KINGDOM OF BELGIUM

*EJR Sen Rating(Curr/Prj) BBB/ BBB

*EJR CP Rating: A2

Rating Analysis - 7/30/20

*EJR's 3 yr. Default Probability: 2.0%

According to OECD, in case of a second pandemic wave later this year, the Belgian economy would contract by about 11%, but close to 9% if there is no further outbreak. The recovery will be much weaker in the double-hit scenario due to larger permanent income and employment losses, as well as much weaker financial position of businesses, weighing further on consumption and investment.

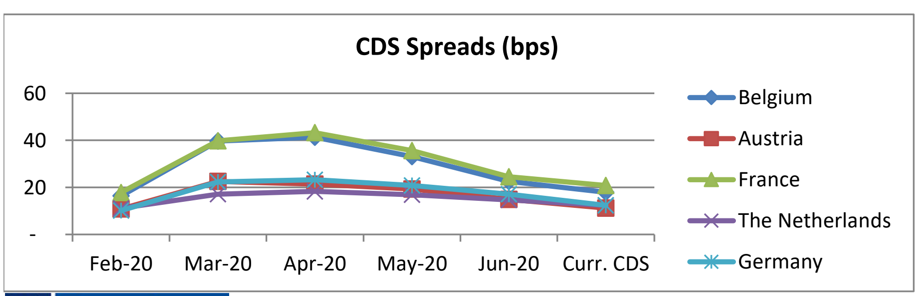
Economic activity has declined sharply since the nation-wide lockdown. Sales have declined by around one-third on average over the past several weeks. The decline in sales has been particularly severe in sectors such as restaurants and accommodations, with declines of more than 80%. In fact, the autumn of this year is likely to see a wave of redundancies, bankruptcies and delayed economic effects that could continue until 2025 having an effect on the country. And it will take until 2025 before the unemployment rate in Belgium drops below 5% – the level at which it stood just before the outbreak of the virus in the country. While expanding the temporary unemployment scheme as much as necessary, the policy makers should consider strengthening targeted support to viable businesses facing temporary liquidity shortages, including through better channeling of the huge rise in household saving in order to prevent massive bankruptcies. Political stability is desirable, as the current care-taking government led by Sophie Wilmès was given emergency powers by parliament for six months until the end of August to tackle the Covid-19 pandemic. We are affirming.

Annual Ratios
(source for past results: IMF, CountryEconomy)

CREDIT POSITION	2017	2018	2019	P2020	P2021	P2022
Debt/ GDP (%)	103.4	101.9	98.7	104.2	110.8	117.8
Govt. Sur/Def to GDP (%)	-0.5	-0.4	-1.5	-2.6	-3.6	-4.4
Adjusted Debt/GDP (%)	103.4	101.9	98.7	104.2	110.8	117.8
Interest Expense/ Taxes (%)	7.5	6.7	6.6	6.7	6.9	7.0
GDP Growth (%)	3.5	2.6	4.8	2.3	2.3	2.5
Foreign Reserves/Debt (%)	1.8	1.9	2.0	1.9	1.9	1.8
Implied Sen. Rating	BBB+	BBB+	A-	BBB+	BBB	BBB

INDICATIVE CREDIT RATIOS	AA	A	BBB	BB	B	CCC
Debt/ GDP (%)	100.0	115.0	130.0	145.0	170.0	200.0
Govt. Sur/Def to GDP (%)	2.5	0.5	-2.0	-5.0	-8.0	-10.0
Adjusted Debt/GDP (%)	95.0	110.0	125.0	140.0	160.0	190.0
Interest Expense/ Taxes (%)	9.0	12.0	15.0	22.0	26.0	35.0
GDP Growth (%)	3.5	3.0	2.0	1.0	-1.0	-5.0
Foreign Reserves/Debt (%)	3.0	2.5	2.0	1.5	1.0	0.5

