

Based on the OECD's projections, economic growth is expected to moderate to 0.9% in 2023 and then increase to 1.4% in 2024. Headline inflation is anticipated to decrease to 2.2% in 2024, primarily due to declining energy prices. However, core inflation is expected to remain elevated at 3.9%. Private consumption will contribute to growth, supported by energy support measures and increased benefits implemented since the beginning of 2023. Export growth is predicted to improve in 2024 as external demand strengthens, following a slowdown in 2023. Private investment, on the other hand, will slow down due to higher uncertainty, rising interest rates, and reduced credit availability. Although the labor market will remain tight, the unemployment rate is projected to rise slightly to 4.1% by late 2024.

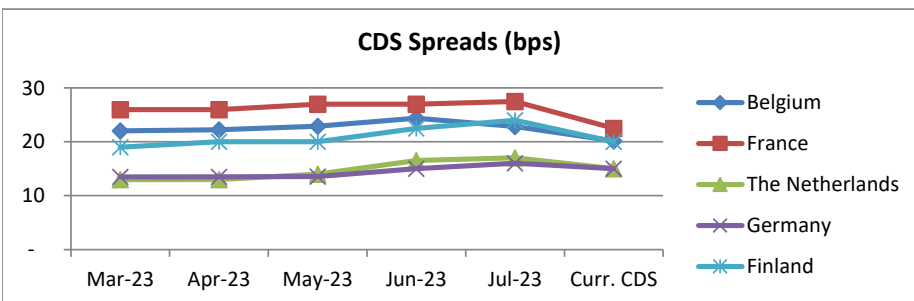
The fiscal stance is slightly expansionary, with annual real expenditure exceeding the defined limits in the fiscal policy framework since 2020. It is important for the government to work towards returning to fiscal rules. Affirming.

Annual Ratios (source for past results: IMF)

<b>CREDIT POSITION</b>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>P2023</u>	<u>P2024</u>	<u>P2025</u>
Debt/ GDP (%)	70.2	66.6	54.6	49.1	42.8	35.9
Govt. Sur/Def to GDP (%)	-3.5	-2.3	0.3	1.3	2.4	3.3
Adjusted Debt/GDP (%)	70.2	66.6	54.6	49.1	42.8	35.9
Interest Expense/ Taxes (%)	2.6	2.2	2.1	2.0	1.8	1.7
GDP Growth (%)	-2.0	7.4	10.0	2.5	3.6	3.6
Foreign Reserves/Debt (%)	0.9	0.8	0.9	1.0	1.2	1.4
Implied Sen. Rating	A+	AA-	AA	AA-	AA-	AA

<b>INDICATIVE CREDIT RATIOS</b>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>
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

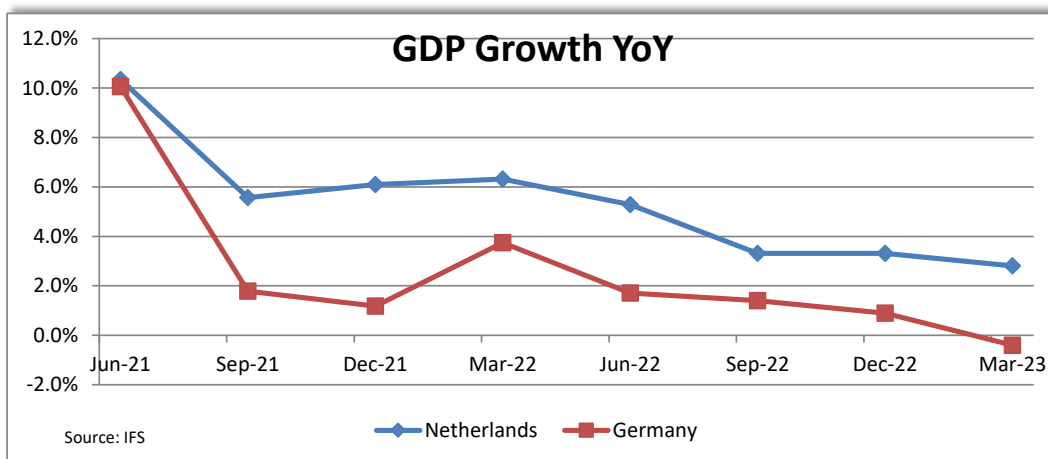
<b>PEER RATIOS</b>	<u>Other NRSRO Sen.</u>	<u>Debt as a % of GDP</u>	<u>Govt. Surp. Def to GDP (%)</u>	<u>Adjusted Debt/ GDP</u>	<u>Interest Expense/ Taxes %</u>	<u>GDP Growth (%)</u>	<u>Ratio- Implied Rating*</u>
Federal Republic Of Germany	AAA	65.3	-2.6	65.3	2.7	7.4	AA-
French Republic	AA	117.1	-4.2	117.1	6.1	5.5	A-
Kingdom Of Belgium	AA	103.8	-3.4	103.8	5.1	9.3	BBB
Republic Of Finland	AA+	74.2	-0.4	74.2	1.8	6.4	BB+
Kingdom Of Denmark	AAA	29.7	4.1	29.7	1.7	11.7	BBB-



