

After periods of robust growth, Ireland's real GDP experienced a significant decline in 2023, contracting by 3.2%. This downturn was mainly due to the weak performance of certain multinational-dominated sectors. Modified domestic demand, which more accurately reflects Ireland's underlying domestic economic activity, grew marginally by 0.5%, hindered by elevated inflation and tight financial conditions.

Preliminary GDP estimates indicate that the economy began to recover in the first quarter of 2024, with a 1.1% quarter-on-quarter expansion. Consumer sentiment and retail sales data suggest a modest increase in consumer demand during the early months of 2024. Factors such as easing inflation, a strong labor market, and a recovery in real incomes are expected to bolster private consumption growth over the forecast horizon. Overall, GDP is projected to grow by 1.2% in 2024 and by 3.6% in 2025. Modified domestic demand is expected to expand by 1.7% in 2024 and by 2.4% in 2025. Affirming.

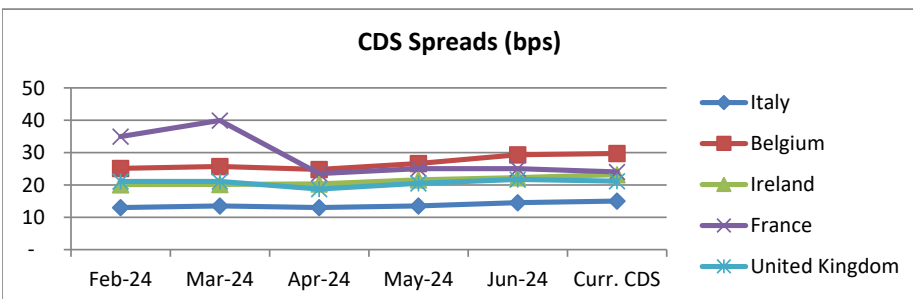
Annual Ratios (source for past results: IMF)

<b>CREDIT POSITION</b>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>P2024</u>	<u>P2025</u>	<u>P2026</u>
Debt/ GDP (%)	64.4	46.4	46.6	43.4	40.5	38.0
Govt. Sur/Def to GDP (%)	-0.7	2.5	2.7	2.5	2.3	1.9
Adjusted Debt/GDP (%)	64.4	46.4	46.6	43.4	40.5	38.0
Interest Expense/ Taxes (%)	4.3	3.7	3.7	3.6	3.5	3.4
GDP Growth (%)	15.7	16.6	-0.3	2.5	3.6	3.6
Foreign Reserves/Debt (%)	1.9	2.2	2.0	2.1	2.2	2.3
Implied Sen. Rating	AA-	AA	A+	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

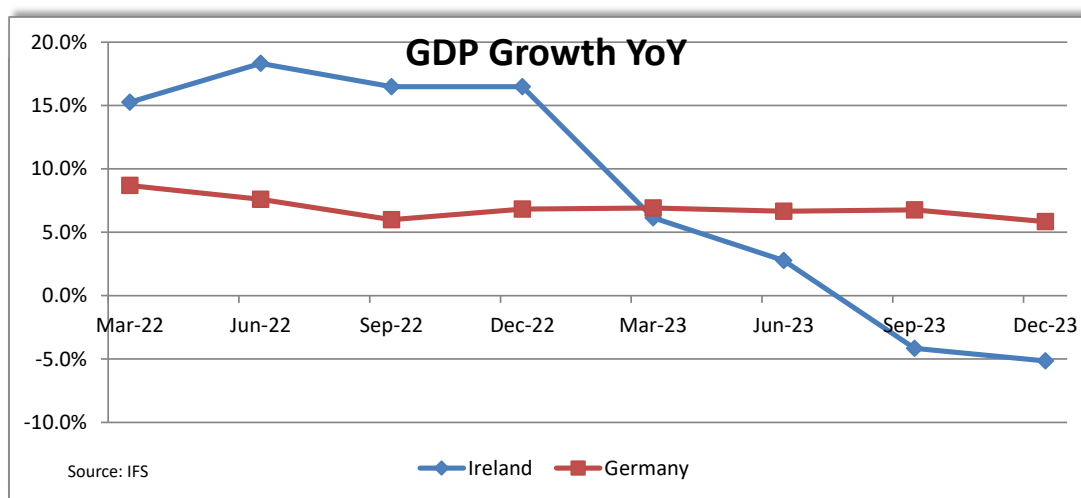
<b>PEER RATIOS</b>	<u>Other NRSRO Sen.</u>	<u>Debt as a % of GDP</u>	<u>Govt. Surp. Def to GDP (%)</u>	<u>Adjusted Debt/ GDP</u>	<u>Interest Expense/ Taxes %</u>	<u>GDP Growth (%)</u>	<u>Ratio- Implied Rating*</u>
Federal Republic Of Germany	AAA	64.0	-2.6	64.0	3.8	6.3	AA
French Republic	AA	117.2	-4.8	117.2	5.9	6.2	A-
Kingdom Of Belgium	AA	108.6	-3.9	108.6	6.8	5.5	BBB
Republic Of Italy	BBB-	151.4	-6.8	151.4	12.7	6.2	BB+
United Kingdom	AA	143.8	-6.2	143.8	10.5	7.2	BBB-