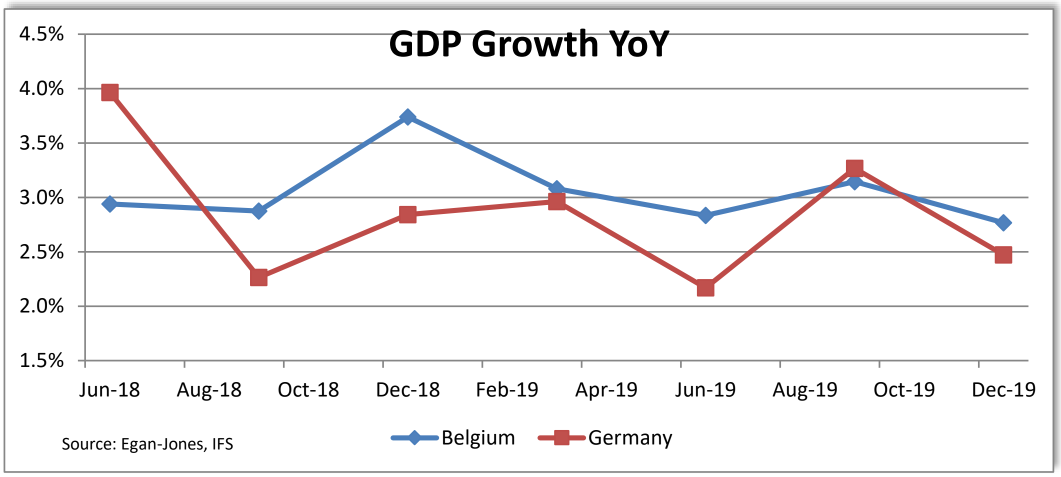
PEER RATIOS	Other NRSROs	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic of Germany	AAA	59.8	1.6	59.8	3.3	2.5	AA
Kingdom of Denmark	AAA	33.2	4.2	33.2	1.5	4.4	AAA
Kingdom of The Netherlands	AA+	48.7	1.8	48.7	3.0	4.5	AAA
Austria	AA+	70.3	1.2	70.3	5.2	3.1	AA+
French Republic	AA	98.1	-2.5	98.1	4.7	2.9	A



Country	EJR Rtg.	CDS
Belgium	BBB	18
Austria	A+	11
France	A+	21
The Netherlands	AA-	12
Germany	AA	12

Economic Growth

Belgium's GDP shrank 3.6% in the first three months of 2020, after expanding 0.5% in the previous period. It was the first quarterly contraction since Q1 2013 and the sharpest on record, amid the coronavirus crisis. Household consumption shrank 6.5%, and government expenditure declined 3.1%. Also, gross fixed capital formation dropped 3.7% - a near-term worry. Foreign demand contributed negatively to the GDP, as exports fell 3.8% (vs. +0.9% in Q4 2019) and imports decreased at a faster 4.7% (vs. +1.1% in Q4 2019). Industrial Production in Belgium decreased 23.90 percent in April of 2020 over the same month in the previous year and Consumer Spending decreased to EUR 53.677 billion, down 6.52% from the previous quarter. Consumer confidence has also declined markedly, while a quarter of households have incurred a loss of at least 10% of their income since the lockdown.



Fiscal Policy

The federal government prepared a fiscal package of 1.7-2.1% of GDP in March, which mainly consists of deferrals of tax and social security payments, along with some direct income support measures. Benefits for those on temporary unemployment were increased and the so-called "replacement income" for the self-employed has been introduced. These are estimated to provide a stimulus of around 1% of GDP. The federal government and the financial sector introduced a guarantee scheme for new credits and credit lines of 10.7% of GDP, which may worsen the public finances further in the future if guarantees are called. Public debt (Maastricht definition) will reach 112.4% of GDP and 124.9% of GDP by 2021 in the resurgence of pandemic case scenarios - a worry.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Belgium	-1.52	98.75	16.18
Germany	1.58	59.76	9.61
Denmark	4.22	33.19	18.06
Netherland	1.84	48.70	11.17
Austria	1.17	70.34	8.13
France	-2.53	98.12	11.35

Sources: Thomson Reuters, IFS and CountryEconomy

Unemployment

Unemployment Rate in Belgium increased to 5.40 percent in May from 5.30 percent in April of 2020. Over 1.2 million people in Belgium have applied for temporary unemployment during the Covid-19 pandemic. As all non-essential shops have closed and all events have been cancelled following the announcement of the government's measures mid-March, the government has recently announced Corona temporary unemployment benefits to be extended through 31/12 for the hospitality, travel, and events sector, and for companies that have used it for at least 20% of days worked in the second quarter.

