KINGDOM OF THE NETHERLANDS

Rating Analysis - 1/25/11
Debt: EUR347.6B, Cash: EUR21.0B

EJR Sen Rating(Curr/Prj) AA-/ A+
EJR CP Rating: A1+
EJR's 1 yr. Default Probability: 1.3%

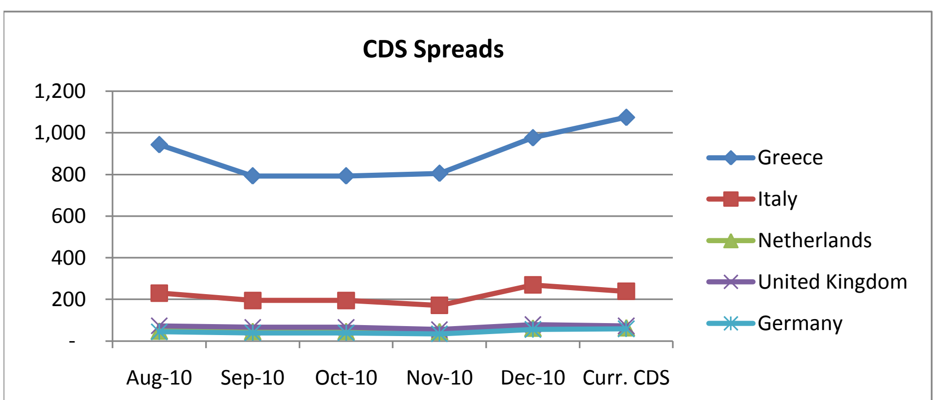
Economic growth in the Netherlands remains and moderate and stable. In Q3 2010, economic output remained unchanged from Q2 2010 and was up 1.9% YoY. GDP is expected to increase 1.7% in 2010, 1.6% in 2011 and 1.7% in 2012. During the third quarter, exports were up 11% YoY and imports were up 10.8% YoY. Household and government consumption was up an annual 0.6% and 1.8%, respectively. The current account recorded a surplus of €9.5B. In November 2010, 5.2% of the labour force was unemployed. There were 14,000 fewer persons unemployed compared to November 2009. Inflation was 1.9% in December 2010, up 0.3% from November 2010 due to higher motor fuel prices. According to the HICP, Dutch inflation was 1.8%, up 0.4% from November. Consumer confidence fell slightly during the month.

The Netherlands recently sold €3.25B of 1% 2014 notes at an average yield of 1.297%, a healthy 13 bps over Germany. The target rate was reportedly reached within 10 minutes. The Dutch State Treasury Agency plans to issue a new 10-year benchmark bond on March 1, 2011. The country's funding costs have most recently been estimated at €109.4B for 2011. CDS spreads are currently trading at 58.3bps, below that of Germany and most other EU peers.

	Annual Ratios					
INDICATIVE CREDIT RATIOS	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
Debt/ GDP (%)	54.4	60.0	61.3	58.6	56.1	53.6
Govt. Sur/Def to GDP (%)	0.6	-5.4	-2.0	-1.7	-1.6	-1.6
Adjusted Debt/GDP (%)	65.9	72.7	73.7	70.8	68.0	65.3
Interest Expense/ Taxes %	9.2	9.1	8.2	8.4	8.0	7.7
GDP Growth (%)	-2.4	1.9	2.0	2.0	2.0	2.0
Foreign Reserves/Debt (%)	1.9	1.7	1.7	1.8	1.8	1.9
Implied Sen. Rating	A-	BBB+	A-	BBB	BBB	BBB

INDICATIVE CREDIT RATIOS	AA	A	BBB	BB	B	CCC
Debt/ GDP (%)	40.0	50.0	60.0	80.0	120.0	150.0
Govt. Sur/Def to GDP (%)	5.0	3.0	0.5	-2.0	-5.0	-9.0
Adjusted Debt/GDP (%)	45.0	55.0	65.0	85.0	125.0	155.0
Interest Expense/ Taxes %	7.0	9.0	12.0	15.0	22.0	26.0
GDP Growth (%)	5.0	4.0	2.0	1.0	-1.0	-5.0
Foreign Reserves/Debt (%)	25.0	20.0	15.0	12.0	9.0	7.0

PEER RATIOS	S&P Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
United Kingdom	AAA	77.8	-11.4	96.9	7.0	1.7	BB
Federal Republic Of Germany	AAA	72.3	-3.0	79.0	10.7	3.9	BB+
Kingdom Of Spain	AA	52.5	-11.1	56.3	9.6	0.2	BB+
Italian Republic	A+	114.2	-5.3	119.8	15.9	1.1	B+
Hellenic Republic (Greece)	BB+	123.6	-15.4	126.9	25.8	-4.6	CCC+



