FRENCH REPUBLIC

*EJR Sen Rating(Curr/Prj) A+/ A+

Rating Analysis - 8/29/22

The French government lowered its economic growth forecast for 2022, underscoring the constraints on President Macron as he tries to repair public finances from the Covid pandemic and support households struggling with rising prices. After a strong rebound in 2021, real GDP is projected to grow by 2.4% in 2022 and 1.4% in 2023. The early 2022 COVID-19 wave, the war in Ukraine, supply chain disruptions and elevated energy prices have dented economic prospects. Headline inflation is expected to reach 5.2% in 2022 and 4.5% in 2023, lowering household purchasing power and consumption growth.

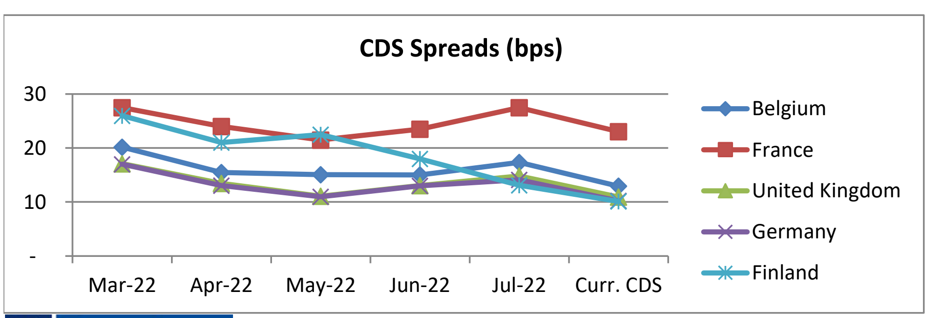
The decline in business and household confidence, weaker global economic conditions and high uncertainty will hold back investment and exports. Wages will accelerate, owing to high labour-market shortages and minimum-wage indexation. With slowing employment gains, the unemployment rate will progressively rise to 8%. Debt should stand at 111.9% of GDP at the end of the year and the deficit is expected to reach 5% of gross domestic product, with French officials highlighting a €50 billion of unexpected tax revenue. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2019	2020	2021	P2022	P2023	P2024
Debt/ GDP (%)	123.1	145.3	137.3	140.0	140.3	138.0
Govt. Sur/Def to GDP (%)	-2.6	-8.5	-6.0	-3.7	-1.3	1.0
Adjusted Debt/GDP (%)	123.1	145.3	137.3	140.2	140.5	138.2
Interest Expense/ Taxes (%)	4.8	4.2	4.6	4.3	4.1	3.9
GDP Growth (%)	3.1	-5.2	8.2	2.3	2.5	2.5
Foreign Reserves/Debt (%)	1.5	1.4	1.4	1.4	1.3	1.4
Implied Sen. Rating	A	BBB	A-	BBB+	A-	A-

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

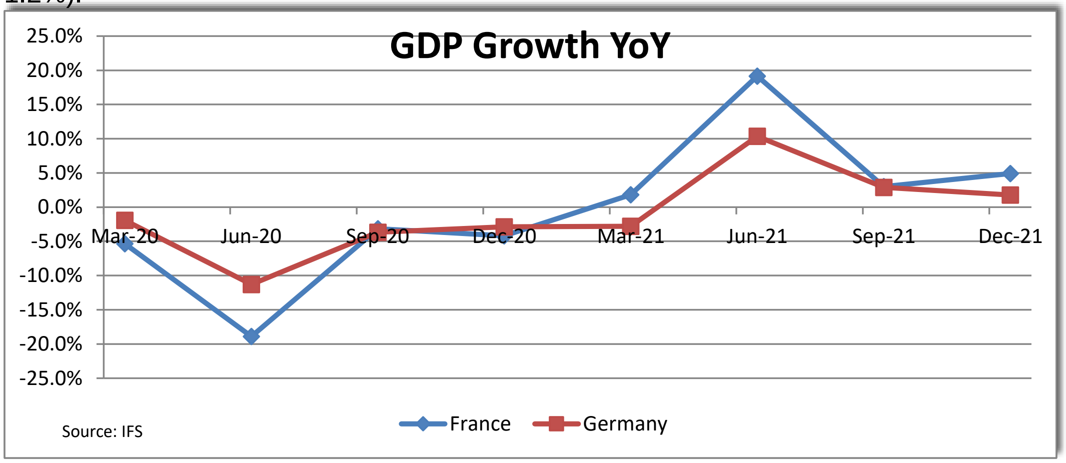
PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	77.8	-3.6	77.8	2.4	6.0	AA
Kingdom Of Sweden	AAA	58.9	1.1	58.9	0.6	8.3	AA+
Kingdom Of Belgium	AA	128.0	-5.0	128.0	5.6	10.8	BBB
Republic Of Finland	AA+	75.7	-1.9	75.7	1.6	6.3	AA