Unemployment (%)	2018	2019
Belgium	5.98	5.44
Germany	3.40	3.20
Denmark	4.97	4.91
Netherland	3.84	3.76
Austria	4.86	4.53
France	9.11	8.43

Source: Intl. Finance Statistics

*EJR Sen Rating(Curr/Prj) BBB/ BBB
*EJR CP Rating: A2
*EJR's 3 yr. Default Probability: 2.0%

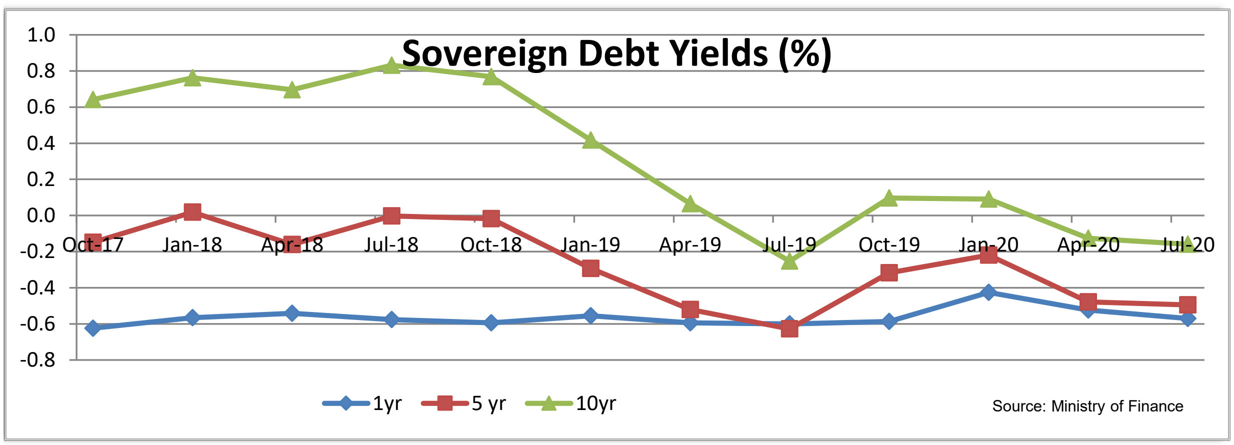
Banking Sector

The economy is projected to be significantly affected by the pandemic. OECD has highlighted significant downside risks, since 27% of businesses report liquidity problems at a three-month horizon and 8% of businesses perceive solvency problems. In order to prevent bankruptcy and impairment to the financial system, the government can extend the guarantee scheme to refinancing credits, or even provide bridging loans directly as already done by some regional authorities.

Bank Assets (billions of local currency)	Assets	Mkt Cap/ Assets %
DEXIA SA	158.8	0.19
ACKERMANS & VAN	14.2	32.54
KBC GROEP	283.8	9.81
Total	456.8	
EJR's est. of cap shortfall at 10% of assets less market cap		12.9
Belgium's GDP		472.9

Funding Costs

The Belgium 10Y Government Bond has a -0.198% yield and the current 5-Years Credit Default Swap quotation is 17.80 and implied probability of default is 0.30%. In April 2020, Belgium had increased its 2020 bond issuance target to cover coronavirus costs. The agency plans to issue EUR 42.85 billion of OLO bonds in 2020, up from an initial target set in December of EUR 28 billion - this is likely to be further increased.



Ease of Doing Business

Major factors for growing the economy are the ease of doing business and the economic freedom; although not the sole factor for determining economic growth, a country which makes it easy for businesses to operate and provides a reasonably free environment to conduct business has a good chance for growth. The chart on the right indicates that with an overall rank of 46 (1 is best, 189 worst) is above average.

The World Bank's Doing Business Survey*	2019 Rank	2018 Rank	Change in Rank
Overall Country Rank:	**46**	**52**	**6**
Scores:			
Starting a Business	48	16	-32
Construction Permits	45	39	-6
Getting Electricity	108	103	-5
Registering Property	139	138	-1
Getting Credit	67	105	38
Protecting Investors	45	57	12
Paying Taxes	63	59	-4
Trading Across Borders	1	1	0
Enforcing Contracts	56	52	-4
Resolving Insolvency	9	11	2

* Based on a scale of 1 to 189 with 1 being the highest ranking.

Economic Freedom

As can be seen below, Belgium is above average in its overall rank of 68.9 for Economic Freedom with 100 being best.

