SWISS CONFEDERATION

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

Rating Analysis - 8/30/22

The Swiss economy recovered strongly in 2021 and early 2022, reflecting agile, supportive policies and a global pickup. OECD expects Swiss GDP to grow by 2.5% in 2022 and 1.3% in 2023. Slower demand due to the war in Ukraine will moderate the growth of exports and investment. Continued improvements in the labour market and a reduction of the high savings rate will underpin consumption. Rising prices of energy and goods affected by supply bottlenecks will be a headwind to growth and push headline inflation above the target range to 2.5% in 2022, before slowing to 1.8% in 2023.

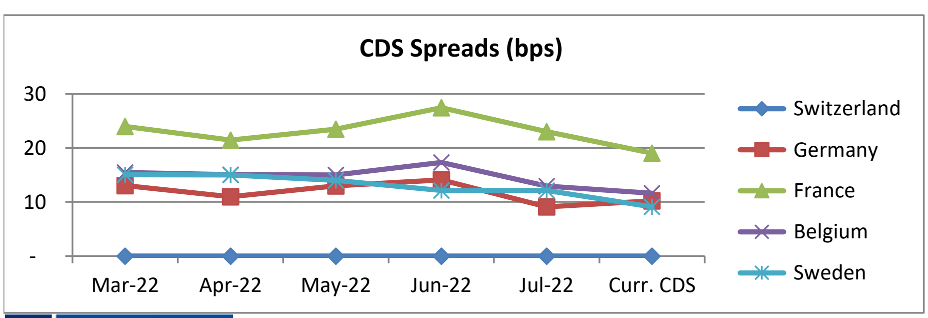
Employment has surpassed pre-crisis levels and the authorities continually adapted Covid-19 mitigation measures; pandemic support remained strong and monetary policy accommodative. Bank profitability and capitalization held up well, buoyed by Covid-19 support to firms and households, sustained lending, and fee income, with NPLs at low levels. The monetary policy stance is appropriate as long-term inflation expectations remain anchored and safe-haven inflows support the Swiss franc. Strengthening of macroprudential policy should continue. We are affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2019	2020	2021	P2022	P2023	P2024
Debt/ GDP (%)	37.7	41.8	41.0	39.4	36.2	31.7
Govt. Sur/Def to GDP (%)	0.7	-2.4	-0.9	0.7	2.3	3.6
Adjusted Debt/GDP (%)	37.7	41.8	41.0	39.4	36.2	31.7
Interest Expense/ Taxes (%)	1.5	1.4	1.0	0.9	0.8	0.7
GDP Growth (%)	1.1	-2.9	5.2	2.3	2.3	2.5
Foreign Reserves/Debt (%)	280.1	299.0	312.8	357.0	405.1	496.5
Implied Sen. Rating	AA+	AA+	AAA	AA+	AAA	AAA

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

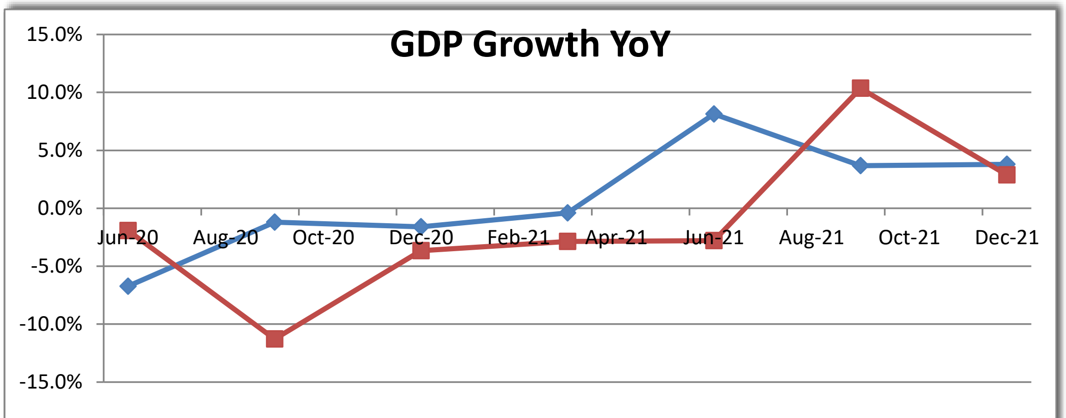
PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	77.8	-3.6	77.8	2.4	6.0	AA
French Republic	AA	137.3	-6.0	137.3	4.6	8.2	A-
Kingdom Of Belgium	AA	128.0	-5.0	128.0	5.6	10.8	BBB
Kingdom Of Sweden	AAA	58.9	1.1	58.9	0.6	8.3	AA+
Kingdom Of Denmark	AAA	50.0	3.2	50.0	1.1	7.2	AA+



