

The uncertainty is great because of the war in Ukraine, rising inflation and higher interest costs associated with attempts to tame the inflation. According to OECD, the Dutch economy is projected to grow by 2.9% in 2022 and 1.1% in 2023. Inflation will remain high throughout 2022 averaging 9.2% due to continuing supply shortages and high energy prices, before falling back to 4.8% on average in 2023.

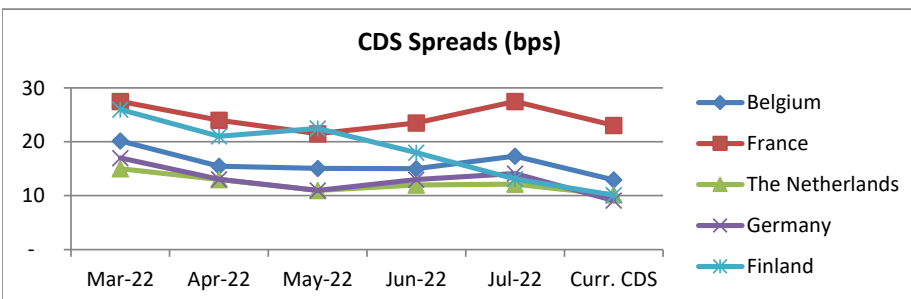
Surging inflation rates are expected to erode households' purchasing power in 2022, negatively affecting private consumption growth especially in the second half of the year. This negative impact is, however, somewhat cushioned by a strong labour market, with a historically low unemployment rate. Consumer price inflation reached 11.7% y-o-y in March with only a gradual decrease since, coming in at 9.9% in May. As a result of the tight labour market and increasing inflation, wage growth is clearly picking up from low levels, a trend which is expected to continue this year and next. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2019	2020	2021	P2022	P2023	P2024
Debt/ GDP (%)	62.3	69.8	66.2	67.7	68.7	69.4
Govt. Sur/Def to GDP (%)	1.8	-3.5	-2.5	-2.2	-1.8	-1.6
Adjusted Debt/GDP (%)	62.3	69.8	66.2	67.7	68.7	69.4
Interest Expense/ Taxes (%)	3.0	2.6	2.2	2.0	1.9	1.7
GDP Growth (%)	5.0	-1.6	7.6	5.0	4.8	4.6
Foreign Reserves/Debt (%)	0.8	0.9	0.8	1.0	0.9	1.0
Implied Sen. Rating	AA	A+	AA-	AA-	AA-	AA-

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

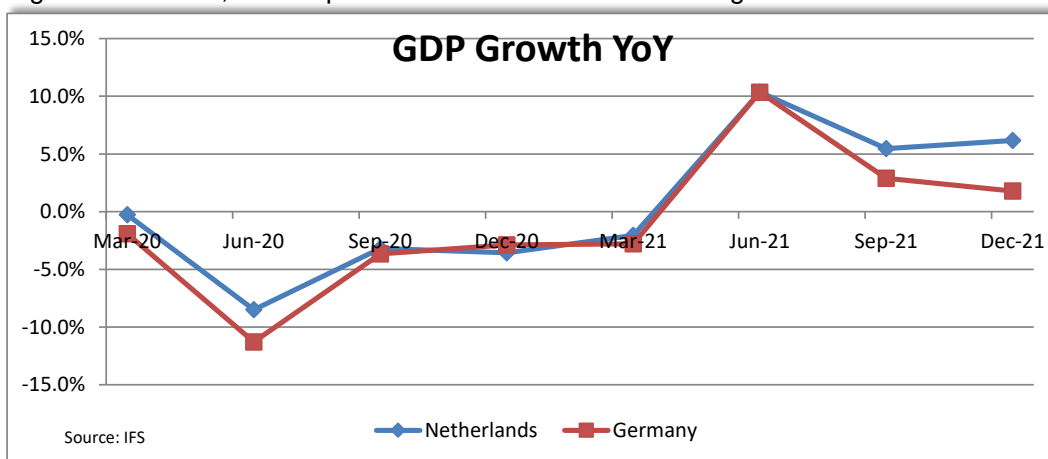
PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio- Implied Rating*
Federal Republic Of Germany	AAA	77.8	-3.6	77.8	2.4	6.0	AA
French Republic	AA	137.3	-6.0	137.3	4.6	8.2	A-
Kingdom Of Belgium	AA	128.0	-5.0	128.0	5.6	10.8	BBB
Republic Of Finland	AA+	75.7	-1.9	75.7	1.6	6.3	AA
Kingdom Of Denmark	AAA	50.0	3.2	50.0	1.1	7.2	AA+



