SWISS CONFEDERATION

*EJR Sen Rating(Curr/Prj) AAA/ NR

*EJR CP Rating: A1+

*EJR's 7 yr. Default Probability: 0.0%

Rating Analysis - 12/24/20

OECD expects the Swiss economy to contract by 4.7% in 2020 and is projected to rebound by 2.2% in 2021 and 3.4% in 2022. Activity will only reach its pre-crisis level in 2022. The Swiss economy appeared to recover robustly in Q3 2020 from Q2 2020's downturn as restrictions on activity at home were lifted. The KKOF Swiss Economic Institute Barometer hit a ten-year high in September amid positive signs from the manufacturing and hospitality sectors. Switzerland, now is trying to navigate a middle path during the latest coronavirus outbreak, tightening some restrictions but steering clear of a full lockdown.

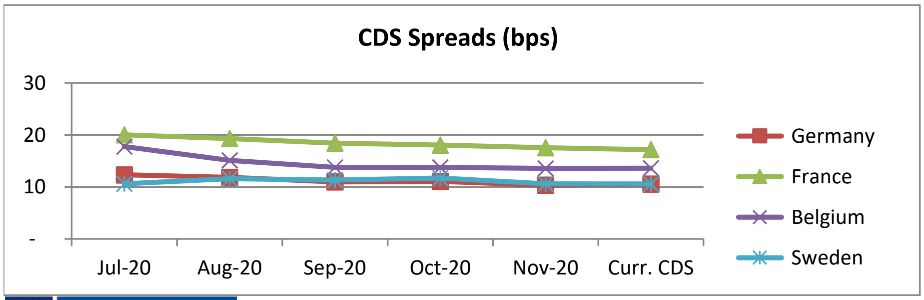
It is expected the economic impact of the latest lockdown might be less severe than earlier this year, with output returning to pre-crisis levels by the end of the 2021 or beginning of 2022. In the long- term, even hard-hit industries like tourism are expected to participate in a widespread upswing, with State Secretariat for Economic Affairs (SECO) forecasting GDP growth at 3.1% in 2022 (OECD's forecast is of +3.4%). Unemployment is expected to rise slightly in the short term from an expected rate of 3.2% in 2020 to 3.3% in 2021, before falling to 3% in 2022. We are affirming with a developing watch.

Annual Ratios
(source for past results: IMF, CEIC)

CREDIT POSITION	2017	2018	2019	P2020	P2021	P2022
Debt/ GDP (%)	41.8	38.9	37.7	42.8	47.4	51.4
Govt. Sur/Def to GDP (%)	0.6	0.6	0.7	-5.5	-5.1	-4.6
Adjusted Debt/GDP (%)	41.8	38.9	37.7	42.8	47.4	51.4
Interest Expense/ Taxes (%)	2.0	1.6	1.4	1.4	1.4	1.3
GDP Growth (%)	1.2	3.7	1.0	2.3	2.3	2.5
Foreign Reserves/Debt (%)	248.9	254.0	280.1	237.8	225.0	200.0
Implied Sen. Rating	AA+	AA+	AA+	AA+	AA+	AA+

INDICATIVE CREDIT RATIOS	AA	A	BBB	BB	B	CCC
Debt/ GDP (%)	45.0	55.0	75.0	85.0	95.0	145.0
Govt. Sur/Def to GDP (%)	4.0	1.0	-2.0	-5.0	-8.0	-10.0
Adjusted Debt/GDP (%)	40.0	50.0	60.0	80.0	120.0	150.0
Interest Expense/ Taxes (%)	7.0	9.0	12.0	15.0	22.0	26.0
GDP Growth (%)	4.0	3.0	2.0	1.0	-1.0	-5.0
Foreign Reserves/Debt (%)	25.0	20.0	15.0	12.0	9.0	7.0

