KINGDOM OF BELGIUM

Rating Analysis - 8/18/23

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

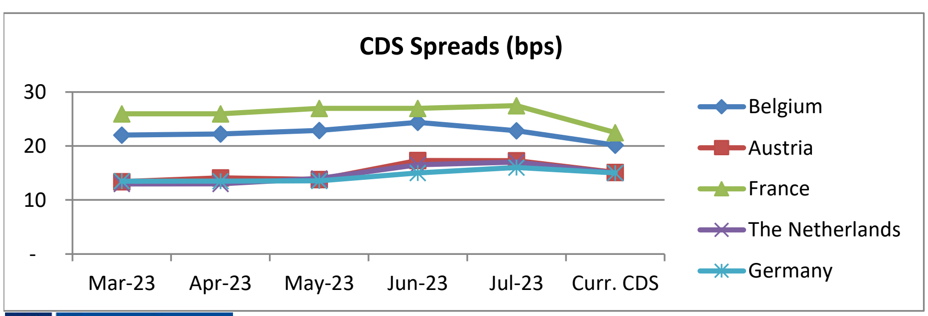
According to OECD, the projected Real GDP growth is expected to slow down to 0.9% in 2023, but it is anticipated to pick up to 1.4% in 2024. The domestic growth is likely to be affected by inflation, tighter financing conditions, and high uncertainty, while weak global trade prospects will negatively impact net exports. However, public investment, solid labor demand, and automatic wage indexation are expected to support economic activity during this period. Headline inflation is projected to decrease to 4% in 2023, mainly due to falling energy prices, and further to 3.7% in 2024. Some of the main risks to this outlook include the possibility of more persistent inflation triggered by wage indexation, which could lead to a loss of export competitiveness.

The fiscal deficit is expected to increase in 2023 and remain significant in 2024. their views on the overall economic situation were less pessimistic compared to the previous month. These developments indicate a positive outlook and growing confidence among consumers in Belgium's economic prospects. Affirming.

	Annual Ratios (source for past results: IMF)					
CREDIT POSITION	2020	2021	2022	P2023	P2024	P2025
Debt/ GDP (%)	139.8	129.1	103.8	95.6	88.1	81.3
Govt. Sur/Def to GDP (%)	-8.6	-5.0	-3.4	-2.8	-2.2	-1.9
Adjusted Debt/GDP (%)	139.8	129.1	103.8	95.6	88.1	81.3
Interest Expense/ Taxes (%)	6.6	5.6	5.1	4.8	4.4	4.2
GDP Growth (%)	-3.9	9.3	9.3	2.5	3.6	3.6
Foreign Reserves/Debt (%)	1.4	1.5	1.8	2.0	2.1	2.2
Implied Sen. Rating	BB+	BBB	BBB+	BBB+	A-	A-

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

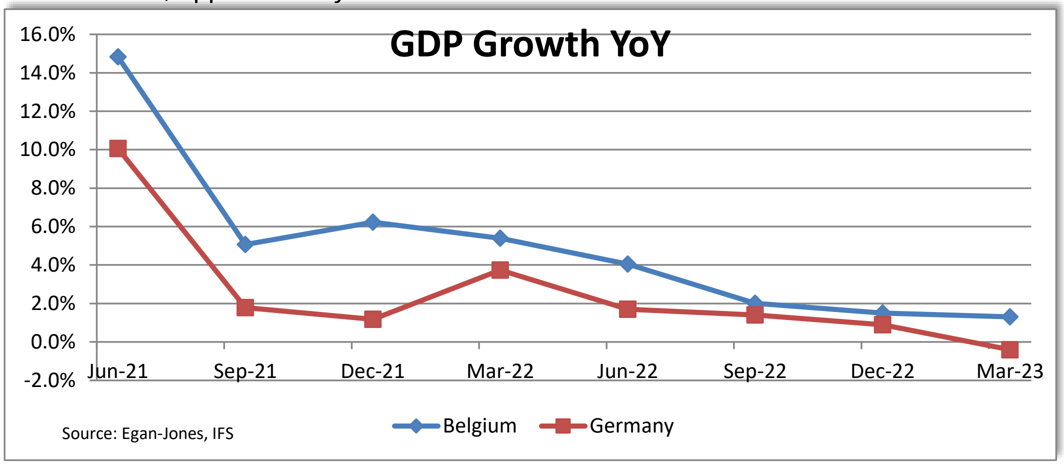
PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	65.3	-2.6	65.3	2.7	7.4	AA
Kingdom Of Denmark	AAA	50.3	4.3	50.3	1.2	7.8	A-
Kingdom Of The Netherlands	AA+	54.6	0.3	54.6	2.1	10.0	BBB
Austria	AA+	83.0	-1.8	83.0	3.4	10.0	BB+
French Republic	AA	117.1	-4.2	117.1	6.1	5.5	BBB-