Country	EJR Rtg.	CDS
Belgium	BBB	13
France	A+	23
United Kingdom	A+	11
Germany	AA	10
Finland	AA	10

Economic Growth

These supply-chain difficulties, which had intensified throughout 2021, had eased somewhat by the very start of 2022. However, they have been exacerbated once again this spring by the combined effects of persistently strong demand at the global level, the curbing of supply by the war in Ukraine, and the very strict anti-COVID-19 strategy in China. France, the euro zone's second-biggest economy, posted preliminary gross domestic product (GDP) growth of 0.5% in the second quarter, as the economy got a boost from exports. Near-term pressures remained in terms of inflation, with preliminary inflation for July standing at 6.8%. The French economy advanced 0.5% on quarter in Q2 of 2022, exceeding market consensus of a 0.2% growth and reversing from a 0.2% contraction in Q1, preliminary data showed. The rebound was mainly supported by further rises in gross fixed capital formation (0.5% vs 0.5% in Q1) and a positive contribution from net trade as exports grew (0.8% vs 1.6%) while imports shrank (-0.6% vs 1.2%).



Fiscal Policy

French debt reached 114.5% of economic output in first quarter. Fiscal policy is assumed to remain supportive in 2022 and shift to consolidation in 2023. The budget deficit narrowed to 6.4% of GDP in 2021 due to strong revenue growth and the phasing-out of most COVID-19-related spending. To respond to the current commodity and energy price spikes, gas and electricity charges have been temporarily capped, vouchers for poorer households' energy consumption increased and an additional one-off means-tested transfer has reached 38 million people.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
France	-5.97	137.28	23.02
Germany	-3.62	77.80	10.21
Sweden	1.11	58.90	12.14
Belgium	-4.98	128.02	12.93
Finland	-1.85	75.69	10.10
United Kingd	-8.88	190.85	10.93

Sources: Thomson Reuters and IFS

Unemployment

The unemployment rate in France was at 7.3 percent in the first quarter of 2022, compared with market forecasts and the previous figure of 7.4 percent. The latest reading was the lowest jobless rate since the second quarter 2020, as the number of unemployed people decreased by 18,000 to 2.2 million. At the same time, the unemployment rate for people aged 15-24 increased 0.3 points to 16.3 percent, after a sharp drop in the previous quarter, and those aged 25 to 49 decreased 0.2 percent to 6.6%, while was virtually

Unemployment (%)	2020	2021
France	8.03	7.88
Germany	3.83	3.58
Sweden	8.53	8.80
Belgium	5.73	6.28
Finland	7.73	7.68
United Kingd	0.00	0.00

