

As per OECD projections, France's Real GDP in 2023 is expected to grow by 0.8%, followed by a slight improvement to 1.3% in 2024. However, several factors have dampened economic prospects, including Russia's aggression against Ukraine, disruptions in supply chains, and elevated energy prices. These challenges have contributed to a high inflation rate of 6.1% in 2023, which is likely to lower household purchasing power and constrain consumption growth.

On a positive note, wages are rising due to a robust labor market. Nevertheless, with job creation slowing down, the unemployment rate is projected to stabilize at 7.2% in 2024. Fiscal policy is anticipated to be less supportive, as measures like temporary freezes of regulated energy prices, subsidies, and cash transfers have helped manage energy price shocks. However, these measures are expected to be phased out by the end of 2024. According to the French central bank, the economy is poised to manage inflation effectively without falling into recession, although a notable economic slowdown is expected. Affirming.

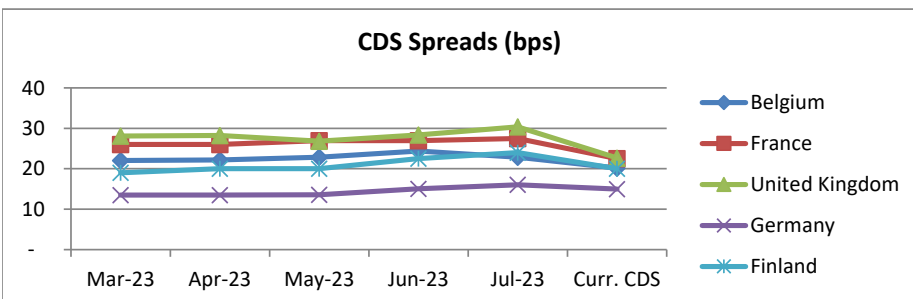
Annual Ratios (source for past results: IMF)

CREDIT POSITION	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>P2023</u>	<u>P2024</u>	<u>P2025</u>
Debt/ GDP (%)	145.5	138.0	117.1	108.2	98.1	86.6
Govt. Sur/Def to GDP (%)	-8.6	-6.1	-4.2	-1.9	0.5	2.7
Adjusted Debt/GDP (%)	145.5	138.0	117.1	108.4	98.3	86.8
Interest Expense/ Taxes (%)	4.1	4.6	6.1	5.7	5.4	5.1
GDP Growth (%)	-4.9	8.0	5.5	2.5	3.6	3.6
Foreign Reserves/Debt (%)	1.4	1.4	1.6	1.8	2.0	2.2
Implied Sen. Rating	BBB	A-	A	A+	A+	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

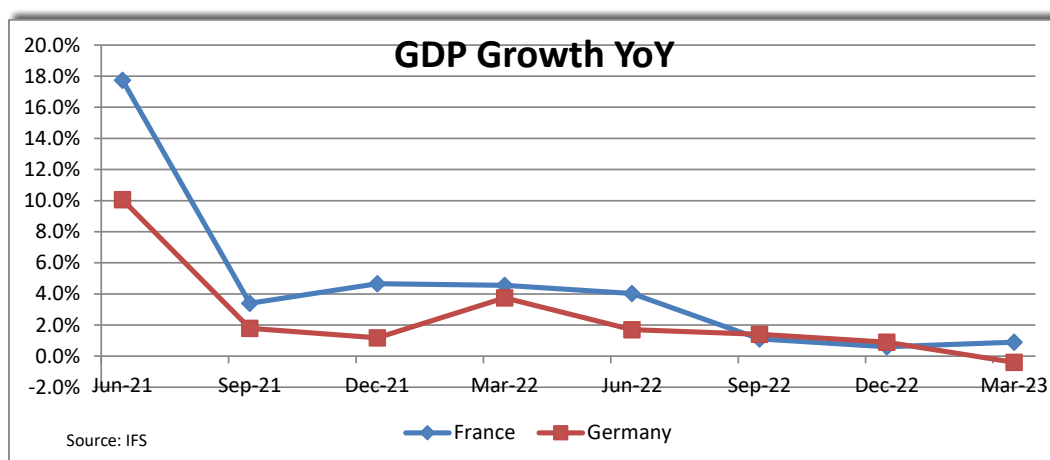
PEER RATIOS	<u>Other</u>	<u>Debt</u>	<u>Govt. Surp.</u>	<u>Adjusted</u>	<u>Interest</u>	<u>GDP</u>	<u>Ratio-</u>
	<u>NRSRO</u>	<u>as a %</u>	<u>Def to</u>	<u>Debt/</u>	<u>Expense/</u>	<u>Growth</u>	<u>Implied</u>
	<u>Sen.</u>	<u>GDP</u>	<u>GDP (%)</u>	<u>GDP</u>	<u>Taxes %</u>	<u>(%)</u>	<u>Rating*</u>
Federal Republic Of Germany	AAA	65.3	-2.6	65.3	2.7	7.4	AA+
Kingdom Of Sweden	AAA	53.6	2.1	53.6	1.3	8.7	A-
Kingdom Of Belgium	AA	103.8	-3.4	103.8	5.1	9.3	BBB
Republic Of Finland	AA+	74.2	-0.4	74.2	1.8	6.4	BB+
United Kingdom	AA	147.9	-5.5	147.9	15.0	9.7	BBB-



