

SLOVAK REPUBLIC

Investor Presentation, Paris
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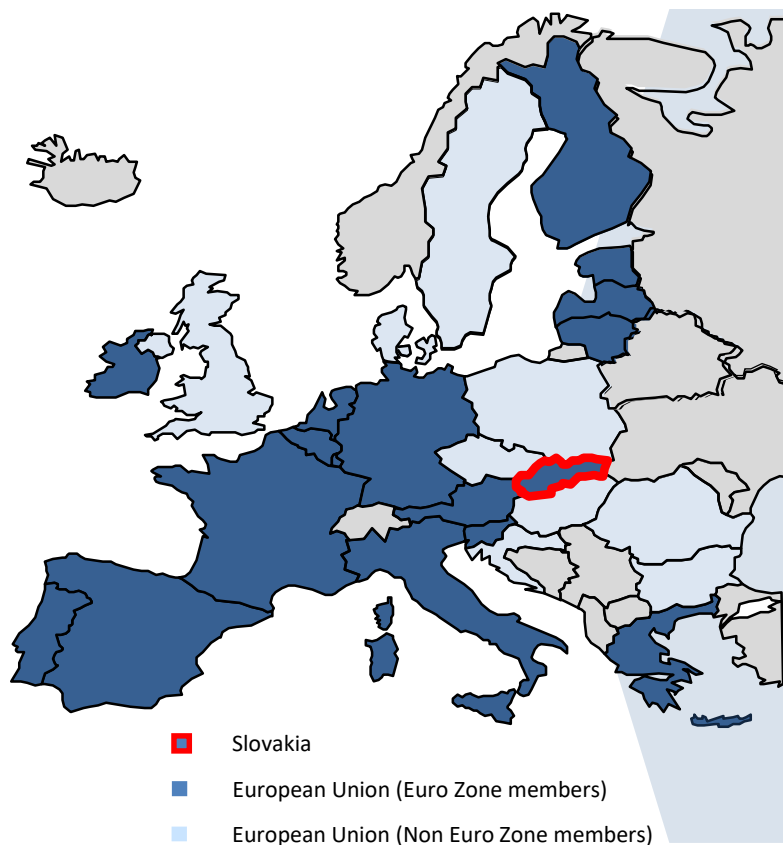
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Slovakia – At a Glance