Heritage Foundation 2020 Index of Economic Freedom
World Rank 68.9*

	2020 Rank**	2019 Rank	Change in Rank	World Avg.
Property Rights	84.5	81.3	3.2	56.6
Government Integrity	80.2	61.6	18.6	43.8
Judicial Effectiveness	62.5	72.5	-10.0	45.1
Tax Burden	46.7	47.1	-0.4	77.3
Gov't Spending	17.2	15.2	2.0	66.0
Fiscal Health	77.0	73.4	3.6	69.1
Business Freedom	75.2	78.1	-2.9	63.3
Labor Freedom	61.1	61.0	0.1	59.4
Monetary Freedom	80.5	76.1	4.4	74.6
Trade Freedom	86.4	86.0	0.4	73.8

*Based on a scale of 1-100 with 100 being the highest ranking.
**The ten economic freedoms are based on a scale of 0 (least free) to 100 (most free).
Source: The Heritage Foundation

Credit Quality Driver: Taxes Growth:
KINGDOM OF BELGIUM has seen a decline in taxes of 0.5% per annum in the last fiscal year which is disappointing. We expect tax revenues will decline by approximately 0.5% per annum over the next couple of years and 0.5% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:
KINGDOM OF BELGIUM's total revenue growth has been less than its peers and we assumed a 0.5% growth in total revenue over the next two years

Income Statement	Peer Median	Issuer Avg.	Assumptions Yr. 1&2	Assumptions Yr. 3,4,5
Taxes Growth%	3.7	(0.5)	**(0.5)**	**0.5**
Social Contributions Growth %	1.3	3.2	**3.2**	**3.2**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	1.9	**(1.0)**	**(1.0)**
Total Revenue Growth%	3.6	0.8	**0.5**	**0.5**
Compensation of Employees Growth%	2.5	3.1	**3.1**	**3.1**
Use of Goods & Services Growth%	3.3	2.3	**2.3**	**2.3**
Social Benefits Growth%	3.3	3.8	**3.8**	**3.8**
Subsidies Growth%	3.1	5.0		
Other Expenses Growth%	0.0			
Interest Expense	1.8	2.0	**2.0**	**2.0**
Currency and Deposits (asset) Growth%	1.7	0.0		
Securities other than Shares LT (asset) Growth%	7.3	0.0		
Loans (asset) Growth%	0.8	2.7	**(0.5)**	**(0.5)**
Shares and Other Equity (asset) Growth%	9.5	9.7	**9.7**	**9.7**
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	7.6	18.5	**(0.5)**	**(0.5)**
Other Accounts Receivable LT Growth%	5.8	(2.3)	**(2.3)**	**(2.3)**
Monetary Gold and SDR's Growth %	0.0	0.0	**5.0**	**5.0**
Other Assets Growth%	0.0	0.0		
Other Accounts Payable Growth%	(1.4)	(3.6)	**3.0**	**3.0**
Currency & Deposits (liability) Growth%	3.3	1.0	**1.0**	**1.0**
Securities Other than Shares (liability) Growth%	2.7	7.4	**5.2**	**5.2**
Loans (liability) Growth%	(1.2)	(2.3)	**0.5**	**0.5**
Insurance Technical Reserves (liability) Growth%	0.0	15.5	**15.5**	**13.9**
Financial Derivatives (liability) Growth%	0.0	20.3	**20.3**	**18.2**
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

ANNUAL OPERATING STATEMENTS

Below are KINGDOM OF BELGIUM's annual income statements with the projected years based on the assumptions listed on page 5.

ANNUAL REVENUE AND EXPENSE STATEMENT (MILLIONS EUR)	2016	2017	2018	2019	P2020	P2021
Taxes	130,047	137,352	142,917	142,162	141,451	140,744
Social Contributions	67,744	69,789	71,347	73,619	75,963	78,382
Grant Revenue						
Other Revenue						
Other Operating Income	20,472	21,317	22,069	22,487	22,487	22,487
Total Revenue	218,263	228,458	236,333	238,268	239,902	241,613
Compensation of Employees	53,578	55,220	56,639	58,376	60,166	62,011
Use of Goods & Services	17,521	18,043	18,972	19,402	19,842	20,291
Social Benefits	106,146	109,392	113,056	117,402	121,915	126,602
Subsidies	15,964	16,238	16,873	17,720	17,722	17,724
Other Expenses				12,658	12,658	12,658
Grant Expense						
Depreciation	9,768	9,981	10,283	10,586	10,586	10,586
Total Expenses excluding interest	216,232	220,356	228,313	236,144	242,889	249,872
Operating Surplus/Shortfall	2,031	8,102	8,020	2,124	-2,987	-8,259
Interest Expense	11,519	10,288	9,615	9,336	9,523	9,713
Net Operating Balance	-9,488	-2,187	-1,595	-7,211	-12,510	-17,972

*EJR Sen Rating(Curr/Prj) BBB/ BBB
*EJR CP Rating: A2
*EJR's 3 yr. Default Probability: 2.0%

ANNUAL BALANCE SHEETS

Below are KINGDOM OF BELGIUM's balance sheets with the projected years based on the assumptions listed on page 5.

