REPUBLIC OF IRELAND

Rating Analysis - 6/16/16

*EJR Sen Rating(Curr/Prj) A/ N/A
*EJR CP Rating: A1
EJR's 3 yr. Default Probability: 1.5%

Accelerating economy - with a real GDP annual growth rate of 7.8% in 2015, Ireland has been on the front line of European growth, largely owing to contributions from the technology and pharmachem industries and strong exports. The economic increase alleviated Ireland's fiscal strain regarding the deficit and sovereign debt. Improvements in the banking sector and employment rate are moderate, suggesting a steady economic recovery provided Ireland is able to maintain its low tax rates.

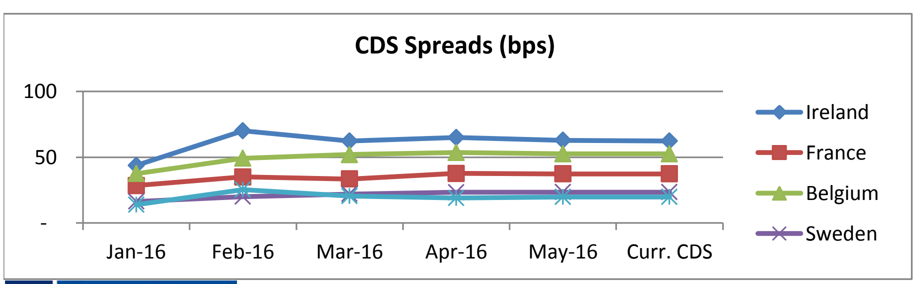
Major concern is external: the possible Brexit, which threatens to hurt the European economy, might pressure Ireland due to its overreliance on exports and its strong trade relationship with UK. Furthermore, the imbalanced industry, which focuses extensively on the pharmaceutical sector, and the high presence of foreign companies in the market make Ireland's economy more fragile than other countries, which have more organic growth. Watch the overall trend in Europe. Upgrading to "A" with a developing watch. Other raters might take positive actions.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2013	2014	2015	P2016	P2017	P2018
Debt/ GDP (%)	120.0	107.5	93.8	91.8	88.9	87.1
Govt. Sur/Def to GDP (%)	-6.1	-3.5	-2.1	-1.1	-0.1	0.6
Adjusted Debt/GDP (%)	120.0	107.5	93.8	91.8	88.9	87.1
Interest Expense/ Taxes (%)	18.0	16.1	13.3	13.0	12.6	12.4
GDP Growth (%)	2.6	5.3	13.5	5.0	5.0	3.0
Foreign Reserves/Debt (%)	0.0	0.1	0.3	0.3	0.3	0.3
Implied Sen. Rating	BBB	A-	A+	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	71.2	0.6	71.2	7.0	4.1	AA
French Republic	AA	96.0	-3.4	96.0	7.0	2.4	A+
Kingdom Of Belgium	AA	106.0	-2.6	106.0	9.6	1.9	A
Kingdom Of Sweden	AAA	43.4	1.0	43.4	1.2	6.0	AA+
United Kingdom	AAA	89.2	-3.5	89.2	8.7	4.0	AA

