

In 2023, the Swedish economy is anticipated to experience a contraction of 0.3%, followed by a growth of 1.4% in 2024. During the same period, private investment is expected to decline, primarily due to significant drops in construction activity caused by rising construction costs and falling housing prices. Moreover, elevated inflation will continue to impact households, reducing their real disposable income in the short term. However, from mid-2023, private consumption growth is projected to improve as real disposable incomes begin to recover.

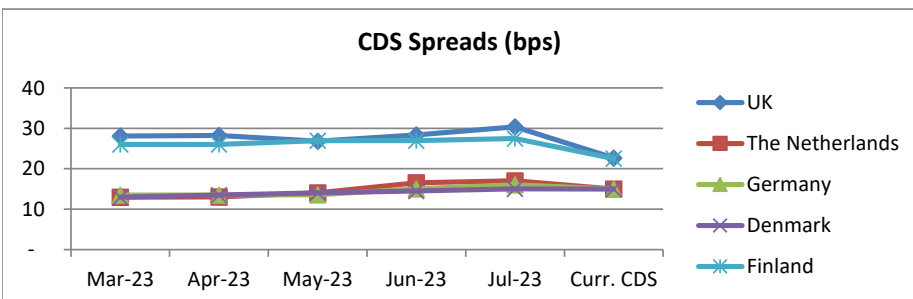
The macro-economic framework in Sweden remains weak but is holding up better than previously expected. Manufacturing PMI remains well below the 50pt landmark (44.8pt) but improved relative to the prior month. On the other hand, the unemployment rate moved slightly higher, but still remains at historical low levels. To address the challenges posed by inflation and stabilize economic conditions, experts advise further monetary policy tightening, ensuring that inflation expectations remain anchored. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2020	2021	2022	P2023	P2024	P2025
Debt/ GDP (%)	63.1	58.7	53.6	47.2	40.8	34.3
Govt. Sur/Def to GDP (%)	-1.2	1.3	2.1	2.8	3.4	3.8
Adjusted Debt/GDP (%)	63.1	58.7	53.6	47.3	40.8	34.4
Interest Expense/ Taxes (%)	0.7	0.5	1.3	1.2	1.2	1.1
GDP Growth (%)	-0.2	8.9	8.7	2.5	3.6	3.6
Foreign Reserves/Debt (%)	12.4	12.4	15.2	17.3	19.6	22.8
Implied Sen. Rating	AA	AA+	AA+	AA+	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

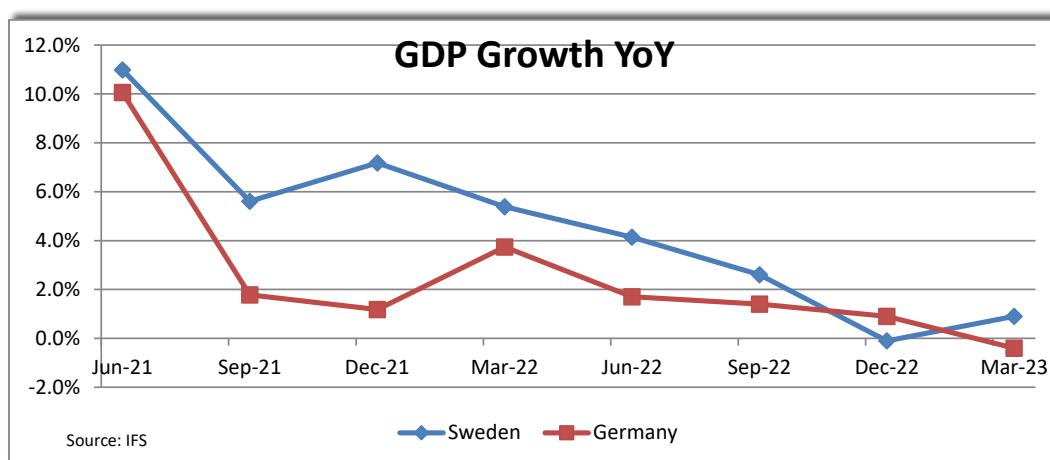
PEER RATIOS	Other NRSRO Sen.	Debt as a % of GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio- Implied Rating*
Federal Republic Of Germany	AAA	65.3	-2.6	65.3	2.7	7.4	AA+
Kingdom Of Denmark	AAA	50.3	4.3	50.3	1.2	7.8	A-
United Kingdom	AAA	147.9	-5.5	147.9	15.0	9.7	BBB
Kingdom Of The Netherlands	AA+	54.6	0.3	54.6	2.1	10.0	BB+
Republic Of Finland	AA+	74.2	-0.4	74.2	1.8	6.4	BBB-



