

In 2023, the Dutch economy experienced a significant slowdown, with GDP growth reaching a mere 0.1%. The first three quarters saw a contraction in real GDP, followed by modest growth in the fourth quarter. High inflation severely impacted households' disposable incomes, leading to a decline in private consumption spending. Additionally, reduced economic activity among the Netherlands' main trading partners led to a drop in export volumes. Investment activity was volatile, with a robust first half of the year followed by negative growth in the second half. In 2024, an expected recovery in real wages is anticipated to boost private consumption. Economic growth is also projected to benefit from increased public investment, particularly in areas related to the green transition and defense.

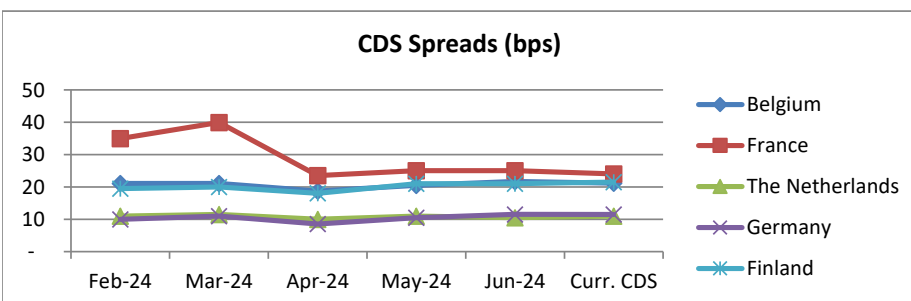
Looking ahead to 2025, the growth rate is expected to accelerate to 1.5%. Solid wage growth and declining inflation are projected to support households' real disposable incomes. Furthermore, the outlook for business investment and trade is set to improve, driven by easing financial conditions and a stronger external environment. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>P2024</u>	<u>P2025</u>	<u>P2026</u>
Debt/ GDP (%)	65.6	54.3	51.3	50.9	50.2	49.4
Govt. Sur/Def to GDP (%)	-2.1	0.0	-0.3	-0.1	0.2	0.1
Adjusted Debt/GDP (%)	65.6	54.3	51.3	50.9	50.2	49.4
Interest Expense/ Taxes (%)	2.1	2.1	2.4	2.1	1.9	1.8
GDP Growth (%)	9.3	10.1	7.9	2.5	3.6	3.6
Foreign Reserves/Debt (%)	0.8	0.9	1.0	1.0	1.0	1.0
Implied Sen. Rating	AA-	AA	AA	AA-	AA-	AA-

INDICATIVE CREDIT RATIOS	<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

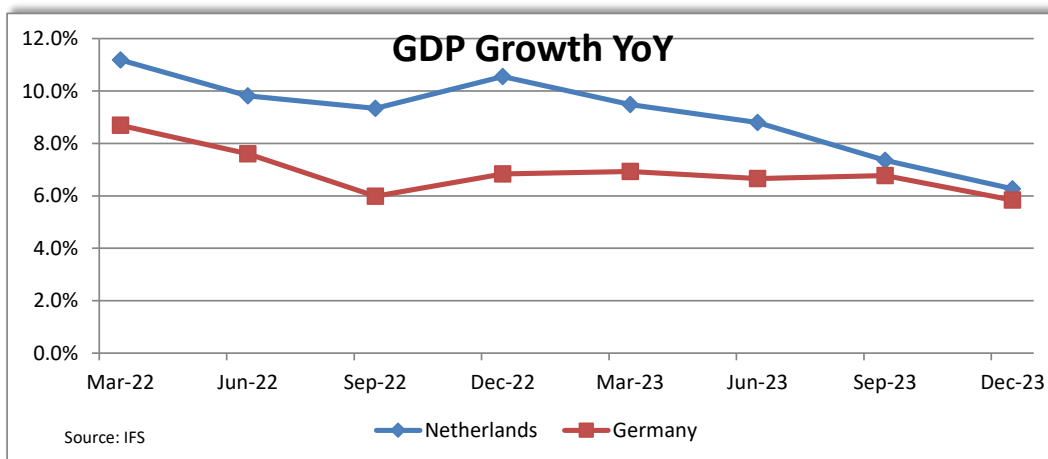
PEER RATIOS	<u>Other NRSRO Sen.</u>	<u>Debt as a % GDP</u>	<u>Govt. Surp. Def to GDP (%)</u>	<u>Adjusted Debt/ GDP</u>	<u>Interest Expense/ Taxes %</u>	<u>GDP Growth (%)</u>	<u>Ratio- Implied Rating*</u>
Federal Republic Of Germany	AAA	64.0	-2.6	64.0	3.8	6.3	AA
French Republic	AA	117.2	-4.8	117.2	5.9	6.2	A-
Kingdom Of Belgium	AA	108.6	-3.9	108.6	6.8	5.5	BBB
Republic Of Finland	AA+	79.0	-2.2	79.0	3.8	3.7	BB+
Kingdom Of Denmark	AAA	33.9	4.0	33.9	1.3	-1.7	BBB-