<u>Country</u>	<u>EJR Rtg.</u>	<u>CDS</u>
Belgium	BBB	20
France	A+	23
United Kingdom	A+	23
Germany	AA	15
Finland	AA	20

Economic Growth

The French economy is expected to gradually overcome inflation without experiencing a recession, despite facing a significant economic slowdown. In Q1, quarter-on-quarter economic growth slightly improved to 0.2%, primarily driven by a marginal recovery in private spending, while fixed investment and public consumption declined. Economic activity in Q2 is projected to maintain a pace similar to Q1. Industrial output growth increased in April, and consumer sentiment improved in April-May compared to Q1, but the composite PMI indicates a decline in activity, particularly in June, with both the services and manufacturing sectors entering contractionary territory. Additionally, the easing of energy prices since late 2022, expected to continue until 2025 based on futures prices, should contribute to a recovery phase in 2024. The economy is expected to gain further momentum in 2025, with annual average growth rates of 1.0% in 2024 and 1.5% in 2025.



Fiscal Policy

Fiscal policy is expected to lead to a moderate consolidation in both 2023 and 2024. Despite the implementation of broad energy support measures, the budget deficit in 2022 decreased to 4.7% of GDP, primarily due to robust revenue growth and the gradual phasing-out of COVID-19-related expenditures. In 2023, the government maintained capped gas and electricity tariffs, while expanding a voucher scheme to subsidize energy consumption for low-income households. However, road fuel tax cuts were abolished, and measures were taken to control rent increases.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
France	-4.25	117.11	22.50
Germany	-2.62	65.28	15.01
Sweden	2.14	53.60	15.01
Belgium	-3.36	103.79	20.17
Finland	-0.45	74.17	20.00
United Kingdom	-5.52	147.88	22.67

Sources: Thomson Reuters and IFS

Unemployment

In Q1'23, the unemployment rate in France held steady at 7.1%, which was also a downward revision from the previous reading of 7.1% in Q4 2022. This rate marked the lowest since Q2 2020, during the initial COVID-19 lockdown. The number of unemployed individuals decreased by 7,000, bringing the total to 2.2 million. Notably, the unemployment rate for people aged 15- 24 declined by 0.2 points to 16.6%, while for those aged 25-49, it remained stable at 6.4%. Among those aged 50 or more, the

	Unemployment (%)	
	2021	2022
France	7.88	7.32
Germany	3.58	3.07
Sweden	8.80	7.47
Belgium	6.28	5.58
Finland	7.68	6.77
United Kingdom	4.00	3.70

