KINGDOM OF BELGIUM

Rating Analysis - 8/16/24

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

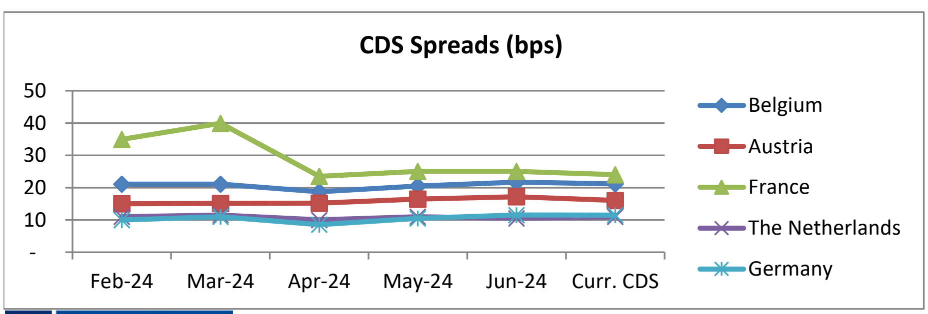
The Belgian economy has demonstrated remarkable resilience in the face of external challenges. While the first half of the year has been difficult, with the manufacturing sector suffering from weak demand and high inventories, several factors have contributed to the overall strength of the economy. Firstly, the automatic indexation of incomes has maintained household purchasing power, making private consumption a key driver of economic growth, which is expected to have grown by 1.3% in 2023. Secondly, despite the weakness in the industrial sector, business investment has been growing strongly, contributing 1.4 percentage points to GDP growth in 2023. Thirdly, fiscal policy in Belgium remains accommodating, leading to the largest public deficit in the eurozone, but without any major consequences so far.

The resilience of the domestic demand, coupled with the strong business investment and accommodating fiscal policy, have helped offset the external trade weakness, allowing the Belgian economy to hold up well overall. Affirming.

	Annual Ratios (source for past results: IMF)					
CREDIT POSITION	2021	2022	2023	P2024	P2025	P2026
Debt/ GDP (%)	128.4	104.0	108.6	117.9	127.8	138.2
Govt. Sur/Def to GDP (%)	-4.9	-3.1	-3.9	-4.1	-4.4	-4.9
Adjusted Debt/GDP (%)	128.4	104.0	108.6	117.9	127.8	138.2
Interest Expense/ Taxes (%)	5.6	5.2	6.8	6.5	6.3	6.1
GDP Growth (%)	10.3	9.1	5.5	2.5	3.6	3.6
Foreign Reserves/Debt (%)	1.5	1.8	1.2	1.0	0.9	0.8
Implied Sen. Rating	BBB	BBB+	BBB+	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 % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	64.0	-2.6	64.0	3.8	6.3	AA-
Kingdom Of Denmark	AAA	33.9	4.0	33.9	1.3	-1.7	A-
Kingdom Of The Netherlands	AA+	51.3	-0.3	51.3	2.4	7.9	BBB
Austria	AA+	81.2	-1.8	81.2	4.2	6.9	BB+
French Republic	AA	117.2	-4.8	117.2	5.9	6.2	BBB-

