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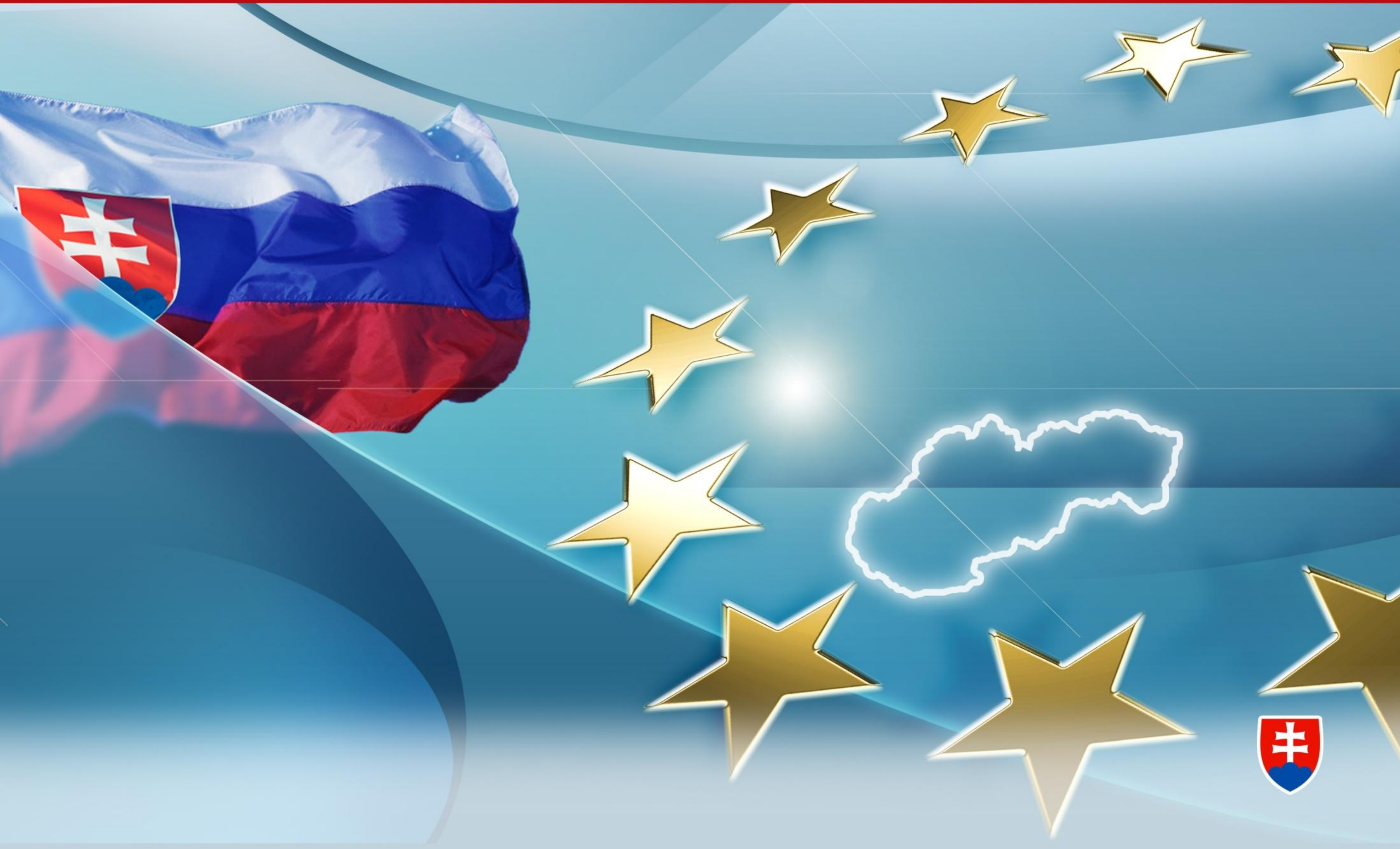

Introduction of Presenters

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1. Country Overview

Slovak Republic at a Glance

Territory:	49,035 km²
Population:	5.4 million
GDP per capita:	Approx. €12,700 in 2011[1]
Credit ratings:	A2 (negative outlook) / A (stable outlook) / A+ (stable outlook)
Capital:	Bratislava