<u>Country</u>	<u>EJR Rtq.</u>	<u>CDS</u>
Italy	BBB-	15
Belgium	BBB	30
Ireland	A+	23
France	A+	24
United Kingdom	A+	21

**Economic Growth**

The statistical office's second reading revised Q1's seasonally adjusted quarter-on-quarter GDP growth down to 0.9% from the initially reported 1.1%. Despite this revision, the figures still indicate an improvement from the previous quarter's 3.6% contraction, driven by rebounds in private spending and exports. Looking ahead to Q2, economists project GDP growth to nearly double, as lower inflation boosts household purchasing power. However, the available data presents a mixed picture. On the positive side, the services PMI averaged higher in April–May compared to Q1, and annual goods export growth reached a 16-month high in April. Conversely, the manufacturing PMI fell below Q1's average over April–May, and both retail sales and industrial production saw month-on-month declines in April.



**Fiscal Policy**

In 2023, Ireland's general government budget recorded a surplus of 1.7% of GDP, maintaining the same level as in 2022. This surplus was achieved as buoyant revenue growth kept pace with increases in public sector pay and investment. For 2024, the surplus is expected to decrease to 1.3%. This forecasted decline is attributed to a general softening of the domestic economy, leading to a moderation in revenue growth. However, expenditure growth is anticipated to remain robust, driven by the same factors that influenced spending in 2023.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Ireland	2.72	46.64	23.19
Germany	-2.55	64.01	11.51
France	-4.84	117.19	24.00
Belgium	-3.85	108.57	29.72
Italy	-6.85	151.35	15.01
United Kingdom	-6.24	143.77	21.16

Sources: Thomson Reuters and IFS

**Unemployment**

The labor market in Ireland remains robust but is beginning to show signs of moderation. Vacancy rates have been gradually decreasing, although they remain above their long-term average, indicating a softening in excess labor demand. The unemployment rate held steady at 4.4% in the first quarter of 2024 and is expected to remain low, averaging 4.4% in both 2024 and 2025, due to the continued

	Unemployment (%)	
	2022	2023
Ireland	4.47	4.31
Germany	3.07	3.03
France	7.32	7.34
Belgium	5.58	5.53
Italy	8.08	7.67
United Kingdom	3.90	3.80

Source: Intl. Finance Statistics

tightness in the labor market.

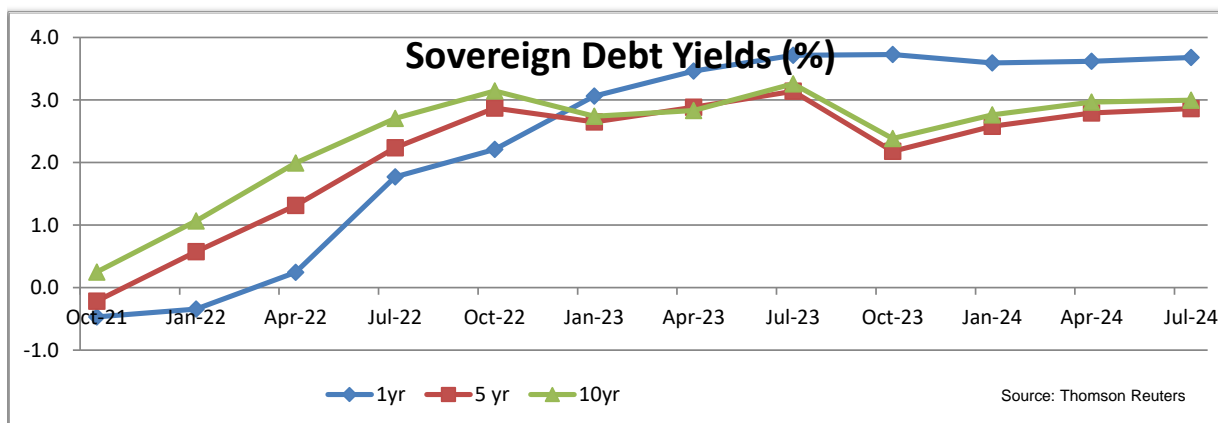
**Banking Sector**

Money and banking statistics indicate that the value of Irish household deposits surged significantly during the Covid-19 pandemic, with annual growth peaking at 13.5% in Q1 2021. However, by the end of 2023, annualized growth had declined back to pre-pandemic rates, dropping below 3% and approaching 2016 levels. Despite this slowdown in growth, the total value of household deposits continued to rise. The Irish banking sector is now flush with liquidity.