Geographical location

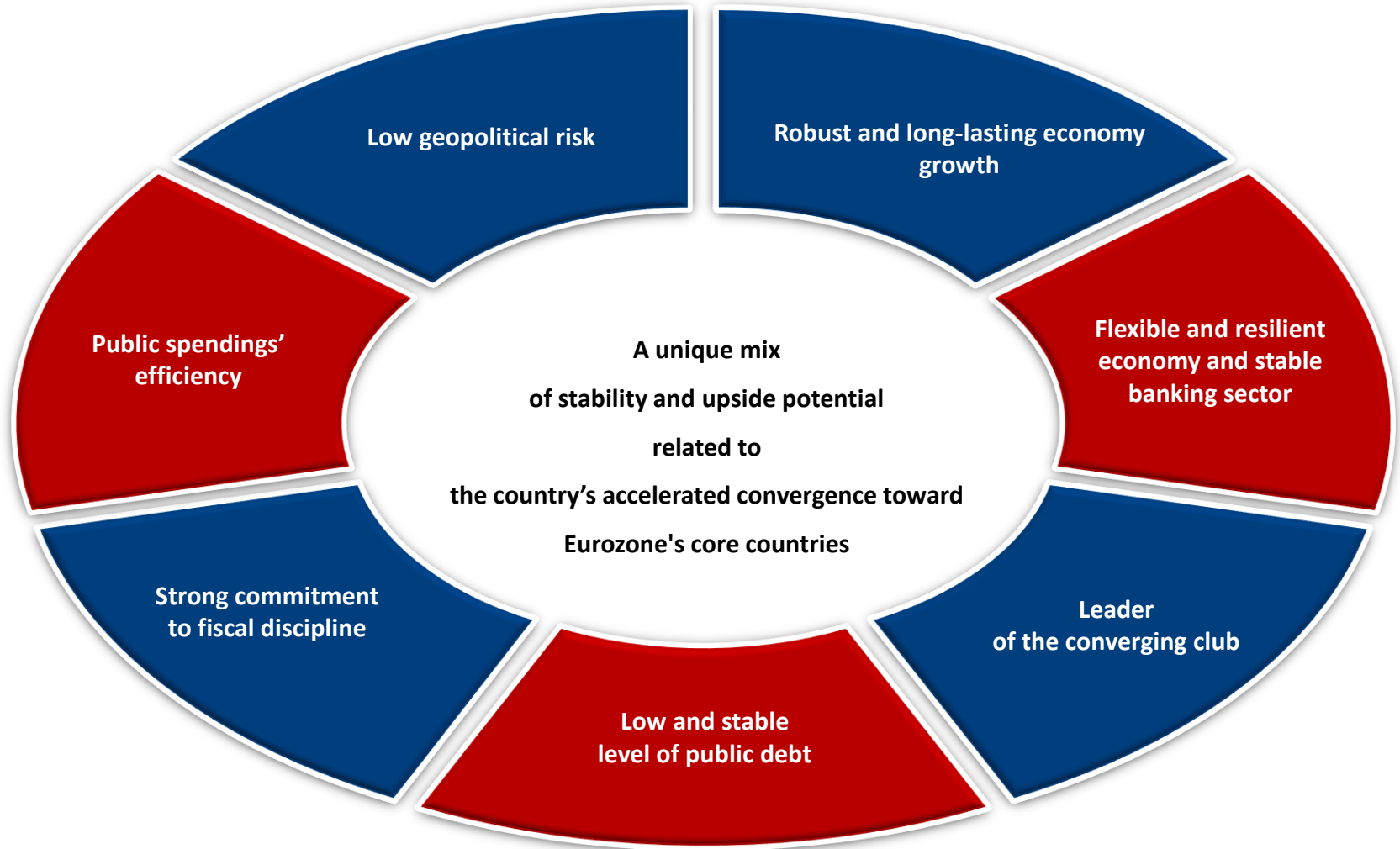


Key facts

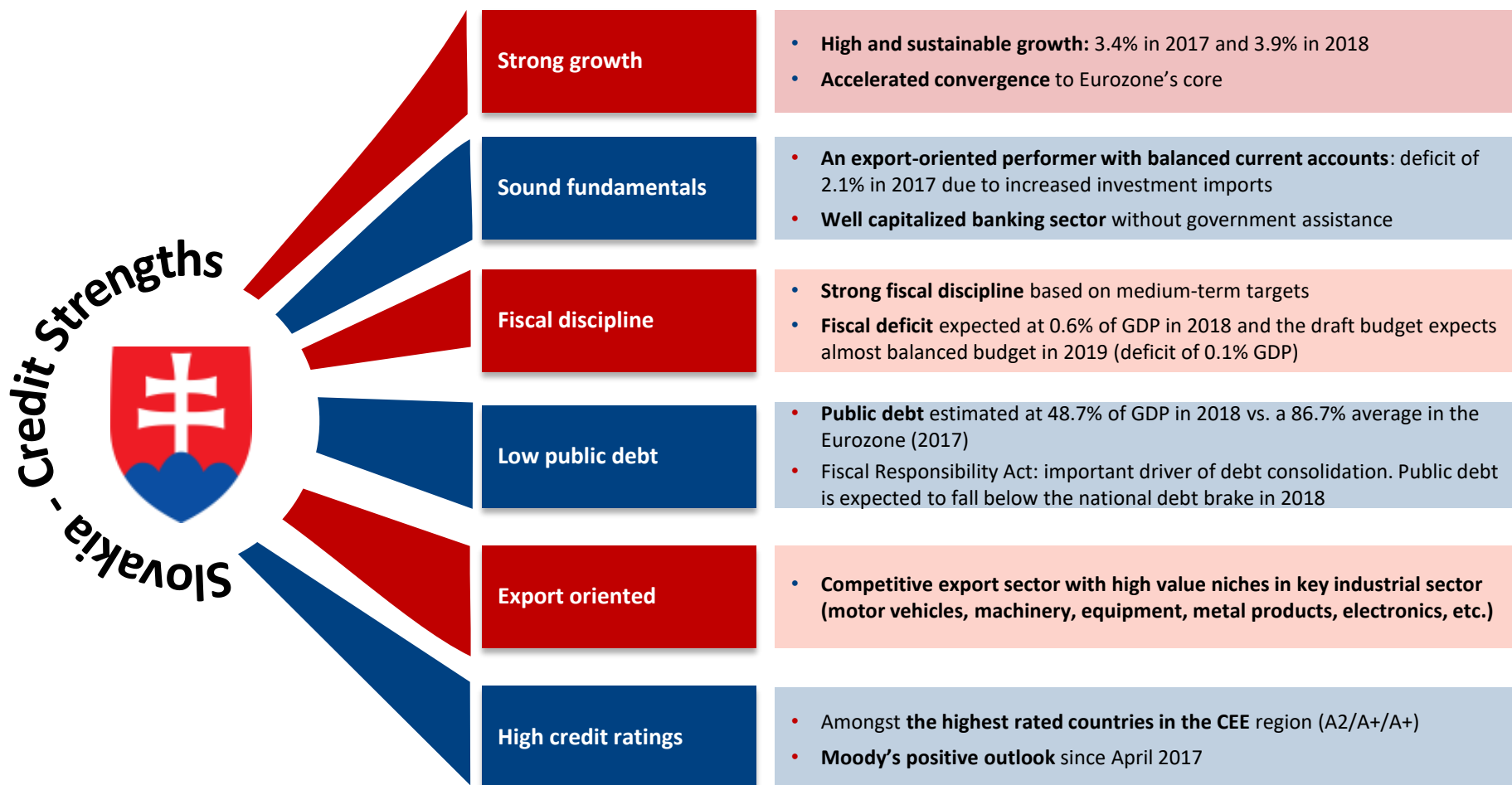
Ratings (Moody's/S&P/Fitch)	A2 (positive)/A+ (stable)/A+ (stable)
GDP (2017)	€ 84,851 million (Eurostat)
GNI per capita (2017)	€ 14.7k
Population (2017)	5.4 million
Real GDP growth (2017)	3.4%
Inflation (HICP – 2017)	1.4% (EUROSTAT)
Currency	EUR
Key economic sectors	Manufacturing, Construction, Wholesale & Retail Trade
Memberships	OECD, EU, EMU, NATO, Schengen Area
Head of State	President Andrej Kiska
Capital	Bratislava
Territory	49,036 km ²



Source: Eurostat, Ministry of Finance, NBS



Slovakia – Credit Strengths in Detail



Transformation Success Story

- ✓ Small and effective government
- ✓ Sustainably robust GDP growth
- ✓ Commitment to fiscal discipline