Source: Intl. Finance Statistics

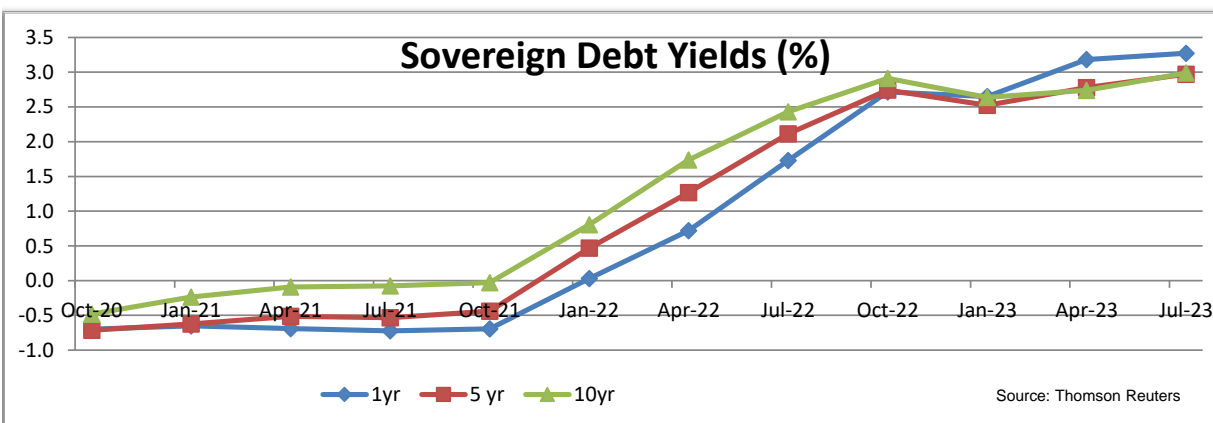
Banking Sector

The government has opted to keep the Livret A regulated savings rate unchanged at 3%, even though inflation and market rates data would have suggested an expected rate of 4%. This decision serves as a compromise to manage funding costs for social housing. The Livret A rate is expected to remain stable at 3% until January 2025, after which it will be subject to a decrease. In the broader context of the euro area, bank lending conditions have returned to normal since the end of 2022.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
BNP Paribas	2,663.7	2.55
Credit Agricole	2,167.6	1.48
Societe Generale	1,484.9	1.26
NATIXIS	428.8	2.94
Total	6,745.1	
EJR's est. of cap shortfall at 10% of assets less market cap		543.3
France's GDP		2,639.1

Funding Costs

Currently, the France 10Y Government Bond has a yield of 2.977%, and the spread between 10 Years vs 2 Years bonds stands at -28.9 basis points. Notably, the Yield Curve is inverted in Long-Term vs Short-Term Maturities. Moreover, the current 5-Years Credit Default Swap quotation is recorded at 25.00, with an implied probability of default estimated at 0.42%. These financial indicators provide valuable insights into the prevailing economic and credit risk conditions in France, indicating the potential path of interest rates and market sentiment in the country.



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 32 (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:	32	32	0
Scores:			
Starting a Business	37	37	0
Construction Permits	52	52	0
Getting Electricity	17	17	0
Registering Property	99	99	0
Getting Credit	104	104	0
Protecting Investors	45	45	0
Paying Taxes	61	61	0
Trading Across Borders	1	1	0
Enforcing Contracts	16	16	0
Resolving Insolvency	26	26	0

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

Economic Freedom

As can be seen below, France is above average in its overall rank of 63.6 for Economic Freedom with 100 being best.

Heritage Foundation 2023 Index of Economic Freedom				
World Rank 63.6*				
	2023	2022	Change in	World
	Rank**	Rank	Rank	Avg.
Property Rights	93.0	93.8	-0.8	53.3
Government Integrity	75.5	75.9	-0.4	44.4
Judicial Effectiveness	83.9	85.5	-1.6	48.3
Tax Burden	52.9	52.1	0.8	78.1
Gov't Spending	0.0	0.5	-0.5	64.3
Fiscal Health	20.0	39.1	-19.1	54.5
Business Freedom	78.2	81.9	-3.7	59.8
Labor Freedom	59.2	58.8	0.4	55.5
Monetary Freedom	76.9	79.1	-2.2	72.1
Trade Freedom	78.6	79.2	-0.6	69.6

*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

Credit Quality Driver: Taxes Growth:

FRENCH REPUBLIC has grown its taxes of 7.9% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 7.9% per annum over the next couple of years and 7.1% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:

FRENCH REPUBLIC'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%	7.5	7.9	7.9	7.1
Social Contributions Growth %	5.4	6.2	6.0	6.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	7.3	7.3	7.3
Total Revenue Growth%	7.2	7.3	7.3	6.5
Compensation of Employees Growth%	3.2	4.3	4.3	4.3
Use of Goods & Services Growth%	5.9	6.4	6.4	6.4
Social Benefits Growth%	3.7	1.1	1.1	1.1
Subsidies Growth%	(24.8)	0.9		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.6	1.6	
Currency and Deposits (asset) Growth%	(4.2)	0.0		
Securities other than Shares LT (asset) Growth%	(7.5)	0.0		
Loans (asset) Growth%	18.7	(65.3)	7.9	7.9
Shares and Other Equity (asset) Growth%	(16.7)	537.2	400.0	360.0
Insurance Technical Reserves (asset) Growth%	0.0	(6.2)	2.0	2.0
Financial Derivatives (asset) Growth%	(28.7)	15.9	7.9	7.9
Other Accounts Receivable LT Growth%	12.8	3.5	3.5	3.5
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%	9.3	2.3	3.0	3.0
Currency & Deposits (liability) Growth%	2.4	(4.0)	0.5	0.5
Securities Other than Shares (liability) Growth%	(17.3)	(13.2)	(9.2)	(9.2)
Loans (liability) Growth%	2.6	0.4	0.4	0.4
Insurance Technical Reserves (liability) Growth%	3.4	7.6	7.6	7.6
Financial Derivatives (liability) Growth%	(18.0)	5.0	5.0	5.0
Additional ST debt (1st year)(billions EUR)	0.0	0.0		