Country	EJR Rtg.	CDS
Belgium	BBB	20
Austria	A+	15
France	A+	23
The Netherlands	AA-	15
Germany	AA	15

Economic Growth

According to OECD, the projection for GDP growth in Belgium indicates a significant slowdown to 0.9% in 2023, followed by a recovery to 1.4% in 2024. Several factors will impede economic progress, including high inflation, uncertainty, and interest rates, which will have a dampening effect on both business and residential investments. Additionally, weak global trade growth, coupled with higher energy and wage costs, will exert downward pressure on exports. However, there are positive factors at play. Private consumption is expected to contribute to driving GDP growth, as household disposable incomes improve in real terms, owing to receding inflationary pressures and automatic indexation mechanisms. Furthermore, public investment will continue to receive support from Next Generation EU funding, with Belgium's allocation amounting to nearly EUR 5 billion, approximately 0.9% of the 2022 GDP.



Fiscal Policy

Financial conditions in Belgium are expected to continue tightening, driven by higher interest rates and stricter credit standards. The fiscal deficit is projected to widen by 1.3 percentage points of GDP in 2023 and remain substantial in 2024. While recent international financial market turmoil led to wider sovereign bond yield spreads, the situation is still relatively controlled. The government's energy support measures are being phased out, with the extension of the qualification for the social tariff on electricity and gas, introduced in 2021, maintained until July 2023

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Belgium	-3.36	103.79	20.17
Germany	-2.62	65.28	15.01
Denmark	4.05	29.70	22.50
The Netherla	0.28	54.65	15.11
Austria	-1.82	82.97	15.01
France	-4.25	117.11	15.01

Sources: Thomson Reuters and IFS

Unemployment

As of May 2023, the Unemployment Rate in Belgium rose to 5.70 percent, up from 5.60 percent in April. Currently, nearly 1.3 million Belgians are unemployed and not actively seeking employment, despite the Federal Government's goal of achieving an 80% employment rate among the active population. Although Belgium's overall employment rate reached its highest level in 2022, Brussels continues to lag behind other regions, despite witnessing improvement over the past 22 years.

Unemployment (%)	2021	2022
Belgium	6.28	5.58
Germany	3.58	3.07
Denmark	5.10	4.46
The Netherla	4.23	3.54
Austria	6.20	4.76
France	7.88	7.32

