

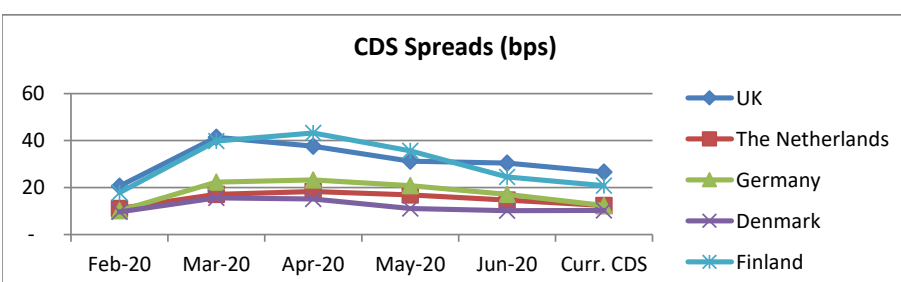
The COVID-19 pandemic has triggered a severe recession. OECD expects Sweden's GDP to fall by 7.8% in 2020 assuming another virus outbreak later in the year and by 6.7% if the virus outbreak subsides by summer. While containment measures have been less stringent than in most other countries, private consumption has fallen markedly and EJR expects this to recover only slowly. Export weakness is expected to stay for a longer duration, and the investment slump even more so, as high uncertainty compounds the effect of weak demand.

The government has implemented a wide range of measures to support local authorities and households and to protect jobs and companies. Deferred taxes reduced social security contributions and credit guarantees have provided short-term relief to companies. But the longer the slowdown persists, and weaker export demand conditions continue, Sweden could report higher business bankruptcies, layoffs, and job terminations. Despite sizeable spending needs for schools, health care and welfare services linked to demographic developments, Sweden's credit quality remains strong and the country has sufficient room to combat COVID-related additional expenditures. We are affirming our rating.

CREDIT POSITION	Annual Ratios (source for past results: IMF, CountryEconomy)					
	2017	2018	2019	P2020	P2021	P2022
Debt/ GDP (%)	40.0	38.9	35.6	31.3	27.5	24.1
Govt. Sur/Def to GDP (%)	2.8	2.5	2.2	1.9	1.7	1.5
Adjusted Debt/GDP (%)	40.0	38.9	35.6	31.4	27.5	24.1
Interest Expense/ Taxes (%)	1.1	1.2	1.0	1.0	0.9	0.9
GDP Growth (%)	4.6	4.8	3.9	2.3	2.3	2.5
Foreign Reserves/Debt (%)	23.2	23.3	23.1	25.7	28.7	31.9
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

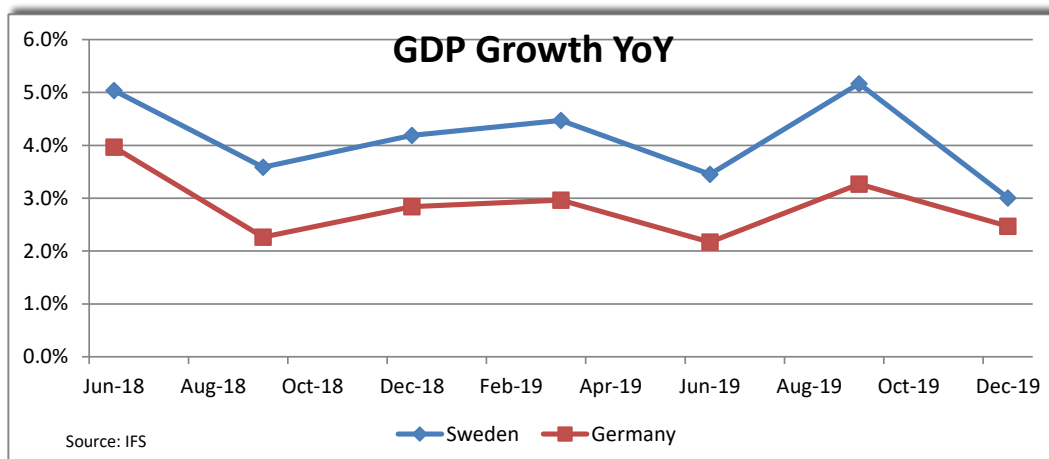
PEER RATIOS	Other NRSROs	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic of Germany	AAA	59.8	1.6	59.8	3.3	2.5	AA
Kingdom of Denmark	AAA	33.2	4.2	33.2	1.5	4.4	AAA
United Kingdom	AAA	88.1	-1.2	88.1	8.0	4.3	AA+
Kingdom of the Netherlands	AA+	48.7	1.8	48.7	3.0	4.5	AAA
Republic of Finland	AA+	59.4	-0.5	59.4	2.8	3.3	AA