<b>Bank Assets (billions of local currency)</b>		
	Assets	Mkt Cap/ Assets %
BANK OF IRELAND	155.7	6.32
ALLIED IRISH BANKS	136.3	8.80
<b>Total</b>		<b>292.1</b>
EJR's est. of cap shortfall at 10% of assets less market cap		7.4
Ireland's GDP		504.6

**Funding Costs**

In March 2024, the interbank rate in Ireland decreased to 3.89 percent from 3.94 percent in February. The Targeted Longer-Term Refinancing Operations (TLTRO III) did not impact Irish banks in the past six months and are expected to have only a limited impact in the following six months. However, banks do anticipate that TLTRO III will negatively affect market financing conditions. Ireland Central Bank Rate stands at 4.25%, following the most recent adjustment in June 2024.



**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 24 (1 is best, 189 worst) is strong.

<b>The World Bank's Doing Business Survey*</b>			
	2021	2020	Change in
	Rank	Rank	Rank
<b>Overall Country Rank:</b>	<b>24</b>	<b>24</b>	<b>0</b>
<b>Scores:</b>			
Starting a Business	23	23	0
Construction Permits	36	36	0
Getting Electricity	47	47	0
Registering Property	60	60	0
Getting Credit	48	48	0
Protecting Investors	13	13	0
Paying Taxes	4	4	0
Trading Across Borders	52	52	0
Enforcing Contracts	91	91	0
Resolving Insolvency	19	19	0

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

**Economic Freedom**

As can be seen below, Ireland is strong in its overall rank of 82.6 for Economic Freedom with 100 being best.

<b>Heritage Foundation 2024 Index of Economic Freedom</b>				
<b>World Rank 82.6*</b>				
	<b>2024 Rank**</b>	<b>2023 Rank</b>	<b>Change in Rank</b>	<b>World Avg.</b>
<b>Property Rights</b>	<b>93.5</b>	<b>92.9</b>	<b>0.6</b>	<b>53.4</b>
<b>Government Integrity</b>	<b>83.4</b>	<b>82.8</b>	<b>0.6</b>	<b>43.7</b>
<b>Judicial Effectiveness</b>	<b>94.3</b>	<b>93.9</b>	<b>0.4</b>	<b>48.8</b>
<b>Tax Burden</b>	<b>78.0</b>	<b>78.4</b>	<b>-0.4</b>	<b>78.1</b>
<b>Gov't Spending</b>	<b>82.4</b>	<b>80.5</b>	<b>1.9</b>	<b>64.2</b>
<b>Fiscal Health</b>	<b>91.7</b>	<b>86.8</b>	<b>4.9</b>	<b>52.1</b>
<b>Business Freedom</b>	<b>91.3</b>	<b>87.2</b>	<b>4.1</b>	<b>62.1</b>
<b>Labor Freedom</b>	<b>62.8</b>	<b>61.2</b>	<b>1.6</b>	<b>55.9</b>
<b>Monetary Freedom</b>	<b>74.5</b>	<b>81.5</b>	<b>-7.0</b>	<b>67.2</b>
<b>Trade Freedom</b>	<b>79.2</b>	<b>78.6</b>	<b>0.6</b>	<b>69.8</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:**

REPUBLIC OF IRELAND has grown its taxes of 5.2% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 5.2% per annum over the next couple of years and 4.7% per annum for the next couple of years thereafter.

**Credit Quality Driver: Total Revenue Growth:**

REPUBLIC OF IRELAND's total revenue growth has been more than its peers and we assumed a 6.2% 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%	5.2	5.2	5.2	4.7
Social Contributions Growth %	4.5	7.1	7.0	7.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	23.9	10.4	10.4
Total Revenue Growth%	4.4	6.7	6.2	5.6
Compensation of Employees Growth%	6.1	8.1	8.1	8.1
Use of Goods & Services Growth%	5.1	8.1	8.1	8.1
Social Benefits Growth%	4.8	7.7	7.7	7.7
Subsidies Growth%	(2.5)	(25.5)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.5	1.5	
Currency and Deposits (asset) Growth%	(6.9)	0.0		
Securities other than Shares LT (asset) Growth%	8.2	0.0		
Loans (asset) Growth%	(57.9)	(88.7)	5.2	5.2
Shares and Other Equity (asset) Growth%	(74.8)	0.2	0.2	0.2
Insurance Technical Reserves (asset) Growth%	8.3	0.0		
Financial Derivatives (asset) Growth%	(3.2)	(18.2)	(18.2)	(18.2)
Other Accounts Receivable LT Growth%	1.5	4.6	4.6	4.6
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%	0.8	(1.3)	3.0	3.0
Currency & Deposits (liability) Growth%	(2.1)	(0.1)	0.5	0.5
Securities Other than Shares (liability) Growth%	9.1	1.9	1.3	1.3
Loans (liability) Growth%	(0.5)	(3.4)	0.5	0.5
Insurance Technical Reserves (liability) Growth%	2.8	(13.6)	3.0	3.0
Financial Derivatives (liability) Growth%	0.0	(100.0)	(10.0)	(10.0)
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 5.