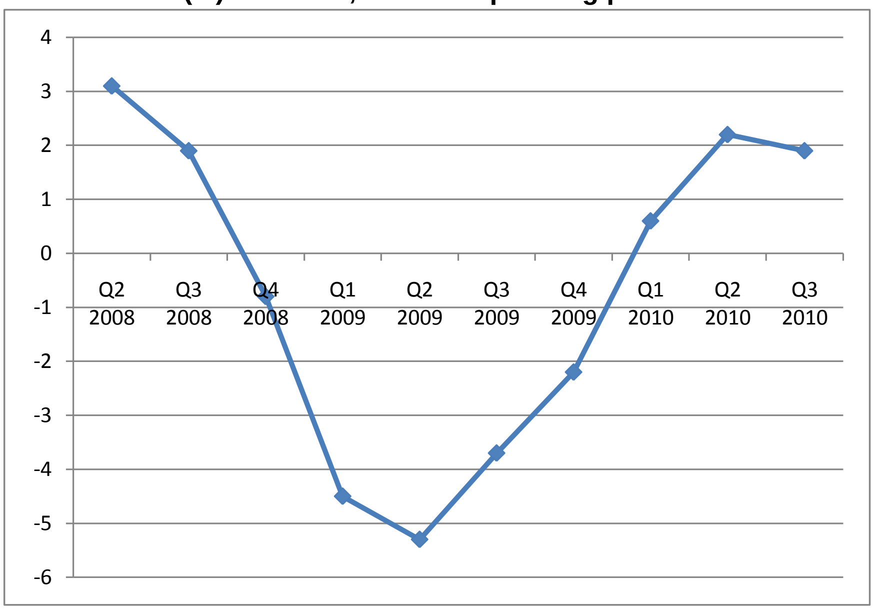
Country (EJR Rtg*)	Current CDS	Targeted CDS
Greece(B+)	1,074	600
Italy(BBB+)	238	158
Netherlands(A+)	63	60
United Kingdom(AA)	72	30
Germany(AA)	58	30

* Projected Rating

Moderate Economic Growth
After 26 years of uninterrupted growth, the Dutch economy was hit hard by the global financial crisis in 2009, suffering a severe downturn which resulted in an economic contraction of 3.9%. Exports declined 25% during that same year as a result of decreased global demand. Economic growth picked up again in early 2010 with 0.6% growth in the first quarter (0.5% QoQ) and 2.2% growth in the second quarter (0.9% QoQ). By the third quarter of 2010, GDP increased 1.9% annually while remaining flat on a quarterly basis. Government support and an upturn in foreign demand are credited with underpinning the recent economic expansion.

The growth outlook for the Dutch economy is moderate with levels expected to come to 1.7% in 2010. Growth is expected to remain relatively stable in the years ahead at 1.6% and 1.7% in 2011 and 2012, respectively.

GDP Growth (%): Volume, on corresponding period YoY



Source: Statistics Netherlands

Inflation Remains Below Eurozone Average
Inflation in the Netherlands climbed to 1.9% in December 2010, the second highest rate after March 2009 and up from 1.6% in November 2010. The increase was due mainly to higher motor fuel prices, which were up 13.4% YoY during the month. Upward trends in clothing prices and phone rates also attributed to the rise.

Overall, Dutch inflation remains below the eurozone level. Inflation in the eurozone stood at 2.2% in December 2010, up from 1.9% in November 2010. The HICP recorded 1.8% inflation in the Dutch economy in December, up 0.4% from the month prior. The average rate of inflation in the Dutch economy by year-end 2010 was 1.3% versus 1.2% in 2009.

Unemployment Virtually Unchanged
In November 2010, roughly 409,000 Dutch persons were unemployed, equating to 5.2% of the country's total labor force. The seasonally adjusted figure was down 1,000 persons from the month prior. Comparably, the number of unemployed persons fell by an average of 2,000 per month in the previous three months and by 6,000 per month in the six months of February through July 2010. As a result, the number of unemployed persons is currently decreasing at a slower rate than previously this year.

Meanwhile, the number of unemployed job seekers increased in the month of November by 1% over the month prior to 484,000 persons. The number of new unemployment benefits rose by nearly 2% during the month, reaching 32,000.

Balance of Payments Surplus in Q3 2010
The Netherland's current account ended the third quarter of 2010 with a €9.5B surplus. Exports of goods totaled €91.2B, up 21% on the corresponding quarter of 2009, while imports of goods kept pace with €79.8B. The resulting net goods account surplus totaled €11.4B. Meanwhile, the services account, which includes foreign construction activities, financial services and royalty and licence fees among other things, closed with a net surplus of €0.5B.