Country	EJR Rtg.	CDS
Switzerland	AAA	N/A
Germany	AA	10
France	A+	19
Belgium	BBB	12
Sweden	AA+	9

Economic Growth

Growth is expected to slow in 2022—remaining above medium-term potential, but dampened by spillovers from the war in Ukraine. Direct exposures to the war (exports, energy, financial sector, investment) appear limited, but indirect effects—higher energy and commodity prices, supply disruptions, complex financial exposures (commodity trade, wealth management), and lower regional and global growth—could be substantial. The GDP in Switzerland expanded 0.50 percent in the first quarter of 2022 over the previous quarter. Risks are to the downside (war escalation, Covid developments, real estate).
Covid outlays are lower in 2022, but still large (1.2 percent of GDP). Outlays related to Ukraine are likely to be accommodated as extraordinary.



Source: IFS

Fiscal Policy

Ample fiscal capacity allows for continued government support to people and firms hardest-hit by the COVID-19 crisis. Due to the significant uncertainties relating to the war in Ukraine, the government should be ready to scale up expenses related to the influx of refugees while the planned consolidation progresses. The current fiscal stance is appropriate, given the improving pandemic situation, inflationary pressures, and uncertainty.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Switzerland	-0.86	41.00	0.00
Germany	-3.62	77.80	10.21
France	-5.97	137.28	19.05
Belgium	-4.98	128.02	11.63
Sweden	1.11	58.90	9.10
Denmark	3.18	50.04	8.11

Sources: Thomson Reuters and IFS

Unemployment

Labor indicators have largely recovered to pre-pandemic levels. Seasonally-adjusted unemployment reached 2.2 percent in April, back to pre-crisis lows, from a peak of 3.5 percent in May 2020. Employment has recovered to pre-crisis levels, although contact-intensive sectors remain down. Fifty thousand —1 percent of the active labor force—were on short-time work support in February as compared to 1.3M in April 2020. Despite the inflation pickup, wage pressures have been muted.

Unemployment (%)

	2020	2021
Switzerland	4.81	0.00
Germany	3.83	3.58
France	8.03	7.88
Belgium	5.73	6.28
Sweden	8.53	8.80
Denmark	5.65	5.08

