

Switzerland's economic growth in 2024 is expected to come in well below average, with GDP adjusted for sporting events forecast at 1.2% (March forecast: 1.1%). However, as the global economy gradually recovers, growth is likely to normalize to 1.7% in 2025 (unchanged forecast).

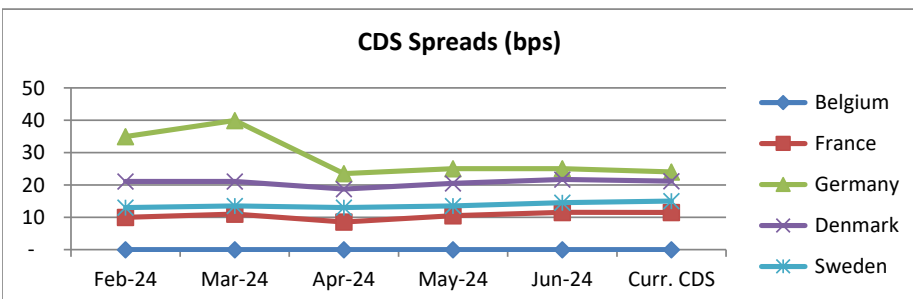
The economic outlook is subject to both downside and upside risks. Developments in Germany and China pose additional risks for the international economy and Swiss foreign trade. A more pronounced slowdown in German industry could have a worse impact than expected on the affected sectors of the Swiss economy. Additionally, China's economy could cool down more than expected due to the crisis in the property sector, the high level of debt, and the downbeat sentiment of companies and households. On the other hand, it is possible that growth will normalize more quickly than is currently foreseeable. This could happen if global inflation falls faster than expected, for example in response to a rapid de-escalation of armed conflicts, which would boost household purchasing power and allow a more rapid easing of monetary policy. Affirming.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2020	2021	2022	P2023	P2024	P2025
Debt/ GDP (%)	42.3	41.0	38.6	46.6	58.2	75.9
Govt. Sur/Def to GDP (%)	0.7	-0.9	-0.2	-8.9	-12.6	-19.2
Adjusted Debt/GDP (%)	42.3	41.0	38.6	46.6	58.2	75.9
Interest Expense/ Taxes (%)	1.5	1.0	1.2	1.3	1.4	1.4
GDP Growth (%)	-2.8	6.7	5.1	2.5	3.6	3.6
Foreign Reserves/Debt (%)	307.6	300.3	242.1	191.1	149.3	111.5
Implied Sen. Rating	AA+	AAA	AAA	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

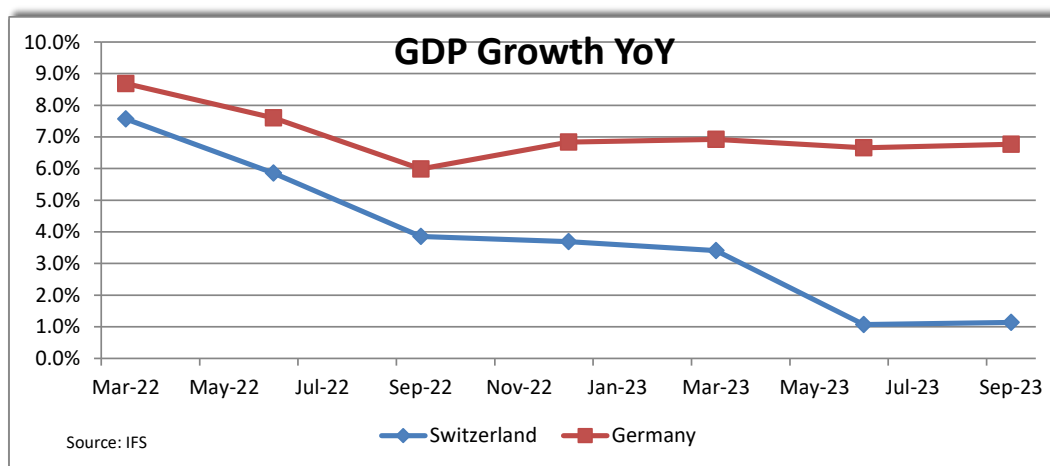
PEER RATIOS	Other NRSRO Sen.	Debt as a % of GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio- Implied Rating*
Federal Republic Of Germany	AAA	64.0	-2.6	64.0	3.8	6.3	AA
French Republic	AA	117.2	-4.8	117.2	5.9	6.2	A-
Kingdom Of Belgium	AA	108.6	-3.9	108.6	6.8	5.5	BBB
Kingdom Of Sweden	AAA	50.6	0.8	50.6	1.9	5.8	BB+
Kingdom Of Denmark	AAA	33.9	4.0	33.9	1.3	-1.7	BBB-