- ✓ High share of investment to GDP
- ✓ Export-oriented economy
- ✓ Low debt and stable external account

SLOVAKIA	% of GDP (2016)	2015	2016	2017	2018e	2019e
Real GDP Growth (in %)		3.9	3.3	3.4	3.9	4.2
<i>Private Consumption</i>	54.5	2.2	2.7	3.6	3.6	3.6
<i>Public Consumption</i>	19.4	5.4	1.6	0.2	1.6	2.0
<i>Gross fixed capital formation</i>	21.2	19.8	(8.3)	3.2	6.5	5.2
<i>Exports (goods and services)</i>	94.6	6.4	6.2	4.3	7.1	7.9
<i>Imports (goods and services)</i>	(91.1)	8.4	3.7	3.9	6.8	7.6
GNI (real growth in %, adjusted by GDP deflator)	98.6	3.3	3.8	3.3	4.0	4.2
Employment Growth (% p.a.)		2.0	2.4	2.2	1.4	1.2
Unemployment rate (% of labour Force)		11.5	9.7	8.1	7.1	6.3
Inflation (HICP) (% p.a.)		(0.3)	(0.5)	1.4	2.6	2.2
General government balance (% of GDP)		(2.7)	(2.2)	(0.8)	(0.6)	(0.1)