Country	EJR Rtg.	CDS
UK	A+	27
The Netherlands	AA-	12
Germany	AA	12
Denmark	AA	10
Finland	AA	21

Economic Growth

Industrial production has declined by 16.5% from a year earlier in May 2020, following a 16.6% slump in the previous month, amid the coronavirus crisis. Manufacturing production plummeted 16.9% (vs -17.3% in April and mining output declined 4.6% (vs -1.8% in April. Alternatively, Business Confidence has increased to 68.60 points in June from 58.90 points in May of 2020 amid signs of re-opening of the economy, but the sustainability of the same is being questioned. Consumer confidence in Sweden increased to 84.0? in June of 2020 from an upwardly revised 77.7 in May but remained at very low levels. All the included questions in the indicator contributed to the increase. In particular households became less pessimistic about the development of the Swedish economy in the next twelve months.



Fiscal Policy

The pandemic has affected most economic activities - the worst hit being transport, tourism, accommodations, restaurants, and cultural activities, where businesses were shut down or running at a fraction of pre-crisis levels. The government has introduced a wide range of measures to shore up the economy. Discretionary fiscal easing amounts to 4.8% of GDP. Adding liquidity measures, notably tax deferrals and state guarantees, total policy support could reach 16% of GDP. Economic activity is expected to pick up by early summer, but slowly, as households exercise caution and purchasing power suffers from lower income, due to the fall in activity and high unemployment, and lower wealth, due to lower equity and housing prices. The central government debt is estimated to increase from SEK 1,113 billion at the end of 2019 to SEK 1,556 billion at the end of 2021. As a share of GDP, central government debt increases from 22% to 31%.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Sweden	2.18	35.59	10.10
Germany	1.58	59.76	12.34
Denmark	4.22	33.19	10.23
UK	-1.24	88.12	26.66
Netherland	1.84	48.70	12.34
Finland	-0.50	59.36	20.78

Sources: Thomson Reuters, IFS and CountryEconomy

Unemployment

Sweden's unemployment rate rose to 9.8% in June 2020, from 9.0% in the previous month and 7.2% in June last year. That was the highest jobless rate since June 2009 as the coronavirus crisis hit the labor market. Unemployment increased by 150,000 from a year earlier to 557,000 while employment declined by 148,000 to 5.101 million. The labor force participation rate decreased 0.2 percentage points to 75.1 percent. Seasonally adjusted, the unemployment rate was 9.2%, up from 8.5% in the previous month.

	Unemployment (%)	
	2018	2019
Sweden	6.28	6.73
Germany	3.40	3.20
Denmark	4.97	4.91
UK	4.09	3.80
The Netherlands	3.84	3.76
Finland	7.36	6.60

