaking community of Belgium, which comprises the parties ProDG, CSP and PFF, began its work in July 2024. Under the "East Belgium 2040" mission, it is pursuing a comprehensive education and digitisation strategy centred closely around the UN Sustainable Development Goals (SDGs). In 2022, gross value added of EUR 2.3bn was generated, with nominal GDP per capita coming in at EUR 32,042. As of Q3/2024, unemployment stood at 7.0%. With a share of 31.8% in gross value added, the importance of the secondary sector is particularly noteworthy. In fact, this is around 9 percentage points higher than in Wallonia and almost 7 percentage points more than in Flanders. In contrast, the tertiary sector is less important in relative terms. In total, the German-speaking Community of Belgium obtains 95% of its funding from federal allocations, as well as grants from Wallonia and EU structural funds. In terms of its refinancing activities, the Community launched an [EMTN programme] with a total volume of EUR 1bn in 2021. Issuances of EUR 100-250m are planned in 2025.

### Composition of budget (2023)




### Gross value added by sector (2022)*




* Provisional values
Source: Issuer, Ostbelgien Statistik, NORD/LB Floor Research

RÉGION DE BRUXELLES-CAPITALE
FONDS RÉGIONAL BRUXELLOIS DE REFINANCEMENT DES TRÉSORERIES COMMUNALES

## Brussels Regional Fund for Funding Municipal Budgets

The Brussels Regional Fund for Municipal Treasury Refinancing (in French: Fonds régional bruxellois de refinancement des trésoreries communales; FRBRTC) is an autonomous administrative entity of the City of Brussels and reports to the Minister responsible for local authorities. Since the Ordinance of 08 April 1993, the FRBRTC has been responsible for funding communities that have encountered financial difficulties. Specifically, this refers to the municipalities that can no longer comply with the requirements of Article 252 of the new Belgian Municipalities Act (which enshrines in law a requirement for a balanced budget). The liabilities of the regional fund are guaranteed by the Brussels-Capital Region. To apply for financial aid, municipalities are required to prepare a financial plan, which must contain specific measures aimed at improving the financial situation in structural terms. The schedules must be sent with the application to the government of the Brussels-Capital Region, which is responsible for approving the loan application and issuing the corresponding loan agreement. Loans provided by the FRBRTC have a term of 20 years and a fixed annual interest date. Among other aspects, the measures associated with the loan for monitoring its implementation are described in the loan agreement. The 1993 ordinance states explicitly that a Regional Inspector is responsible for monitoring implementation of the financial plan. The FRBRTC's role was expanded in 2002: since then, it has operated in the Brussels-Capital Region as the financial coordination centre for municipalities and the public institutions tasked with safeguarding social services. In November 2011, the responsibilities of the fund were extended once more. Since then, it has also been able to grant loans to municipalities for the purposes of financing investments. They can also apply to the FRBRTC to transfer administration of their municipal activities. Anderlecht, one of the 19 municipalities of the Brussels-Capital Region, received another loan of EUR 10.6m in 2023. As a result, it now ranks first in terms of utilisation of the fund since it was first established. After a hiatus of 30 years, the municipality of Forest has now also received a loan with a volume of around EUR 10m, meaning that it once again ranks among the total of eleven municipalities to have received support from the Regional Fund. Transfers from the City of Brussels to the fund (capital repatriation following granting of loans) have been on the rise again since 2019, reaching a new record high of EUR 32.1m in 2023.

### General information

Homepage

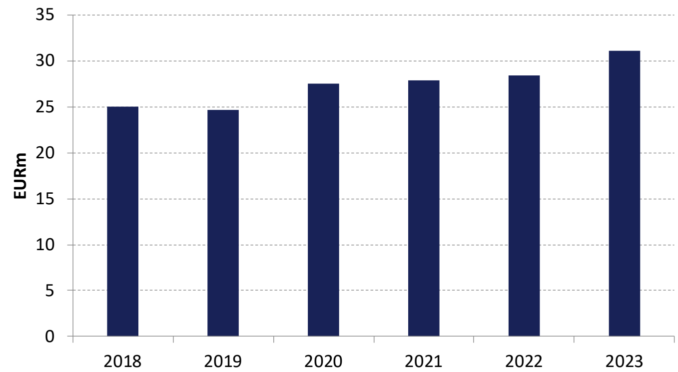
**Administrative headquarters**
Brussels