Sources: EC Spring Forecast 2018 (EC Summer Forecast 2018 for GDP and inflation)
Draft budgetary plan of Slovakia for 2019 (for General government balance)



The Slovak government continues to push ahead a comprehensive program of structural reforms to improve economic competitiveness; key areas include *pensions* and *tax policy*

✓ **Pension Reform planned to save 3% of GDP in the long term:**

- Retirement age linked to life expectancy
- Pensions linked to inflation
- Private pension schemes introduced

✓ **Improving Tax Collection and Combating Tax Evasion**

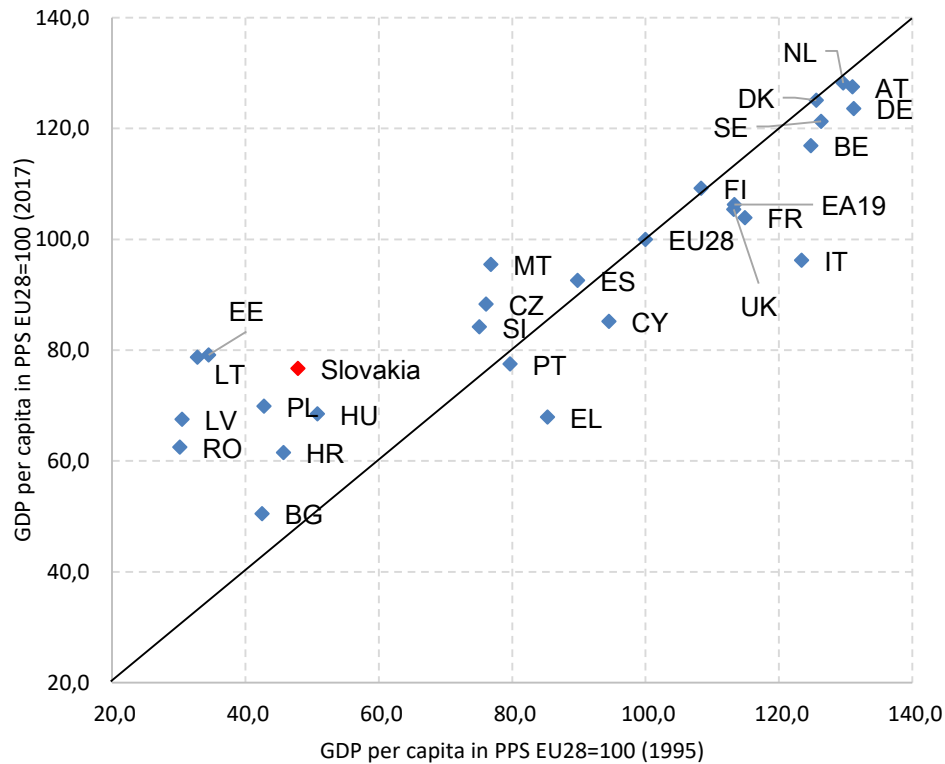
- VAT revenues have increased by 39% since 2012 primarily due to more effective tax collection
- Law regulating offshore companies' participation in the public procurement process

✓ **Value for Money**

- Operational tool to raise the efficiency of public spending
- Ongoing institutional establishment of compulsory spending reviews of at least 50% of government spending during election term:
 - Spending review of education, social policies and environment sector completed in 2017
 - Ongoing spending reviews in 2018: labour and social policies, healthcare and agriculture sectors
 - Investment projects evaluated above 40 million EUR (and 10 mil. EUR in IT sector)



Fast and Ongoing Convergence



- ✓ **Leading convergence player**
- ✓ **Currently: 77% of the EU27 GDP/per capita**
- ✓ **Convergence: 30 p.p. in 20 years**
- ✓ **Continued fast convergence pace**

Source: Eurostat



Slovakia – On the Way to the European Core

- ✓ Slovakia's growth at almost double the euro area average compares favorably with most peers
- ✓ Convergence is almost complete in unemployment and inflation rate
- ✓ Low external imbalances suggest a high potential growth of the country
- ✓ Slovakia's public debt ratio is consistently among the region's lowest at almost half the euro area average

