

# KINGDOM OF BELGIUM

Rating Analysis - 8/31/21

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

\*EJR CP Rating: A2

EJR's 3 yr. Default Probability: 2.0%

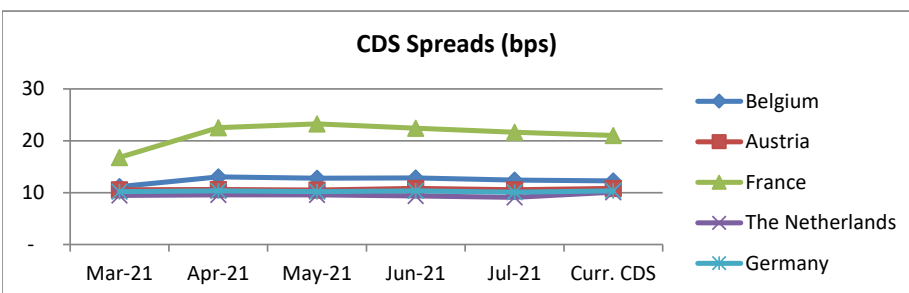
The prospects for the Belgian economy in 2021-22, like rest of the global economy, depend very much on how fast the country is able to control the spread of the virus. The general government deficit in 2020 is estimated to have reached 10% of GDP, versus 1.9% in 2019, with revenues declining broadly in line with GDP, and public spending rising sharply. After the severe contraction in 2020, GDP is projected to expand by 4.7% in 2021 and 3.5% in 2022.

The unemployment rate is not expected to exceed the 6 % mark. Inflation is rising strongly in 2021, projected to reach 2.2%, notably under the influence of higher energy prices, and after that should moderate to 1.8% in 2023. Fiscal policy is expected to be supportive in 2021-22, and the government deficit for 2021 is estimated at 6.8% of GDP. It is likely to come down but still work out at around 4.5% of GDP in 2023, at unchanged policy. Public debt is on an upward path and is likely to remain so after 2023, too. The economy is projected to rebound strongly, as the remaining restrictive measures are removed and the population is increasingly vaccinated. We are affirming.

CREDIT POSITION	Annual Ratios (source for past results: IMF)					
	2018	2019	2020	P2021	P2022	P2023
Debt/ GDP (%)	117.7	120.3	142.4	140.2	139.0	131.6
Govt. Sur/Def to GDP (%)	-0.4	-1.4	-9.0	-11.3	-12.8	-12.2
Adjusted Debt/GDP (%)	117.7	120.3	142.4	140.2	139.0	131.6
Interest Expense/ Taxes (%)	6.8	6.6	6.5	7.0	7.5	7.5
GDP Growth (%)	3.4	3.5	-5.3	20.0	20.0	25.0
Foreign Reserves/Debt (%)	1.6	1.6	1.4	1.3	1.1	1.0
Implied Sen. Rating	BBB+	BBB+	BB+	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