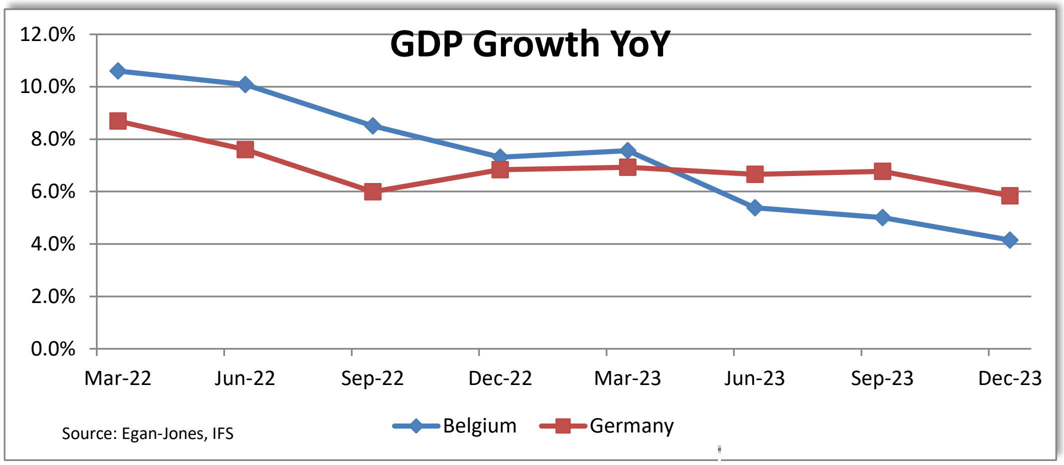


Country	EJR Rtg.	CDS
Belgium	BBB	21
Austria	A+	16
France	A+	24
The Netherlands	AA-	11
Germany	AA	12

Egan-Jones Ratings Company

Economic Growth

The Belgian economy is expected to continue growing at a steady pace in the coming years. The quarterly growth rate is forecast to be around 0.3%, with a slight uptick from 2026 onwards. This would result in annual GDP growth of 1.2% in 2024 and 2025, and 1.4% in 2026. Headline inflation rose again in the spring, driven mainly by energy price volatility, but is forecast to fall again. These projections are based on a "no policy change" assumption, which means they do not account for any major policy shifts. According to the forecasts, the budget deficit is set to widen markedly, reaching 5.5% of GDP by 2026. Similarly, the debt-to-GDP ratio is expected to increase further, exceeding 110% by 2026.



Fiscal Policy

The National Bank of Belgium has taken steps to strengthen the resilience of Belgian banks by activating the countercyclical capital buffer (CCyB) and adjusting the sectoral systemic risk buffer for Belgian mortgage loans. In the current quarter, the National Bank has confirmed that the CCyB, which was activated on October 1, 2023 and amounted to €1.2 billion on April 1, 2024 (CCyB rate of 0.5%), will increase to approximately €2.4 billion on October 1, 2024 (CCyB rate of 1%). Additionally, the sectoral systemic risk buffer for Belgian mortgage loans has been lowered from 9% to 6% as of April 1, 2024.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Belgium	-3.85	108.57	21.16
Germany	-2.55	64.01	11.51
Denmark	4.03	33.89	24.00
The Netherla	-0.26	51.34	16.07
Austria	-1.81	81.16	11.01
France	-4.84	117.19	11.01
Sources: Thomson Reuters and IFS			

Unemployment

The Belgian labor market has experienced a tight labor market, leading to strong nominal wage growth. The unemployment rate in Belgium has been historically low, reaching around 5.5% in 2023, compared to 6.5% in the euro area. This has been accompanied by a high vacancy rate, which has increased the wage bargaining power of employed workers. Wage growth in Belgium remained strong, with a year-on-year increase of 5.93% in the fourth quarter of 2023, down from 6.42% in the prior period.

Unemployment (%)	2022	2023
Belgium	5.58	5.53
Germany	3.07	3.03
Denmark	4.48	5.12
The Netherla	3.54	3.54
Austria	4.76	5.11
France	7.32	7.34
Source: Intl. Finance Statistics		