Country	EJR Rtq.	CDS
Belgium	BBB	N/A
France	A+	12
Germany	AA	24
Denmark	AA	21
Sweden	AA+	15

Economic Growth

In the first quarter, GDP growth increased to 0.5% from 0.3% in the previous quarter, representing the strongest performance since Q2 of 2022. However, the figures were influenced by significant sporting events; when adjusted for these, GDP actually rose by 0.3%, aligning with the average figure for the Euro area. Various expenditure components contributed to the uptick in quarter-on-quarter growth, including enhancements in private consumption, public spending, fixed investment, and exports. Looking ahead to the second quarter, there is an anticipation of slightly softer economic growth, although domestic demand is expected to benefit from factors such as one of the lowest unemployment rates globally, along with low inflation and recent rate cuts by the Central Bank.



Fiscal Policy

Challenges lie ahead for fiscal policy, despite the current low public debt levels and a return to fiscal surpluses. Factors such as population ageing, the urgent need to address climate change, a rise in defense expenditures, and increasing interest rates on public debt are all exerting strains on public finances. There is a pressing need for reforms aimed at curbing public spending and boosting public revenues.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Switzerland	-0.22	0.00	0.00
Germany	-2.55	64.01	11.51
France	-4.84	117.19	24.00
Belgium	-3.85	108.57	21.16
Sweden	0.81	50.59	15.01
Denmark	4.03	33.89	11.01

Sources: Thomson Reuters and IFS

Unemployment

Switzerland's labor market exhibits high employment rates and low unemployment figures. Nonetheless, the escalating labor and skills shortages are evolving into a persistent structural concern. The rapid aging of the population and a growing preference for shorter working hours pose challenges to future economic growth. Efforts to enhance workforce participation, particularly among groups like mothers and older individuals, hold potential. Various disincentives and obstacles contribute to premature retirement and limited job uptake among older workers.

	Unemployment (%)	
	2021	2022
Switzerland	5.11	4.30
Germany	3.07	3.03
France	7.32	7.34
Belgium	5.58	5.53
Sweden	7.48	7.67
Denmark	4.48	5.12

