REPUBLIC OF IRELAND

Rating Analysis - 12/26/18

*EJR Sen Rating(Curr/Prj) A+/ A+
*EJR CP Rating: A1
EJR's 3 yr. Default Probability: 1.3%

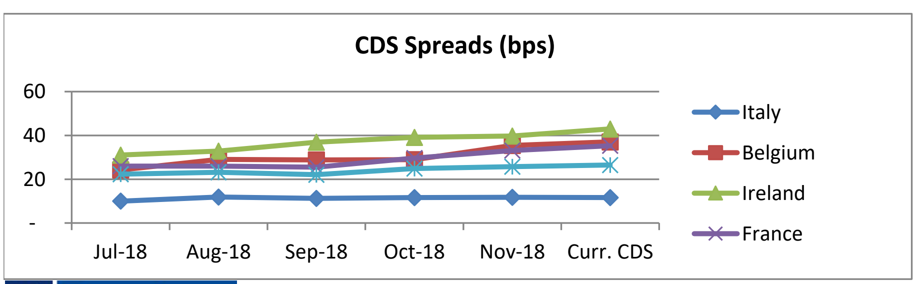
The schizophrenic nature of much economic commentary and analysis hinted at in the coincidence at present of widespread concerns regarding the risks posed by Brexit on the Irish economy and a notable focus on ‘the return off the boom’. The Irish GDP growth has been markedly faster of late than in the early 1990's (red v pink line), largely reflecting the exceptional influence of the activities of a very small number of multinationals. Today’s figures show GDP some 69% higher than in 2013, a marked outperformance of relative to the post 1999 trend. A 'No deal’ Brexit is likely to dramatically cut Irish economic growth for 2019, something to watch out for. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2015	2016	2017	P2018	P2019	P2020
Debt/ GDP (%)	76.9	72.8	68.0	65.4	62.1	57.9
Govt. Sur/Def to GDP (%)	-1.4	0.1	0.2	1.0	1.9	2.6
Adjusted Debt/GDP (%)	76.9	72.8	68.0	65.4	62.1	57.9
Interest Expense/ Taxes (%)	13.5	11.6	10.4	10.1	9.9	9.7
GDP Growth (%)	34.4	4.1	7.6	2.3	2.3	2.5
Foreign Reserves/Debt (%)	0.3	0.6	0.8	1.1	1.4	1.7
Implied Sen. Rating	A+	A+	AA-	A+	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	64.1	1.0	64.1	4.4	3.7	AA
French Republic	AA	97.0	-2.5	97.0	6.3	2.8	A+
Kingdom Of Belgium	AA	103.1	-0.8	103.1	8.1	3.4	AA-
Republic Of Italy	BBB-	131.8	-3.0	131.8	13.1	2.1	BBB
United Kingdom	AA	87.7	-0.7	87.7	9.9	3.8	AA



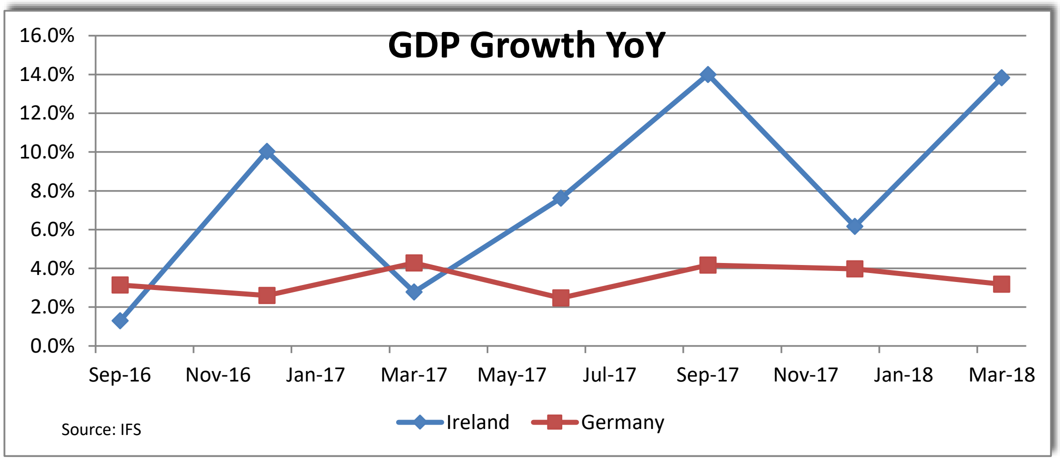
Country	CDS
Italy	12
Belgium	37
Ireland	43
France	35
United Kingdom	26