<u>Country</u>	<u>EJR Rtg.</u>	<u>CDS</u>
Belgium	BBB	21
France	A+	24
The Netherlands	AA-	11
Germany	AA	12
Finland	AA	22

Economic Growth

Seasonally adjusted GDP in the Netherlands contracted in Q1 2024 on a quarterly basis, driven by weaker private spending growth despite robust expansion in public spending and a rebound in fixed investment. However, GDP is expected to return to growth in Q2. Economic sentiment improved in April and May, surpassing Q1's average. Additionally, April saw a rebound in monthly industrial output from Q1 levels and the first growth in goods exports in 13 months. On a less positive note, wage growth cooled in April and May compared to Q1, and April's monthly retail sales declined, indicating muted private spending. The economy is projected to grow modestly at 0.5% in 2024, with growth anticipated to increase to 1.3% in 2025.



Fiscal Policy

In 2023, the government deficit in the Netherlands rose to 0.3% of GDP. This low deficit was partly due to windfalls from dividend tax revenue driven by anticipation effects, as well as underspending on public investment projects. Measures to mitigate the impact of high energy prices accounted for budgetary costs of 1.0% of GDP in 2023. Looking ahead to 2024, the government deficit is projected to increase to 2.0% of GDP. In 2025, based on unchanged policies, the government deficit is forecast to increase slightly to 2.1% of GDP, primarily due to a further expected rise in public investments.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Netherlands	-0.26	51.34	11.01
Germany	-2.55	64.01	11.51
France	-4.84	117.19	24.00
Belgium	-3.85	108.57	21.16
Finland	-2.22	78.96	21.50
Denmark	4.03	33.89	11.01

Sources: Thomson Reuters and IFS

Unemployment

The labor market in the Netherlands remains tight overall, but there are signs of easing. While the number of outstanding vacancies is decreasing, it continues to exceed the number of unemployed. Employment growth is also decelerating, and the unemployment rate is forecast to gradually pick up to 3.9% in 2024 and 4.0% in 2025. On the back of a tight labor market and surging inflation, nominal

	Unemployment (%)	
	2022	2023
Netherlands	3.54	3.54
Germany	3.07	3.03
France	7.32	7.34
Belgium	5.58	5.53
Finland	6.77	7.22
Denmark	4.48	5.12

Source: Intl. Finance Statistics

wage growth increased substantially to 6.2% in 2023.