Source: Intl. Finance Statistics

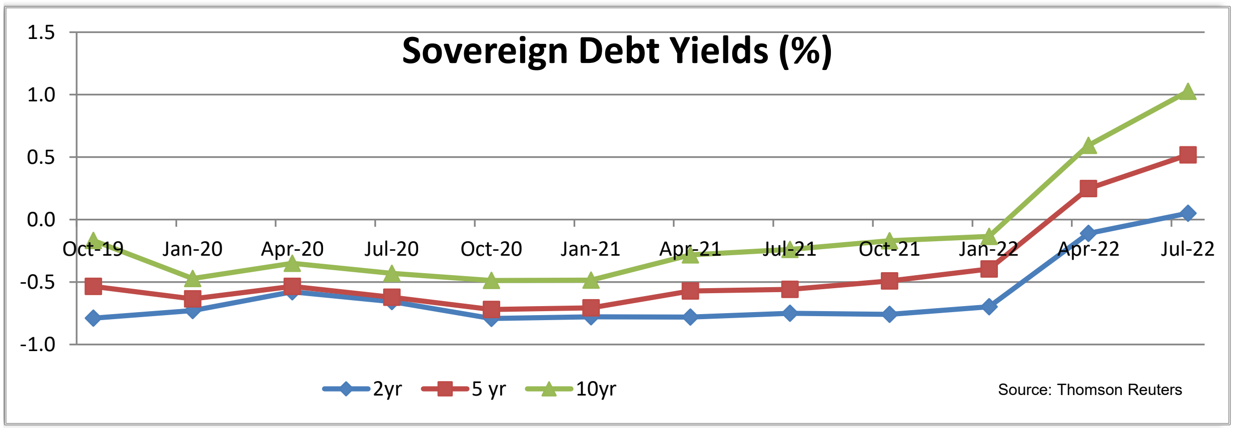
Banking Sector

The Swiss banking sector is distinguished by its size, the dominance of a small number of banks and its international integration. At the end of 2021, total banking sector assets stood at roughly CHF 3,900 billion. This is equivalent to about 520% of Swiss GDP. For the domestically focused banks, NII is the dominant income component. The average interest rate margin on outstanding claims at the domestically focused banks has been on a downward trend since 2007, decreasing by 40% from 1.80% to 1.09% in 2021.

Bank Assets (billions of local currency)	Assets	Mkt Cap/ Assets %
UBS AG-REG	1117.18	4.82
UBS AG-REG	755.83	1.90
BANQUE CANTO-REG	55.95	11.67
BASLER KANTON-PC	54.44	0.66
BERNER KANTO-REG	38.99	5.23
Total	2,022.4	
EJR's est. of cap shortfall at 10% of assets less market cap		125.0
Switzerland's GDP		742.8

Funding Costs

The narrowing of domestically focused banks' interest rate margins has slowed considerably despite the renewed decline in mortgage interest rates relative to 2019. The current low interest rate environment is expected to change, anc with it the incentives for greater risk-taking amid a recessionary global climate is likely to take a back seat. This means that risks to financial stability are likely to remain in the spotlight.



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*	2021 Rank	2020 Rank	Change in Rank
Overall Country Rank:	**36**	**36**	**0**
Scores:			
Starting a Business	81	81	0
Construction Permits	71	71	0
Getting Electricity	13	13	0
Registering Property	18	18	0
Getting Credit	67	67	0
Protecting Investors	105	105	0
Paying Taxes	20	20	0
Trading Across Borders	26	26	0
Enforcing Contracts	57	57	0
Resolving Insolvency	49	49	0

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

Economic Freedom

As can be seen below, Switzerland is strong in its overall rank of 81.9 for Economic Freedom with 100 being best.

Heritage Foundation 2021 Index of Economic Freedom
World Rank 81.9*

	2021 Rank**	2020 Rank	Change in Rank	World Avg.
Property Rights	85.4	87.4	-2.0	53.6
Government Integrity	82.2	90.1	-7.9	45.9
Judical Effectiveness	87.9	81.5	6.4	45.4
Tax Burden	70.4	70.1	0.3	77.7
Gov't Spending	67.6	65.3	2.3	67.1
Fiscal Health	96.9	96.7	0.2	72.1
Business Freedom	73.6	74.2	-0.6	63.2
Labor Freedom	72.5	72.4	0.1	59.5
Monetary Freedom	85.4	84.4	1.0	74.7
Trade Freedom	86.0	86.6	-0.6	70.7

*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:
SWISS CONFEDERATION has grown its taxes of 15.6% per annum in the last fiscal year which is more than the average for its peers. We expect tax revenues will grow approximately 15.6% per annum over the next couple of years and 14.0% 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 a 16.6% 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%	8.7	15.6	**15.6**	**14.0**
Social Contributions Growth %	4.7	NMF		
Grant Revenue Growth %	0.0	0.0		
Other Revenue Growth %	0.0	17.7	**14.0**	**14.0**
Other Operating Income Growth%	0.0	0.0		
Total Revenue Growth%	8.4	15.7	**16.6**	**14.9**
Compensation of Employees Growth%	3.5	0.4	**0.4**	**0.4**
Use of Goods & Services Growth%	6.8	(6.2)	**(6.2)**	**(6.2)**
Social Benefits Growth%	2.9	52.8	**52.8**	**47.5**
Subsidies Growth%	(6.5)	4.0		
Other Expenses Growth%	0.0	0.0		
Interest Expense	1.8	0.2	**0.2**	
Currency and Deposits (asset) Growth%	3.3	0.0		
Securities other than Shares LT (asset) Growth%	6.9	0.0		
Loans (asset) Growth%	(80.6)	0.0		
Shares and Other Equity (asset) Growth%	(70.9)	0.0		
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	(7.4)	0.0		
Other Accounts Receivable LT Growth%	4.2	0.0		
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	0.0		
Currency & Deposits (liability) Growth%	1.8	0.0		
Securities Other than Shares (liability) Growth%	(0.5)	0.0		
Loans (liability) Growth%	0.6	0.0		
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		