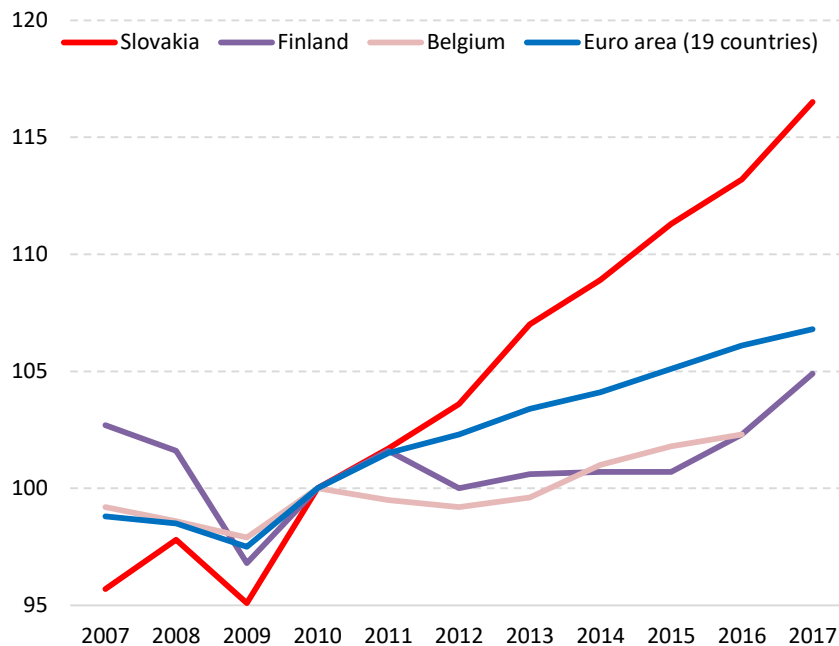
2018	Slovakia	Belgium	Finland	Eurozone
Real GDP growth (%)	3.9	1.7	2.8	2.1
Inflation – HICP (%)	2.6	1.9	1.3	1.7
Unemployment rate (%)	7.1	6.4	8.4	8.4
Current Account Balance (% of GDP)	0.8	0.5	1.0	3.4
Budget Balance (% of GDP)	-0.9	-1.1	-0.7	-0.7
Structural Budget Balance (% of pot. GDP)	-1.2	-1.4	-0.8	-0.8
General Government Gross Debt (% of GDP)	48.7	101.9	59.9	85.4

Source: EC Spring Forecast 2018 (EC Summer Forecast 2018 for GDP and inflation)
Draft budgetary plans for 2019 (for General government gross debt)