Country	EJR Rtg.	CDS
UK	A+	23
The Netherlands	AA-	15
Germany	AA	15
Denmark	AA	15
Finland	AA	23

Economic Growth

Following a 0.5% decline in the fourth quarter of 2022, the GDP made a recovery of 0.6% in the first quarter of 2023, primarily driven by strong exports and inventory growth. However, household consumption and residential investment continued to decline, largely influenced by significant reductions in property prices, which have affected both investment and household wealth. Household confidence remains notably low, as indicated by sentiment indicators. While manufacturing output has held up well with substantial order backlogs, there is a concerning trend of decreasing new orders. The labor market has generally remained robust, but signs of a slowdown have emerged, with an increase in layoff notices and companies planning workforce downsizing. In terms of inflation, consumer price inflation with a fixed mortgage rate (CPIF) eased to 7.6% in April, but when excluding energy costs, CPIF inflation remained at 8.4%, signaling broader inflationary pressures.



Fiscal Policy

In response to the challenges of high inflation and the weakened Swedish Krona, the Riksbank took action by raising its repo rate to 3.5%, the highest rate witnessed in almost 15 years. Further adjustments are expected, with an additional 25 basis points increase scheduled for June, and the rate is projected to remain at this level throughout the latter half of 2023 and 2024. Regarding fiscal policy, the stance is aimed at being broadly neutral in both 2023 and 2024, involving a scaling back of discretionary spending. In the spring 2023 budget bill, new measures of approximately SEK 4 billion have been introduced, with a focus on defense and education.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Sweden	2.14	53.60	15.01
Germany	-2.62	65.28	15.01
Denmark	4.05	29.70	15.01
UK	-5.52	147.88	22.67
The Netherla	0.28	54.65	15.01
Finland	-0.45	74.17	22.50

Sources: Thomson Reuters and IFS

Unemployment

In May 2023, Sweden's unemployment rate showed significant improvement, declining to 7.9% from 8.5% in the same month of the previous year. The number of unemployed individuals decreased by 26 thousand to 456 thousand, while the number of employed individuals increased by 122 thousand to 5.3 million. Consequently, the employment rate rose by 1.2 percentage points, reaching 69.9%, and the labor force participation rate grew by 0.8 percentage points, reaching 75.9%. When seasonally

	Unemployment (%)	
	2021	2022
Sweden	8.80	7.47
Germany	3.58	3.07
Denmark	5.10	4.46
UK	4.00	3.70
The Netherla	4.23	3.54
Finland	7.68	6.77