1989	**End of Communist regime**
1992	**WTO membership**
1993	**Slovak Republic founded**
2000	**OECD membership**
2003	**EU accession referendum**
2004	**NATO and EU membership**
2005	**ERM-2 entry**
2007	**Schengen area membership**
2009	**Euro adoption**
	Continued economic and fiscal reforms

1) Source: Eurostat

Recent Political Developments

- **Decisive victory of the social-democratic SMER party in March 2012**
- SMER gained over **55% of parliamentary seats** (83 out of 150 MPs) which allowed them to form a one-party government
- SMER has a **simple but not a constitutional majority** in government (8 votes short)
- Prime Minister Robert Fico is an **experienced politician** (PM when the Slovak Republic joined the EMU in 2009)
- SMER declared **clear support to EU** as well as to Euro-zone, which also means support for **new fiscal rules in the Eurozone**
- Repeated public commitment and broad political consensus to cut the deficit to below 3% of GDP in 2013 and an additional 0.5% cut in the structural deficit from 2014 onwards
- At the end of 2011 the National Council has approved a **constitutional "debt ceiling" starting at 60% of GDP until the end of 2017, gradually declining to reach 50% of GDP** by 2028

Key Investment Considerations

- Highest real GDP growth in the EU for the last 10 years (2002-2011), averaging 4.8%[1]
- Average nominal GDP growth larger than 10Y government yields between 2004-2010[1]
- Sound fiscal policies and credible medium-term fiscal planning
- Low private and public debt levels compared to EU average
- No exposure of corporate and private sector to FX loans
- Highly integrated economy with low cost, skilled labour in manufacturing
- Positive FDI despite global crisis (EUR 1,633mln in 2011 already picked up to 2008 level)
- Sound highly liquid banking sector without government assistance

➢ **Slovakia remains amongst the highest rated countries in the CEE region**

1) Source: Eurostat

A Strong, Credible and Balanced Fiscal Effort

Three-pillar strategy to secure fiscal and macroeconomic stability

Budgetary Measures	**Structural Decisions**	**Liability Management**
✓ Fiscal tightening worth 4% of GDP in 2011 ✓ Meet targets in 2011 / 2012 ✓ Changes to flat tax regime ✓ New levy on bank deposits	✓ A fiscal responsibility law with a parliament "debt break" ✓ Independent fiscal council ✓ Pension contributions shifted from second pillar to first pillar	✓ Conservative Multi-annual debt management strategy ✓ Public debt under half EMU average and low private debt ✓ Moderate bank contingency

- Credible commitment to cut the deficit **below 3% of GDP by 2013**
- Low public debt of 43.3% of GDP (vs. 87.2% of GDP in the EMU in 2011)[1] and low private debt of 45% of GDP in 2011
- **Low risk of debt surprises**, with banks well capitalised and foreign-owned
- Fiscal consolidation consistent with expected GDP recovery in 2013 / 2014