	ANNUAL REVENUE AND EXPENSE STATEMENT					
	(MILLIONS EUR)					
	2020	2021	2022	2023	P2024	P2025
Taxes	61,541	75,715	88,841	93,499	98,361	103,476
Social Contributions	15,429	17,315	20,134	21,563	23,072	24,687
Grant Revenue						
Other Revenue						
Other Operating Income	6,314	6,319	6,985	8,653	8,653	8,653
Total Revenue	83,284	99,349	115,960	123,715	130,086	136,816
Compensation of Employees	24,911	26,632	28,751	31,082	33,602	36,326
Use of Goods & Services	14,925	16,272	17,554	18,982	20,526	22,196
Social Benefits	37,243	37,319	36,958	39,789	42,837	46,118
Subsidies	6,351	7,377	3,408	2,538	2,538	2,539
Other Expenses				7,546	7,546	7,546
Grant Expense						
Depreciation	5,024	5,644	6,544	6,544	6,544	6,544
Total Expenses excluding interest	94,305	99,267	99,951	106,481	113,593	121,269
Operating Surplus/Shortfall	-11,021	82	16,009	17,234	16,493	15,547
Interest Expense	<u>3,827</u>	<u>3,291</u>	<u>3,327</u>	<u>3,486</u>	<u>3,538</u>	<u>3,590</u>
Net Operating Balance	-14,848	-3,209	12,682	13,747	12,955	11,957

**ANNUAL BALANCE SHEETS**

Below are REPUBLIC OF IRELAND'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
<b>ASSETS</b>						
Currency and Deposits (asset)	26,685	39,350	32,908	31,396	45,455	45,455
Securities other than Shares LT (asset)	1,327	489	1,056	6,049	6,049	6,049
Loans (asset)	-538	-548	-617	-70	-74	-77
Shares and Other Equity (asset)	-1,276	-962	-2,514	-2,518	-2,522	-2,526
Insurance Technical Reserves (asset)	2	1			0	0
Financial Derivatives (asset)	252	102	11	9	7	6
Other Accounts Receivable LT	25,997	29,038	31,835	33,303	34,839	36,445
Monetary Gold and SDR's						
Other Assets					38,100	38,100
Additional Assets	<u>39,564</u>	<u>40,296</u>	<u>41,512</u>	<u>38,100</u>		
Total Financial Assets	<u>92,013</u>	<u>107,766</u>	<u>104,191</u>	<u>106,269</u>	121,854	123,452
<b>LIABILITIES</b>						
Other Accounts Payable	26,094	28,413	28,683	28,297	29,146	30,020
Currency & Deposits (liability)	23,733	25,077	25,874	25,854	25,854	25,854
Securities Other than Shares (liability)	170,354	176,117	130,924	133,419	135,199	137,002
Loans (liability)	47,447	49,728	49,456	47,759	34,804	22,846
Insurance Technical Reserves (liability)	26	50	44	38	39	40
Financial Derivatives (liability)	17	20	5			
Other Liabilities	<u>2</u>	<u>1</u>		<u>1</u>	<u>1</u>	<u>1</u>
Liabilities	267,673	279,406	234,986	235,368	237,998	227,638
Net Financial Worth	<u>-175,660</u>	<u>-171,640</u>	<u>-130,795</u>	<u>-129,099</u>	<u>-116,144</u>	<u>-104,186</u>
Total Liabilities & Equity	<u>92,013</u>	<u>107,766</u>	<u>104,191</u>	<u>106,269</u>	121,854	123,452

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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 "A+" whereas the ratio-implied rating for the most recent period is "A+"; we expect results to remain approximately the same.

#### **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 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 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%	5.2	9.2	1.2	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%	6.2	8.2	4.2	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.

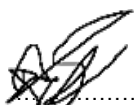
**ATTESTATION FORM**

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**

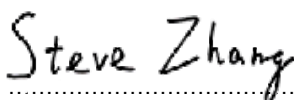


Supramanian NG  
Senior Rating Analyst

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.*