Egan-Jones Ratings Company

Economic Growth

Growth data for the third quarter of 2018 suggest that the Irish economy is continuing to post solid gains in activity although the pace of growth appears to be moderating. Consumer spending increased 1.0% q/q, following a 1.3% rise in the second quarter. This leaves household spending 2.9% above the level of a year earlier, a solid increase but well below the 3.8% annual increase recorded in the second quarter.

However, the economy faces an unprecedented degree of uncertainty in 2019; the outcome of the Brexit process, combined with the possibility of increased international trade tensions, could have significant implications for the economy's performance in the new year.



Fiscal Policy

The Irish govt's Budget 2019 envisages a positon of broad balance in the public finances in 2017 and, thereafter, predicts a steady further improvement to the point where on the Department of Finance's figures a significant surplus of 1.4% of GDP is achieved by 2023. These estimates appear to imply a return towards the scale of surplus seen in the pre-crisis years. The exchequer returns for nine-month end-September appear broadly consistent with the official full year target of a General Government deficit of €780M.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Ireland	0.22	68.00	35.39
Germany	1.02	64.10	13.11
France	-2.54	97.00	32.70
Belgium	-0.79	103.10	25.68
Italy	-2.96	131.80	244.70
United Kingdo	-0.73	87.70	95.43
Sources: Thomson Reuters and IFS			

Unemployment

Jobs data for the third quarter of 2018 suggest the Irish economy continues to have strong positive momentum but they hint that the pace of growth may be cooling slightly of late. The annualised quarterly increase at 1.9% in Q3 2018 compares to 2.7% previously, also points to a modest slowdown in the pace of growth of late. Non- Irish nationals now account for 16.2% of employment, fractionally higher than the 16.0% peak seen in early 2008.

Unemployment (%)	2016	2017
Ireland	8.38	6.66
Germany	4.13	3.76
France	10.07	9.43
Belgium	7.86	7.16
Italy	11.68	11.23
United Kingd	4.91	4.40
Source: Intl. Finance Statistics		