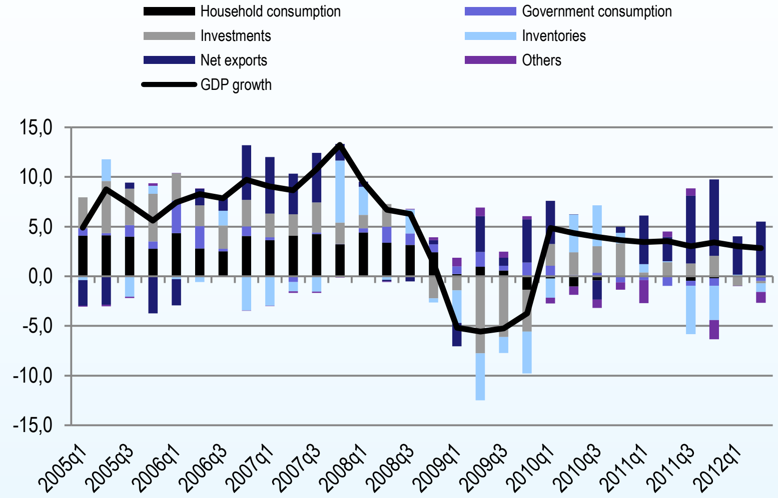
1) Source: Eurostat

2. Strong Economic Performance

A Solid Recovery…

- **Strong recovery in 2010-11 fuelled by a competitive and dynamic export sector**
  - Following GDP slump in 2009, the Slovak economy staged a **convincing recovery in 2010**, with real GDP swinging from **-4.9%** in 2009 to **+4.2%** in 2010
  - Fiscal consolidation efforts have moderated the contribution of consumption and overall domestic demand to the recovery, which was replaced by a **16.5% increase in exports** in 2010
  - GDP growth of **3.3% in 2011**, **fuelled again by exports and private investment**
  - **Growth in the first half of 2012, fuelled by the launch of the new production in the automotive industry, was among the highest in the Eurozone**, despite the slowdown in Slovak Republic's two biggest trading partners – Germany and the Czech Republic[1]
  - Given the **structural reforms completed and the competitiveness of Slovakia's exports**, the average annual GDP growth in the country is expected to be around 2.9% over 2012-15[2]
  - **GDP per capita continues to rise** and was 74% of EU-27 GDP in PPP terms in 2010, up from 50% a decade earlier in 2000[1]

Components of GDP (real, y/y, in %)



Source: Statistical Office of the SR

1) Source: Eurostat
2) Source: Ministry of Finance

Latest Macro Forecast (September 2012)

	2011	*2012F*	*2013F*	*2014F*	*2015F*
Real GDP growth	3.3	***2.5***	*2.1*	*3.5*	*3.6*
Private consumption (growth)	(0.4)	***(0.1)***	*0.7*	*3.2*	*3.9*
Investments (growth)	5.7	***(2.1)***	*6.6*	*(1.9)*	*2.0*
Export (growth)	10.8	***7.5***	*4.6*	*4.5*	*4.6*
Import(growth)	4.5	***5.1***	*4.1*	*3.9*	*4.0*
Employment growth (ESA 95)	1.8	***0.2***	*0.1*	*0.7*	*0.8*
Unemployment rate (LFS)	13.5	***13.9***	*13.9*	*13.5*	*13.0*
Current Account Balance (% of GDP)	0.1	***0.9***	*1.2*	*1.7*	*2.4*
Inflation (HICP)	4.1	***3.9***	*3.1*	*2.1*	*2.2*
Net FDI (% of GDP)	2.4	***2.5***	*2.4*	*2.5*	*2.5*

- **Updated 2012 GDP growth forecast to 2.5%**
- Lowered 2013 growth due to worsened external demand and further fiscal consolidation. Weaker GDP growth translates into worse performance of the labour market
- Inflation rises due to higher food prices in 2013
- However, GDP growth is expected to return into 3%+ area from 2014

