

The Swedish economy is currently stronger than it has been for many years. However, the economy is entering a phase of subdued growth as high inflation and rapid rate hikes are slowing activity. The labour market will improve further in the near term, but employment will stagnate longer out. Inflation is elevated, and the Riksbank will hike rates swiftly during 2022, while the hiking cycle should end in early 2023.

Russia's invasion of Ukraine, coupled with the resultant higher energy and food prices globally has led to high inflation and rising interest rates. As a fallout, the Swedish govt. expects Sweden's GDP growth to slow to 1.9% this year and 1.1% in 2023. Heightened global uncertainty will weigh on business investment and exports. Household consumption is backed by a strong labour market, high savings and fiscal support, but will slow as higher inflation and interest rates start to bite. The unemployment rate will continue to fall this year but will level off in 2023, as skills in high demand become increasingly scarce. Affirming.

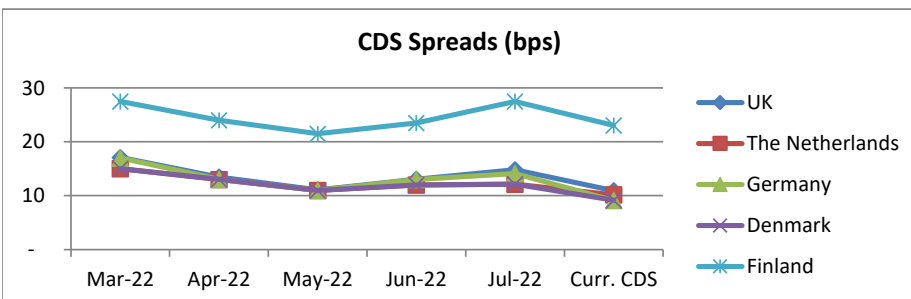
Annual Ratios (source for past results: IMF)

CREDIT POSITION	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>P2022</u>	<u>P2023</u>	<u>P2024</u>
Debt/ GDP (%)	55.9	62.2	58.9	57.2	56.5	56.5
Govt. Sur/Def to GDP (%)	2.3	-1.1	1.1	0.3	-0.6	-1.4
Adjusted Debt/GDP (%)	55.9	62.2	58.9	57.3	56.5	56.6
Interest Expense/ Taxes (%)	1.0	0.7	0.6	0.6	0.5	0.5
GDP Growth (%)	4.6	-0.2	8.3	2.3	2.3	5.0
Foreign Reserves/Debt (%)	14.5	12.6	12.4	12.6	12.5	12.2
Implied Sen. Rating	AA+	AA+	AA+	AA+	AA+	AA+

INDICATIVE CREDIT RATIOS

	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC</u>
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

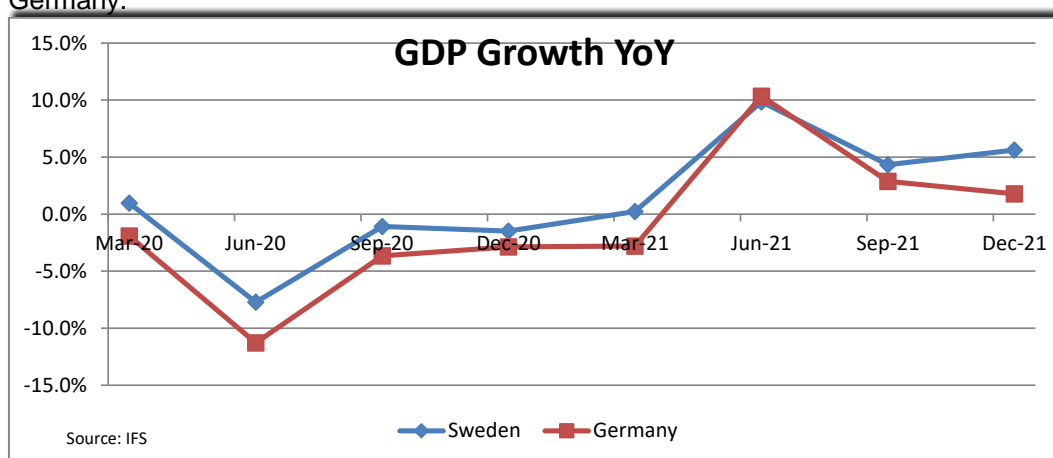
PEER RATIOS	<u>Other</u>	<u>Debt</u>	<u>Govt. Surp.</u>	<u>Adjusted</u>	<u>Interest</u>	<u>GDP</u>	<u>Ratio-</u>
	<u>NRSRO</u>	<u>as a %</u>	<u>Def to</u>	<u>Debt/</u>	<u>Expense/</u>	<u>Growth</u>	<u>Implied</u>
	<u>Sen.</u>	<u>GDP</u>	<u>GDP (%)</u>	<u>GDP</u>	<u>Taxes %</u>	<u>(%)</u>	<u>Rating*</u>
Federal Republic Of Germany	AAA	77.8	-3.6	77.8	2.4	6.0	AA
Kingdom Of Denmark	AAA	50.0	3.2	50.0	1.1	7.2	AA+
United Kingdom	AAA	190.8	-8.9	190.8	9.4	7.8	BBB
Kingdom Of The Netherlands	AA+	66.2	-2.5	66.2	2.2	7.6	AA-
Republic Of Finland	AA+	75.7	-1.9	75.7	1.6	6.3	AA+