ANNUAL BALANCE SHEETS
(MILLIONS EUR)

Base Case ASSETS	2016	2017	2018	2019	P2020	P2021
Currency and Deposits (asset)	19,663	20,078	19,049	17,893	24,748	24,748
Securities other than Shares LT (asset)	1,663	1,899	2,377	2,523	2,523	2,523
Loans (asset)	38,011	38,928	40,285	41,360	41,153	40,947
Shares and Other Equity (asset)	70,946	70,747	69,196	75,896	83,245	91,305
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)			2,204	2,611	2,598	2,585
Other Accounts Receivable LT	24,572	23,632	24,247	23,691	23,148	22,617
Monetary Gold and SDR's						
Other Assets						
Additional Assets	1					
Total Financial Assets	154,856	155,284	157,358	163,974	177,414	184,725

LIABILITIES	2016	2017	2018	2019	P2020	P2021
Other Accounts Payable	18,812	18,669	18,324	17,673	18,203	18,749
Currency & Deposits (liability)	1,397	1,424	1,459	1,473	1,473	1,473
Securities Other than Shares (liability)	445,332	437,626	442,830	475,729	500,469	526,496
Loans (liability)	83,030	79,747	79,012	77,157	89,667	107,639
Insurance Technical Reserves (liability)	176	184	97	112	129	149
Financial Derivatives (liability)			2,718	3,269	3,932	4,729
Other Liabilities	605	164	61	36	36	36
Liabilities	549,352	537,814	544,501	575,449	601,399	626,682
Net Financial Worth	-394,496	-382,530	-387,143	-411,475	-423,985	-441,957
Total Liabilities & Equity	154,856	155,284	157,358	163,974	177,414	184,725

Egan-Jones is not an NRSRO (as defined by the SEC) for sovereign/municipal issuers and structured finance/ ABS issuers.

Comments on the Difference between the Model and Assigned Rating
In this case, there has been little change in the recent results and therefore we have used our best judgement in making adjustments which are reflected in the results for the projected ratings. We have assigned a rating of "BBB" whereas the ratio-implied rating for the most period is "A-"; the median rating for the peers is significantly higher than the issuer's rating.

Changes in Indicative Ratios
We have not made any adjustment in the indicative ratios at this time.

SEC Rule 17g-7(a) Disclosure (Non-NRSRO)

Below are the disclosures as required by Paragraph (a) of Rule 17g-7.

1. The symbol in the rating scale used to denote the credit rating categories and notches within categories and the identity of the obligor, security, or money market instrument as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:

For the issuer KINGDOM OF BELGIUM with the ticker of 111136Z BB we have assigned the senior unsecured rating of BBB.There are three notches in our rating categories (e.g., A- A, and A+) except for AAA and those deep into speculative grade, i.e., CC, C, and D do not have notches.

2. The version of the procedure or methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:

We are using the Methodologies for Determining Credit Ratings (Main Methodology) version #15 available via egan-jones.com under the tab at the bottom of the page "Methodologies".

3. The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:

The credit rating assigned reflects our judgement regarding the future credit quality of the issuer. Regarding the specific assumptions used, please refer to projections on pages 1, 6, and 7 of this Rating Analysis Report.

4. The potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7:

Our rating pertains solely to our view of current and prospective credit quality. Our rating does not address pricing, liquidity, or other risks associated with holding investments in the issuer.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7:

Our rating is dependent on numerous factors including the reliability, accuracy, and quality of the data relied used in determining the credit rating. The data is sourced from publicly available information from the IMF and other similar sources. In some cases, the information is limited because of issues such as the lack of reported data, a delay in reporting data, restatements, inaccurate accounting, and other issues. Such issues are not always readily apparent. EJR aims to identify such shortcomings and make adjustments using its best judgement.

6. Whether and to what extent third-party due diligence services have been used in taking the rating action as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7:

EJR does not utilize third-party due diligence services.