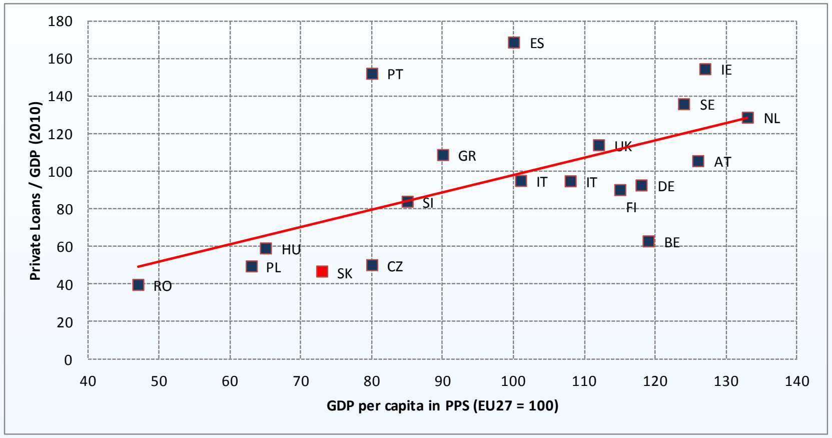
Source: Slovak Ministry of Finance

3. Public Debt

Low Public and Private Debt

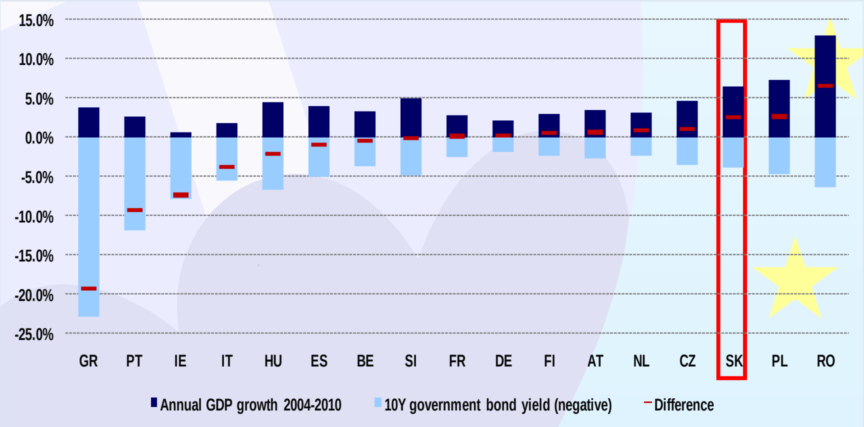
- **Low indebtedness level**
  - Taking into account relative levels of economic development, Slovakia's public and private debt to GDP ratios are both considerably below the EU average
  - Private debt ratio amongst the lowest in the EU
- **Excellent historical debt repayment ability**
  - Past nominal economic growth (average 6.5% p.a. in 2004-2010) as well as estimated medium-term growth well above the current long-term (10Y) government bond yield (3.1 % p.a.)

Private Debt Ratio (% of GDP)



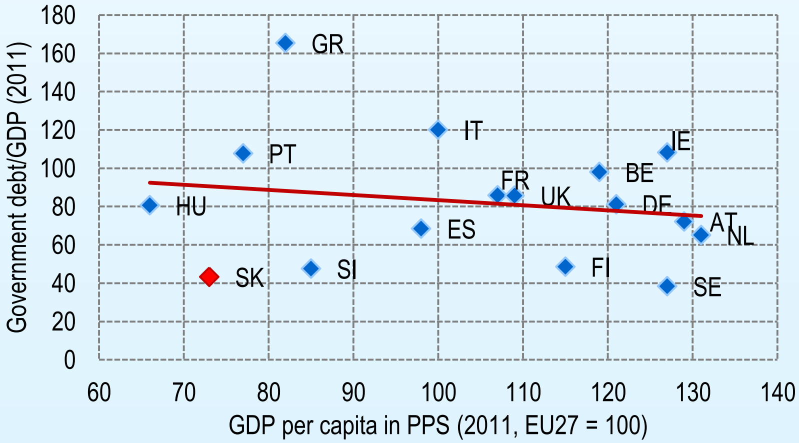
Source: Eurostat, March 2012

Debt Repayment Ability (Nominal growth less gov't yield)



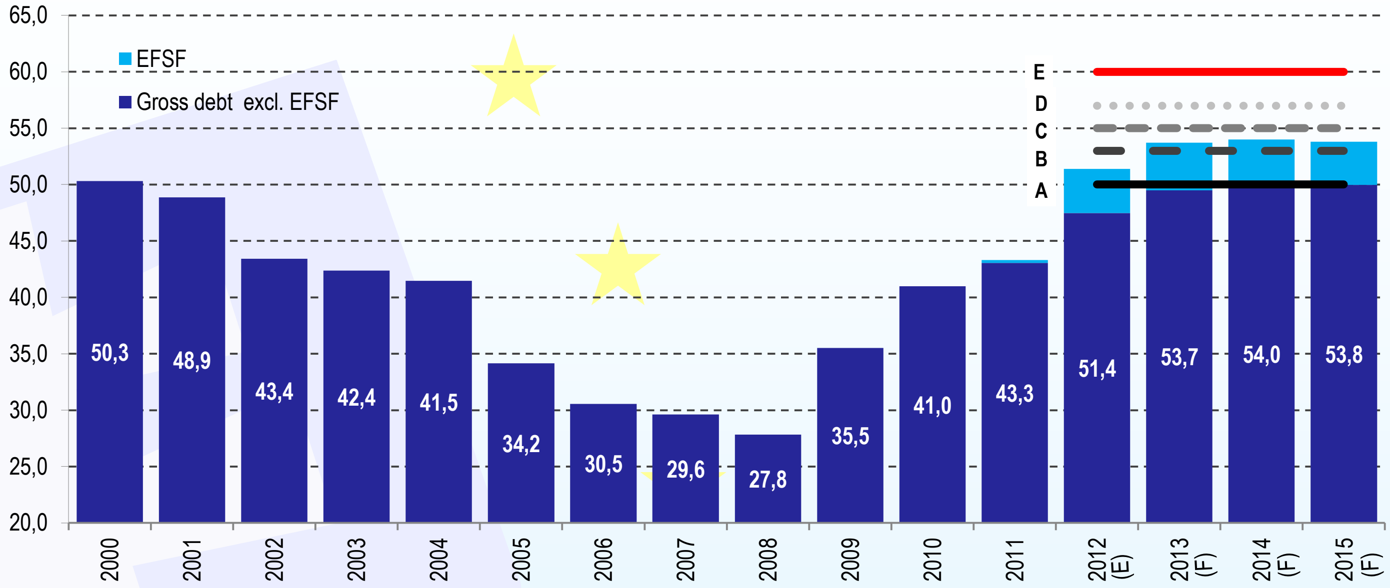
Source: Eurostat, Ardal, March 2012

Government Debt Ratio (% of GDP)