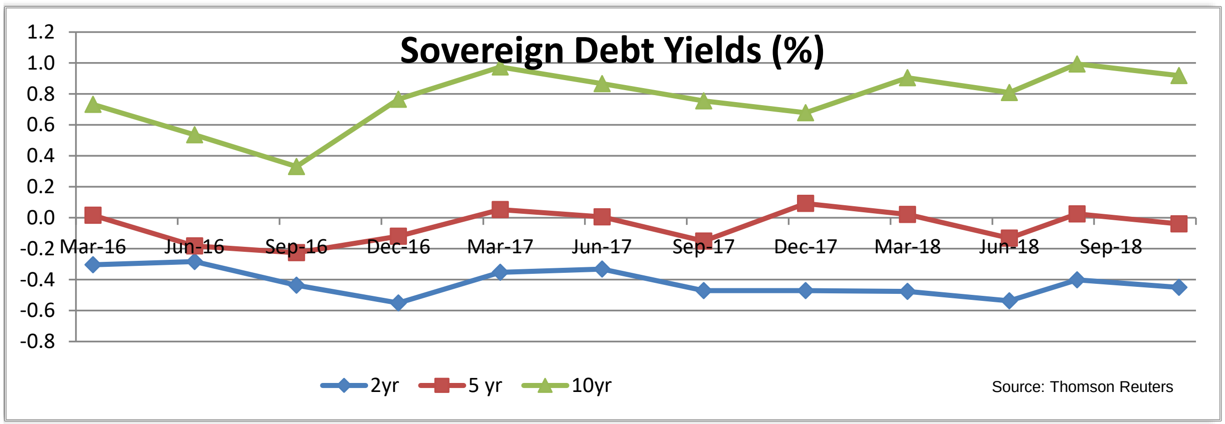
Banking Sector

Macro-prudential policy tools have reduced the share of risky loans in the market. Given the risk of overheating in the property market, the Central Bank of Ireland might impose an extra capital buffer equivalent to 1% of banks' risk-weighted assets from July 2019, and additional buffers should be added swiftly if needed. While problem loans are still among the highest in Europe, they have fallen sharply since the crisis and will continue to do so under pressure from European Central Bank rules.

Bank Assets (billions of local currency)	Assets	Mkt Cap/ Assets %
ALLIED IRISH BK	107.46	40.92
BANK IRELAND	129.80	9.50
Total	237.3	
EJR's est. of cap shortfall at 10% of assets less market cap		-32.6
Ireland's GDP		294.1

Funding Costs

Private sector debt as a proportion of GDP fell by 1.1% in Q2 2018. Private sector debt as a proportion of GDP is at its lowest level since Q4 2007 - due to both rising GDP and falling levels of household debt, which was partially offset by increasing NFC debt during the quarter. Non-Financial Corporations' debt as a percentage of GDP remained unchanged during Q2 2018, as GDP and NFC debt both expanded at a similar pace.



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*	2018 Rank	2017 Rank	Change in Rank
Overall Country Rank:	**17**	**18**	**1**
Scores:			
Starting a Business	8	10	2
Construction Permits	30	38	8
Getting Electricity	35	33	-2
Registering Property	40	41	1
Getting Credit	42	32	-10
Protecting Investors	10	13	3
Paying Taxes	4	5	1
Trading Across Borders	47	47	0
Enforcing Contracts	98	90	-8
Resolving Insolvency	17	17	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 80.4 for Economic Freedom with 100 being best.

Heritage Foundation 2018 Index of Economic Freedom
World Rank 80.4*

	2018 Rank**	2017 Rank	Change in Rank	World Avg.
Property Rights	87.7	85.8	1.9	51.5
Government Integrity	79.0	78.3	0.7	42.1
Judical Effectiveness	79.0	78.3	0.7	46.9
Tax Burden	76.1	72.7	3.4	76.7
Gov't Spending	69.6	57.1	12.5	63.5
Fiscal Health	80.8	60.3	20.5	66.3
Business Freedom	81.8	80.3	1.5	64.8
Labor Freedom	76.4	73.6	2.8	58.9
Monetary Freedom	87.4	87.6	-0.2	76.0
Trade Freedom	86.9	87.0	-0.1	75.9

*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 5.3% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 5.3% per annum over the next couple of years and 4.8% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:
REPUBLIC OF IRELAND's total revenue growth has been less 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%	5.0	5.3	**5.3**	**4.8**
Social Contributions Growth %	3.2	5.0	**5.0**	**5.0**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	(6.4)	**(6.4)**	**(6.4)**
Total Revenue Growth%	4.1	3.9	**3.9**	**3.5**
Compensation of Employees Growth%	0.0	3.6	**3.6**	**3.6**
Use of Goods & Services Growth%	0.3	0.0		
Social Benefits Growth%	2.1	2.0	**2.0**	**2.0**
Subsidies Growth%	3.0	2.6		
Other Expenses Growth%	0.0			
Interest Expense	1.8	2.9	**2.9**	
Currency and Deposits (asset) Growth%	0.0	0.0		
Securities other than Shares LT (asset) Growth%	0.0	0.0		
Loans (asset) Growth%	1.7	(6.0)	**(6.0)**	**(6.0)**
Shares and Other Equity (asset) Growth%	0.0	2.6	**2.6**	**2.6**
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	0.0	0.0		
Other Accounts Receivable LT Growth%	0.0	0.0		
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%	0.0			
Currency & Deposits (liability) Growth%	0.0	0.0		
Securities Other than Shares (liability) Growth%	0.0	0.0		
Loans (liability) Growth%	(2.0)	(12.2)	**0.5**	**0.5**
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 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)