**Bloomberg ticker**
FRBRTC

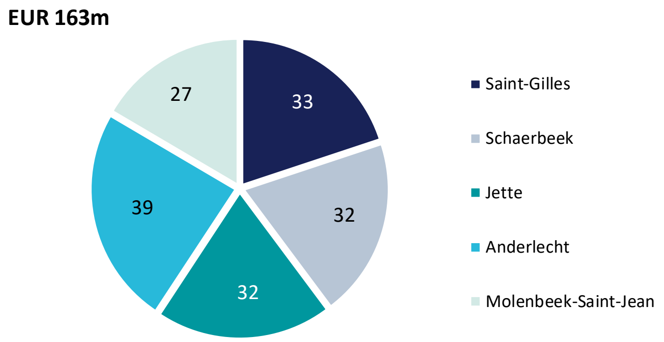
**Outstanding volume**
EUR 0.3bn

| Ratings | Long-term | Outlook |
|---|---|---|
| Fitch | - | - |
| Moody's | - | - |
| S&P | - | - |

### Transfers from the City of Brussels over time




### Top five municipal loan recipients since 1993




Source: Issuer, NORD/LB Floor Research

## Regulatory overview for RGLA* / **

| Issuer | Risk weighting | LCR classification | NSFR classification | Solvency II classification |
|---|---|---|---|---|
| ***Belgian regions*** | ***0%*** | ***Level 1*** | ***0%*** | ***preferred (0%)*** |
| German Laender | 0% | Level 1 | 0% | preferred (0%) |
| French regions | 0% | Level 1 | 0% | preferred (0%) |
| Italian regions | 20% | Level 2A | 15% | non-preferred (individual review) |
| Portuguese regions<br>(Guaranteed Bonds: Madeira) | 20%<br>(0%) | Level 2A<br>(Level 1) | 15%<br>(0%) | preferred (0%) |
| Spanish regions | 0% | Level 1 | 0% | preferred (0%) |

* Regional governments and local authorities
** NB: in the absence of an explicit guarantee from the respective nation state, the current LCR level is dependent on the relevant rating (see CQS classification and LCR classification of assets).
Source: NORD/LB Floor Research

## Exceptions to scope of application of the Leverage Ratio (CRD Art. 2 no. 5) (examples)

| | |
|---|---|
| EU | Central banks of Member States |
| ***Belgium*** | ***Former exemptions before the law was amended on 29 Dec. 2020: Institut de Réescompte et de Garantie/- Herdisconte-ringen Waarborginstituut*** |
| Germany | Kreditanstalt für Wiederaufbau (KfW), Rentenbank, regional promotional banks explicitly listed under No. 5, undertakings which are recognised under the "Wohnungsgemeinnützigkeitsgesetz" as bodies of state housing policy and are not mainly engaged in banking transactions, and undertakings recognised under this same law as non-profit housing undertakings |
| France | Caisse des Dépôts et Consignations (CDC) |
| Spain | Instituto de Crédito Oficial (ICO) |

Source: CRD IV, NORD/LB Floor Research

## Regional governments and local authorities (solvency stress factor allocation of 0% possible; examples)

| Country | Regional governments and local authorities |
|---|---|
| ***Belgium*** | ***Communities (Communauté/Gemeenschappen), regions (Régions/Gewesten), municipalities (Communes, Gemeenten) & provinces (Provinces, Provincies)*** |
| Germany | Laender, municipalities & municipal associations |
| France | Regions (région), municipalities (commune), Départements |

Source: (EU) 2015/2011, NORD/LB Floor Research

## Summary of Belgian regions

| | |
|---|---|
| **Risk weighting** | 0% |
| **LCR classification** | Level 1 (EBA list) |
| **NSFR classification** | 0% |
| **Solvency II classification** | Preferred (0%) |

Source: NORD/LB Floor Research

| Issuer (ticker) | Number of inhabitants (2024) | Unemployment (Q3/2024) | Nominal GDP per capita (2022**) | Outstanding volume | No. of bonds | Of which ESG | Rating |
|---|---|---|---|---|---|---|---|
| BRUCAP | 1.2m | 11.1% | EUR 77,800 | EUR 11.4bn | 249 | 0 | (-/-/A+) |
| FLEMSH | 6.8m | 4.3% | EUR 49,000 | EUR 28.1bn | 45 | 7 | (AA/Aa3/-) |
| WALLOO | 3.7m | 7.5% | EUR 34,300 | EUR 21.1bn | 161 | 9 | (-/A3/-) |
| LCFB | 4.8m* | - | - | EUR 9.2bn | 155 | 27 | (-/A2/-) |
| DGBE | 0.1m | 7.0% | EUR 32,042 | EUR 1.1bn | 58 | 0 | (-/-/-) |
| FRBRTC | - | - | - | EUR 0.3bn | 37 | 0 | (-/-/-) |
| Belgium | 11.8m | 6.0% | EUR 50,660* | EUR 493.3bn | 132 | 2 | (AA-u/Aa3/AAu) |