Source: Eurostat, September 2012

General Government Debt Forecast and Debt Break

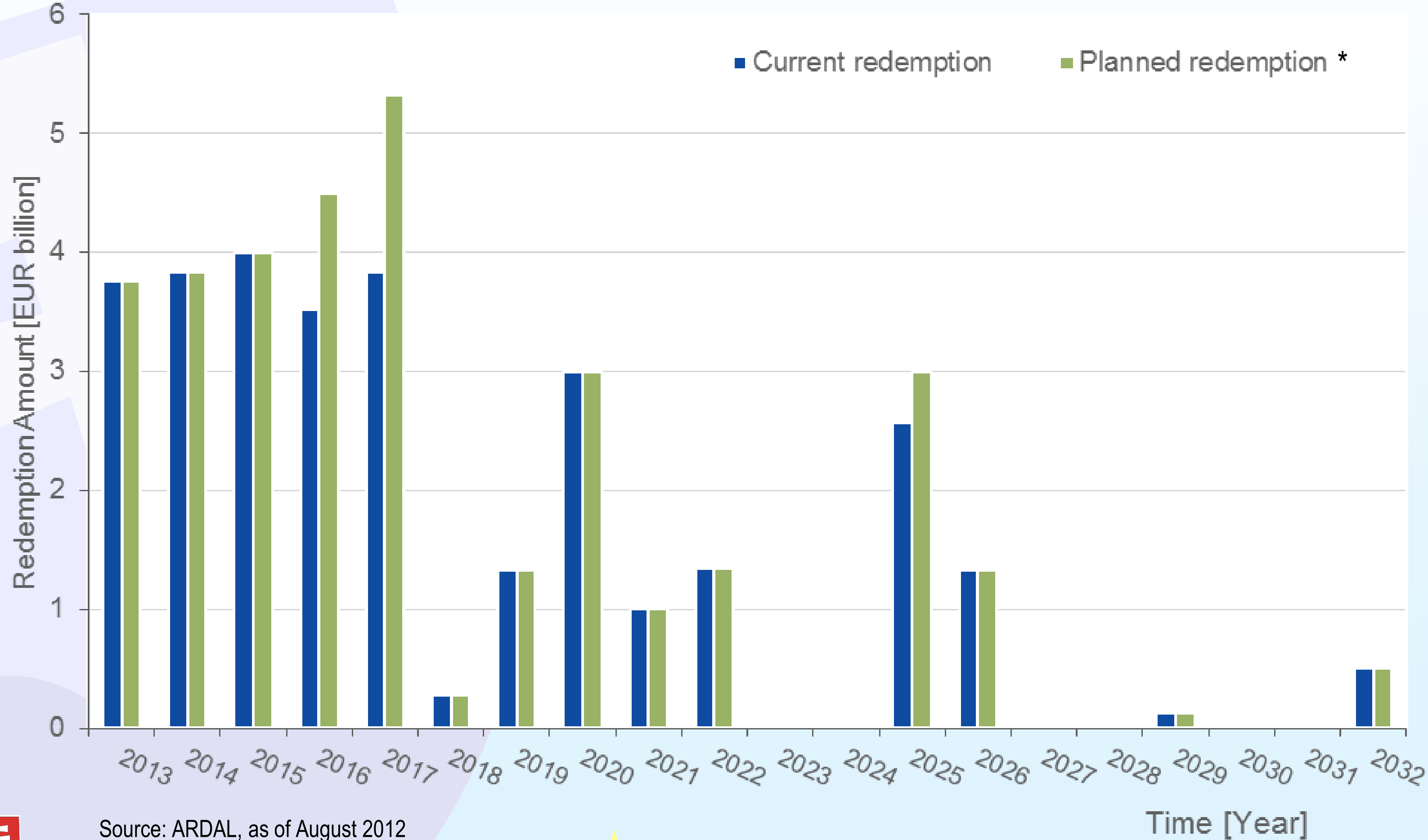


- Thresholds set by the constitutional act on fiscal responsibility:
  - A – 50% of GDP – letter from the Minister of Finance to the Parliament
  - B – 53% of GDP – proposal of measures by the Government to cut the debt
  - **C – 55% of GDP – expenditure freeze**
  - D – 57% of GDP – balanced general government budget requirement
  - **E – 60% of GDP – upper limit, vote of confidence in the Parliament has to take place**
- Starting from 2018, the thresholds will gradually decrease by 1 p.p., in 2028 the upper debt limit will be 50% of GDP