Banking Sector

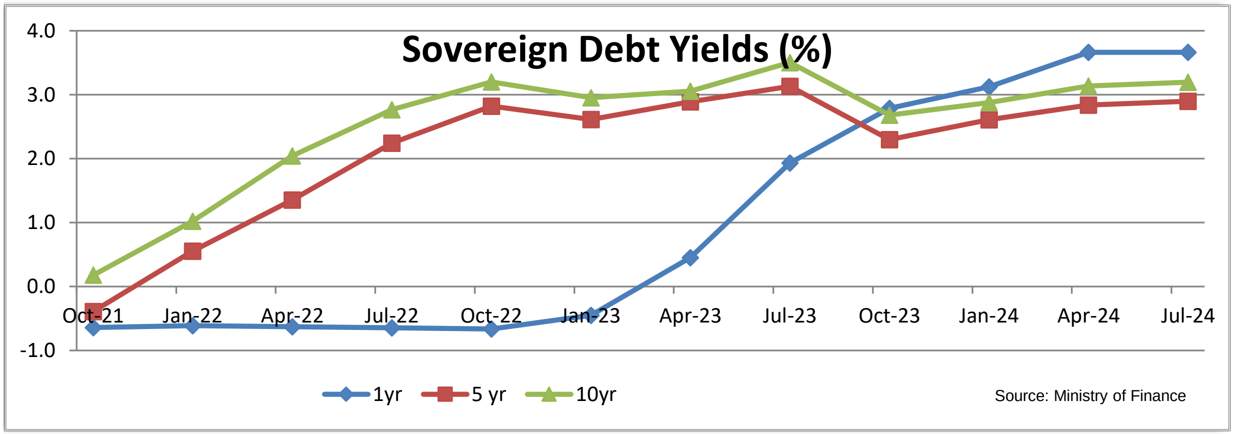
The Belgian housing market experienced a gradual slowdown due to the rise in mortgage rates starting from mid-2022. This led to a decline in residential property sales and lending to households. In August 2023, the Central Bank decided to reduce the "sectoral systemic risk buffer" for Belgian mortgage loans from 9% of risk-weighted assets to 6% on April 1, 2024. As a result, the total amount of the buffer fell from around €2 billion to approximately €1.3 billion.

Bank Assets (billions of local currency)

	Assets	Mkt Cap/ Assets %
ACKERMANS & VAN	19.0	28.49
KBC GROEP	346.9	7.70
Total	365.9	
EJR's est. of cap shortfall at 10% of assets less market cap		4.5
Belgium's GDP		584.7

Funding Costs

The benchmark interest rate in Belgium is set by the European Central Bank. Historically, the interest rate in Belgium has averaged 1.82% from 1998 to 2024, reaching an all-time high of 4.75% in October 2000 and a record low of 0.00% in March 2016. The interbank rate in Belgium decreased to 3.92% in February from 3.93% in January 2024.



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 65.6 for Economic Freedom with 100 being best.

Heritage Foundation 2024 Index of Economic Freedom
World Rank 65.6*

	2024 Rank**	2023 Rank	Change in Rank	World Avg.
Property Rights	91.6	92.0	-0.4	53.4
Government Integrity	78.9	81.3	-2.4	43.7
Judical Effectiveness	91.5	91.4	0.1	48.8
Tax Burden	51.1	50.2	0.9	78.1
Gov't Spending	6.1	8.1	-2.0	64.2
Fiscal Health	20.0	31.5	-11.5	52.1
Business Freedom	82.6	79.0	3.6	62.1
Labor Freedom	58.8	57.8	1.0	55.9
Monetary Freedom	72.4	80.3	-7.9	67.2
Trade Freedom	79.2	78.6	0.6	69.8

*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 grown its taxes of 5.4% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 5.4% per annum over the next couple of years and 4.9% 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 6.4% growth in total revenue over the next two years.

	Peer	Issuer	Assumptions	
Income Statement	**Median**	**Avg.**	**Yr 1&2**	**Yr 3,4,5**
Taxes Growth%	2.5	5.4	**5.4**	**4.9**
Social Contributions Growth %	4.5	7.9	**8.0**	**8.0**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	8.4	**10.8**	**10.8**
Total Revenue Growth%	4.4	6.5	**6.4**	**5.8**
Compensation of Employees Growth%	6.3	8.1	**8.1**	**8.1**
Use of Goods & Services Growth%	7.6	4.3	**4.3**	**4.3**
Social Benefits Growth%	4.8	7.6	**7.6**	**7.6**
Subsidies Growth%	(5.2)	4.5		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.9	**1.9**	
Currency and Deposits (asset) Growth%	(8.2)	0.0		
Securities other than Shares LT (asset) Growth%	12.0	0.0		
Loans (asset) Growth%	(149.2)	25.1	**5.4**	**5.4**
Shares and Other Equity (asset) Growth%	(115.3)	(171.1)	**2.0**	**2.0**
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	(4.8)	(18.0)	**(18.0)**	**(18.0)**
Other Accounts Receivable LT Growth%	(0.1)	3.0	**3.0**	**3.0**
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%	(0.7)	(0.5)	**3.0**	**3.0**
Currency & Deposits (liability) Growth%	(2.8)	1.0	**1.0**	**1.0**
Securities Other than Shares (liability) Growth%	8.8	12.6	**8.8**	**8.8**
Loans (liability) Growth%	(0.5)	0.7	**0.7**	**0.7**
Insurance Technical Reserves (liability) Growth%	0.0	2.8	**2.8**	**2.8**
Financial Derivatives (liability) Growth%	0.0	15.0	**15.0**	**15.0**
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)