<u>Country</u>	<u>EJR Rtq.</u>	<u>CDS</u>
UK	A+	11
The Netherlands	AA-	10
Germany	AA	9
Denmark	AA	9
Finland	AA	23

Economic Growth

Although many businesses are struggling with bottlenecks, growth in H1 2022 is generally good. Further ahead, growth in domestic demand will slow significantly. As the global economy looks set to enter a phase of lower growth, consequently Swedish export growth will slow. GDP growth is thus likely to be low, especially in 2023. The level of GDP was 4% above its pre-pandemic peak by the fourth quarter of 2021, but declined in Q1 2022. Sweden's GDP shrank 0.8 percent on quarter in the three months to March 2022, compared with the flash figure of a 0.4 percent contraction and after a final 1.1 percent expansion in the previous period. It was the first decline in GDP since Q2 2020, amid a broad-based downturn in household consumption, government spending, and fixed investment. In addition, net exports contributed negatively, as imports increased considerably more than exports. Sweden has been hit by higher prices of energy and other commodities and is set to suffer from lower growth in important trading partners, notably Germany.



Fiscal Policy

In response to surging energy prices and the deteriorating security situation, the government has proposed to add discretionary spending amounting to 1.2% of GDP to an already expansionary budget. Fiscal policy will remain supportive despite tightening somewhat in 2023.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Sweden	1.11	58.90	12.14
Germany	-3.62	77.80	9.10
Denmark	3.18	50.04	9.16
UK	-8.88	190.85	10.93
The Netherlands	-2.53	66.21	10.16
Finland	-1.85	75.69	23.02

Sources: Thomson Reuters and IFS

Monetary policy remains very expansionary with media reports suggesting that the policy rate is expected to remain at zero until at least end-2023. Sweden's gross debt as a percentage of GDP is among the lowest of the EU Member States, which means that the Swedish economy is resilient.

Unemployment

Demand for labour is at an all-time high. In March alone nearly 200,000 new vacancies were registered with the Swedish Public Employment Service. Unemployment, as measured by Swedish Public Employment Service, will soon be at its lowest level in more than 10 years. Sweden's unemployment rate fell to 8.5 percent in May 2022 from 9.8 percent in the same month last year, with the number of unemployed

	Unemployment (%)	
	2020	2021
Sweden	8.53	8.80
Germany	3.83	3.58
Denmark	5.65	5.08
UK	0.00	0.00
The Netherlands	4.85	4.23
Finland	7.73	7.68

Source: Intl. Finance Statistics

declining by 64 thousand to 482.0 thousand.