Source: Intl. Finance Statistics

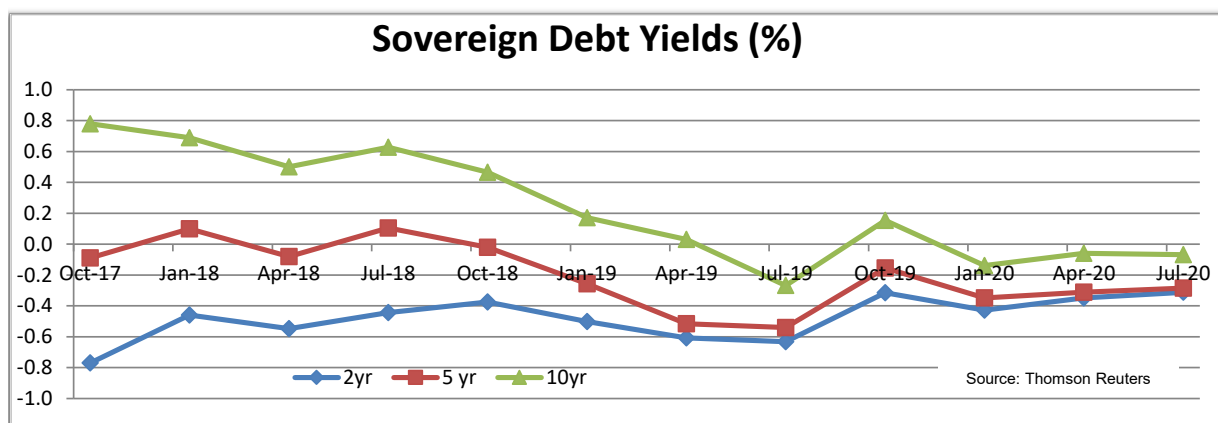
Banking Sector

The Riksbank (i.e., the central bank) announced a program of corporate lending via banks (up to about 10% of GDP), new asset purchases (up to around 6% of GDP) and other steps to increase liquidity. Reorganizing industrial production also takes time and the weakness of global demand and high uncertainty will hold back investment. Lacking demand is bound to exceed the reduction in supply capacity, pulling inflation down. Interest rates have settled at a structurally lower level than before, and it is not likely that they will rise significantly in the near future.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
Nordea Bank AB	554.8	51.72
Skandinaviska Enskilda Banken AB	2,856.6	6.62
Svenska Handelsbanken AB	3,069.7	5.45
Swedbank AB	2,408.2	6.79
Total	8,889.4	
EJR's est. of cap shortfall at 10% of assets less market cap		81.9
Sweden's GDP		5,025.8

Funding Costs

Sweden 10 Years Government Bond has a -0.100% yield and its 5 Years CDS value is 12.1186, which reveals a 0.20% implied probability of default, on a 40% recovery rate supposed. Also, recently Swedish govt has asked a group of banks to explore investor interest and then execute the sale of approximately SEK 20 billion. Swedish National Debt Office forecasts a deficit in the central government budget of SEK 402 billion this year and SEK 76 billion in 2021. This is a sharp weakening of the budget balance compared with the previous forecast.



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*			
	2019	2018	Change in
	Rank	Rank	Rank
Overall Country Rank:	10	10	0
Scores:			
Starting a Business	39	13	-26
Construction Permits	31	27	-4
Getting Electricity	10	6	-4
Registering Property	9	9	0
Getting Credit	80	77	-3
Protecting Investors	28	29	1
Paying Taxes	31	27	-4
Trading Across Borders	18	18	0
Enforcing Contracts	39	36	-3
Resolving Insolvency	17	16	-1

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

Economic Freedom

As can be seen below, Sweden is above average in its overall rank of 74.9 for Economic Freedom with 100 being best.

Heritage Foundation 2020 Index of Economic Freedom				
World Rank 74.9*				
	2020 Rank**	2019 Rank	Change in Rank	World Avg.
Property Rights	88.8	89.5	-0.7	56.6
Government Integrity	91.4	84.0	7.4	43.8
Judicial Effectiveness	79.9	88.0	-8.1	45.1
Tax Burden	43.6	43.2	0.4	77.3
Gov't Spending	25.8	26.7	-0.9	66.0
Fiscal Health	97.0	96.6	0.4	69.1
Business Freedom	85.3	88.0	-2.7	63.3
Labor Freedom	53.8	53.9	-0.1	59.4
Monetary Freedom	81.2	82.0	-0.8	74.6
Trade Freedom	86.4	86.0	0.4	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

Credit Quality Driver: Taxes Growth:

KINGDOM OF SWEDEN has grown its taxes of 1.9% per annum in the last fiscal year which is disappointing. We expect tax revenues will grow approximately 1.9% per annum over the next couple of years and 1.9% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:

KINGDOM OF SWEDEN's total revenue growth has been less than its peers and we assumed a 2.9% 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%	3.2	1.9	1.9	1.9
Social Contributions Growth %	1.3	4.5	5.0	5.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	3.4	3.8	3.8
Total Revenue Growth%	3.8	2.3	2.9	2.6
Compensation of Employees Growth%	4.4	3.5	3.5	3.5
Use of Goods & Services Growth%	4.4	4.5	4.5	4.5
Social Benefits Growth%	2.7	2.0	2.0	2.0
Subsidies Growth%	7.3	(0.2)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.1	1.1	1.1
Currency and Deposits (asset) Growth%	1.7	0.0		
Securities other than Shares LT (asset) Growth%	0.0	0.0		
Loans (asset) Growth%	2.4	(3.8)	(3.8)	(3.8)
Shares and Other Equity (asset) Growth%	12.2	13.0	13.0	13.0
Insurance Technical Reserves (asset) Growth%	1.8	0.0		
Financial Derivatives (asset) Growth%	7.3	2.6	1.9	1.9
Other Accounts Receivable LT Growth%	0.3	2.5	1.9	1.9
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%	(1.8)	7.1	3.0	3.0
Currency & Deposits (liability) Growth%	5.1	(7.5)	0.5	0.5
Securities Other than Shares (liability) Growth%	2.7	(10.0)	(7.0)	(7.0)
Loans (liability) Growth%	(1.2)	5.3	5.3	5.3
Insurance Technical Reserves (liability) Growth%	0.0	7.5	2.0	2.0
Financial Derivatives (liability) Growth%	0.0	(1.4)	(1.4)	(1.4)
Additional ST debt (1st year)(billions SEK)	0.0	0.0		

ANNUAL OPERATING 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)					
	2016	2017	2018	2019	P2020	P2021
Taxes	1,820	1,907	1,976	2,014	2,052	2,091
Social Contributions	146	153	165	172	181	190
Grant Revenue						
Other Revenue						
Other Operating Income	<u>274</u>	<u>283</u>	<u>306</u>	<u>316</u>	<u>316</u>	<u>316</u>
Total Revenue	2,240	2,343	2,446	2,502	2,549	2,597
Compensation of Employees	556	585	613	634	656	679
Use of Goods & Services	359	365	383	400	418	437
Social Benefits	749	763	781	797	813	829
Subsidies	71	73	79	79	79	79
Other Expenses				301	301	301
Grant Expense						
Depreciation	139	146	154	162	162	162
Total Expenses excluding interest	<u>2,124</u>	<u>2,193</u>	<u>2,303</u>	<u>2,373</u>	<u>2,429</u>	<u>2,487</u>
Operating Surplus/Shortfall	116	150	143	129	120	110
Interest Expense	<u>24</u>	<u>22</u>	<u>24</u>	<u>19</u>	<u>20</u>	<u>20</u>
Net Operating Balance	92	128	119	109	100	90

ANNUAL BALANCE SHEETS

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

ANNUAL BALANCE SHEETS
(BILLIONS SEK)

Base Case

ASSETS	2016	2017	2018	2019	P2020	P2021
Currency and Deposits (asset)	168	189	178	166	166	166
Securities other than Shares LT (asset)	491	597	555	553	553	553
Loans (asset)	814	811	859	826	795	764
Shares and Other Equity (asset)	1,727	1,829	1,869	2,111	2,385	2,695
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	41	32	29	29	30	30
Other Accounts Receivable LT	431	448	540	553	564	575
Monetary Gold and SDR's						
Other Assets						
Additional Assets	<u>0</u>					
Total Financial Assets	3,672	3,906	4,030	4,240	4,493	4,783
LIABILITIES						
Other Accounts Payable	368	371	431	462	476	490
Currency & Deposits (liability)	73	69	74	69	69	69
Securities Other than Shares (liability)	1,450	1,373	1,334	1,201	1,117	1,038
Loans (liability)	480	554	563	593	493	403
Insurance Technical Reserves (liability)	355	403	437	470	479	489
Financial Derivatives (liability)	29	24	21	21	20	20
Other Liabilities						
Liabilities	2,754	2,794	2,861	2,814	2,968	3,168
Net Financial Worth	<u>917</u>	<u>1,112</u>	<u>1,169</u>	<u>1,425</u>	<u>1,525</u>	<u>1,615</u>
Total Liabilities & Equity	3,672	3,906	4,030	4,240	4,493	4,783

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Egan-Jones is not an NRSRO (as defined by the SEC) for sovereign/municipal issuers and structured finance/ABS issuers.

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 (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 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 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%	1.9	5.9	(2.1)	AA+	AA+	AA+
Social Contributions Growth %	5.0	8.0	2.0	AA+	AA+	AA+
Other Revenue Growth %	0.0	3.0	(3.0)	AA+	AA+	AA+
Total Revenue Growth%	2.9	4.9	0.9	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

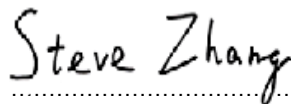


July 27, 2020

.....
Subramanian NG
Senior Rating Analyst

Reviewer Signature:

Today's Date



July 27, 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.