<u>Country</u>	<u>EJR Rtg.</u>	<u>CDS</u>
Belgium	BBB	20
France	A+	23
The Netherlands	AA-	15
Germany	AA	15
Finland	AA	20

**Economic Growth**

In Q1'23, the GDP experienced a contraction of 0.7% due to a decline in exports and gas inventories. However, private investment made a positive contribution to growth, and producer sentiment remained above its long-term average. Although private consumption stagnated, there have been improvements in consumer confidence and the willingness to buy since the beginning of 2023, albeit from historically low levels. Price pressures persist, with headline inflation remaining elevated at 6.8% in May. The persistent high core inflation of 8.2% in May can be attributed to rising service prices. The labor market continues to be tight, with less than one unemployed person per vacancy.



**Fiscal Policy**

The fiscal deficit is projected to increase due to heightened expenditure on energy support measures and reduced gas receipts. To alleviate the financial burden on households grappling with a high cost of living, the government implemented several permanent measures in 2023, amounting to approximately EUR 5 billion annually (equivalent to about 0.6% of GDP). These measures include a 10.2% increase in the minimum wage, augmented social benefits, and a reduction in the income tax rate for the lowest tax bracket.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Netherlands	0.28	54.65	15.01
Germany	-2.62	65.28	15.01
France	-4.25	117.11	22.50
Belgium	-3.36	103.79	20.17
Finland	-0.45	74.17	20.00
Denmark	4.05	29.70	15.01

Sources: Thomson Reuters and IFS

**Unemployment**

In May 2023, the seasonally adjusted unemployment rate in the Netherlands slightly increased to 3.5% compared to the previous month's rate of 3.4%. The number of unemployed individuals rose by 10K, reaching a total of 353K, while employment increased by 2K, totaling 9.727 million. Additionally, the number of people claiming unemployment benefits stood at 151K. According to the OECD, wages in the Netherlands respond to inflation with a delay and are projected to rise by 5.3% in 2023 and 4.9% in 2024.

	Unemployment (%)	
	2021	2022
Netherlands	4.23	3.54
Germany	3.58	3.07
France	7.88	7.32
Belgium	6.28	5.58
Finland	7.68	6.77
Denmark	5.10	4.46