	2020	2021	2022	2023	P2024	P2025
Taxes	135,562	151,360	165,597	174,587	184,015	193,951
Social Contributions	73,101	76,663	83,590	90,227	97,445	105,241
Grant Revenue						
Other Revenue						
Other Operating Income	21,271	23,249	26,157	28,362	28,362	28,362
Total Revenue	229,934	251,272	275,344	293,176	309,822	327,554
Compensation of Employees	60,571	62,812	68,108	73,645	79,632	86,106
Use of Goods & Services	19,842	21,280	23,745	24,771	25,841	26,958
Social Benefits	128,395	131,736	140,188	150,851	162,325	174,672
Subsidies	22,834	22,007	21,307	22,270	22,272	22,274
Other Expenses				18,671	18,671	18,671
Grant Expense						
Depreciation	10,674	11,442	12,968	13,684	13,684	13,684
Total Expenses excluding interest	259,995	267,506	283,735	303,892	322,426	342,365
Operating Surplus/Shortfall	-30,061	-16,234	-8,391	-10,716	-12,604	-14,811
Interest Expense	8,993	8,500	8,605	11,819	12,039	12,263
Net Operating Balance	-39,055	-24,732	-16,999	-22,535	-24,643	-27,074

ANNUAL BALANCE SHEETS

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

Base Case	ANNUAL BALANCE SHEETS (MILLIONS EUR)					
ASSETS	**2020**	**2021**	**2022**	**2023**	**P2024**	**P2025**
Currency and Deposits (asset)	20,187	25,040	23,712	26,828	47,836	47,836
Securities other than Shares LT (asset)	2,524	2,603	2,706	3,870	3,870	3,870
Loans (asset)	1,790	2,170	2,757	3,450	3,636	3,833
Shares and Other Equity (asset)	325	1,211	2,032	-1,445	-1,474	-1,503
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	2,044	1,933	1,473	1,208	991	812
Other Accounts Receivable LT	27,146	29,094	34,973	36,037	37,133	38,263
Monetary Gold and SDR's						
Other Assets					111,467	111,467
Additional Assets	131,690	132,571	107,077	111,467		
Total Financial Assets	185,706	194,622	174,730	181,415	203,460	204,578
LIABILITIES						
Other Accounts Payable	22,679	24,983	28,507	28,366	29,217	30,093
Currency & Deposits (liability)	1,465	1,492	1,528	1,544	1,544	1,544
Securities Other than Shares (liability)	544,499	541,735	459,665	517,521	563,118	612,732
Loans (liability)	77,677	84,097	86,642	87,211	111,854	138,928
Insurance Technical Reserves (liability)	101	168	177	182	187	192
Financial Derivatives (liability)	5,327	4,024	1,362	1,566	1,801	2,071
Other Liabilities	2		-1			
Liabilities	651,750	656,499	577,880	636,390	683,078	711,270
Net Financial Worth	-466,044	-461,877	-403,150	-454,975	-479,618	-506,692
Total Liabilities & Equity	185,706	194,622	174,730	181,415	203,460	204,578

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%	5.4	9.4	1.4	BBB-	BBB	BBB-
Social Contributions Growth %	8.0	11.0	5.0	BBB-	BBB-	BBB-
Other Revenue Growth %		3.0	(3.0)	BBB-	BBB-	BBB-
Total Revenue Growth%	6.4	8.4	4.4	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.

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**

Aug 16, 2024

Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang

Aug 16, 2024

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.