7. How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7:

Servicer or remittance reports normally pertain to structured finance issuers; this report does not pertain to a structured finance issuer (EJR is not an NRSRO for structured finance or sovereigns/ municipal issuers). Regarding surveillance, the minimum time period for corporation issuers is normally one year.

8. A description of the data that were relied upon for the purpose of determining the credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7:

EJR uses publicly available information from the IMF, governmental filings, and other similar sources for ratings on sovereign issuers.

9. A statement containing an overall assessment of the quality of information available and considered in the credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7:

The information is generally adequate and acceptable.

10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7:

This rating is unsolicited.

11. An explanation or measure of the potential volatility of the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7:

Our rating aims to assess the probability of the payment of obligations in full and on-time. Factors which affect such probability, and in turn our rating include changes in the operating performance of the issuer, changes in capital structure, and merger and acquisition events.

12. Information on the content of the credit rating as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7:

Regarding the historical performance of the credit rating, our rating transition matrix is available in our Form NRSRO, exhibit 1. The expected probability of default and the expected loss in the event of default is listed on the first page of this report.

13. Information on the sensitivity of the credit rating to assumptions as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7:

Below is a summary of the impact of the 5 assumptions which independently would have the greatest impact on our "ratio-implied rating":

	Assumptions			**Resulting Ratio-Implied Rating**		
	Base	Optimistic	Pessimistic	Base	Optimistic	Pessimistic
Taxes Growth%	(0.5)	3.5	(4.5)	BBB	BBB+	BBB
Social Contributions Growth %	3.2	6.2	0.2	BBB	BBB+	BBB
Other Revenue Growth %	0.0	3.0	(3.0)	BBB	BBB	BBB
Total Revenue Growth%	0.5	2.5	(1.5)	BBB	BBB	BBB
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	BBB	BBB	BBB

14. If the credit rating is assigned to an asset-backed security, a description of: (i) the representations, warranties, and enforcement mechanisms available to investors; and (ii) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities, as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7:

This credit rating is not assigned to an asset-backed security.

*EJR Sen Rating(Curr/Prj) BBB/ BBB
*EJR CP Rating: A2
*EJR's 3 yr. Default Probability: 2.0%

ATTESTATION FORM

In compliance with the US Securities and Exchange Commission (SEC) Rule 17g-7(a), the Egan-Jones analyst who published the report is responsible for the rating action and to the best knowledge of the person:

1) No part of the credit rating was influenced by any other business activities,
2) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated, and
3) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Analyst Signature: **Today's Date**

July 30, 2020

………………………………………………….. ……………………………………….

Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang

July 30, 2020

………………………………………………….. ……………………………………….

Steve Zhang
Senior Rating Analyst

(Note, see our senior report for additional disclosures.)

Sovereign Rating Methodology (Non-NRSRO)

Scope and Limitations: Sovereign Issuer Credit Quality Ratings (CQR) are a forward-looking assessment of a sovereign's capacity and willingness to honor its existing and future obligations in full and on time. Sovereigns are assigned two CQRs: a Local-Currency CQR, which reflects the likelihood of default on debt issued and payable in the currency of the sovereign, and a Foreign-Currency CQR, which is an assessment of the credit risk associated with debt issued and payable in foreign currencies.

Key Rating Drivers: EJR's approach to sovereign risk analysis is a synthesis of quantitative and qualitative judgments. The quantitative factors EJR uses are:

- Debt in relation to GDP.
- Surplus or deficit in relation to GDP.
- Debt plus potential under-funding of major banks in relation to GDP.
- Interest expense in relation to taxes.
- GDP growth.
- Foreign reserves in relation to debt.

Debt levels for many sovereign issuers have increased at an accelerating rate over the past decade, affecting implied ratings. EJR also considers unemployment levels and funding costs. EJR recognizes that no model can fully capture all the relevant influences on sovereign creditworthiness, meaning that its sovereign ratings can and do differ from those implied by the rating model. Some of the qualitative factors that impact its ultimate assessment of credit quality include the flexibility, stability and overall strength of the economy, efficiency of tax collection, acceptance of contract law, ease of doing business, trade balances, prospects for future growth and health and monetary policy, and economic freedom. These subjective and dynamic qualitative issues are not captured by the model but affect sovereign ratings.

For additional information, please see Exhibit 2: Methodologies in EJR's Form NRSRO.