Source: Intl. Finance Statistics

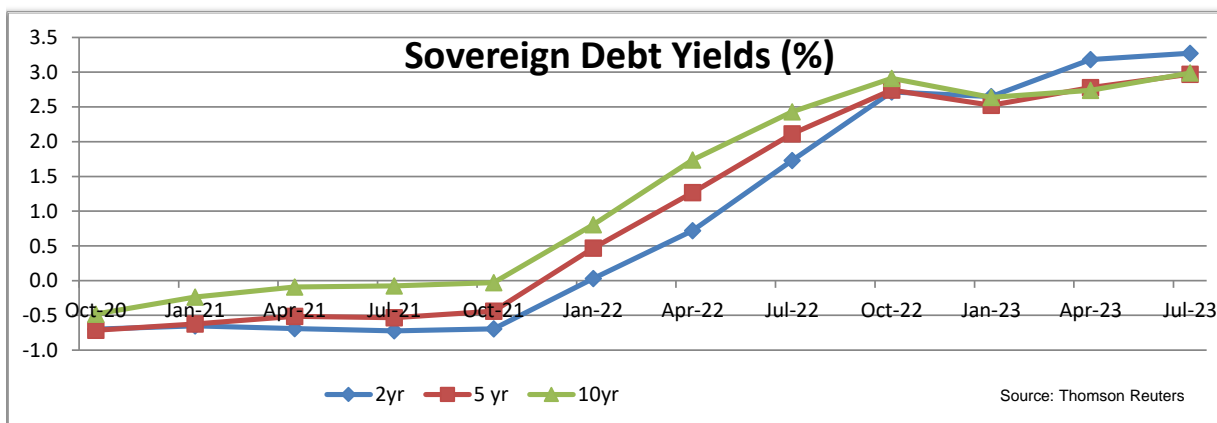
**Banking Sector**

As of May 2023, the Dutch central bank, DNB, has decided to raise the countercyclical capital buffer (CCyB) from 1.0% to 2.0%. This decision imposes an additional capital charge of approximately €3.4 billion on the entire Dutch banking sector. The purpose of implementing the CCyB is to enhance the resilience of banks in the face of growing cyclical risks. This approach aims to mitigate the immediate impact of a crisis on the real economy.

<b>Bank Assets (billions of local currency)</b>		
	Assets	Mkt Cap/ Assets %
ING GROEP NV-CVA	967.8	4.63
AEGON NV	400.9	2.30
HAL TRUST	26.7	39.71
VAN LANSCHOT-CVA	17.0	7.23
WERELDHAVE NV	<u>2.1</u>	<u>28.14</u>
Total	1,414.6	
EJR's est. of cap shortfall at 10% of assets less market cap		75.0
Netherlands's GDP		941.2

**Funding Costs**

The current yield of the Netherlands' 10Y Government Bond stands at 2.729%. There is a spread of -40.3 basis points between the 10-year and 2-year bonds, resulting in an inverted yield curve when comparing long-term and short-term maturities. The Central Bank Rate has been set at 4.00%, with the most recent adjustment made in June 2023.



**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.

<b>The World Bank's Doing Business Survey*</b>			
	2021	2020	Change in
	Rank	Rank	Rank
<b>Overall Country Rank:</b>	<b>42</b>	<b>42</b>	<b>0</b>
<b>Scores:</b>			
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 78.0 for Economic Freedom with 100 being best.

<b>Heritage Foundation 2023 Index of Economic Freedom</b>				
<b>World Rank 78.0*</b>				
	<b>2023</b>	<b>2022</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>95.6</b>	<b>96.2</b>	<b>-0.6</b>	<b>53.3</b>
<b>Government Integrity</b>	<b>91.0</b>	<b>92.3</b>	<b>-1.3</b>	<b>44.4</b>
<b>Judicial Effectiveness</b>	<b>96.6</b>	<b>96.9</b>	<b>-0.3</b>	<b>48.3</b>
<b>Tax Burden</b>	<b>51.0</b>	<b>51.2</b>	<b>-0.2</b>	<b>78.1</b>
<b>Gov't Spending</b>	<b>37.9</b>	<b>45.4</b>	<b>-7.5</b>	<b>64.3</b>
<b>Fiscal Health</b>	<b>90.8</b>	<b>93.6</b>	<b>-2.8</b>	<b>54.5</b>
<b>Business Freedom</b>	<b>84.4</b>	<b>88.1</b>	<b>-3.7</b>	<b>59.8</b>
<b>Labor Freedom</b>	<b>59.3</b>	<b>58.9</b>	<b>0.4</b>	<b>55.5</b>
<b>Monetary Freedom</b>	<b>80.2</b>	<b>82.1</b>	<b>-1.9</b>	<b>72.1</b>
<b>Trade Freedom</b>	<b>78.6</b>	<b>79.2</b>	<b>-0.6</b>	<b>69.6</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 THE NETHERLANDS has grown its taxes of 9.0% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 9.0% per annum over the next couple of years and 8.1% 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 more than its peers and we assumed a 10.0% 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	9.0	9.0	8.1
Social Contributions Growth %	5.2	7.5	7.0	7.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	27.5	18.0	18.0
Total Revenue Growth%	6.4	10.4	10.0	9.0
Compensation of Employees Growth%	4.2	8.3	8.3	8.3
Use of Goods & Services Growth%	5.9	7.9	7.9	7.9
Social Benefits Growth%	1.4	4.9	4.9	4.9
Subsidies Growth%	(24.8)	(43.4)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.0	1.0	
Currency and Deposits (asset) Growth%	(11.4)	0.0		
Securities other than Shares LT (asset) Growth%	(11.3)	0.0		
Loans (asset) Growth%	5.4	(53.2)	9.0	9.0
Shares and Other Equity (asset) Growth%	(25.3)	(332.6)	2.0	2.0
Insurance Technical Reserves (asset) Growth%	(6.2)	0.0		
Financial Derivatives (asset) Growth%	(28.7)	(135.6)	(10.0)	(10.0)
Other Accounts Receivable LT Growth%	4.2	7.4	7.4	7.4
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%	6.8	(7.3)	3.0	3.0
Currency & Deposits (liability) Growth%	(4.0)	(5.2)	0.5	0.5
Securities Other than Shares (liability) Growth%	(15.1)	(10.9)	(7.6)	(7.6)
Loans (liability) Growth%	0.5	(5.4)	0.5	0.5
Insurance Technical Reserves (liability) Growth%	5.4	0.0		
Financial Derivatives (liability) Growth%	0.0	0.0		
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