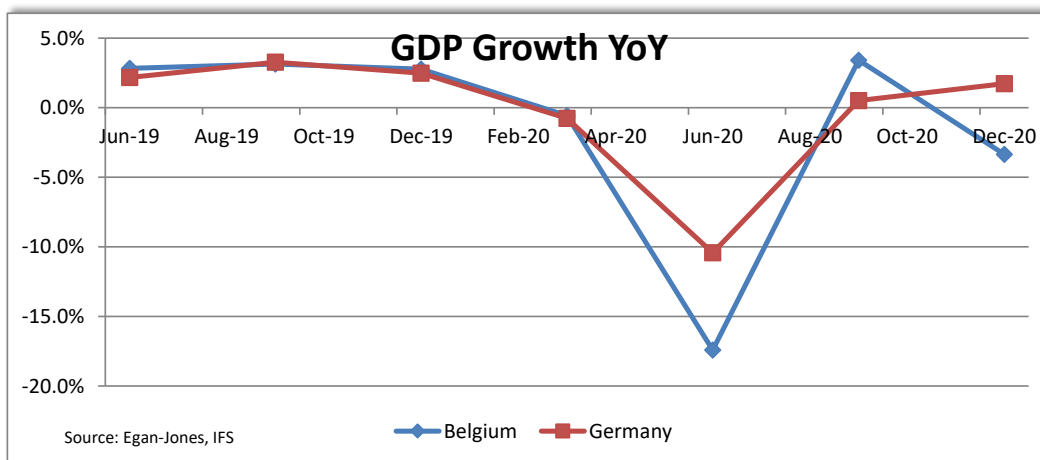
PEER RATIOS	Other NRSRO Sen.	Debt as a % of GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	79.7	-4.2	79.7	2.9	-3.3	A+
Kingdom Of Denmark	AAA	58.8	0.2	58.8	1.2	0.5	AA
Kingdom Of The Netherlands	AAA	69.8	-4.0	69.8	2.7	-1.6	A+
Austria	AA+	109.1	-8.2	109.1	5.1	-5.1	A-
French Republic	AA	145.9	-8.8	145.9	4.2	-5.5	BBB



Country	EJR Rtg.	CDS
Belgium	BBB	12
Austria	A+	11
France	A+	21
The Netherlands	AA-	10
Germany	AA	10

**Economic Growth**

Belgium's GDP rose 1.4% on quarter in the three months to June of 2021, gaining momentum from an upwardly revised 1.1% expansion in the previous period but slower than market expectations of a 1.5% growth, according to preliminary estimates. Value added was seen climbing 1.1% in industry, 1.4% in services, and 0.5% in construction. Year-on-year, the economy rose by 14.5% in Q2'21, the steepest increase since Q4 of 1995. Business Confidence in Belgium decreased to 7.60 points in Aug'21 from 10.10 points in July 2021 and Housing Index increased to 123.27 points in Q1'21 from 122.23 points in Q4'20. The government intends to extend some of its support measures - in particular the temporary unemployment-benefit regime - to the end of June, which would cost around EUR10.5 billion (around 2.2% of forecast GDP) – these are expected to help sustain the growth momentum.



**Fiscal Policy**

The government deficit for 2021 is estimated at 6.8 % of GDP. It should then come down but still work out at around 4.5% of GDP in 2023, at unchanged policy. Public debt is on an upward path and is likely to remain so after 2023, too. The main direct fiscal support introduced in 2020, such as the temporary layoff scheme (1% of GDP) and the replacement income for the self-employed (0.7% of GDP), will remain in place until the end of 2021. The deferral of tax and social contribution payments, the public guarantee scheme for new loans, and the moratorium on loan payments have also been extended.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Belgium	-8.97	142.45	12.27
Germany	-4.19	79.69	10.34
Denmark	0.20	58.84	7.82
The Netherlands	-4.00	69.76	10.09
Austria	-8.17	109.12	10.79
France	-8.79	145.87	21.00

Sources: Thomson Reuters and IFS

**Unemployment**

Between the peak in autumn 2020 and mid-May 2021, the number of COVID-19 cases declined by more than 80%. Nonetheless, the healthcare system remains under pressure. Some services sectors remain particularly hard hit because of mandatory closures, such as the accommodation and food and the arts and entertainment sectors. Unemployment Rate in Belgium decreased to 6.2% in June from 6.5% in May 2021. With improved global economic prospects, business investment will gain ground once uncertainties about the epidemic are reduced.