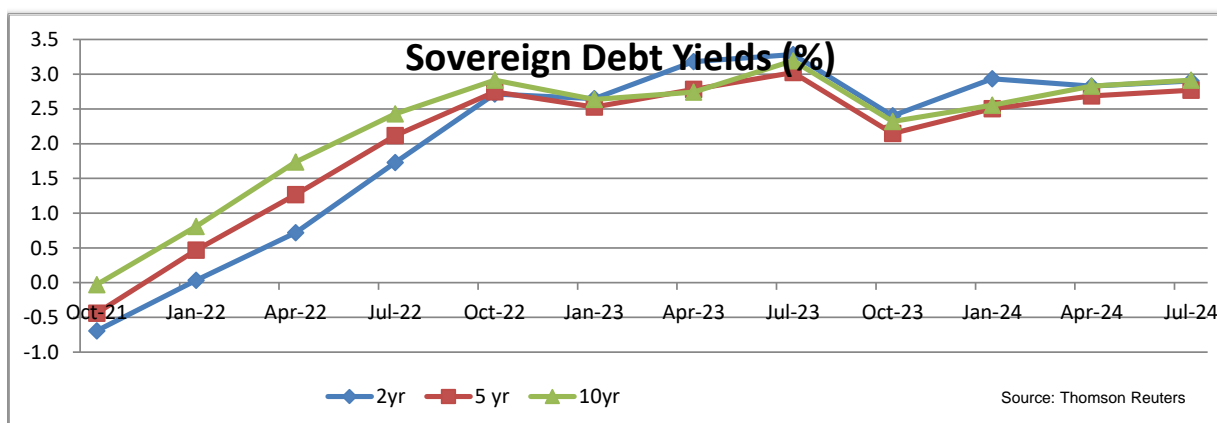
Banking Sector

The Netherlands' banking system is highly interconnected with Germany, France, the US, and the UK. Given the Netherlands' substantial direct and indirect exposures to non-EU partners, geopolitical and trade tensions pose a non-negligible risk to its economy. Dutch banks are more heavily exposed to household mortgages compared to other euro area countries, potentially straining them in the event of significant credit losses from loan defaults.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
ING GROEP NV-CVA	975.6	5.51
AEGON NV	301.6	3.49
HAL TRUST	26.3	38.35
VAN LANSCHOT-CVA	16.8	9.76
WERELDHAVE NV	<u>2.3</u>	<u>25.62</u>
Total	1,322.6	
EJR's est. of cap shortfall at 10% of assets less market cap		55.6
Netherlands's GDP		1,034.1

Funding Costs

The Netherlands 10-Year Government Bond currently offers a yield of 2.752%, and the spread between the Netherlands 10-Year and 2-Year government bonds is -2 basis points (bp). The current quotation for the Netherlands 5-Year Credit Default Swap is 10.18 basis points, corresponding to an implied probability of default of 0.17%.



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 77.3 for Economic Freedom with 100 being best.