4. Debt Management and Funding

Central Government Bond Redemptions

Central Government bond portfolio redemption profile was influenced by the financial market crisis resulting in a shift of also foreign investor's interest to shorter maturities

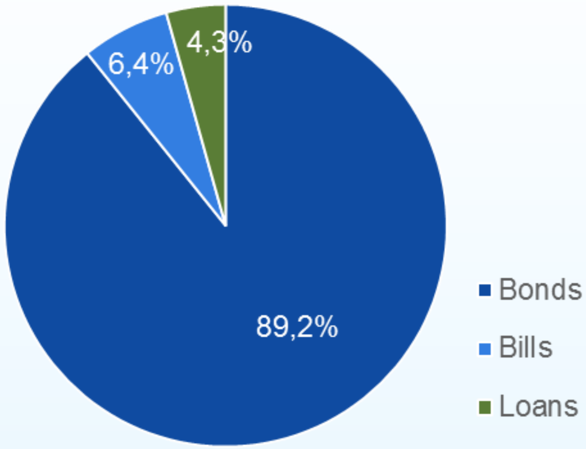


Source: ARDAL, as of August 2012
* Planned redemption corresponds to the existing issuance lines' maximum targeted amount

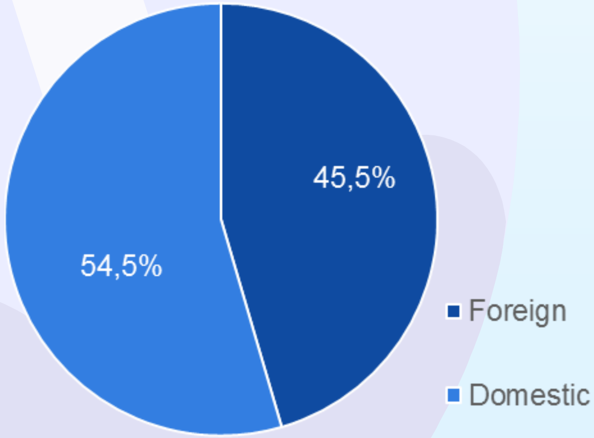
Central Government Debt Characteristics

- No impact of currency fluctuations, as almost 100% of outstanding public debt is euro-denominated (small part of debt issued in CZK, CHF and USD in 2012 is hedged)
- Non-resident share at 45.5 % as of end of July 2012

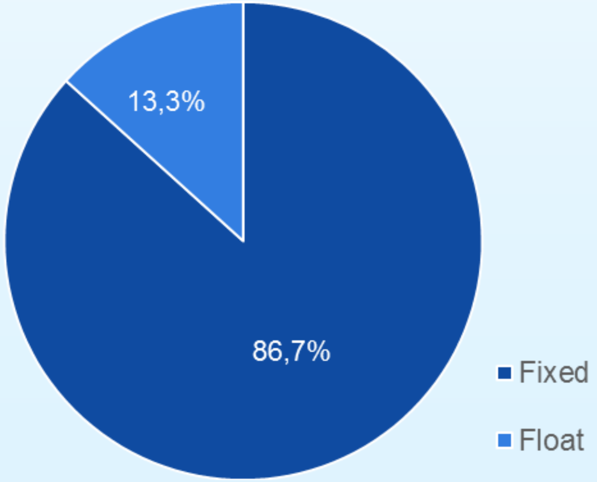
State debt by instrument



State bond portfolio by investors' domicile



State bond portfolio by float/fixed coupon



Source: ARDAL and MoF

Debt Financing in 2012

- New “Debt Management Strategy for 2011 – 2014” with parameters similar as in previous one was approved by the government in March 2011.
- In 2011, debt management has been aimed at **optimizing key parameters of the debt portfolio** in view of state budget expenditure targets and future external risks.
- The main area of interest for debt management in year 2012 is **to broaden the portfolio of investors**.
- Marketing efforts for **regional and institutional broadening of distribution of investors** in Slovak government securities was followed with successful debut issues in CZK and CHF completed in Q1 as broadening the investor base in Europe and the first benchmark issue in USD launched in Q2 as follow up with the effort oversee.
- Originally planned gross issuance EUR 7.6 billion was achieved already at the first half of year 2012; in second half pre-financing for year 2013 started to be realized.
- Debt issued in 2012 was issued in line with the needs of debt portfolio in terms of tenor and duration and average YTM was in line with last year values.