Source: Intl. Finance Statistics

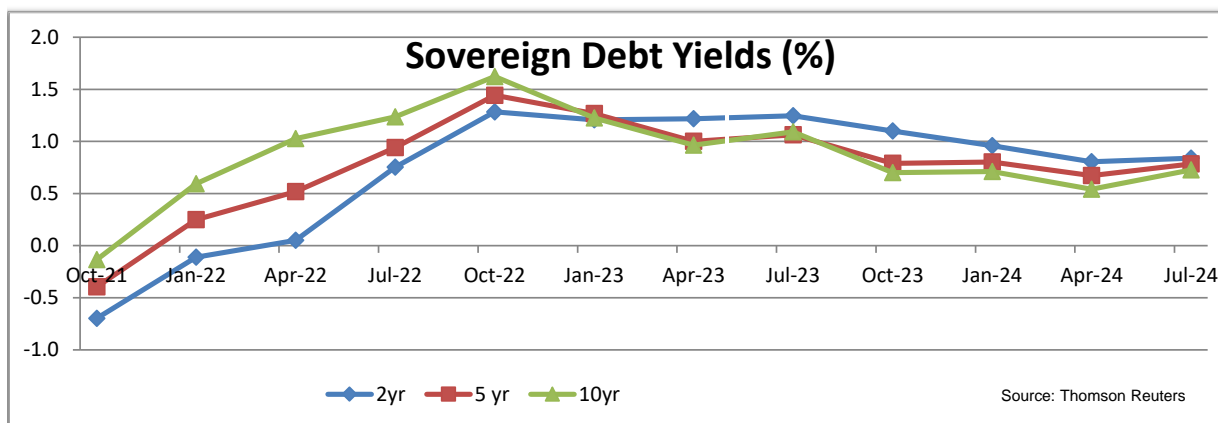
Banking Sector

The Swiss banking sector is poised for another strong year in 2024, building on the record performance of 2023. Key indicators such as aggregate net income, asset growth, loan activity, and deposits are expected to return to positive territory. However, challenges persist. Deposit outflows and sluggish loan demand at UBS—the largest bank in the market—will gradually stabilize, but a convincing recovery may not occur until 2025.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
UBS AG-REG	1717.25	5.04
UBS AG-REG	531.36	0.61
BANQUE CANTO-REG	58.87	13.82
BASLER KANTON-PC	52.68	0.63
BERNER KANTO-REG	<u>40.05</u>	<u>5.35</u>
Total	2,400.2	
EJR's est. of cap shortfall at 10% of assets less market cap		139.7
Switzerland's GDP		781.5

Funding Costs

The Swiss National Bank (SNB) was one of the first major central banks to cut interest rates this year, lowering its key rate from 1.75% to 1.5%. The Switzerland 10-Year Government Bond currently offers a yield of 0.552%, with a spread of -14.9 basis points (bp) between the 10-Year and 2-Year bonds. The current quotation for Switzerland 5-Years Credit Default Swap is 6.00 basis points, corresponding to an implied probability of default of 0.10%.



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	2020	Change in
	Rank	Rank	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 83.0 for Economic Freedom with 100 being best.

Heritage Foundation 2024 Index of Economic Freedom				
World Rank 83.0*				
	2024 Rank**	2023 Rank	Change in Rank	World Avg.
Property Rights	94.2	94.2	0.0	53.4
Government Integrity	91.3	92.3	-1.0	43.7
Judicial Effectiveness	98.1	97.8	0.3	48.8
Tax Burden	70.4	70.6	-0.2	78.1
Gov't Spending	64.6	63.9	0.7	64.2
Fiscal Health	95.7	95.4	0.3	52.1
Business Freedom	89.3	84.3	5.0	62.1
Labor Freedom	60.7	60.5	0.2	55.9
Monetary Freedom	80.8	85.1	-4.3	67.2
Trade Freedom	86.4	86.6	-0.2	69.8

*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

Credit Quality Driver: Taxes Growth:

SWISS CONFEDERATION has seen a decline in taxes of 5.3% per annum in the last fiscal year which is disappointing. We expect tax revenues will decline by approximately 5.3% per annum over the next couple of years and 0.5% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:

SWISS CONFEDERATION's total revenue growth has been less than its peers and we assumed a 4.3% decline in total revenue over the next two years.