Source: Intl. Finance Statistics

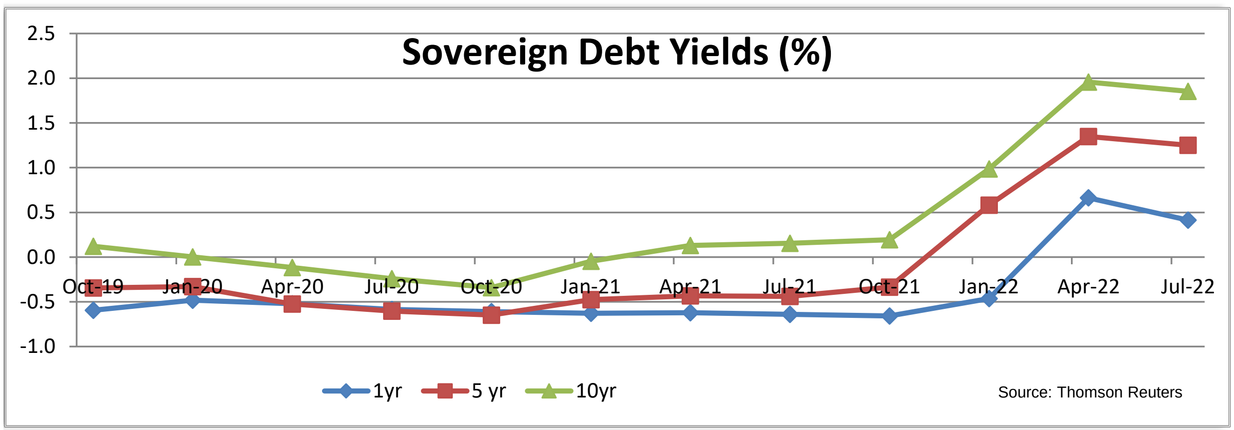
Banking Sector

The exposure of French companies to Russian assets remains limited. Growth is down and the debt burden will increase. We can expect to see a resurgence of austerity in the next five years. French banks' solvency ratio, which was solid, increased even further over the year, reaching 16% for the top six French banking groups. Their profitability also improved (their RoE stood at 7.1% at end-2021 compared with 4.6% a year earlier). It is close to the European average but still structurally too low.

Bank Assets (billions of local currency)	Assets	Mkt Cap/ Assets %
BNP Paribas	2,634.4	2.05
Credit Agricole	2,074.0	1.26
Societe Generale	1,464.4	1.17
NATIXIS	495.3	2.55
Total	6,668.2	
EJR's est. of cap shortfall at 10% of assets less market cap		556.8
France's GDP		2,500.9

Funding Costs

The yield on the French 10-year approached the 1.5% level, rebounding from the three-month low of 1.3%. The France Government Bond 10Y is expected to trade at 1.52 percent by the end of this quarter, according to Trading Economics global macro model and consensus expects to trade at 2.03 per cent in 12 months' time.



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 Rank	2020 Rank	Change in 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 not good in its overall rank of 37.0 for Economic Freedom with 100 being best.

Heritage Foundation 2021 Index of Economic Freedom World Rank 37.0*	2021 Rank**	2020 Rank	Change in Rank	World Avg.
Dealing with Construction Permits	52.0	52.0	0.0	95.4
Getting Electricity	17.0	17.0	0.0	95.5
Registering Property	99.0	99.0	0.0	95.5
Getting Credit	104.0	104.0	0.0	90.3
Protecting Minority Investors	45.0	45.0	0.0	93.0
Paying Taxes	61.0	61.0	0.0	95.5
Trading Across Borders	1.0	1.0	0.0	94.9
Enforcing Contracts	16.0	16.0	0.0	95.5
Resolving Insolvency	26.0	26.0	0.0	94.2
0	0.0	0.0	0.0	#DIV/0!

*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 6.7% per annum in the last fiscal year which is average. We expect tax revenues will grow approximately 6.7% per annum over the next couple of years and 6.0% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:
FRENCH REPUBLIC's total revenue growth has been less than its peers and we assumed a 7.7% 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%	11.6	6.7	**6.7**	**6.0**
Social Contributions Growth %	5.6	6.7	**7.0**	**7.0**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	25.2	**13.4**	**13.4**
Total Revenue Growth%	8.9	8.4	**7.7**	**6.9**
Compensation of Employees Growth%	4.3	2.7	**2.7**	**2.7**
Use of Goods & Services Growth%	6.4	5.9	**5.9**	**5.9**
Social Benefits Growth%	2.9	1.2	**1.2**	**1.2**
Subsidies Growth%	(7.9)	9.0		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.0	**1.0**	
Currency and Deposits (asset) Growth%	3.3	0.0		
Securities other than Shares LT (asset) Growth%	2.0	0.0		
Loans (asset) Growth%	(11.8)	(151.5)	**6.7**	**6.7**
Shares and Other Equity (asset) Growth%	(9.9)	(246.3)	**2.0**	**2.0**
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	(16.1)	0.8	**0.8**	**0.8**
Other Accounts Receivable LT Growth%	(1.8)	4.2	**4.2**	**4.2**
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%	2.2	1.2	**3.0**	**3.0**
Currency & Deposits (liability) Growth%	14.8	(0.1)	**0.5**	**0.5**
Securities Other than Shares (liability) Growth%	(0.5)	2.6	**1.8**	**1.8**
Loans (liability) Growth%	(3.6)	0.7	**0.7**	**0.7**
Insurance Technical Reserves (liability) Growth%	7.3	(2.7)	**(2.7)**	**(2.7)**
Financial Derivatives (liability) Growth%	0.0	4.4	**4.4**	**4.4**
Additional ST debt (1st year)(billions EUR)	0.0	0.0		