Source: ARDAL

Debt Financing in 2013

- The main tasks for debt management in year 2013:
  - further **broadening** of portfolio of **investors**
  - further **broadening** of portfolio of **instruments**
  - implied duty to keep **portfolio parameters in optimal range of values**
- Total financing needs for 2013 are expected to be lower than **originally planned around EUR 8.3 billion** partially as a result of pre-financing in 2012 and smaller than expected amount of T-Bills issued in 2012
- Approximately half of the amount is planned to be issued via syndication and the rest via auction

Source: ARDAL

5. Credit positioning and CE4 comparison

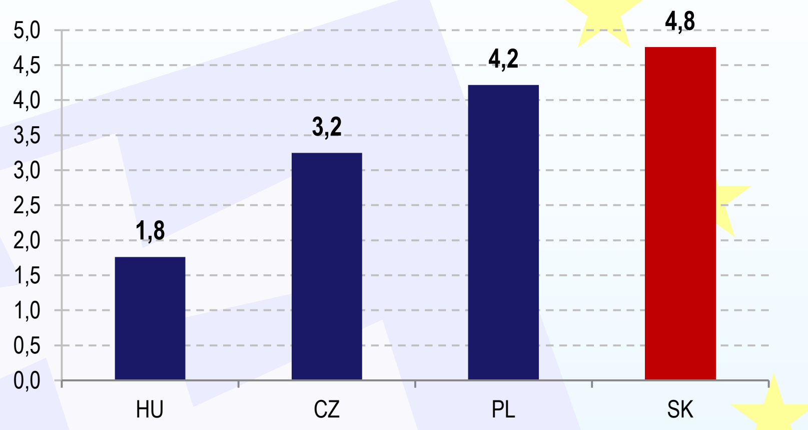
Slovakia's Fundamentals Compare Well vs. its Peer-group Inside and Outside of the Eurozone (1/2)

%	Slovakia	Czech Republic	Poland	Slovenia	Belgium	Germany	Euro-zone average
Credit Ratings and outlook	A2/A/A+ (neg/st/st)	A1/AA-/A+ (st/st/st)	A2/A-/A- (st/st/st)	Baa2/A/A- (neg/neg/neg)	Aa3/AA/AA (neg/neg/neg)	Aaa/AAA/AAA (neg/st/st)	Aaa/AAA//AAA (st/neg/st)[1]
Debt/GDP [2] % ('10 / '11 / '12E)	41,1 / 43,3 / 49,7	38,1 / 41,2 / 43,9	54,8 / 56,3 / 55,0	38,8 / 47,6 / 54,7	96,0 / 98,0 / 100,5	83,0 / 81,2 / 82,2	85,3 / 87,2 / 91,8
Deficit/GDP [2] % ('10 / '11 / '12E)	(7,7) / (4,8) / (4,7)	(4,8) / (3,1) / (2,9)	(7,8) / (5,1) / (3,0)	(6,0) / (6,4) / (4,3)	(3,8) / (3,7) / (3,0)	(4,3) / (1,0) / (0,9)	(6,2) / (4,1) / (3,1)
GDP growth [2] % ('10 / '11 / '12E)	4,2 / 3,3 / 2,5	2,7 / 1,7 / 0,0	3,9 / 4,3 / 2,7	1,4 / 0.2 / (1,4)	2,4 / 1,8 / 0,0	4,2 / 3,0 / 0,7	2,0 / 1,4 / (0,3)
CA/GDP [2] % ('10 / '11 / '12E)	(3,6) / 0.1 / 0.2	(4,4) / (3,6) / (3,2)	(3,7) / (4,3) / (3,9)	(0,8) / (1,1) / 0.4	3,1 / 2.2 / 1.5	5,8 / 5,3 / 4,7	0,1 / 0,1 / 0,6
10yr € ASW[3]	124 bp	117 bp	130 bp	418 bp	74 bp	-25 bp	n/a