Source: Intl. Finance Statistics

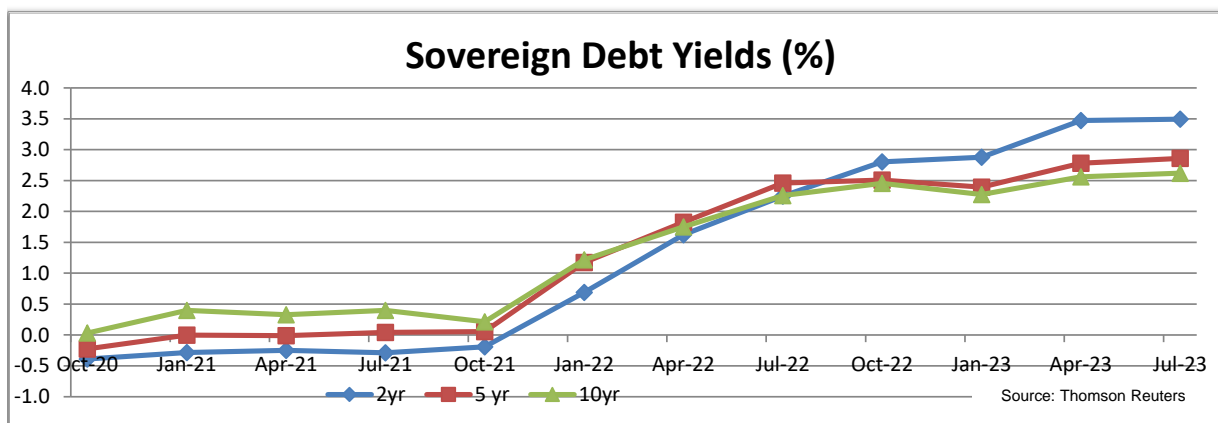
Banking Sector

The Swedish banking system is characterized by its significant size, concentration, and interconnectedness, with strong ties to global financial markets for obtaining funding. As a consequence of these features, it becomes particularly vulnerable to external shocks. Furthermore, the system plays a crucial role in providing credit and performing other essential functions within the financial realm.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
Nordea Bank AB	554.8	51.34
Skandinaviska Enskilda Banken AB	3,532.8	7.24
Svenska Handelsbanken AB	3,453.7	5.18
Swedbank AB	2,854.6	7.21
Total	10,396.0	
EJR's est. of cap shortfall at 10% of assets less market cap		114.3
Sweden's GDP		5,962.8

Funding Costs

On June 29th, 2023, the central bank of Sweden implemented its seventh consecutive interest rate hike, raising its key policy rate by 25 basis points to 3.75%. This move was in line with expectations and brought borrowing costs to fresh highs not seen since 2008. The decision was driven by policymakers' concerns about persistently high inflation, which, despite falling, remained at unacceptable levels.



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 10 (1 is best, 189 worst) is extremely strong.

The World Bank's Doing Business Survey*			
	2021	2020	Change in
	Rank	Rank	Rank
Overall Country Rank:	10	10	0
Scores:			
Starting a Business	39	39	0
Construction Permits	31	31	0
Getting Electricity	10	10	0
Registering Property	9	9	0
Getting Credit	80	80	0
Protecting Investors	28	28	0
Paying Taxes	31	31	0
Trading Across Borders	18	18	0
Enforcing Contracts	39	39	0
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, Sweden is strong in its overall rank of 77.5 for Economic Freedom with 100 being best.

Heritage Foundation 2023 Index of Economic Freedom				
World Rank 77.5*				
	2023	2022	Change in	World
	Rank**	Rank	Rank	Avg.
Property Rights	96.6	97.3	-0.7	53.3
Government Integrity	95.7	95.7	0.0	44.4
Judicial Effectiveness	95.6	97.1	-1.5	48.3
Tax Burden	45.1	44.9	0.2	78.1
Gov't Spending	26.2	26.4	-0.2	64.3
Fiscal Health	96.2	95.8	0.4	54.5
Business Freedom	84.6	84.6	0.0	59.8
Labor Freedom	65.9	65.4	0.5	55.5
Monetary Freedom	80.9	83.6	-2.7	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:

KINGDOM OF SWEDEN has grown its taxes of 5.5% per annum in the last fiscal year which is average. We expect tax revenues will grow approximately 5.5% per annum over the next couple of years and 5.0% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:

KINGDOM OF SWEDEN's total revenue growth has been more than its peers and we assumed a 6.5% 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%	7.9	5.5	5.5	5.0
Social Contributions Growth %	5.2	5.4	5.0	5.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	20.0	11.0	11.0
Total Revenue Growth%	6.4	7.2	6.5	5.9
Compensation of Employees Growth%	4.2	3.1	3.1	3.1
Use of Goods & Services Growth%	4.3	8.7	8.7	8.7
Social Benefits Growth%	3.5	3.7	3.7	3.7
Subsidies Growth%	(25.8)	(18.6)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	0.9	0.9	
Currency and Deposits (asset) Growth%	(11.4)	0.0		
Securities other than Shares LT (asset) Growth%	(6.0)	0.0		
Loans (asset) Growth%	18.7	102.0	5.5	5.5
Shares and Other Equity (asset) Growth%	(25.3)	2,295.8	400.0	360.0
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	(49.7)	224.5	5.5	5.5
Other Accounts Receivable LT Growth%	15.1	12.8	5.5	5.5
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	16.8	5.0	5.0
Currency & Deposits (liability) Growth%	(1.2)	48.0	5.5	5.5
Securities Other than Shares (liability) Growth%	(17.3)	(19.8)	(13.8)	(13.8)
Loans (liability) Growth%	(5.4)	10.6	10.6	10.6
Insurance Technical Reserves (liability) Growth%	0.0	3.4	3.4	3.4
Financial Derivatives (liability) Growth%	0.0	(31.3)	(10.0)	(10.0)
Additional ST debt (1st year)(billions SEK)	0.0	0.0		