	Unemployment (%)	
	2019	2020
Belgium	5.36	5.55
Germany	3.20	4.31
Denmark	4.91	5.66
The Netherla	3.38	4.09
Austria	4.51	5.35
France	8.43	8.62

Source: Intl. Finance Statistics

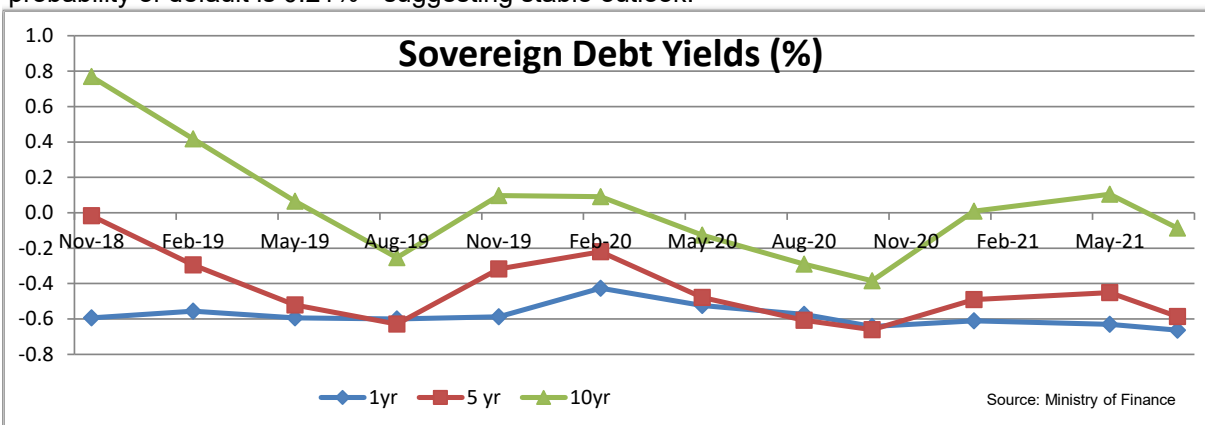
**Banking Sector**

Belgium has a relatively diversified investor base, attracting foreign creditors from inside as well as outside the euro area, including banks, non-bank financial institutions. Consumer confidence is above pre-crisis levels, mostly due to households' appraisal of their current financial situation - leading indicator regarding the expectations for major household purchases in the next 12 months has reached its highest level in over a decade in May.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
DEXIA SA	114.4	0.18
ACKERMANS & VAN	16.2	29.92
KBC GROEP	320.7	9.34
<b>Total</b>	<b>451.4</b>	
EJR's est. of cap shortfall at 10% of assets less market cap		10.1
Belgium's GDP		451.2

**Funding Costs**

Belgium 10Y Bond Yield was -0.09% in mid-August and is expected to trade at 0.01% by the end of this quarter, and at 0.06% in 12 months' time, according to over-the-counter interbank yield quotes for this government bond maturity. Current 5-Years Credit Default Swap quotation is 12.30 and implied probability of default is 0.21% - suggesting stable outlook.



**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*			
	2021	2020	Change in
	Rank	Rank	Rank
<b>Overall Country Rank:</b>	<b>46</b>	<b>46</b>	<b>0</b>
<b>Scores:</b>			
Starting a Business	48	48	0
Construction Permits	45	45	0
Getting Electricity	108	108	0
Registering Property	139	139	0
Getting Credit	67	67	0
Protecting Investors	45	45	0
Paying Taxes	63	63	0
Trading Across Borders	1	1	0
Enforcing Contracts	56	56	0
Resolving Insolvency	9	9	0

\* 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 70.1 for Economic Freedom with 100 being best.