Funding Costs: FY 2011
The Netherlands successfully completed its first bond auction of 2011 with healthy investor demand. The government, which had planned to raise between €2.5B and €3.5B in January, sold €3.25B of new three-year bonds at an average yield of 1.297%. With an issuance yield of 13 basis points over Germany, the Dutch Treasury noted that the Netherlands had successfully secured financing within the euro area at a favourable premium over Germany.

The Dutch State Treasury Agency has estimated the country will have overall borrowing requirements of €109.4B. The call on capital markets is expected to be €50B and while the expected ultimate 2011 money market volume is €59.4B.

Dutch Businesses Remain Competitive
The Netherlands remains a very business friendly nation, open to the latest technologies and providing high levels of business freedom. Furthermore, the country has a moderate coporate tax rate of up to 25.5%. However, companies remain tight on cash as available credit declined following the collapse of the country's banking sector. Bankruptcies were up 70% in the twelve months through September 2009.

The overall freedom to start, operate, and close a business is protected under the regulatory environment of the Netherlands. Starting a business takes an average of 10 days compared to the world average of 35 days. Obtaining a business license takes about the world average of 18 procedures and 218 days.

The World Bank Group - Doing Business 2010 Survey: Ireland

Ease of…*	2011 Rank	2010 Rank	Change in Rank
Doing Business	**30**	**29**	**-1**
Starting a Business	71	64	**-7**
Dealing with Construction Permits	105	106	**1**
Registering Property	46	43	**-3**
Getting Credit	46	44	**-2**
Protecting Investors	109	108	**-1**
Paying Taxes	27	33	**6**
Trading Across Borders	13	13	**0**
Enforcing Contracts	29	30	**1**
Closing a Business	11	10	**-1**

* Measures 183 countries, based on a scale of 1 to 183 with 1 being the highest ranking.

Source: DoingBusiness - The World Bank Group

Assumptions for Projections

	Peer	Issuer	Base Case	
Income Statement	**Median**	**Average**	**Yr 1&2**	**Yr 3,4,5**
Taxes Growth%	(4.8)	(4.3)	**2.0**	**2.0**
Social Contributions Growth %	(1.8)	(7.9)	**0.5**	**0.5**
Grant Revenue Growth %	0.0	0.0		
Other Revenue Growth %	0.1	(3.5)	**2.0**	**2.0**
Other Operating Income Growth%	0.0	0.0		
Total Revenue Growth%	(6.4)	(5.3)	**2**	**2.0**
Compensation of Employees Growth%	5.4	4.7	**4.7**	**4.7**
Use of Goods & Services Growth%	5.4	8.2	**3.0**	**3.0**
Social Benefits Growth%	8.7	7.0	**2.0**	**2.0**
Subsidies Growth%	2.3	19.4		
Other Expenses Growth%	6.3	6.3	**1.0**	**1.0**
Special Items (millions EUR)	0.0	0.0		
Balance Sheet				
Currency and Deposits Growth%	0.4	10.7	**2.0**	**2.0**
Securities other than Shares LT Growth%	7.8	3,542.4	**2.0**	**2.0**
Loans Growth%	2.4	(37.0)	**2.0**	**2.0**
Shares and Other Equity Growth%	14.8	(2.9)	**2.0**	**2.0**
Insurance Technical Reserves Growth%	2.7	0.0		
Financial Derivatives Growth%	0.0	(111.4)	**1.0**	**1.0**
Other Accounts Receivable LT Growth%	8.0	9.5	**2.0**	**2.0**
Monetary Gold and SDR's Growth %	0.0	0.0	**5.0**	**5.0**
Other Accounts Payable Growth%	9.2	NMF		
Currency & Deposits Growth%	4.5	(15.7)	**0.5**	**0.5**
Securities Other than Shares Growth%	16.3	(4.8)	**(3.3)**	**(3.3)**
Growth%	0.0	0.0		
Loans Growth%	0.8	24.5	**24.5**	**22.0**
Insurance Technical Reserves Growth%	0.0	0.0		
Financial Derivatives Growth%	0.0	0.0		
Addl debt. (1st Year) million EUR	0.0	0.0		

Base Case

ANNUAL REVENUE AND EXPENSE STATEMENT (MILLIONS EUR)