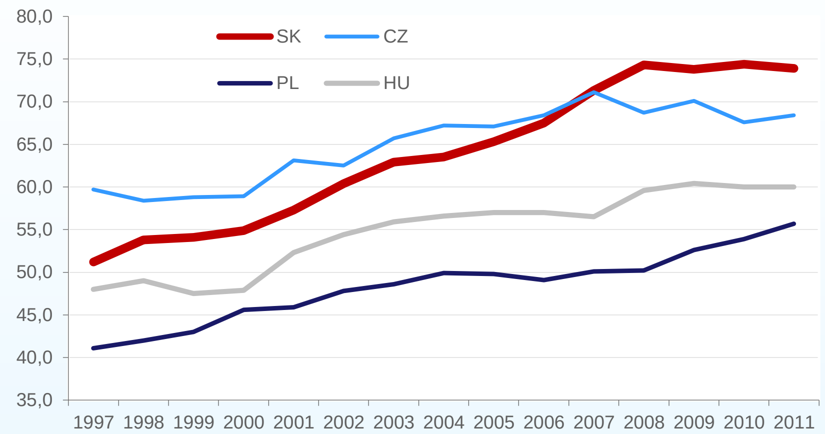
1) Source: EU bond ratings
2) Source: EC Spring Forecast 2012; Eurostat
3) Source: Bloomberg as of 11th Octoer 2012

Slovakia's Fundamentals Compare Well vs. its Peer-group Inside and Outside of the Euro-zone (2/2)

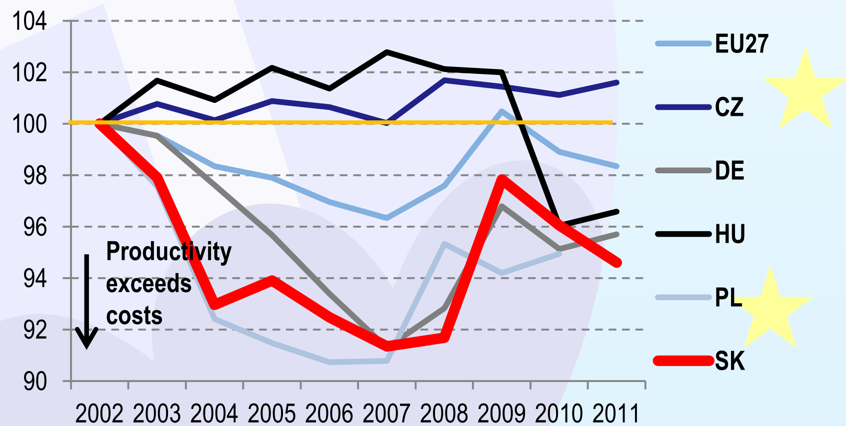
Average real GDP growth p.a. in CE4 countries (2002-2011, %)



Labour productivity in CE4 countries (EU27=100, in PPS)

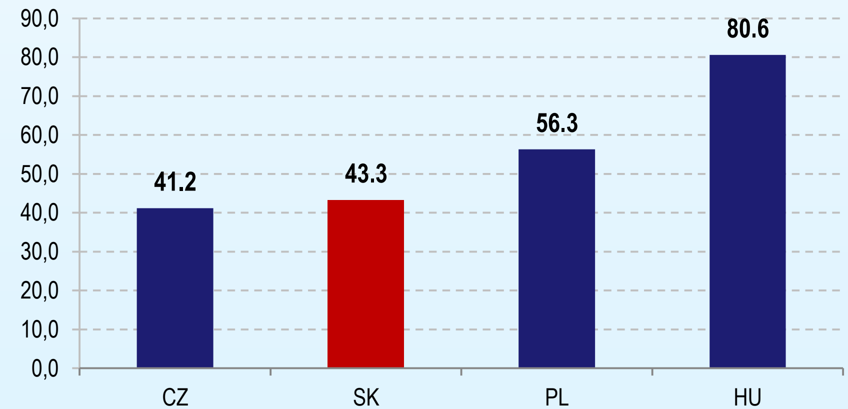


Nominal ULC index (wage bill/nominal GDP, last 10 years, 2002=100)



Source: Eurostat

General government debt in CE4 countries (end of 2011, as % of GDP)



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