Heritage Foundation 2024 Index of Economic Freedom				
World Rank 77.3*				
	2024	2023	Change in	World
	Rank**	Rank	Rank	Avg.
Property Rights	95.6	95.6	0.0	53.4
Government Integrity	87.8	91.0	-3.2	43.7
Judicial Effectiveness	96.2	96.6	-0.4	48.8
Tax Burden	53.1	51.0	2.1	78.1
Gov't Spending	37.1	37.9	-0.8	64.2
Fiscal Health	88.1	90.8	-2.7	52.1
Business Freedom	88.6	84.4	4.2	62.1
Labor Freedom	60.5	59.3	1.2	55.9
Monetary Freedom	71.5	80.2	-8.7	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 THE NETHERLANDS has grown its taxes of 12.4% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 12.4% per annum over the next couple of years and 11.2% 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 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%	0.7	12.4	12.4	11.2
Social Contributions Growth %	4.8	4.0	4.0	4.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	(11.3)	(11.3)	(11.3)
Total Revenue Growth%	3.5	7.2	7.2	6.5
Compensation of Employees Growth%	6.3	8.1	8.1	8.1
Use of Goods & Services Growth%	7.6	12.3	12.3	12.3
Social Benefits Growth%	4.8	10.1	10.1	10.1
Subsidies Growth%	(5.2)	(6.2)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.2	1.2	
Currency and Deposits (asset) Growth%	3.5	0.0		
Securities other than Shares LT (asset) Growth%	12.0	0.0		
Loans (asset) Growth%	(138.3)	(149.2)	12.4	12.4
Shares and Other Equity (asset) Growth%	(115.3)	2,071.4	400.0	360.0
Insurance Technical Reserves (asset) Growth%	1.2	0.0		
Financial Derivatives (asset) Growth%	(18.0)	(15.5)	(15.5)	(15.5)
Other Accounts Receivable LT Growth%	1.5	(1.5)	(1.5)	(1.5)
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%	(0.5)	(0.3)	3.0	3.0
Currency & Deposits (liability) Growth%	(2.8)	(10.7)	0.5	0.5
Securities Other than Shares (liability) Growth%	9.1	2.5	1.7	1.7
Loans (liability) Growth%	(0.5)	1.9	1.9	1.9
Insurance Technical Reserves (liability) Growth%	0.0	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)					
	2020	2021	2022	2023	P2024	P2025
Taxes	205,249	224,929	243,099	273,331	307,224	345,320
Social Contributions	112,486	116,739	125,551	130,531	135,709	141,091
Grant Revenue						
Other Revenue						
Other Operating Income	33,668	39,027	47,373	42,039	42,039	42,039
Total Revenue	351,403	380,695	416,023	445,901	484,972	528,450
Compensation of Employees	70,683	73,223	79,288	85,739	92,715	100,258
Use of Goods & Services	50,711	56,706	60,539	67,975	76,324	85,699
Social Benefits	173,780	184,649	193,477	213,031	234,561	258,267
Subsidies	34,276	30,325	19,070	17,897	17,899	17,901
Other Expenses				27,540	27,540	27,540
Grant Expense						
Depreciation	25,413	26,658	28,717	29,897	29,897	29,897
Total Expenses excluding interest	373,718	394,416	410,655	442,079	478,936	519,563
Operating Surplus/Shortfall	-22,315	-13,721	5,368	3,822	6,035	8,888
Interest Expense	<u>5,432</u>	<u>4,713</u>	<u>5,178</u>	<u>6,524</u>	<u>6,604</u>	<u>6,685</u>
Net Operating Balance	-27,747	-18,434	190	-2,702	-569	2,202

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)					
	2020	2021	2022	2023	P2024	P2025
ASSETS						
Currency and Deposits (asset)	20,413	14,890	25,187	20,244	29,484	29,484
Securities other than Shares LT (asset)	6,592	7,506	8,103	7,510	7,510	7,510
Loans (asset)	4,159	2,630	5,324	-2,617	-2,942	-3,306
Shares and Other Equity (asset)	-4,619	388	7	152	760	3,800
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	5,072	2,249	-399	-337	-285	-240
Other Accounts Receivable LT	77,433	89,561	99,774	98,273	96,795	95,338
Monetary Gold and SDR's						
Other Assets					158,996	158,996
Additional Assets	<u>171,258</u>	<u>172,248</u>	<u>142,682</u>	<u>158,996</u>		
Total Financial Assets	280,308	289,472	280,678	282,221	290,319	291,582
LIABILITIES						
Other Accounts Payable	55,123	62,706	63,070	62,877	64,763	66,706
Currency & Deposits (liability)	1,617	2,521	2,391	2,136	2,136	2,136
Securities Other than Shares (liability)	424,545	430,719	383,776	393,229	400,009	406,906
Loans (liability)	77,790	75,435	71,279	72,649	73,218	71,016
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	559,076	571,382	520,517	530,892	539,558	538,619
Net Financial Worth	<u>-278,768</u>	<u>-281,910</u>	<u>-239,839</u>	<u>-248,671</u>	<u>-249,240</u>	<u>-247,038</u>
Total Liabilities & Equity	280,308	289,472	280,678	282,221	290,319	291,582

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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 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%	12.4	16.4	8.4	AA-	AA-	AA-
Social Contributions Growth %	4.0	7.0	1.0	AA-	AA-	AA-
Other Revenue Growth %		3.0	(3.0)	AA-	AA-	AA-
Total Revenue Growth%	7.2	9.2	5.2	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

Aug 16, 2024
.....

Reviewer Signature:

Today's Date

.....
Steve Zhang
Senior Rating Analyst

Aug 16, 2024
.....

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.