



NEWS RELEASE

No. 2006-C-941
December 20, 2006

R&I Affirms AAA, Outlook Stable: Ireland

Rating and Investment Information, Inc. (R&I) has affirmed the following ratings:

ISSUER: **Ireland**
Foreign Currency Issuer Rating
Domestic Currency Issuer Rating

R&I RATING: AAA (Affirmed)
RATING OUTLOOK: Stable

Foreign Currency Short-term Credit Rating
Domestic Currency Short-term Credit Rating

R&I RATING: a-1+ (Affirmed)

RATIONALE:

With its economy benefiting from flexibility and a fast growth dynamic, Ireland's financial base remains strong. R&I has affirmed Ireland's Foreign and Domestic Currency Issuer Rating at AAA. The Rating Outlook is Stable.

Although it is a small country with a population of about 4.1 million people, by using its ability to attract investment in high value-added sectors such as pharmaceuticals, electronics and finance as a springboard, Ireland has sustained rapid growth averaging more than 7% per annum since the latter half of the 1990s. With per capita gross domestic product (GDP) in 2006 reaching approximately US\$50,000, Ireland has overtaken the leading Group of Seven countries. The government has boosted employment, and relieved upward pressure on wages, with measures that include encouraging women to take on a greater role in the labour market and broad acceptance of immigration, and industry is maintaining its global competitiveness.

Against a backdrop of reductions of the income tax burden and an expanding population, private consumption and housing investment are growing at a steady pace. Although the euro zone policy interest rate is edging upwards, concern that domestic demand will slow rapidly is minimal because the level of real interest rates, which reflect the rate of inflation, remains low. Public capital expenditures, centered on social infrastructure development such as roads and public transportations, also are at a high-level, and over the next two to three years, Ireland is expected to achieve real growth in the 5-6% range.

Given that tax revenue also is robust, the fiscal surplus is projected to continue. The average age of the population is still young, so the social security burden is light. Nevertheless, to prepare for the future aging of the population, each year the national pension reserve fund will accumulate an amount corresponding to 1% of GNP until 2025. The outstanding government debt balance at the end of 2006 is expected to fall to 25.1% of GDP. Net government debt considering pension reserve assets will be even lower at around 15% of GDP.

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Ratings are statements of R&I's opinion shown in certain symbols regarding an Issuer's general capacity (credit quality) to repay its financial obligation and individual debts (bonds and loans, etc.) and it is not a statement of recommendations to buy, hold, or sell any securities. Information has been obtained by R&I from sources believed to be reliable, however, its accuracy, adequacy, or completeness is not guaranteed. Therefore, R&I is not responsible for any errors or omissions or the result obtained from the use of the rating. As a general rule, R&I provides the rating services for a rating fee paid by the Issuer.

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NEWS RELEASE

R&I RATINGS:

ISSUER: **Ireland**

FOREIGN CURRENCY ISSUER RATING: AAA (Affirmed)

DOMESTIC CURRENCY ISSUER RATING: AAA (Affirmed)

RATING OUTLOOK: Stable

FOREIGN CURRENCY SHORT-TERM CREDIT RATING: a-1+ (Affirmed)

DOMESTIC CURRENCY SHORT-TERM CREDIT RATING: a-1+ (Affirmed)

An Issuer Rating is R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and it will be assigned to all issuers. The rating of individual obligations (i.e. bonds and loans etc.) includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than Issuer Rating.

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