**ANNUAL INCOME 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)					
	2019	2020	2021	2022	P2023	P2024
Taxes	206,355	205,249	224,766	245,059	267,114	291,155
Social Contributions	113,150	112,486	116,888	125,611	134,404	143,812
Grant Revenue						
Other Revenue						
Other Operating Income	37,616	33,668	37,688	48,065	48,065	48,065
Total Revenue	357,121	351,403	379,342	418,735	449,583	483,032
Compensation of Employees	67,021	70,683	73,357	79,479	86,112	93,298
Use of Goods & Services	48,673	50,711	55,700	60,076	64,796	69,886
Social Benefits	169,224	173,780	184,869	193,870	203,309	213,208
Subsidies	9,701	34,276	31,293	17,719	17,721	17,723
Other Expenses				32,182	32,182	32,182
Grant Expense						
Depreciation	24,596	25,413	26,528	27,593	27,593	27,593
Total Expenses excluding interest	335,445	373,718	393,997	410,919	431,713	453,890
Operating Surplus/Shortfall	21,676	-22,315	-14,655	7,816	17,870	29,141
Interest Expense	<u>6,231</u>	<u>5,432</u>	<u>4,857</u>	<u>5,161</u>	<u>5,213</u>	<u>5,265</u>
Net Operating Balance	15,445	-27,747	-19,512	2,655	12,658	23,876

## 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)					
	2019	2020	2021	2022	P2023	P2024
<b>ASSETS</b>						
Currency and Deposits (asset)	14,746	20,372	14,120	26,615	26,615	26,615
Securities other than Shares LT (asset)	7,180	6,592	7,612	9,947	9,947	9,947
Loans (asset)	1,803	4,159	3,018	1,412	1,539	1,678
Shares and Other Equity (asset)	589	-4,619	-43	100	102	104
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	8,647	5,072	1,948	-693	-624	-561
Other Accounts Receivable LT	58,185	77,423	88,178	94,705	101,715	109,244
Monetary Gold and SDR's						
Other Assets					141,167	141,167
Additional Assets	<u>167,937</u>	<u>171,258</u>	<u>171,854</u>	<u>141,167</u>		
Total Financial Assets	<u>259,087</u>	<u>280,257</u>	<u>286,687</u>	<u>273,253</u>	280,462	288,193
<b>LIABILITIES</b>						
Other Accounts Payable	48,703	55,066	61,569	57,046	58,757	60,520
Currency & Deposits (liability)	1,688	1,617	2,482	2,352	2,352	2,352
Securities Other than Shares (liability)	373,045	424,545	430,834	383,953	354,707	327,689
Loans (liability)	82,708	77,774	75,023	70,967	58,309	34,433
Insurance Technical Reserves (liability)						
Financial Derivatives (liability)						
Other Liabilities	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Liabilities	506,145	559,003	569,909	514,319	508,870	492,726
Net Financial Worth	<u>-247,058</u>	<u>-278,746</u>	<u>-283,222</u>	<u>-241,066</u>	<u>-228,408</u>	<u>-204,532</u>
Total Liabilities & Equity	<u>259,087</u>	<u>280,257</u>	<u>286,687</u>	<u>273,253</u>	280,462	288,193

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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"; we expect results to decline slightly.

**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 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+) 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](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 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%	9.0	13.0	5.0	AA-	AA	AA-
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%	10.0	12.0	8.0	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**

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Subramanian NG  
Senior Rating Analyst

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August 18, 2023  
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**Reviewer Signature:**

**Today's Date**

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Steve Zhang  
Senior Rating Analyst

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August 18, 2023  
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## 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.*