* 2023
** Eurostat, provisional values from 19 February 2024. Data retrieval: 17 December 2024
Source: Bloomberg, STATBEL, European Commission, NORD/LB Floor Research (Rating: Fitch / Moody's / S&P)

**Liability mechanism and regulatory aspects**

Interestingly, the Belgian regions enjoy neither horizontal financial equalisation nor an explicit guarantee from the Kingdom of Belgium. Consequently, the federal state is tasked with making corresponding transfer payments (vertical structure). Tensions between Flanders and Wallonia can be described as considerable. It can therefore be stated that no support or liability mechanisms are in place either between the regions and communities or in relation to the federal state. However, the rating agency Moody's, for example, believes it is "highly probable" that the federal government would step in to provide support to its sub-sovereigns in the event of payment difficulties – particularly against the background of the Finance Act of 1989. This regulates the entitlement of regions and municipalities to compensate for insufficient or untimely transfer payments from the central government by way of loans guaranteed by the latter. In terms of their classification in regulatory frameworks, bonds issued by the Belgian regions benefit from an excellent treatment: for example, they are eligible for a risk weight of 0% in the context of the CRR/Basel III. Moreover, they qualify as Level 1 assets under the LCR. In line with Solvency II, Belgian regions are also regarded as "preferred". The risk weight and therefore also the LCR classification are essentially derived from Article 115(2) CRR, according to which exposure to RGLA can be equated with that to the respective central government. For RGLA within the EU, for which this is the case, the European Banking Authority (EBA) maintains a relevant public database. As the sub-sovereigns are explicitly listed here, the risk weight is derived from Article 114 CRR, whereby pursuant to paragraph 4, EUR-denominated exposures to central governments of the Member States are assigned a risk weight of 0%. As such, bonds issued by the Belgian regions generally benefit from the same regulatory advantages as bonds of the German Laender, for example.

**ECB purchase programme**

Up to now, a total of 63 bonds issued by the Belgian sub-sovereigns have been acquired for the Eurosystem's portfolio as part of the ECB's purchase programmes. In total, 24 bonds are attributable to the WALLOO ticker, 22 to FLEMSH, with the BRUCAP and LCFB tickers accounting for nine and eight ISINs respectively. In the context of potential purchasing activities, there are four Belgian names among the agencies: FRBRTC, SOCWAL, FONWAL and SWLBEL. Some of these do not even have any outstanding bonds that are eligible for purchase as per ECB criteria. As at the reporting date of 17 December, one bond issued by the Brussels Municipalities Regional Fund (FRBRTC) and three from the Société Wallonne du Crédit Social have been acquired. The acquired SOCWAL bonds in particular are tiny, with outstanding volumes of between EUR 18m and EUR 50m. However, the single FRBRTC bond to have been purchased is even smaller, coming in at a mere EUR 10m. As such, the bonds in question are among the smallest ISINs acquired under the PSPP/APP and PEPP. In particular, the FLEMSH bonds tend to be far more liquid at up to EUR 2.25bn. The same also applies to deals placed under the WALLOO ticker (up to EUR 1.2bn). As opposed to the German Laender, the number of acquired bonds from the Belgian regions is on the low side. In terms of the former, the Eurosystem has already purchased 631 different ISINs. In this respect, the Belgian regions rank in second place ahead of their Spanish counterparts (62 acquired bonds). At the end of 2024, the Eurosystem will be ending reinvestments under the PEPP, bringing to a close the last remaining active purchase programme in the process. We believe that the resulting lower demand will create room for further spread widening in the SSA segment over the course of the first half of 2025, with Belgian regions also likely to be impacted by this development.