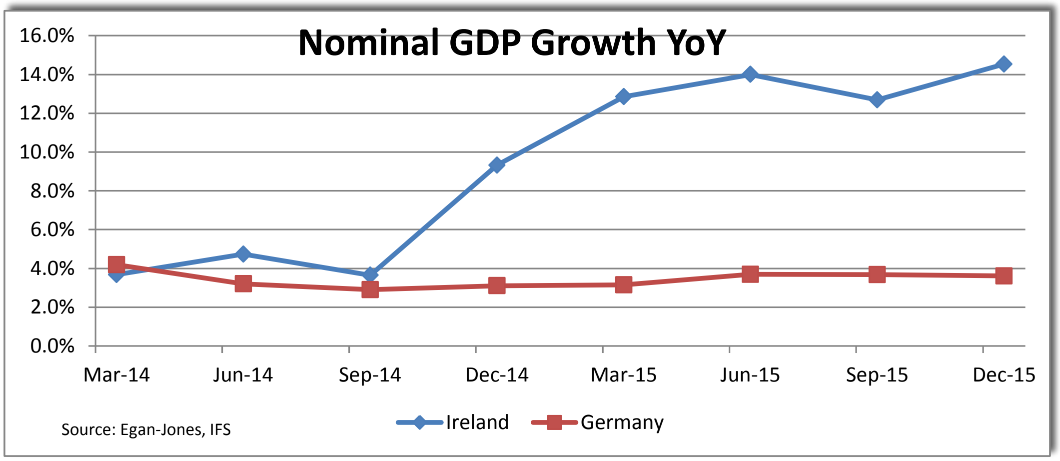


Country	CDS
Ireland	62
France	37
Belgium	53
Sweden	23
Germany	20

Economic Growth

Ireland's economy has boomed since 2010. The annual real GDP growth reached 7.8%, and, as can be seen from the chart below, the quarterly nominal GDP growth jumped to an extraordinary 14.5% in the last quarter of 2015. The reasons are multiple, with the primary ones being the investments in the technology and pharmaceutical companies from the US and the support for exports from the weaker euro.

Nevertheless, concerns still remain. The overreliance on the pharmachem sector makes the economy more volatile, while the possible Brexit may hurt the export sector. Prospectively, we expect Ireland's real GDP growth to be within the range of 3% to 5%.



Fiscal Policy

Ireland's budget deficit has been improving steadily for the past several years. The Deficit-to-GDP ratio dropped from almost 12% in 2011 to 2.1% in 2015, which is at a normal level when compared to the peer countries and lower than that of Belgium. Public indebtedness has also eased, with the Debt-to-GDP ratio decreasing from 120% in 2012 to 93.8% in 2015. The improvement in Ireland's sovereign credit status comes from its fast-growing economy, which may slow down but keep the trend in the future.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Ireland	-2.10	93.78	62.38
Germany	0.59	71.22	19.79
France	-3.40	95.96	37.35
Belgium	-2.62	105.96	52.56
Sweden	1.02	43.43	23.43
UK	-3.46	89.22	33.95

Sources: Thomson Reuters and IFS

Unemployment

Ireland's unemployment rate dropped from 11.3% in 2014 to 9.4% in 2015, which is still not quite comforting. The relatively slow decline in unemployment rate raises the concern that the actual economy may not be as good as the numbers suggest, considering the flooding of foreign investment (approximately two times the GDP in 2014) that adds to market volatility. Watch the real economy.

Unemployment (%)

	2014	2015
Ireland	11.30	9.40
Germany	6.70	6.01
France	10.30	10.40
Belgium	8.50	8.50
Sweden	7.93	7.40
UK	6.19	5.37

Source: Intl. Finance Statistics

Banking Sector

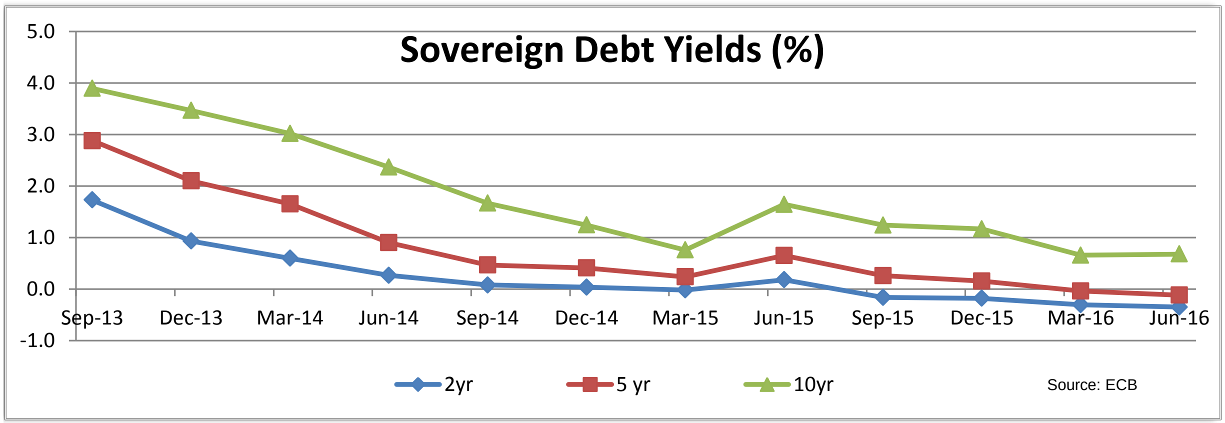
Ireland's banking sector is dominated by two banks, both of which suffered during the credit crisis. However, as domestic banks improved their non-performing loans ratio, the risk in this sector dropped to moderate. The banks' size is at a normal level regarding the assets, as the largest banks have total assets equal to 109% of Ireland's GDP. The recent results of the ECB review also brought investor confidence.