Source: Intl. Finance Statistics

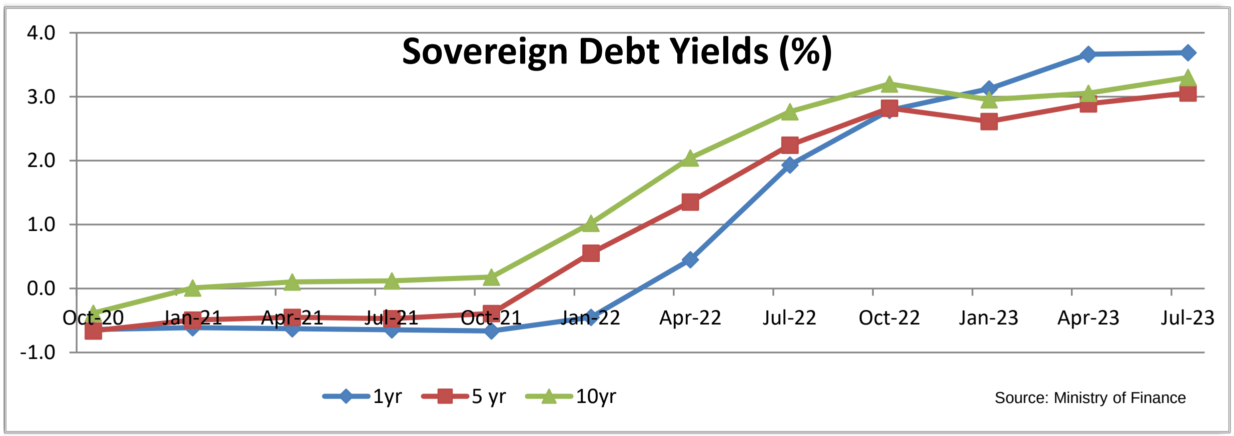
Banking Sector

The Belgian financial sector boasts a strong solvency position, making it resilient to potential significant shocks. At the end of 2022, Belgian banks' CET1 ratio, a crucial indicator of solvency, averaged 17.3%, surpassing both the European average (15.1% as of September 2022) and the minimum solvency requirements. This means that Belgian banks hold substantial free capital buffers, amounting to around €20 billion by the end of 2022.

Bank Assets (billions of local currency)	Assets	Mkt Cap/ Assets %
ACKERMANS & VAN	17.7	27.82
KBC GROEP	354.5	7.58
Total	372.2	
EJR's est. of cap shortfall at 10% of assets less market cap		5.4
Belgium's GDP		549.5

Funding Costs

Belgium currently stands at 4.00%, with the last modification taking place in June 2023. The yield on the Belgium 10-year government bond is 3.118%, and the spread between the 10-year and 2-year bonds is -13.4 basis points, indicating an inverted yield curve with long-term maturities having lower yields than short-term maturities.



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 Rank	2020 Rank	Change in Rank
Overall Country Rank:	**46**	**46**	**0**
Scores:			
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 67.1 for Economic Freedom with 100 being best.

Heritage Foundation 2023 Index of Economic Freedom
World Rank 67.1*

	2023 Rank**	2022 Rank	Change in Rank	World Avg.
Property Rights	92.0	92.5	-0.5	53.3
Government Integrity	81.3	83.6	-2.3	44.4
Judical Effectiveness	91.4	91.2	0.2	48.3
Tax Burden	50.2	48.2	2.0	78.1
Gov't Spending	8.1	10.1	-2.0	64.3
Fiscal Health	31.5	50.3	-18.8	54.5
Business Freedom	79.0	82.8	-3.8	59.8
Labor Freedom	57.8	57.4	0.4	55.5
Monetary Freedom	80.3	84.3	-4.0	72.1
Trade Freedom	78.6	79.2	-0.6	69.6

*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 grown its taxes of 8.5% per annum in the last fiscal year which is average. We expect tax revenues will grow approximately 8.5% per annum over the next couple of years and 7.7% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:
KINGDOM OF BELGIUM's total revenue growth has been more than its peers and we assumed a 9.5% 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%	9.0	8.5	**8.5**	**7.7**
Social Contributions Growth %	5.3	8.7	**9.0**	**9.0**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	10.3	**17.0**	**17.0**
Total Revenue Growth%	7.3	8.8	**9.5**	**8.6**
Compensation of Employees Growth%	4.3	8.8	**8.8**	**8.8**
Use of Goods & Services Growth%	6.4	11.6	**11.6**	**11.6**
Social Benefits Growth%	3.5	7.1	**7.1**	**7.1**
Subsidies Growth%	(34.8)	(6.3)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.5	**1.5**	
Currency and Deposits (asset) Growth%	(12.2)	0.0		
Securities other than Shares LT (asset) Growth%	(8.8)	0.0		
Loans (asset) Growth%	(53.2)	17.9	**8.5**	**8.5**
Shares and Other Equity (asset) Growth%	(25.3)	57.9	**57.9**	**52.1**
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	(49.3)	(31.4)	**(10.0)**	**(10.0)**
Other Accounts Receivable LT Growth%	7.4	4.2	**4.2**	**4.2**
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%	2.3	6.8	**5.0**	**5.0**
Currency & Deposits (liability) Growth%	(4.0)	2.4	**2.4**	**2.4**
Securities Other than Shares (liability) Growth%	(13.2)	(15.1)	**(10.6)**	**(10.6)**
Loans (liability) Growth%	(5.4)	2.6	**2.6**	**2.6**
Insurance Technical Reserves (liability) Growth%	0.0	5.4	**5.4**	**5.4**
Financial Derivatives (liability) Growth%	0.0	(60.0)	**(10.0)**	**(10.0)**
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