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)

	2018	2019	2020	2021	P2022	P2023
Taxes	67,205	69,534	63,563	73,478	84,940	98,191
Social Contributions					5	5
Grant Revenue	992	533	528	578	578	578
Other Revenue	5,430	5,383	5,706	6,718	7,661	8,736
Other Operating Income	0	0	0	0	0	0
Total Revenue	73,626	75,449	69,796	80,774	93,184	107,511
Compensation of Employees	5,496	5,654	5,832	5,852	5,873	5,894
Use of Goods & Services	5,982	5,942	6,671	6,259	5,873	5,511
Social Benefits	231	228	2,823	4,313	6,589	10,067
Subsidies	2,090	2,165	2,214	2,303	2,303	2,303
Other Expenses	4,168	4,208	4,139	4,784	4,784	4,784
Grant Expense	47,268	47,847	61,299	59,911	58,554	57,228
Depreciation	3,063	2,996	3,048	2,946	2,946	2,946
Total Expenses excluding interest	68,298	69,039	86,026	86,368	86,923	88,733
Operating Surplus/Shortfall	5,328	6,410	-16,230	-5,595	6,262	18,777
Interest Expense	1,136	1,038	891	760	762	764
Net Operating Balance	4,193	5,372	-17,121	-6,355	5,500	18,014

ANNUAL BALANCE SHEETS

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

Base Case	ANNUAL BALANCE SHEETS (MILLIONS CHF)					
ASSETS	2018	2019	2020	2021	P2022	P2023
Currency and Deposits (asset)	76,089	78,859	77,474	77,474	77,474	91,607
Securities other than Shares LT (asset)	608,182	706,720	657,451	657,451	657,451	657,451
Loans (asset)	32,877	33,380	33,129	33,129	33,129	33,129
Shares and Other Equity (asset)						
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	45	42	44	44	44	44
Other Accounts Receivable LT	7,269	6,980	7,124	7,124	7,124	7,124
Monetary Gold and SDR's	40,240	42,007	41,124	41,124	43,180	45,339
Other Assets					0	0
Additional Assets	0	0	0	0		
Total Financial Assets	764,702	867,988	816,345	816,345	818,401	834,693
LIABILITIES						
Other Accounts Payable	23,675	33,145	28,410	28,410	28,410	28,410
Currency & Deposits (liability)	88,462	93,042	90,752	90,752	87,309	85,587
Securities Other than Shares (liability)	135,625	140,776	138,201	138,201	138,201	138,201
Loans (liability)	66,241	66,320	66,281	66,281	60,781	42,767
Insurance Technical Reserves (liability)						
Financial Derivatives (liability)						
Other Liabilities		0	0	0	0	0
Liabilities	314,003	333,284	323,644	323,644	320,200	318,478
Net Financial Worth	450,699	534,704	492,701	492,701	498,201	516,215
Total Liabilities & Equity	764,702	867,988	816,345	816,345	818,401	834,693

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 "AAA" whereas the ratio-implied rating for most recent period is "AAA"; 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 (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 #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%	15.6	19.6	11.6	AAA	AAA	AAA
Social Contributions Growth %		3.0	(3.0)	AAA	AAA	AAA
Other Revenue Growth %	14.0	17.0	11.0	AAA	AAA	AAA
Total Revenue Growth%	16.6	18.6	14.6	AAA	AAA	AAA
Monetary Gold and SDR's Growth %		2.0	(2.0)	AAA	AAA	AAA

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 30, 2022
…………………………………………
Subramanian NG
Senior Rating Analyst

Reviewer Signature: **Today's Date**

Steve Zhang
……………………………………………………… August 30, 2022
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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 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.