ANNUAL OPERATING 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)

	2018	2019	2020	2021	P2022	P2023
Taxes	715	741	709	757	808	862
Social Contributions	425	408	393	419	448	480
Grant Revenue						
Other Revenue						
Other Operating Income	121	126	111	139	139	139
Total Revenue	1,261	1,275	1,213	1,315	1,395	1,480
Compensation of Employees	294	297	304	312	321	329
Use of Goods & Services	117	120	121	129	136	144
Social Benefits	600	616	664	672	680	689
Subsidies	62	67	77	84	84	84
Other Expenses				152	152	152
Grant Expense						
Depreciation	78	80	81	81	81	81
Total Expenses excluding interest	1,270	1,302	1,381	1,430	1,454	1,479
Operating Surplus/Shortfall	-9	-28	-168	-115	-59	2
Interest Expense	40	35	30	35	35	35
Net Operating Balance	-49	-63	-197	-149	-94	-34

ANNUAL BALANCE SHEETS

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

	ANNUAL BALANCE SHEETS (BILLIONS EUR)					
Base Case						
ASSETS	2018	2019	2020	2021	P2022	P2023
Currency and Deposits (asset)	71	77	151	153	153	153
Securities other than Shares LT (asset)	35	34	33	35	35	35
Loans (asset)	-1	1	4	-2	-2	-2
Shares and Other Equity (asset)	8	4	1	-2	-2	-2
Insurance Technical Reserves (asset)	5	5	6	5	5	5
Financial Derivatives (asset)	8	8	9	9	9	9
Other Accounts Receivable LT	293	293	316	329	343	357
Monetary Gold and SDR's						
Other Assets					744	744
Additional Assets	601	673	674	744		
Total Financial Assets	1,019	1,096	1,194	1,272	1,286	1,300
LIABILITIES						
Other Accounts Payable	273	280	290	294	303	312
Currency & Deposits (liability)	41	45	45	45	45	45
Securities Other than Shares (liability)	2,254	2,389	2,733	2,804	2,856	2,908
Loans (liability)	285	285	287	289	383	416
Insurance Technical Reserves (liability)	0	0	0	0	0	0
Financial Derivatives (liability)	11	12	12	13	13	14
Other Liabilities	0		0	0	0	0
Liabilities	2,865	3,011	3,368	3,446	3,553	3,601
Net Financial Worth	-1,845	-1,915	-2,174	-2,174	-2,267	-2,301
Total Liabilities & Equity	1,019	1,096	1,194	1,272	1,286	1,300

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 adjustmer which are reflected in the results for the projected ratings. We have assigned a rating of "A+" whereas the ratio-implied rating for th 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 (Non-NRSRO)

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+) except for AAA and those deep into speculative grade, i.e., CC, C, and D do not have 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 Methodologies for Determining Credit Ratings (Main Methodology) version #15a 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 projections on pages 1, 6, and 7 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 dependent 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 information from the IMF and other similar sources. In some cases, the information is limited because of issues such as the lack of reported data, a delay in reporting data, restatements, inaccurate accounting and other issues. Such issues 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 publicly available information from the IMF, governmental filings and other similar sources for ratings on sovereign 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	A-	A-	BBB+
Social Contributions Growth %	7.0	10.0	4.0	A-	A-	A-
Other Revenue Growth %		3.0	(3.0)	A-	A-	A-
Total Revenue Growth%	7.0	9.0	5.0	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**

August 29, 2022

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Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Caroline Ding

August 29, 2022

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Caroline Ding
Rating Analyst

(Note, see our senior report for additional disclosures.)

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.