	Dec-07	Dec-08	Dec-09	PDec-10	PDec-11	PDec-12
Taxes	141,040	143,500	137,317	140,063	142,865	145,722
Social Contributions	81,468	90,510	83,372	83,789	84,208	84,629
Grant Revenue	0	0	0	0	0	0
Other Revenue	37,264	43,719	42,182	43,026	43,886	44,764
Other Operating Income	0	0	0	0	0	0
Total Revenue	259,772	277,729	262,871	266,878	270,959	275,115
Compensation of Employees	52,273	54,575	57,130	59,805	62,604	65,535
Use of Goods & Services	40,961	44,075	47,699	49,130	50,604	52,122
Social Benefits	114,837	120,542	128,994	131,574	134,205	136,889
Subsidies	7,127	7,191	8,588	8,589	8,590	8,591
Other Expenses	13,929	15,333	16,296	1,402	16,296	16,459
Grant Expense	0	0	0	0	0	0
Depreciation	14,251	15,095	15,696	15,696	15,696	15,696
Total Expenses	243,378	256,811	274,403	266,195	287,995	295,292
Operating Surplus/Shortfall	16,394	20,918	-11,532	683	-17,037	-20,178
Interest Expense	12,583	13,196	12,553	11,510	11,990	11,693
Net Operating Balance	3,811	7,722	-24,085	-10,827	-29,027	-31,870

ANNUAL BALANCE SHEETS (MILLIONS EUR)

ASSETS	Dec-07	Dec-08	Dec-09	PDec-10	PDec-11	PDec-12
Currency and Deposits	18,762	19,009	21,046	21,467	21,896	22,334
Securities other than Shares LT	477	528	19,232	19,617	20,009	20,409
Loans	31,035	75,883	47,775	48,731	49,705	50,699
Shares and Other Equity	48,635	89,348	86,721	88,455	90,225	92,029
Insurance Technical Reserves				0	0	0
Financial Derivatives	(932)	1,935	(220)	(222)	(224)	(227)
Other Accounts Receivable LT	37,318	37,833	41,411	42,239	43,084	43,946
Monetary Gold and SDR's						
Additional Assets	0	0	0	0	0	0
Total Financial Assets	135,295	224,536	215,965	220,287	224,694	229,191

LIABILITIES	Dec-07	Dec-08	Dec-09	PDec-10	PDec-11	PDec-12
Other Accounts Payable	35,475	27,029	27,685	27,685	27,685	27,685
Currency & Deposits	607	599	505	505	505	505
Securities Other than Shares	208,158	293,216	279,280	269,988	261,006	252,322
Loans	50,338	63,659	79,233	103,017	145,435	190,485
Insurance Technical Reserves						
Financial Derivatives						
Other Liabilities				656	656	656
Liabilities	294,578	384,503	386,703	401,852	435,287	471,653
Net Financial Worth	(159,283)	(159,967)	(170,738)	(181,565)	(210,592)	(242,463)
Total Liabilities & Equity	135,295	224,536	215,965	220,287	224,694	229,191

Sovereign Rating Methodology

Egan-Jones takes the perspective of the investor as its primary point of view when developing the ratings it issues for sovereigns. Therefore, in the case of sovereign ratings, we attempt to take a more holistic view of credit quality to include not only analytic comparisons of various sovereign issuers but also the impact on our quantitative and qualitative analyses by current global, sovereign, governmental and market events, including the effects of government investments in speculative, volatile or other high risk investment products. For example, many sovereign issuers have taken on significant exposures of major financial institutions over the past several years. Hence, we calculate the under-funding of financial institutions and include this amount in the total indebtedness of sovereigns. (We use a base assumption that no country can afford to allow its major banks to fail and therefore we believe that there will almost always be an intervention by either a host or allied nation should financial institutions or markets require support at some measurable level.)

Generally we devise modeling calculators and do an analysis that examines the debt load of a country with respect to its GDP and other economic indicators. The analysis is then adjusted to reflect the outlook on a myriad of factors that reflect the firm's overall view of the sovereign debt and the quality of the country's ability to meet and thrive under such load. Some of the qualitative factors that impact our ultimate assessment of credit quality such as the flexibility, stability and overall strength of the economy, ease of tax collection, acceptance of contract law, ease of doing business, and prospects for future growth and health. The non quant issues are generally subjective and a moving target, so each rating of a sovereign may differ because of the non-quantitative nuances being addressed.

Nota Bene

History has proven that defaults on domestic public debt do occur. In fact, seventy out of three hundred twenty defaults since 1800 have been on domestic public debt (1). Egan-Jones does not view a country's ability to print its own currency as a guarantee against default. Additionally, Egan-Jones generally views cases of excessive currency devaluation as a de facto default.

1. "This Time Is Different: Eight Centuries of Financial Folly", Reinhart & Rogoff, p.111, 126