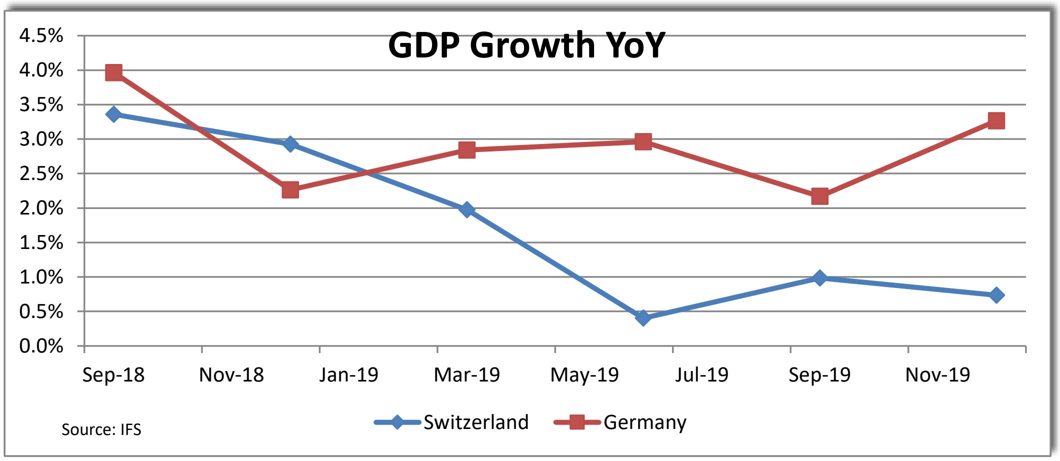
PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic of Germany	AAA	59.8	1.6	59.8	3.3	2.5	A-
French Republic	AA	98.1	-2.5	98.1	4.7	2.9	BB
Kingdom of Belgium	AA	98.7	-1.5	98.7	6.6	4.8	BB+
Kingdom of Sweden	AAA	35.6	2.2	35.6	1.0	3.9	AA-
Kingdom of Denmark	AAA	33.2	4.2	33.2	1.5	4.4	AA



Country	EJR Rtg.	CDS
Switzerland	AAA	N/A
Germany	AA	11
France	A+	17
Belgium	BBB	14
Sweden	AA+	11

Economic Growth

Following a likely sharp contraction in 2020, the Swiss economy is expected to expand strongly next year as external demand recovers. However, the uncertain evolution of the virus and tense relations with the EU due to disagreements over the renegotiation of the trading relationship pose downside risks. The economy grew by 7.2% sequentially in Q3'20 - the most since at least 1980, after a historic plunge of 7% in Q2 2020. The bounce left the economy about 2% lower than before the pandemic, much less than the gaps seen across major euro-area countries. Private consumption rebounded sharply (11.9% vs -8.1% in Q2) as well as investment in equipment (8.8% vs -10.1%). Also, government spending rose 0.2% after being flat in the June 2020 quarter.



Fiscal Policy

A large set of measures (amounting to around 6% of GDP, of which government guarantees account for about one-half) has been implemented to support incomes and firms. The Corona Income-Compensation Scheme has been set to compensate the loss of income for employees and the self-employed. It has been extended until mid-2021 - these will translate to higher fiscal deficit for the country. A strong second wave of infections heightens uncertainty. Budgetary support has been substantial, and monetary policy remains accommodative. Further fiscal support may be needed.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Switzerland	0.75	37.67	N/A
Germany	1.58	59.76	10.58
France	-2.53	98.12	17.17
Belgium	-1.52	98.75	13.61
Sweden	2.18	35.59	10.57
Denmark	4.22	33.19	8.58

Sources: Thomson Reuters and IFS

Unemployment

In addition to the relatively early easing of containment restrictions, the structure of the Swiss economy helped to limit the impact rising unemployment. Short-time work has involved more than a quarter of employees since the start of the crisis, although the number of short-time workers is now decreasing. The Corona Income-Compensation Scheme has been set to compensate the loss of income for employees and the self-employed. It has been extended until mid-2021. The existing short-time work scheme coverage has been expanded to limit the impact of the crisis on employment. To avoid an increase in employees' contributions, the Federal Council provided funding to the unemployment insurance fund (around 1.7% of GDP). The Swiss unemployment rate edged up to a non-seasonally adjusted 3.3 percent in November 2020, the highest since August, from 3.2 percent in the previous month.