Income Statement	Peer Median	Issuer Avg.	Assumptions	
			Yr 1&2	Yr 3,4,5
Taxes Growth%	2.5	(5.3)	(5.3)	0.5
Social Contributions Growth %	5.2	NMF		
Grant Revenue Growth %	0.0	0.0	0.0	0.0
Other Revenue Growth %	0.0	0.7	(4.8)	(4.8)
Other Operating Income Growth%	0.0	0.6	(10.6)	(10.6)
Total Revenue Growth%	2.4	(4.8)	(4.3)	(3.9)
Compensation of Employees Growth%	6.3	1.7	1.7	1.7
Use of Goods & Services Growth%	6.8	9.5	4.7	4.7
Social Benefits Growth%	4.8	(80.6)	(10.0)	(10.0)
Subsidies Growth%	(2.5)	6.3		
Other Expenses Growth%	1,129.4	1,129.4	40.0	36.0
Interest Expense	1.8	0.3	0.3	
Currency and Deposits (asset) Growth%	(8.1)	0.0		
Securities other than Shares LT (asset) Growth%	12.0	0.0		
Loans (asset) Growth%	(57.9)	0.0		
Shares and Other Equity (asset) Growth%	(115.3)	0.0		
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	(3.2)	0.0		
Other Accounts Receivable LT Growth%	1.1	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%	(2.5)	0.0		
Currency & Deposits (liability) Growth%	(2.8)	0.0		
Securities Other than Shares (liability) Growth%	8.8	0.0		
Loans (liability) Growth%	(0.5)	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 INCOME 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)					
	2019	2020	2021	2022	P2023	P2024
Taxes	71,615	70,435	73,478	69,570	65,883	62,391
Social Contributions					5	5
Grant Revenue	533	762	578	578	578	578
Other Revenue	3,489	3,478	6,718	6,764	6,441	6,134
Other Operating Income	4,021	4,240	7,296	7,342	7,342	7,342
Total Revenue	75,637	74,675	80,774	76,912	80,250	76,451
Compensation of Employees	5,653	5,574	5,852	5,954	6,056	6,161
Use of Goods & Services	5,926	5,954	6,259	6,853	7,175	7,512
Social Benefits	229	230	4,313	837	753	678
Subsidies	2,208	2,164	2,303	2,449	2,449	2,449
Other Expenses	4,329	4,295	4,784	58,817	82,344	115,281
Grant Expense	47,815	47,488	59,911	53,967	48,613	43,790
Depreciation	2,996	3,030	2,946	2,893	2,893	2,893
Total Expenses excluding interest	69,156	68,736	86,368	77,803	150,284	178,766
Operating Surplus/Shortfall	6,481	5,939	-5,595	-890	-70,034	-102,315
Interest Expense	<u>1,038</u>	<u>1,087</u>	<u>760</u>	<u>852</u>	<u>854</u>	<u>856</u>
Net Operating Balance	5,443	4,852	-6,355	-1,742	-70,888	-103,171

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)					
	2019	2020	2021	2022	P2023	P2024
ASSETS						
Currency and Deposits (asset)	78,859	77,474	77,474	77,474	77,474	77,474
Securities other than Shares LT (asset)	706,720	657,451	657,451	657,451	657,451	657,451
Loans (asset)	33,380	33,129	33,129	33,129	33,129	33,129
Shares and Other Equity (asset)						
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	42	44	44	44	44	44
Other Accounts Receivable LT	6,980	7,124	7,124	7,124	7,124	7,124
Monetary Gold and SDR's	42,007	41,124	41,124	41,124	43,180	45,339
Other Assets					0	0
Additional Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
Total Financial Assets	867,988	816,345	816,345	816,345	818,401	820,560
LIABILITIES						
Other Accounts Payable	33,145	28,410	28,410	28,410	28,410	28,410
Currency & Deposits (liability)	93,042	90,752	90,752	90,752	90,752	90,752
Securities Other than Shares (liability)	140,776	138,201	138,201	138,201	138,201	138,201
Loans (liability)	66,320	66,281	66,281	66,281	137,169	240,341
Insurance Technical Reserves (liability)						
Financial Derivatives (liability)						
Other Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Liabilities	333,284	323,644	323,644	323,644	396,588	501,919
Net Financial Worth	<u>534,704</u>	<u>492,701</u>	<u>492,701</u>	<u>492,701</u>	<u>421,813</u>	<u>318,641</u>
Total Liabilities & Equity	867,988	816,345	816,345	816,345	818,401	820,560

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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 "AAA" whereas the ratio-implied rating for the 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

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+) 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%	(5.3)	(1.3)	(9.3)	AA+	AA+	AA+
Social Contributions Growth %		3.0	(3.0)	AA+	AA+	AA+
Other Revenue Growth %	(4.8)	(1.8)	(7.8)	AA+	AA+	AA+
Total Revenue Growth%	(4.3)	0.1	(6.3)	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.

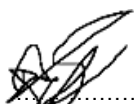
ATTESTATION FORM

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

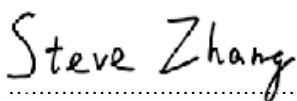


 Subramanian NG
 Senior Rating Analyst

Aug 16, 2024

Reviewer Signature:

Today's Date



 Steve Zhang
 Senior Rating Analyst

Aug 16, 2024

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.