Bank Assets (billions of local currency)

	Assets	Cap/ Assets %
ALLIED IRISH BK	103.12	-7.90
BANK IRELAND	130.96	3.40
Total	234.1	
EJR's est. of cap shortfall at 10% of assets less market cap		-3.7
Ireland's GDP		214.6

Funding Costs

Ireland's sovereign debt yields have seen a steady decline since its peak in 2013, except for a hiccup in June 2015 when the Greek crisis stirred European markets. As can be seen in the chart below, the 2-year debt yield dropped into a negative range in September 2015 and has kept decreasing since. Given the slow recovery of the European economy, the ECB is unlikely to raise interest rates, and we expect the funding costs in Ireland to remain low in the future.



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 17 (1 is best, 189 worst) is strong.

The World Bank's Doing Business Survey*

	2015 Rank	2014 Rank	Change in Rank
Overall Country Rank:	**17**	**19**	**2**
Scores:			
Starting a Business	25	19	-6
Construction Permits	43	51	8
Getting Electricity	30	29	-1
Registering Property	39	37	-2
Getting Credit	28	24	-4
Protecting Investors	8	12	4
Paying Taxes	6	6	0
Trading Across Borders	48	47	-1
Enforcing Contracts	93	93	0
Resolving Insolvency	20	17	-3

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

*EJR Sen Rating(Curr/Prj) A/ N/A
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Economic Freedom

As can be seen below, Ireland is strong in its overall rank of 76.6 for Economic Freedom with 100 being best.

Heritage Foundation 2015 Index of Economic Freedom
World Rank 76.6*

	2015 Rank**	2014 Rank	Change in Rank	World Avg.
Property Rights	85	90	-5	42.2
Freedom from Corruption	72	74.8	-2.8	41.9
Fiscal Freedom	73.6	74	-0.4	77.4
Government Spending	45.6	30.6	15	61.7
Business Freedom	82.1	83.4	-1.3	64.1
Labor Freedom	76.2	79.5	-3.3	61.3
Monetary Freedom	83.9	81.7	2.2	75.0
Trade Freedom	88	87.8	0.2	75.4
Investment Freedom	90	90	0	54.8
Financial Freedom	70	70	0	48.6

*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

Valuation Driver: Taxes Growth:
REPUBLIC OF IRELAND has grown its taxes of 9.3% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 6.0% per annum over the next couple of years and 5.0% per annum for the next couple of years thereafter.

Valuation Driver: Total Revenue Growth:
REPUBLIC OF IRELAND's total revenue growth has been more than its peers and we assumed a 7.0% growth in total revenue growth over the next two years.

Income Statement	Peer Median	Co. Avg.	Assumptions Yr 1&2	Yr 3,4,5
Taxes Growth%	4.1	9.3	**6.0**	**5.0**
Social Contributions Growth %	4.0	4.6	**4.6**	**4.6**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	(0.2)		
Other Operating Income Growth%	0.0	0.0		
Total Revenue Growth%	3.9	7.3	**7.0**	**6.3**
Compensation of Employees Growth%	1.0	3.9	**3.9**	**3.9**
Use of Goods & Services Growth%	1.4	6.1	**6.1**	**6.1**
Social Benefits Growth%	2.6	(0.5)		
Subsidies Growth%	5.2	(0.9)		
Other Expenses Growth%	0.0			
Interest Expense	0.0	3.4	**3.4**	
Currency and Deposits (asset) Growth%	0.0	0.0		
Securities other than Shares LT (asset) Growth%	0.0	0.0		
Loans (asset) Growth%	(1.1)	(5.2)	**(5.2)**	**(5.2)**
Shares and Other Equity (asset) Growth%	(2.2)	18.7	**18.7**	**16.8**
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	0.0	(95.4)		
Other Accounts Receivable LT Growth%	2.1	(1.4)		
Monetary Gold and SDR's Growth %	0.0	0.0		
Other Assets Growth%	0.0	0.0		
Other Accounts Payable Growth%	0.0			
Currency & Deposits (liability) Growth%	2.4	(1.0)	**0.5**	**0.5**
Securities Other than Shares (liability) Growth%	1.1	3.1	**2.1**	**2.1**
Loans (liability) Growth%	(1.2)	(11.3)	**0.5**	**0.5**
Insurance Technical Reserves (liability) Growth%	0.0	(100.0)	**3.0**	**3.0**
Financial Derivatives (liability) Growth%	0.0	133.7	**7.8**	**7.8**
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

ANNUAL INCOME STATEMENTS

Below are REPUBLIC OF IRELAND's annual income statements with the projected years based on the assumptions listed on page 3.