Country	EJR Rtq.	CDS
Belgium	BBB	13
France	A+	23
The Netherlands	AA-	10
Germany	AA	9
Finland	AA	10

Economic Growth

Producer confidence remains well above pre-pandemic levels, but consumer confidence has plummeted reflecting concerns over rising cost of living. The Netherlands' economy expanded by 0.4 percent on quarter in the three months to March 2022, compared to a preliminary estimate of a flat reading, after a downwardly revised 0.7 percent gain in the previous period. It was the weakest growth in the GDP since the first quarter 2021, as household consumption grew softer (1.5% vs 3.6%), while government spending fell by 0.6%, reversing sharply from a 5.2% rise in Q4 2021. At the same time, fixed investment contracted by 0.3%, while exports and imports declined by 0.3% and 0.4%, respectively. Headline inflation will start to moderate from end-2022 due to base effects but higher energy prices due to the oil embargo, as well as high core inflation, will keep inflation at elevated levels throughout 2023.



Fiscal Policy

The fiscal deficit is projected to fall over the projection period from 2.5% of GDP in 2021 to 1.2% of GDP in 2023 supported by the phasing out of COVID-19 support measures and continuous, albeit slowing, economic growth. The new government plans to increase public expenditure to reduce nitrogen pollution, support the energy transition, research & development, education, housing and childcare. In March 2022, the government extended the support package to cushion the impact of energy prices on households to a total of EUR 6.1 billion (0.71% of GDP).

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Netherlands	-2.53	66.21	10.16
Germany	-3.62	77.80	9.10
France	-5.97	137.28	23.02
Belgium	-4.98	128.02	12.93
Finland	-1.85	75.69	10.10
Denmark	3.18	50.04	9.16

Sources: Thomson Reuters and IFS

Unemployment

The labour market is extremely tight again immediately after the COVID-19 recession, with staff shortages being felt across the economy. Employment will barely grow next year, but the supply of labour is also reaching its limit. The unemployment rate is projected to average 3.3% in 2022. The labor force participation rate was unchanged at 74.7 percent. Wages in Netherlands increased 2.92 percent in

	Unemployment (%)	
	2020	2021
Netherlands	4.85	4.23
Germany	3.83	3.58
France	8.03	7.88
Belgium	5.73	6.28
Finland	7.73	7.68
Denmark	5.65	5.08

Source: Intl. Finance Statistics

June of 2022 over the same month in the previous year.