Unemployment (%)

	2018	2019
Switzerland	2.63	2.33
Germany	3.40	3.20
France	9.11	8.43
Belgium	5.98	5.44
Sweden	6.28	6.73
Denmark	4.97	4.91

Source: Intl. Finance Statistics

Banking Sector

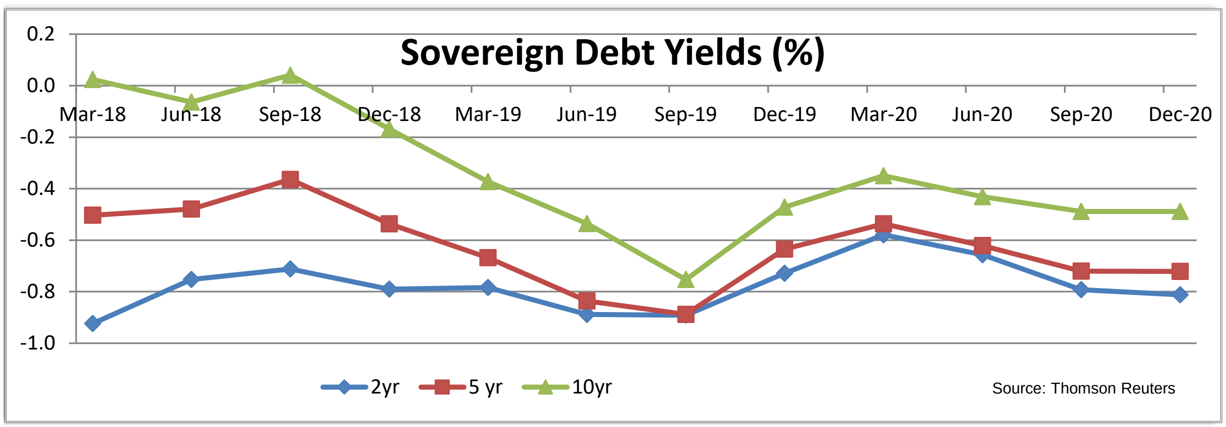
A strong franc could pose a problem for the Swiss financial industry. The supply of credit and liquidity to small and medium-sized enterprises in Switzerland is currently working well, and with the COVID-19 refinancing facility, the Swiss National Bank provides liquidity to banks to finance loans granted under the government's COVID-19 scheme. Outlook appears weak with sixty percent of Swiss companies experiencing weaker demand as suggested by a survey by the KOF Swiss Economic Institute, while 10% feared for their survival.

Bank Assets (billions of local currency)

	Assets	Mkt Cap/ Assets %
UBS AG-REG	972.19	4.85
CREDIT SUISSE-REG	787.30	3.41
BANQUE CANTO-REG	48.35	16.73
BASLER KANTON-PC	44.82	0.77
BERNER KANTO-REG	32.93	6.40
Total	1,885.6	
EJR's est. of cap shortfall at 10% of assets less market cap		104.0
Switzerland's GDP		726.9

Funding Costs

The SNB still sees upside (from global policy support) and downside risks (pandemic, trade wars) to its forecasts. However, compared to September, the assessment seems more downbeat, The SNB highlights that due to the pandemic second wave, production capacities will be under-utilised for an extended period and inflation will remain modest. Additionally, the Swiss' favourable financing costs coupled with its safe-haven status accorded to CHF bodes well. The 10-year sovereign yield was -0.51% in December, and the nominal interest rate on government debt declined to 1.0% in 2019. The Swiss National Bank held its policy rate at -0.75 percent and the interest rate it charges on overnight deposits it holds for commercial banks at -0.75 percent during its December meeting, saying it is maintaining its expansionary monetary policy with a view to stabilizing economic activity and price developments.



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 36 (1 is best, 189 worst) is above average.