ANNUAL REVENUE AND EXPENSE STATEMENT
(MILLIONS EUR)

	2012	2013	2014	2015	P2016	P2017
Taxes	40,929	42,500	46,450	50,748	53,793	57,021
Social Contributions	9,651	10,301	10,931	11,429	11,954	12,504
Grant Revenue						
Other Revenue	8,502	8,248	8,328	8,315	8,315	8,315
Other Operating Income						
Total Revenue	59,082	61,049	65,709	70,492	74,063	77,840
Compensation of Employees	18,907	18,653	18,807	19,543	20,307	21,101
Use of Goods & Services	8,242	8,186	8,785	9,324	9,897	10,505
Social Benefits	29,436	28,549	28,122	27,988	27,988	27,988
Subsidies	1,921	1,815	1,857	1,840	1,840	1,841
Other Expenses				6,023	6,023	6,023
Grant Expense						
Depreciation	3,356	3,407	3,528	3,528	3,528	3,528
Total Expenses excluding interest	65,646	64,321	64,885	68,246	69,583	70,985
Operating Surplus/Shortfall	-6,564	-3,272	824	2,246	4,480	6,855
Interest Expense	7,157	7,667	7,485	6,747	6,973	7,207
Net Operating Balance	-13,721	-10,938	-6,661	-4,501	-2,493	-352

ANNUAL BALANCE SHEETS

Below are REPUBLIC OF IRELAND's balance sheets with the projected years based on the assumptions listed on page 3.

ANNUAL BALANCE SHEETS
(MILLIONS EUR)

Base Case ASSETS	2012	2013	2014	2015	P2016	P2017
Currency and Deposits (asset)						
Securities other than Shares LT (asset)	9,470	10,249	9,646	3,289	3,289	3,289
Loans (asset)	23,965	20,326	9,327	8,845	8,388	7,954
Shares and Other Equity (asset)	25,098	30,795	38,445	45,618	54,129	64,229
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	897	1,135	17,765	812	812	812
Other Accounts Receivable LT	8,355	8,286	8,906	8,785	8,785	8,785
Monetary Gold and SDR's						
Other Assets					17,769	17,769
Additional Assets	25,283	24,022	353	17,769		
Total Financial Assets	93,068	94,813	84,442	85,118	93,172	102,838

LIABILITIES	2012	2013	2014	2015	P2016	P2017
Other Accounts Payable						
Currency & Deposits (liability)	62,099	31,356	20,918	20,704	20,704	20,704
Securities Other than Shares (liability)	94,295	126,293	142,394	146,741	149,877	153,080
Loans (liability)	62,202	73,854	65,535	58,102	60,595	60,947
Insurance Technical Reserves (liability)	3,802	-30,707	-10,474			
Financial Derivatives (liability)	2,802	932	457	1,068	1,151	1,241
Other Liabilities	4,646	38,285	18,693	8,463	8,463	8,463
Liabilities	229,846	240,013	237,523	235,078	245,626	255,643
Net Financial Worth	-136,778	-145,200	-153,081	-149,960	-152,453	-152,805
Total Liabilities & Equity	93,068	94,813	84,442	85,118	93,172	102,838

Comments on the Difference between the Model and Assigned Rating

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 REPUBLIC OF IRELAND with the ticker of 1266Z ID we have assigned the senior unsecured rating of A. 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 available in our Form NRSRO Exhibit #2 dated May 10, 2015 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, 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%	6.0	10.0	2.0	BBB	BBB	BBB
Social Contributions Growth %	4.6	1.6	7.6	BBB	BBB	BBB
Other Revenue Growth %	-	(3.0)	3.0	BBB	BBB	BBB
Total Revenue Growth%	7.0	5.0	9.0	BBB	BBB	BBB
Monetary Gold and SDR's Growth %	-	(2.0)	2.0	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**

Mike Huang
…………………………………………………………….. June 16, 2016
……………………………………………

Mike Huang
Rating Analyst

Reviewer Signature: **Today's Date**

Caroline Ding
…………………………………………………………….. June 16, 2016
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Caroline Ding
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.