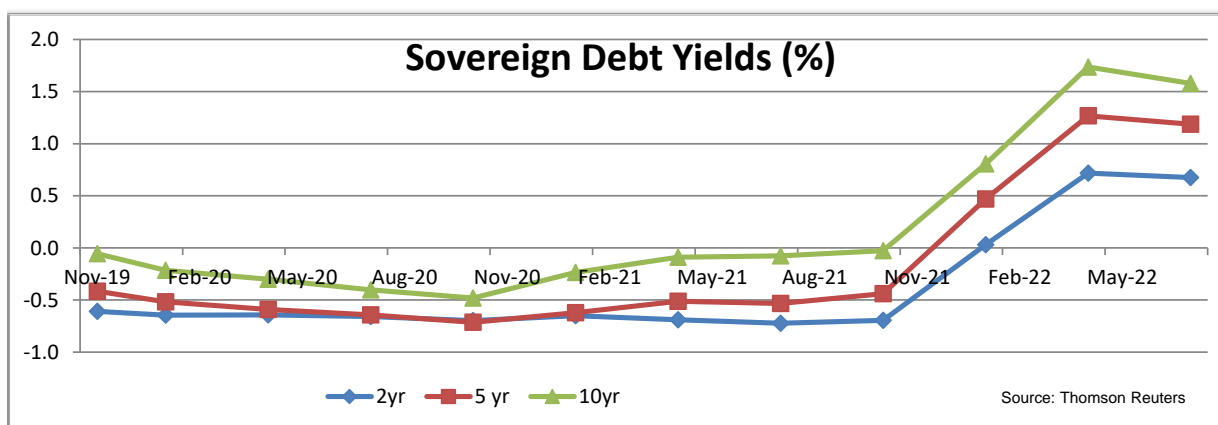
Banking Sector

Banking margins are expected to remain under pressure, resulting in a stronger focus on cost management. In 2020, the COVID-19 pandemic, caused a severe decline in banking profits, showing a decrease in RoE from an average of 8% to less than 5% amongst the large Dutch banks. And even though profitability improved in 2021, the net interest income is still under pressure from low interest rates.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
ING GROEP NV-CVA	951.3	3.64
AEGON NV	468.9	1.85
HAL TRUST	22.6	49.35
VAN LANSCHOT-CVA	16.3	5.50
WERELDHAVE NV	<u>2.0</u>	<u>30.36</u>
Total	1,461.1	
EJR's est. of cap shortfall at 10% of assets less market cap		90.2
Netherlands's GDP		860.7

Funding Costs

Netherlands 10Y Bond Yield was 1.54 percent and is expected to trade at 1.85 percent by the end of this quarter, according to Trading Economics global macro model. Market consensus estimates it to trade at 2.46 per cent in 12 months' time. The Netherlands 5 Years CDS value is 13.80 (21 Jul 2022), and this value reveals a 0.23% implied probability of default, on a 40% recovery rate supposed.



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 42 (1 is best, 189 worst) is above average.

The World Bank's Doing Business Survey*			
	2021	2020	Change in
	Rank	Rank	Rank
Overall Country Rank:	42	42	0
Scores:			
Starting a Business	24	24	0
Construction Permits	88	88	0
Getting Electricity	58	58	0
Registering Property	30	30	0
Getting Credit	119	119	0
Protecting Investors	79	79	0
Paying Taxes	22	22	0
Trading Across Borders	1	1	0
Enforcing Contracts	78	78	0
Resolving Insolvency	7	7	0

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

Economic Freedom

As can be seen below, Netherlands is strong in its overall rank of 76.8 for Economic Freedom with 100 being best.

Heritage Foundation 2021 Index of Economic Freedom				
World Rank 76.8*				
	2021	2020	Change in	World
	Rank**	Rank	Rank	Avg.
Property Rights	88.9	90.0	-1.1	53.6
Government Integrity	72.8	90.1	-17.3	45.9
Judicial Effectiveness	90.6	73.9	16.7	45.4
Tax Burden	51.7	51.7	0.0	77.7
Gov't Spending	47.7	45.2	2.5	67.1
Fiscal Health	95.3	94.1	1.2	72.1
Business Freedom	80.5	80.4	0.1	63.2
Labor Freedom	60.1	60.2	-0.1	59.5
Monetary Freedom	80.4	82.5	-2.1	74.7
Trade Freedom	84.0	86.4	-2.4	70.7

*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 THE NETHERLANDS has grown its taxes of 8.8% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 8.8% per annum over the next couple of years and 7.9% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:

KINGDOM OF THE NETHERLANDS's total revenue growth has been less than its peers and we assumed no growth in total revenue over the next two years.

Income Statement	Peer Median	Issuer Avg.	Assumptions	
			Yr 1&2	Yr 3,4,5
Taxes Growth%	7.9	8.8	8.8	7.9
Social Contributions Growth %	4.7	3.7	3.7	3.7
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	9.3	17.6	17.6
Total Revenue Growth%	8.4	7.2	7.2	6.5
Compensation of Employees Growth%	3.5	4.3	4.3	4.3
Use of Goods & Services Growth%	6.8	11.2	11.2	11.2
Social Benefits Growth%	2.0	6.3	6.3	6.3
Subsidies Growth%	(6.5)	(13.0)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	0.8	0.8	
Currency and Deposits (asset) Growth%	3.3	0.0		
Securities other than Shares LT (asset) Growth%	3.1	0.0		
Loans (asset) Growth%	(71.8)	(31.0)	8.8	8.8
Shares and Other Equity (asset) Growth%	(70.9)	(103.6)	2.0	2.0
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	(7.4)	(53.3)	(10.0)	(10.0)
Other Accounts Receivable LT Growth%	(1.8)	7.6	7.6	7.6
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%	1.2	6.8	5.0	5.0
Currency & Deposits (liability) Growth%	1.8	46.6	8.8	8.8
Securities Other than Shares (liability) Growth%	(0.5)	2.4	1.7	1.7
Loans (liability) Growth%	0.6	(3.7)	0.5	0.5
Insurance Technical Reserves (liability) Growth%	0.0	0.0		
Financial Derivatives (liability) Growth%	(14.7)	0.0		
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