The World Bank's Doing Business Survey*

	2019 Rank	2017 Rank	Change in Rank
Overall Country Rank:	**36**	**31**	**-5**
Scores:			
Starting a Business	81	71	-10
Construction Permits	71	68	-3
Getting Electricity	13	7	-6
Registering Property	18	16	-2
Getting Credit	67	62	-5
Protecting Investors	105	106	1
Paying Taxes	20	18	-2
Trading Across Borders	26	37	11
Enforcing Contracts	57	39	-18
Resolving Insolvency	49	45	-4

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

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Economic Freedom

As can be seen below, Switzerland is strong in its overall rank of 82.0 for Economic Freedom with 100 being best.

Heritage Foundation 2020 Index of Economic Freedom
World Rank 82.0*

	2020 Rank**	2019 Rank	Change in Rank	World Avg.
Property Rights	87.4	85.3	2.1	56.6
Government Integrity	90.1	82.0	8.1	43.8
Judicial Effectiveness	81.5	88.0	-6.5	45.1
Tax Burden	70.1	70.5	-0.4	77.3
Gov't Spending	65.3	64.8	0.5	66.0
Fiscal Health	96.7	96.3	0.4	69.1
Business Freedom	74.2	75.4	-1.2	63.3
Labor Freedom	72.4	72.5	-0.1	59.4
Monetary Freedom	84.4	85.2	-0.8	74.6
Trade Freedom	86.6	87.4	-0.8	73.8

*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

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Credit Quality Driver: Taxes Growth:
SWISS CONFEDERATION has grown its taxes of 3.4% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 3.4% per annum over the next couple of years and 3.4% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:
SWISS CONFEDERATION's total revenue growth has been more than its peers and we assumed no growth in total revenue over the next two years.

	Peer	Issuer	Assumptions	
Income Statement	**Median**	**Avg.**	**Yr. 1&2**	**Yr. 3,4,5**
Taxes Growth%	3.1	3.4	**3.4**	**3.4**
Social Contributions Growth %	3.2	NMF		
Grant Revenue Growth %	0.0	(46.3)	**0.5**	**0.5**
Other Revenue Growth %	0.0	0.6	**3.1**	**3.1**
Other Operating Income Growth%	0.0	0.0		
Total Revenue Growth%	2.3	2.6	**2.6**	**2.3**
Compensation of Employees Growth%	3.1	2.9	**2.9**	**2.9**
Use of Goods & Services Growth%	2.8	(1.0)	**(1.0)**	**(1.0)**
Social Benefits Growth%	2.7	(0.5)	**(0.5)**	**(0.5)**
Subsidies Growth%	5.0	4.1		
Other Expenses Growth%	0.0	0.0		
Interest Expense	1.8	0.4	**0.4**	
Currency and Deposits (asset) Growth%	(6.1)	0.0		
Securities other than Shares LT (asset) Growth%	7.3	0.0		
Loans (asset) Growth%	0.8	1.5	**1.5**	**1.5**
Shares and Other Equity (asset) Growth%	12.2	0.0		
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	7.6	(6.3)	**(6.3)**	**(6.3)**
Other Accounts Receivable LT Growth%	2.5	(4.0)	**(4.0)**	**(4.0)**
Monetary Gold and SDR's Growth %	0.0	4.4	**4.4**	**4.4**
Other Assets Growth%	0.0	0.0		
Other Accounts Payable Growth%	(1.4)	40.0	**3.4**	**3.4**
Currency & Deposits (liability) Growth%	(1.6)	5.2	**5.2**	**5.2**
Securities Other than Shares (liability) Growth%	4.5	3.8	**2.7**	**2.7**
Loans (liability) Growth%	(1.2)	0.1	**0.1**	**0.1**
Insurance Technical Reserves (liability) Growth%	0.0	0.0		
Financial Derivatives (liability) Growth%	0.0	0.0		
Additional ST debt (1st year)(millions CHF)	0.0	0.0		

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ANNUAL OPERATING STATEMENTS*

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

ANNUAL REVENUE AND EXPENSE STATEMENT (MILLIONS CHF)