<b>Heritage Foundation 2021 Index of Economic Freedom</b>				
<b>World Rank 70.1*</b>				
	<b>2021</b>	<b>2020</b>	<b>Change in</b>	<b>World</b>
	<b>Rank**</b>	<b>Rank</b>	<b>Rank</b>	<b>Avg.</b>
<b>Property Rights</b>	<b>84.0</b>	<b>84.5</b>	<b>-0.5</b>	<b>53.6</b>
<b>Government Integrity</b>	<b>70.2</b>	<b>80.2</b>	<b>-10.0</b>	<b>45.9</b>
<b>Judicial Effectiveness</b>	<b>81.3</b>	<b>62.5</b>	<b>18.8</b>	<b>45.4</b>
<b>Tax Burden</b>	<b>46.5</b>	<b>46.7</b>	<b>-0.2</b>	<b>77.7</b>
<b>Gov't Spending</b>	<b>18.4</b>	<b>17.2</b>	<b>1.2</b>	<b>67.1</b>
<b>Fiscal Health</b>	<b>78.7</b>	<b>77.0</b>	<b>1.7</b>	<b>72.1</b>
<b>Business Freedom</b>	<b>80.1</b>	<b>75.2</b>	<b>4.9</b>	<b>63.2</b>
<b>Labor Freedom</b>	<b>61.1</b>	<b>61.1</b>	<b>0.0</b>	<b>59.5</b>
<b>Monetary Freedom</b>	<b>82.0</b>	<b>80.5</b>	<b>1.5</b>	<b>74.7</b>
<b>Trade Freedom</b>	<b>84.0</b>	<b>86.4</b>	<b>-2.4</b>	<b>70.7</b>

\*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 5.1% per annum in the last fiscal year which is disappointing. We expect tax revenues will decline by approximately 5.1% 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 4.1% decline in total revenue over the next two years.

Income Statement	Peer Median	Issuer Avg.	Assumptions	
			Yr 1&2	Yr 3,4,5
Taxes Growth%	(4.2)	(5.1)	<b>(5.1)</b>	<b>0.5</b>
Social Contributions Growth %	(0.2)	(1.2)	<b>0.5</b>	<b>0.5</b>
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	(11.3)	<b>(11.3)</b>	<b>(11.3)</b>
Total Revenue Growth%	(2.9)	(4.5)	<b>(4.1)</b>	<b>(3.7)</b>
Compensation of Employees Growth%	2.6	2.9	<b>2.9</b>	<b>2.9</b>
Use of Goods & Services Growth%	4.4	0.6	<b>0.6</b>	<b>0.6</b>
Social Benefits Growth%	6.9	9.6	<b>9.6</b>	<b>9.6</b>
Subsidies Growth%	130.5	28.1		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.4	<b>1.4</b>	
Currency and Deposits (asset) Growth%	38.0	0.0		
Securities other than Shares LT (asset) Growth%	(9.5)	0.0		
Loans (asset) Growth%	125.4	10.8	<b>(5.1)</b>	<b>(5.1)</b>
Shares and Other Equity (asset) Growth%	5.0	(23.8)	<b>2.0</b>	<b>2.0</b>
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	6.7	2.0	<b>(5.1)</b>	<b>(5.1)</b>
Other Accounts Receivable LT Growth%	8.0	15.1	<b>15.1</b>	<b>13.5</b>
Monetary Gold and SDR's Growth %	0.0	0.0	<b>5.0</b>	<b>5.0</b>
Other Assets Growth%	0.0	0.0		
Other Accounts Payable Growth%	11.3	2.9	<b>3.0</b>	<b>3.0</b>
Currency & Deposits (liability) Growth%	1.2	(0.5)	<b>0.5</b>	<b>0.5</b>
Securities Other than Shares (liability) Growth%	15.0	14.5	<b>10.1</b>	<b>10.1</b>
Loans (liability) Growth%	2.7	0.5	<b>0.5</b>	<b>0.5</b>
Insurance Technical Reserves (liability) Growth%	0.0	10.3	<b>5.1</b>	<b>3.1</b>
Financial Derivatives (liability) Growth%	5.5	23.1	<b>6.0</b>	<b>6.0</b>
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)**