ANNUAL INCOME STATEMENTS

Below are KINGDOM OF SWEDEN's annual income statements with the projected years based on the assumptions listed on page 5.

	ANNUAL REVENUE AND EXPENSE STATEMENT					
	(BILLIONS SEK)					
	2019	2020	2021	2022	P2023	P2024
Taxes	2,018	1,994	2,185	2,304	2,431	2,565
Social Contributions	172	172	185	195	205	215
Grant Revenue						
Other Revenue						
Other Operating Income	320	318	331	397	397	397
Total Revenue	2,510	2,484	2,701	2,896	3,033	3,177
Compensation of Employees	636	652	680	701	722	745
Use of Goods & Services	395	404	432	470	510	555
Social Benefits	797	824	847	878	910	944
Subsidies	81	139	116	95	95	95
Other Expenses				391	391	391
Grant Expense						
Depreciation	162	166	180	205	205	205
Total Expenses excluding interest	2,376	2,530	2,616	2,739	2,833	2,933
Operating Surplus/Shortfall	133	-46	85	157	199	244
Interest Expense	<u>20</u>	<u>14</u>	<u>11</u>	<u>30</u>	<u>30</u>	<u>30</u>
Net Operating Balance	113	-60	74	128	169	213

ANNUAL BALANCE SHEETS

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

Base Case	ANNUAL BALANCE SHEETS (BILLIONS SEK)					
	2019	2020	2021	2022	P2023	P2024
ASSETS						
Currency and Deposits (asset)	166	223	203	205	449	1,353
Securities other than Shares LT (asset)	553	509	549	508	508	508
Loans (asset)	-48	46	-27	-55	-58	-61
Shares and Other Equity (asset)	-7	86	-2	-55	-273	-1,363
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	29	51	10	31	33	35
Other Accounts Receivable LT	582	664	752	848	895	944
Monetary Gold and SDR's						
Other Assets					3,340	3,340
Additional Assets	<u>3,004</u>	<u>3,020</u>	<u>3,532</u>	<u>3,340</u>		
Total Financial Assets	4,279	4,600	5,015	4,823	4,894	4,755
LIABILITIES						
Other Accounts Payable	487	553	588	687	722	758
Currency & Deposits (liability)	69	75	115	170	170	170
Securities Other than Shares (liability)	1,202	1,352	1,341	1,076	927	799
Loans (liability)	619	672	628	695	526	312
Insurance Technical Reserves (liability)	473	527	549	568	587	607
Financial Derivatives (liability)	21	18	35	24	22	20
Other Liabilities						
Liabilities	2,871	3,197	3,258	3,220	3,123	2,770
Net Financial Worth	<u>1,408</u>	<u>1,404</u>	<u>1,758</u>	<u>1,602</u>	<u>1,772</u>	<u>1,985</u>
Total Liabilities & Equity	4,279	4,600	5,015	4,823	4,894	4,755

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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 "AA+" whereas the ratio-implied rating for the most recent period is "AA+"; 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 KINGDOM OF SWEDEN with the ticker of 1179Z SS we have assigned the senior unsecured rating of AA+. 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%	5.5	9.5	1.5	AA+	AA+	AA+
Social Contributions Growth %	5.0	8.0	2.0	AA+	AA+	AA+
Other Revenue Growth %		3.0	(3.0)	AA+	AA+	AA+
Total Revenue Growth%	6.5	8.5	4.5	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:

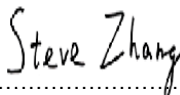
Today's Date

.....
 Subramanian NG
 Senior Rating Analyst

August 18, 2023

Reviewer Signature:

Today's Date

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 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.