ANNUAL INCOME STATEMENTS

Below are FRENCH REPUBLIC's annual income statements with the projected years based on the assumptions listed on page 5.

	ANNUAL REVENUE AND EXPENSE STATEMENT					
	(BILLIONS EUR)					
	2019	2020	2021	2022	P2023	P2024
Taxes	741	710	757	817	882	951
Social Contributions	408	393	419	445	472	500
Grant Revenue						
Other Revenue						
Other Operating Income	126	111	139	149	149	149
Total Revenue	1,275	1,214	1,316	1,411	1,503	1,601
Compensation of Employees	297	304	314	328	342	357
Use of Goods & Services	120	122	130	138	147	156
Social Benefits	616	664	673	681	688	696
Subsidies	67	77	82	83	83	83
Other Expenses				154	154	154
Grant Expense						
Depreciation	80	81	84	91	91	91
Total Expenses excluding interest	1,302	1,385	1,434	1,474	1,505	1,536
Operating Surplus/Shortfall	-28	-171	-119	-62	-2	64
Interest Expense	<u>35</u>	<u>29</u>	<u>35</u>	<u>50</u>	<u>51</u>	<u>51</u>
Net Operating Balance	-63	-200	-153	-112	-52	13

ANNUAL BALANCE SHEETS

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

Base Case	ANNUAL BALANCE SHEETS (BILLIONS EUR)					
	2019	2020	2021	2022	P2023	P2024
ASSETS						
Currency and Deposits (asset)	77	159	159	126	126	126
Securities other than Shares LT (asset)	34	33	37	33	33	33
Loans (asset)	1	4	-1	0	0	0
Shares and Other Equity (asset)	4	1	1	5	27	137
Insurance Technical Reserves (asset)	5	6	5	5	5	5
Financial Derivatives (asset)	8	9	9	11	12	12
Other Accounts Receivable LT	293	318	332	343	355	368
Monetary Gold and SDR's						
Other Assets					730	730
Additional Assets	<u>673</u>	<u>692</u>	<u>758</u>	<u>730</u>		
Total Financial Assets	1,096	1,222	1,300	1,252	1,287	1,410
LIABILITIES						
Other Accounts Payable	280	296	303	310	320	329
Currency & Deposits (liability)	45	45	45	43	43	43
Securities Other than Shares (liability)	2,389	2,734	2,801	2,432	2,207	2,003
Loans (liability)	285	295	303	305	357	344
Insurance Technical Reserves (liability)	0	1	1	1	1	1
Financial Derivatives (liability)	12	12	13	13	14	15
Other Liabilities		0				
Liabilities	3,011	3,384	3,466	3,104	3,191	3,301
Net Financial Worth	<u>-1,915</u>	<u>-2,161</u>	<u>-2,166</u>	<u>-1,852</u>	<u>-1,904</u>	<u>-1,891</u>
Total Liabilities & Equity	1,096	1,222	1,300	1,252	1,287	1,410

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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"; the median rating for the peers is significantly higher than the issuer's rating.

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 FRENCH REPUBLIC with the ticker of 223727Z FP 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 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%	7.9	11.9	3.9	A+	AA-	A+
Social Contributions Growth %	6.0	9.0	3.0	A+	AA-	A+
Other Revenue Growth %		3.0	(3.0)	A+	A+	A+
Total Revenue Growth%	7.3	9.3	5.3	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:

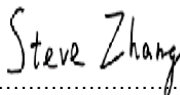
Today's Date

.....
 Subramanian NG
 Senior Rating Analyst

August 18, 2023

Reviewer Signature:

Today's Date

.....

 Steve Zhang
 Senior Rating Analyst

August 18, 2023

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.