ANNUAL OPERATING STATEMENTS

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

	ANNUAL REVENUE AND EXPENSE STATEMENT (MILLIONS EUR)					
	2018	2019	2020	2021	P2022	P2023
Taxes	188,887	206,355	205,671	223,819	243,515	264,944
Social Contributions	111,734	113,150	112,809	117,023	121,394	125,929
Grant Revenue						
Other Revenue						
Other Operating Income	<u>37,400</u>	<u>36,069</u>	<u>33,106</u>	<u>36,173</u>	<u>36,173</u>	<u>36,173</u>
Total Revenue	<u>338,021</u>	<u>355,574</u>	<u>351,586</u>	<u>377,015</u>	<u>401,082</u>	<u>427,047</u>
Compensation of Employees	63,946	67,021	70,649	73,711	76,906	80,239
Use of Goods & Services	46,105	48,673	50,795	56,460	62,757	69,756
Social Benefits	162,023	169,224	174,509	185,542	197,273	209,745
Subsidies	9,101	9,701	34,739	30,228	30,231	30,234
Other Expenses				21,804	21,804	21,804
Grant Expense						
Depreciation	23,714	24,596	25,423	26,180	26,180	26,180
Total Expenses excluding interest	<u>320,194</u>	<u>334,532</u>	<u>374,344</u>	<u>393,925</u>	<u>415,150</u>	<u>437,958</u>
Operating Surplus/Shortfall	17,827	21,042	-22,758	-16,910	-14,068	-10,911
Interest Expense	<u>6,933</u>	<u>6,231</u>	<u>5,443</u>	<u>4,828</u>	<u>4,869</u>	<u>4,910</u>
Net Operating Balance	10,894	14,811	-28,201	-21,738	-18,936	-15,821

ANNUAL BALANCE SHEETS

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

Base Case	ANNUAL BALANCE SHEETS (MILLIONS EUR)					
	2018	2019	2020	2021	P2022	P2023
ASSETS						
Currency and Deposits (asset)	14,275	14,977	20,667	14,656	14,656	14,656
Securities other than Shares LT (asset)	8,458	7,157	6,332	7,355	7,355	7,355
Loans (asset)	1,799	1,960	4,417	3,046	3,314	3,606
Shares and Other Equity (asset)	-229	613	-4,639	167	170	174
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	8,223	9,450	5,993	2,800	2,520	2,268
Other Accounts Receivable LT	56,151	56,322	74,324	79,937	85,974	92,467
Monetary Gold and SDR's						
Other Assets					172,647	172,647
Additional Assets	<u>157,133</u>	<u>167,605</u>	<u>171,104</u>	<u>172,647</u>		
Total Financial Assets	<u>245,810</u>	<u>258,084</u>	<u>278,198</u>	<u>280,608</u>	286,636	293,172
LIABILITIES						
Other Accounts Payable	51,500	49,305	55,002	58,746	61,683	64,767
Currency & Deposits (liability)	1,608	1,688	1,618	2,372	2,372	2,372
Securities Other than Shares (liability)	377,591	373,045	424,404	434,409	441,578	448,865
Loans (liability)	80,685	82,545	77,247	74,356	93,292	109,114
Insurance Technical Reserves (liability)						
Financial Derivatives (liability)						
Other Liabilities	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Liabilities	511,386	506,584	558,272	569,884	594,849	617,206
Net Financial Worth	<u>-265,576</u>	<u>-248,500</u>	<u>-280,074</u>	<u>-289,276</u>	<u>-308,212</u>	<u>-324,034</u>
Total Liabilities & Equity	<u>245,810</u>	<u>258,084</u>	<u>278,198</u>	<u>280,608</u>	286,636	293,172

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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 "AA-" whereas the ratio-implied rating for the most recent period is "AA-"; 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 THE NETHERLANDS with the ticker of 1533Z NA we have assigned the senior unsecured rating of AA-. 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 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	AA-	AA-	A+
Social Contributions Growth %	7.0	10.0	4.0	AA-	AA-	AA-
Other Revenue Growth %		3.0	(3.0)	AA-	AA-	AA-
Total Revenue Growth%	7.0	9.0	5.0	AA-	AA-	AA-
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	AA-	AA-	AA-

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:

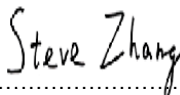
Today's Date


 Subramanian NG
 Senior Rating Analyst

August 30, 2022

Reviewer Signature:

Today's Date


 Steve Zhang
 Senior Rating Analyst

August 30, 2022

(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.