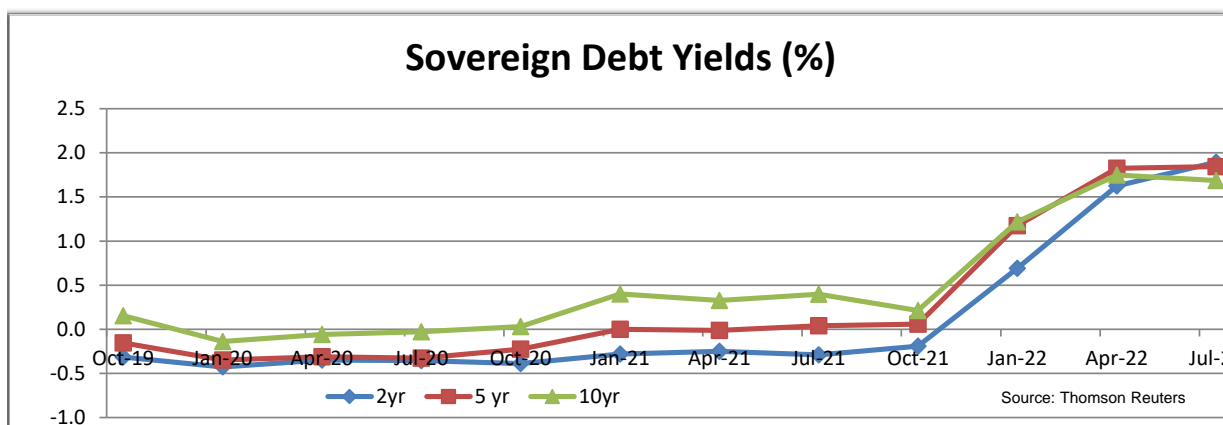
Banking Sector

In April the Riksbank raised the repo rate above zero for the first time in eight years. The Bank will continue to step harder on the brakes and hike rates several times this year. Interest rates for bank loans have risen approximately in line with the banks' funding costs. In contrast, deposit rates have not risen to the same extent, meaning that the Swedish banks' profit margins may have increased.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
Nordea Bank AB	554.8	51.34
Skandinaviska Enskilda Banken AB	3,304.2	7.09
Svenska Handelsbanken AB	3,346.8	5.28
Swedbank AB	2,750.6	5.48
Total	9,956.5	
EJR's est. of cap shortfall at 10% of assets less market cap		149.1
Sweden's GDP		5,457.1

Funding Costs

Sweden 10Y Bond Yield was 1.72 percent and is expected to trade at 1.62 percent by the end of this quarter, according to Trading Economics global macro model. Looking forward, market consensus estimates it to trade at 2.15 per cent in 12 months' time.



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 above average in its overall rank of 74.7 for Economic Freedom with 100 being best.

Heritage Foundation 2021 Index of Economic Freedom				
World Rank 74.7*				
	2021	2020	Change in	World
	Rank**	Rank	Rank	Avg.
Property Rights	86.6	88.8	-2.2	53.6
Government Integrity	79.1	91.4	-12.3	45.9
Judicial Effectiveness	92.5	79.9	12.6	45.4
Tax Burden	43.6	43.6	0.0	77.7
Gov't Spending	29.5	25.8	3.7	67.1
Fiscal Health	97.6	97.0	0.6	72.1
Business Freedom	83.2	85.3	-2.1	63.2
Labor Freedom	53.9	53.8	0.1	59.5
Monetary Freedom	81.5	81.2	0.3	74.7
Trade Freedom	84.0	86.4	-2.4	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:

KINGDOM OF SWEDEN has grown its taxes of 8.7% per annum in the last fiscal year which is average. We expect tax revenues will grow approximately 1.7% per annum over the next couple of years and 1.7% 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 2.7% 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%	8.8	8.7	1.7	1.7
Social Contributions Growth %	4.1	5.6	1.0	1.0
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	5.1		
Total Revenue Growth%	7.8	8.0	2.7	2.4
Compensation of Employees Growth%	4.3	4.6	4.6	4.6
Use of Goods & Services Growth%	9.7	6.4	6.4	6.4
Social Benefits Growth%	2.0	2.9	2.9	2.9
Subsidies Growth%	(13.0)	(15.6)		
Other Expenses Growth%	0.0			
Interest Expense	1.8	0.4	0.4	
Currency and Deposits (asset) Growth%	3.3	0.0		
Securities other than Shares LT (asset) Growth%	3.1	0.0		
Loans (asset) Growth%	(31.0)	(160.7)	1.7	1.7
Shares and Other Equity (asset) Growth%	(70.9)	(106.3)	2.0	2.0
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	(16.1)	(80.8)	(10.0)	(10.0)
Other Accounts Receivable LT Growth%	(12.5)	11.4	1.7	1.7
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%	1.4	8.9	3.0	3.0
Currency & Deposits (liability) Growth%	14.8	52.9	1.7	1.7
Securities Other than Shares (liability) Growth%	2.4	(0.8)	(0.5)	(0.5)
Loans (liability) Growth%	(3.6)	(5.5)	0.5	0.5
Insurance Technical Reserves (liability) Growth%	0.0	7.6	2.0	2.0
Financial Derivatives (liability) Growth%	0.0	100.5	2.2	2.2
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)					
	2018	2019	2020	2021	P2022	P2023
Taxes	1,974	2,018	1,997	2,170	2,207	2,245
Social Contributions	165	172	172	181	183	185
Grant Revenue						
Other Revenue						
Other Operating Income	<u>307</u>	<u>321</u>	<u>320</u>	<u>336</u>	<u>336</u>	<u>336</u>
Total Revenue	2,446	2,511	2,488	2,688	2,727	2,766
Compensation of Employees	614	636	653	682	714	746
Use of Goods & Services	384	395	405	431	458	488
Social Benefits	781	797	824	848	873	899
Subsidies	80	81	139	118	118	118
Other Expenses				357	357	357
Grant Expense						
Depreciation	155	162	166	179	179	179
Total Expenses excluding interest	<u>2,305</u>	<u>2,375</u>	<u>2,529</u>	<u>2,615</u>	<u>2,699</u>	<u>2,786</u>
Operating Surplus/Shortfall	141	135	-41	73	28	-20
Interest Expense	<u>22</u>	<u>20</u>	<u>14</u>	<u>12</u>	<u>12</u>	<u>12</u>
Net Operating Balance	118	115	-55	61	16	-32

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)					
	2018	2019	2020	2021	P2022	P2023
ASSETS						
Currency and Deposits (asset)	178	166	221	202	230	230
Securities other than Shares LT (asset)	555	552	508	557	557	557
Loans (asset)	31	-47	48	-29	-29	-30
Shares and Other Equity (asset)	-27	-7	87	-5	-6	-6
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	29	29	52	10	9	8
Other Accounts Receivable LT	555	582	661	737	749	762
Monetary Gold and SDR's						
Other Assets					3,449	3,449
Additional Assets	<u>2,715</u>	<u>2,998</u>	<u>2,936</u>	<u>3,449</u>		
Total Financial Assets	4,036	4,273	4,512	4,920	4,959	4,970
LIABILITIES						
Other Accounts Payable	447	488	536	584	601	619
Currency & Deposits (liability)	75	69	75	115	115	115
Securities Other than Shares (liability)	1,334	1,202	1,350	1,340	1,333	1,326
Loans (liability)	565	590	644	609	593	625
Insurance Technical Reserves (liability)	437	473	527	567	578	590
Financial Derivatives (liability)	21	21	18	35	36	37
Other Liabilities						
Liabilities	2,879	2,842	3,150	3,250	3,272	3,316
Net Financial Worth	<u>1,157</u>	<u>1,431</u>	<u>1,362</u>	<u>1,671</u>	<u>1,686</u>	<u>1,654</u>
Total Liabilities & Equity	4,036	4,273	4,512	4,920	4,959	4,970

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Comments on the Difference between the Model and Assigned Rating

We consider a one or less "notch" difference between 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+) 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 upon 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 available.**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%	6.0	10.0	2.0	AA+	AA+	AA+
Social Contributions Growth %	7.0	10.0	4.0	AA+	AA+	AA+
Other Revenue Growth %		3.0	(3.0)	AA+	AA+	AA+
Total Revenue Growth%	7.0	9.0	5.0	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 30, 2022

Reviewer Signature:

Today's Date

Steve Zhang

 Steve Zhang
 Senior Rating Analyst

August 30, 2022

(Note, see our senior report for additional disclosures.)

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.