	2014	2015	2016	2017	P2018	P2019
Taxes	46,460	50,845	53,097	55,926	58,890	62,011
Social Contributions	10,983	11,388	12,043	12,642	13,274	13,938
Grant Revenue						
Other Revenue						
Other Operating Income	8,569	8,668	8,514	7,971	7,971	7,971
Total Revenue	66,012	70,901	73,654	76,539	80,135	83,920
Compensation of Employees	8,936	9,243	9,524	9,865	10,218	10,584
Use of Goods & Services						
Social Benefits	28,077	28,422	28,437	29,006	29,586	30,178
Subsidies	1,866	1,792	1,777	1,823	1,823	1,823
Other Expenses				25,453	25,453	25,453
Grant Expense						
Depreciation	3,316	3,516	3,724	3,948	3,948	3,948
Total Expenses excluding interest	64,454	67,801	67,346	70,095	71,029	71,987
Operating Surplus/Shortfall	1,558	3,100	6,308	6,444	9,106	11,933
Interest Expense	7,589	6,849	6,164	5,806	5,975	6,148
Net Operating Balance	-6,031	-3,748	144	639	3,132	5,785

ANNUAL BALANCE SHEETS

Below are REPUBLIC OF IRELAND's balance sheets with the projected years based on the assumptions listed on page 5.

ANNUAL BALANCE SHEETS
(MILLIONS EUR)

Base Case						
ASSETS	2014	2015	2016	2017	P2018	P2019
Currency and Deposits (asset)	17,394	17,294	14,286	16,745	16,745	16,745
Securities other than Shares LT (asset)	9,646	3,289	2,162	2,273	2,273	2,273
Loans (asset)	7,876	7,274	7,104	6,680	6,281	5,906
Shares and Other Equity (asset)	141,988	146,321	143,327	147,114	151,001	154,991
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)						
Other Accounts Receivable LT					0	0
Monetary Gold and SDR's						
Other Assets					-92,756	-92,756
Additional Assets	-94,216	-91,283	-87,524	-92,756		
Total Financial Assets	82,688	82,895	79,355	80,056	83,544	87,159
LIABILITIES						
Other Accounts Payable						
Currency & Deposits (liability)					0	0
Securities Other than Shares (liability)						
Loans (liability)	64,902	56,146	56,445	49,546	46,414	40,629
Insurance Technical Reserves (liability)						
Financial Derivatives (liability)						
Other Liabilities	172,246	177,251	174,418	178,121	178,121	178,121
Liabilities	237,148	233,397	230,863	227,667	228,024	225,853
Net Financial Worth	-154,460	-150,502	-151,508	-147,611	-144,479	-138,694
Total Liabilities & Equity	82,688	82,895	79,355	80,056	83,544	87,159

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 "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 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 Nov 5, 2018 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%	5.3	9.3	1.3	A+	A+	A+
Social Contributions Growth %	5.0	8.0	2.0	A+	A+	A+
Other Revenue Growth %		3.0	(3.0)	A+	A+	A+
Total Revenue Growth%	3.9	5.9	1.9	A+	A+	A+
Monetary Gold and SDR's Growth %	5.0	7.0	3.0	A+	A+	A+

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**

December 26, 2018

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Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang

December 26, 2018

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Steve Zhang
Senior 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.