**Conclusion**

Against the backdrop of the dynamic development in the interest rate environment since 2023, interesting investment opportunities are repeatedly arising in certain niche markets. Our studies on Spain, Portugal, Paris (Île-de-France and Ville de Paris) as well as Canada and Down Under are to be interpreted in the same light. The Belgian RGLA covered in this present Public Issuers Special supplement the classic SSA portfolio in terms of maturity and/or yield, but in any case, contribute to diversification. The trend in outstanding volume, which stands at EUR 71.5bn in 2024 versus a value of EUR 59.3bn around a year ago, shows that opportunities are regularly opening up in this market segment. Despite growth in recent years, the Belgian market for sub-sovereign bonds certainly remains on the small side, although we feel that greater attention should be paid to FLEMSH and WALLOO with regard to their issuance volumes. It is interesting to note that there is still no diversification in terms of foreign currencies. Second and third tier issuers are regularly the focus of attention when it comes to rare investment alternatives, not least because notable volumes of Belgian bonds were acquired by the Eurosystem under the PSPP and PEPP. However, it certainly bears repeating that purchasing activities are being definitively terminated at the end of 2024. Therefore, such bonds are of interest from both a yield and regulatory point of view, while the issuers are additionally open to private placements. From our perspective, the market for Belgian sub-sovereign bonds has further developed into an attractive alternative for ESG investors to, for example, the German Laender. On account of the simmering conflicts between the regions and the fractured party-political landscape, forming a government at national level is once again proving to be an incredibly complex task. However, if the various parties involved in the coalition negotiations could find a speedy resolution to break the impasse, this might go some way towards alleviating the sovereign's societal tensions and averting damage to the Belgian economy.

# Appendix
# Publication overview

**Covered Bonds:**

[Issuer Guide – Covered Bonds 2024]

[Covered Bond Laws]

[Covered Bond Directive: Impact on risk weights and LCR levels]

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

[Transparency requirements §28 PfandBG Q3/2024] (quarterly update)

[Transparency requirements §28 PfandBG Q3/2024 Sparkassen] (quarterly update)

**SSA/Public Issuers:**

[Issuer Guide – German Laender 2024]

[Issuer Guide – German Agencies 2024]

[Issuer Guide – Canadian Provinces & Territories 2024]

[Issuer Guide – European Supranationals 2024]

[Issuer Guide – French Agencies 2024]

[Issuer Guide – Nordic Agencies 2024]

[Issuer Guide – Dutch Agencies 2024]

[Issuer Guide – Non-European Supranationals (MDBs) 2024]

[Beyond Bundeslaender: Belgium]

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

[Beyond Bundeslaender: Spanish regions]

**Fixed Income Specials:**

[ESG-Update 2024]

[Silent night, lower rates: ECB prepares for the new year]

# Appendix
# Contacts at NORD/LB

## Floor Research


**Dr Frederik Kunze**
Covered Bonds/Banks

+49 172 354 8977
frederik.kunze@nordlb.de

**Dr Norman Rudschuck, CIIA**
SSA/Public Issuers

+49 152 090 24094
norman.rudschuck@nordlb.de

**Lukas Kühne**
Covered Bonds/Banks

+49 176 152 90932
lukas.kuehne@nordlb.de

**Lukas-Finn Frese**
SSA/Public Issuers

+49 176 152 89759
lukas-finn.frese@nordlb.de

**Alexander Grenner**
Covered Bonds/Banks

+49 157 851 65070
alexander.grenner@nordlb.de

**Tobias Cordes**
SSA/Public Issuers

+49 162 760 6673
tobias.cordes@nordlb.de


## Sales

| | |
|---|---|
| Institutional Sales | +49 511 9818-9440 |
| Sales Sparkassen & Regionalbanken | +49 511 9818-9400 |
| Institutional Sales MM/FX | +49 511 9818-9460 |
| Fixed Income Relationship Management Europe | +352 452211-515 |

## Trading

| | |
|---|---|
| Covereds/SSA | +49 511 9818-8040 |
| Financials | +49 511 9818-9490 |
| Governments | +49 511 9818-9660 |
| Länder/Regionen | +49 511 9818-9660 |
| Frequent Issuers | +49 511 9818-9640 |

## Origination & Syndicate

| | |
|---|---|
| Origination FI | +49 511 9818-6600 |
| Origination Corporates | +49 511 361-2911 |

## Sales Wholesale Customers

| | |
|---|---|
| Firmenkunden | +49 511 361-4003 |
| Asset Finance | +49 511 361-8150 |

## Treasury

| | |
|---|---|
| Liquidity Management/Repos | +49 511 9818-9620<br>+49 511 9818-9650 |

## Relationship Management

| | |
|---|---|
| Institutionelle Kunden | rm-vs@nordlb.de |
| Öffentliche Kunden | rm-oek@nordlb.de |

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