ANNUAL INCOME 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)

	2019	2020	2021	2022	P2023	P2024
Taxes	142,596	135,795	151,426	164,357	178,327	193,485
Social Contributions	73,675	73,086	76,640	83,322	90,821	98,995
Grant Revenue						
Other Revenue						
Other Operating Income	22,670	20,665	22,839	25,194	25,194	25,194
Total Revenue	238,941	229,546	250,905	272,873	294,342	317,674
Compensation of Employees	58,768	60,487	62,733	68,251	74,254	80,786
Use of Goods & Services	19,625	19,831	21,305	23,769	26,518	29,585
Social Benefits	117,110	128,595	131,911	141,213	151,171	161,831
Subsidies	17,929	22,790	21,732	20,373	20,375	20,377
Other Expenses				17,023	17,023	17,023
Grant Expense						
Depreciation	10,583	10,684	11,342	12,350	12,350	12,350
Total Expenses excluding interest	236,931	260,068	267,438	282,979	301,691	321,952
Operating Surplus/Shortfall	2,010	-30,522	-16,533	-10,106	-7,349	-4,278
Interest Expense	9,473	8,992	8,491	8,350	8,472	8,596
Net Operating Balance	-7,462	-39,514	-25,024	-18,455	-15,821	-12,874

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	2019	2020	2021	2022	P2023	P2024
Currency and Deposits (asset)	16,721	20,228	25,149	24,097	24,097	24,097
Securities other than Shares LT (asset)	2,505	2,524	2,592	2,670	2,670	2,670
Loans (asset)	1,542	1,774	2,219	2,616	2,838	3,080
Shares and Other Equity (asset)	920	317	1,212	1,914	3,023	4,773
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	1,911	1,817	1,751	1,202	1,082	974
Other Accounts Receivable LT	23,372	26,649	28,813	30,018	31,273	32,581
Monetary Gold and SDR's						
Other Assets					107,871	107,871
Additional Assets	125,758	131,615	132,716	107,871		
Total Financial Assets	172,729	184,924	194,452	170,388	172,854	176,046

LIABILITIES	2019	2020	2021	2022	P2023	P2024
Other Accounts Payable	18,201	19,017	21,099	22,544	23,671	24,855
Currency & Deposits (liability)	1,473	1,465	1,492	1,528	1,528	1,528
Securities Other than Shares (liability)	475,739	544,517	541,759	459,691	410,946	367,370
Loans (liability)	77,104	77,621	84,143	86,321	102,142	115,016
Insurance Technical Reserves (liability)	66	101	168	177	186	196
Financial Derivatives (liability)	3,990	5,239	3,941	1,578	1,420	1,278
Other Liabilities	37	2		-1	-1	-1
Liabilities	576,610	647,962	652,602	571,838	590,125	606,191
Net Financial Worth	-403,881	-463,038	-458,150	-401,450	-417,271	-430,145
Total Liabilities & Equity	172,729	184,924	194,452	170,388	172,854	176,046

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 "BBB+"; 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

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+) other than those deep into speculative grade; for CC, C, and D there are no 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 methodology version #16 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 page 3 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 dependant 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 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources. In some cases, the information is limited because of issues such as short operating histories, the lack of reported data, a delay in reporting data, restatements, inaccurate accounting, and other issues. Such shortcomings 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 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, governmental filings and other similar sources for ratings on publicly-traded issuers. In the case of private issuers, EJR relies on information provided mainly by 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%	8.5	12.5	4.5	A-	A-	BBB+
Social Contributions Growth %	9.0	12.0	6.0	A-	A-	BBB+
Other Revenue Growth %		3.0	(3.0)	A-	A-	A-
Total Revenue Growth%	9.5	11.5	7.5	A-	A-	A-
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	A-	A-	A-

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 18, 2023

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Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang

August 18, 2023

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Steve Zhang
Senior Rating Analyst

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.