	2016	2017*	2018*	2019*	P2020	P2021
Taxes	62,807	68,267	69,254	71,615	74,050	76,568
Social Contributions					5	5
Grant Revenue	723	724	992	533	535	538
Other Revenue	2,953	3,257	3,467	3,489	3,596	3,706
Other Operating Income	0	0	0	0	0	0
Total Revenue	66,483	72,248	73,713	75,637	78,186	80,816
Compensation of Employees	5,238	5,480	5,495	5,653	5,816	5,984
Use of Goods & Services	6,467	6,276	5,983	5,926	5,869	5,813
Social Benefits	259	248	231	229	228	227
Subsidies	2,070	2,110	2,120	2,208	2,208	2,208
Other Expenses	2,499	2,712	4,262	4,329	4,329	4,329
Grant Expense	45,753	46,929	47,162	47,815	48,477	49,148
Depreciation	2,185	3,048	3,063	2,996	2,996	2,996
Total Expenses excluding interest	64,472	66,802	68,316	69,156	69,923	70,705
Operating Surplus/Shortfall	2,010	5,446	5,397	6,481	8,263	10,112
Interest Expense	1,646	1,388	1,136	1,038	1,042	1,046
Net Operating Balance	365	4,058	4,261	5,443	7,221	9,066

*Note: Our data source only provides operating statetments data up to 2016. For the following years until 2019, data is imputed.

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ANNUAL BALANCE SHEETS*

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

	ANNUAL BALANCE SHEETS (MILLIONS CHF)					
Base Case						
ASSETS	2016	2017*	2018*	2019*	P2020	P2021
Currency and Deposits (asset)	70,003	74,864	76,089	78,859	78,859	78,859
Securities other than Shares LT (asset)	501,241	534,424	608,182	706,720	706,720	706,720
Loans (asset)	34,539	32,707	32,877	33,380	33,890	34,408
Shares and Other Equity (asset)						
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	143	40	45	42	39	37
Other Accounts Receivable LT	6,591	6,308	7,269	6,980	6,702	6,435
Monetary Gold and SDR's	43,806	38,579	40,240	42,007	43,852	45,778
Other Assets					0	0
Additional Assets		0	0	0		
Total Financial Assets	656,323	686,922	764,702	867,988	870,062	872,237
LIABILITIES						
Other Accounts Payable	18,063	18,382	23,675	33,145	34,272	35,437
Currency & Deposits (liability)	78,084	83,796	88,462	93,042	93,042	93,042
Securities Other than Shares (liability)	140,092	145,441	135,625	140,776	144,519	148,362
Loans (liability)	68,383	66,733	66,241	66,320	106,914	145,663
Insurance Technical Reserves (liability)						
Financial Derivatives (liability)						
Other Liabilities				0	0	0
Liabilities	304,622	314,353	314,003	333,284	375,952	416,876
Net Financial Worth	351,701	372,569	450,699	534,704	494,110	455,361
Total Liabilities & Equity	656,323	686,922	764,702	867,988	870,062	872,237

*Note: Our data source only provides balance sheets data up to 2016. For the following years until 2019, data is imputed.

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 adjustment which are reflected in the results for the projected ratings. We have assigned a rating of "AAA" whereas the ratio-implied rating for the most recent period is "AA+"; we expect results to improve.

Changes in Indicative Ratios

The industry has recovered over the past couple of years and we have adjusted the ratios to reflect the improvement. Nonetheless, we prefer to smooth the results so if the business conditions deteriorate, the industry ratios can be adjusted at a more measured pace.

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 SWISS CONFEDERATION with the ticker of 344758Z SW we have assigned the senior unsecured rating of AAA. 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 #15 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 adequate and acceptable.

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%	3.4	7.4	(0.6)	AA+	AA+	AA
Social Contributions Growth %	0.0	3.0	(3.0)	AA+	AA+	AA+
Other Revenue Growth %	3.1	6.1	0.1	AA+	AA+	AA+
Total Revenue Growth%	2.6	4.6	0.6	AA+	AA+	AA+
Monetary Gold and SDR's Growth %	(4.0)	(2.0)	(6.0)	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**

.... December 24, 2020
....

Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang
.... December 24, 2020
....

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 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.