	2017	2018	2019	2020	P2021	P2022
Taxes	137,362	142,983	142,472	135,172	128,278	121,736
Social Contributions	69,794	71,376	73,684	72,786	73,150	73,516
Grant Revenue						
Other Revenue						
Other Operating Income	<u>21,370</u>	<u>22,177</u>	<u>22,866</u>	<u>20,293</u>	<u>20,293</u>	<u>20,293</u>
Total Revenue	228,526	236,536	239,022	228,251	221,721	215,545
Compensation of Employees	55,311	56,705	58,631	60,332	62,082	63,883
Use of Goods & Services	17,828	18,816	19,450	19,557	19,665	19,773
Social Benefits	109,350	113,155	117,059	128,318	140,660	154,189
Subsidies	16,252	16,903	17,934	22,979	22,981	22,984
Other Expenses				17,851	17,851	17,851
Grant Expense						
Depreciation	10,003	10,304	10,592	10,874	10,874	10,874
Total Expenses excluding interest	<u>220,181</u>	<u>228,429</u>	<u>236,527</u>	<u>259,911</u>	<u>274,113</u>	<u>289,554</u>
Operating Surplus/Shortfall	8,345	8,107	2,495	-31,660	-52,392	-74,009
Interest Expense	<u>10,499</u>	<u>9,772</u>	<u>9,352</u>	<u>8,834</u>	<u>8,955</u>	<u>9,079</u>
Net Operating Balance	-2,154	-1,665	-6,857	-40,493	-61,347	-83,088

**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**

<b>Base Case</b>	<b>(MILLIONS EUR)</b>					
<b>ASSETS</b>	2017	2018	2019	2020	P2021	P2022
Currency and Deposits (asset)	20,218	19,119	16,656	20,471	20,471	20,471
Securities other than Shares LT (asset)	1,900	2,376	2,525	2,581	2,581	2,581
Loans (asset)	722	1,334	1,584	1,755	1,665	1,581
Shares and Other Equity (asset)	-2,102	603	954	727	742	756
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)		2,204	2,611	2,664	2,528	2,399
Other Accounts Receivable LT	23,436	23,985	23,434	26,962	31,021	35,691
Monetary Gold and SDR's						
<b>Other Assets</b>					131,697	131,697
<b>Additional Assets</b>	<u>114,809</u>	<u>110,443</u>	<u>125,878</u>	<u>131,697</u>		
<b>Total Financial Assets</b>	158,983	160,064	173,642	186,857	190,705	195,177
<b>LIABILITIES</b>						
Other Accounts Payable	18,760	18,333	18,478	19,018	19,589	20,176
Currency & Deposits (liability)	1,424	1,459	1,473	1,465	1,465	1,465
Securities Other than Shares (liability)	437,625	442,830	475,746	544,533	599,646	660,337
Loans (liability)	79,899	79,256	77,160	77,538	138,885	221,973
Insurance Technical Reserves (liability)	184	97	116	128	135	141
Financial Derivatives (liability)		2,718	3,269	4,024	4,265	4,521
Other Liabilities	<u>163</u>	<u>62</u>	<u>35</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b>Liabilities</b>	538,055	544,755	576,277	646,708	711,904	799,462
<b>Net Financial Worth</b>	<u>-379,072</u>	<u>-384,691</u>	<u>-402,635</u>	<u>-459,851</u>	<u>-521,198</u>	<u>-604,286</u>
<b>Total Liabilities &amp; Equity</b>	158,983	160,064	173,642	186,857	190,705	195,177

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**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 recent period is "BB"; 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 #15a available via [egan-jones.com](http://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 upon 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 high quality and readily avail.****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%	6.0	10.0	2.0	BB+	BB+	BB+
Social Contributions Growth %	7.0	10.0	4.0	BB+	BB+	BB+
Other Revenue Growth %	0.0	3.0	(3.0)	BB+	BB+	BB+
Total Revenue Growth%	7.0	9.0	5.0	BB+	BB+	BB+
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	BB+	BB+	BB+

**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.

**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**

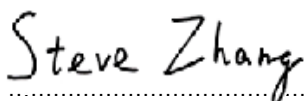


August 31, 2021

Subramanian NG  
Senior Rating Analyst

**Reviewer Signature:**

**Today's Date**



August 31, 2021

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 the 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.*