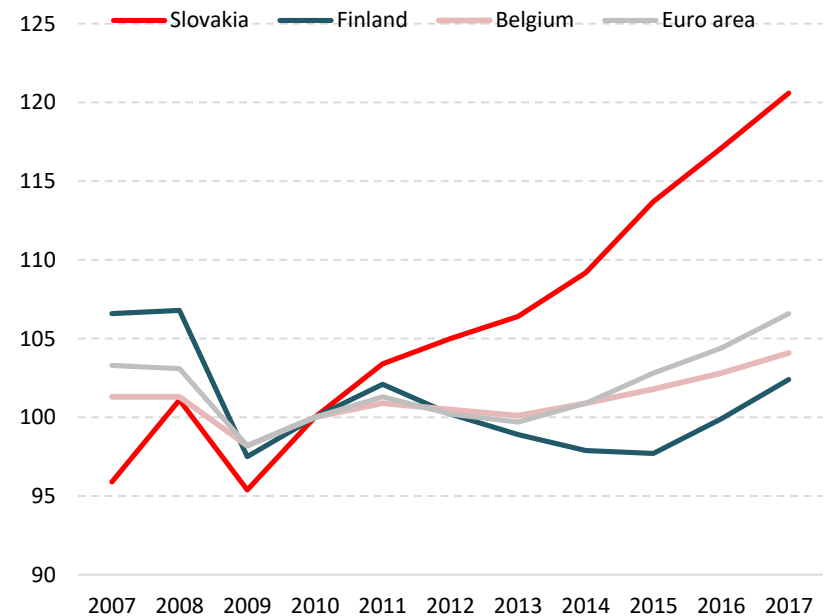


Strong Productivity and GDP Growth

Real labor productivity per hour worked 2010=100



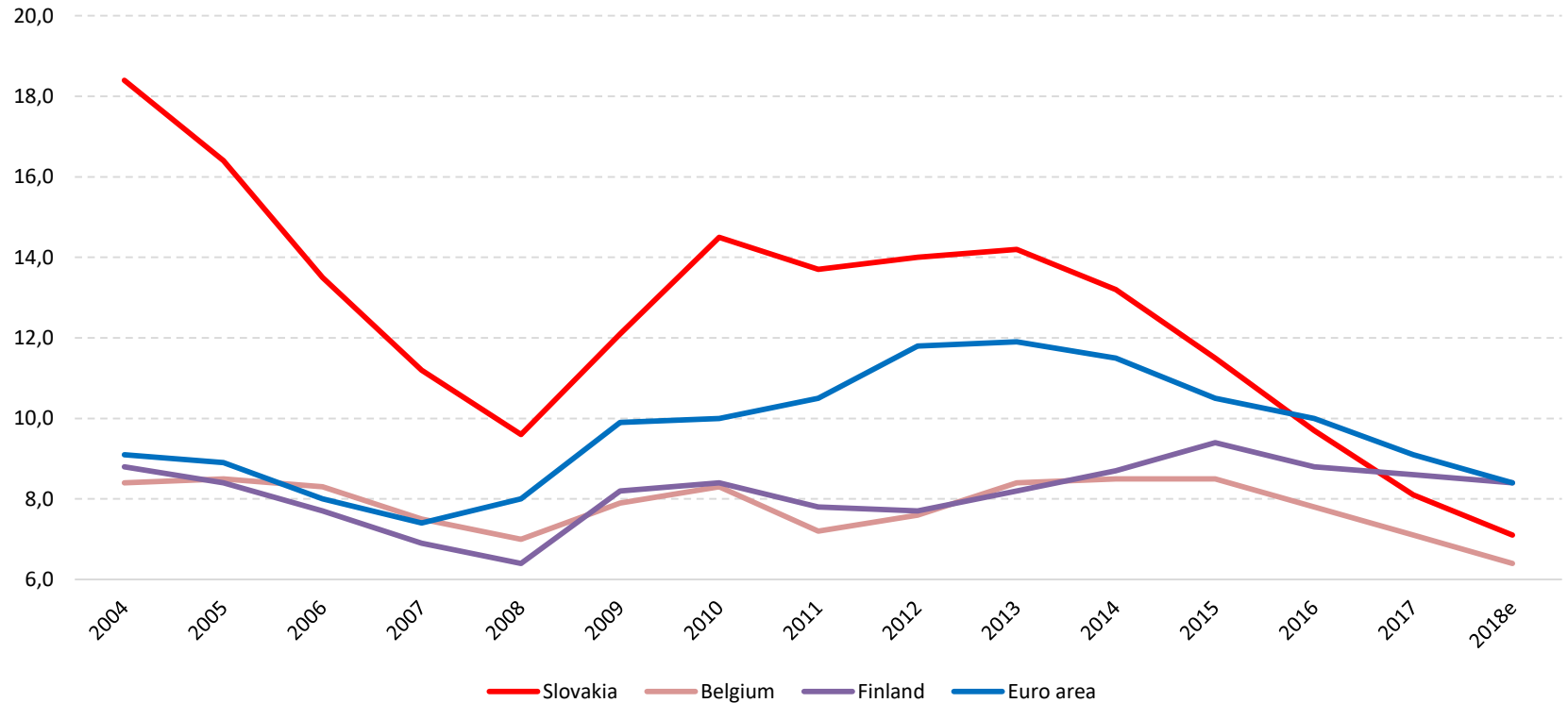
GDP per capita (chain-linked volumes) 2010=100



Source: Eurostat



Unemployment Rate at All Time Low

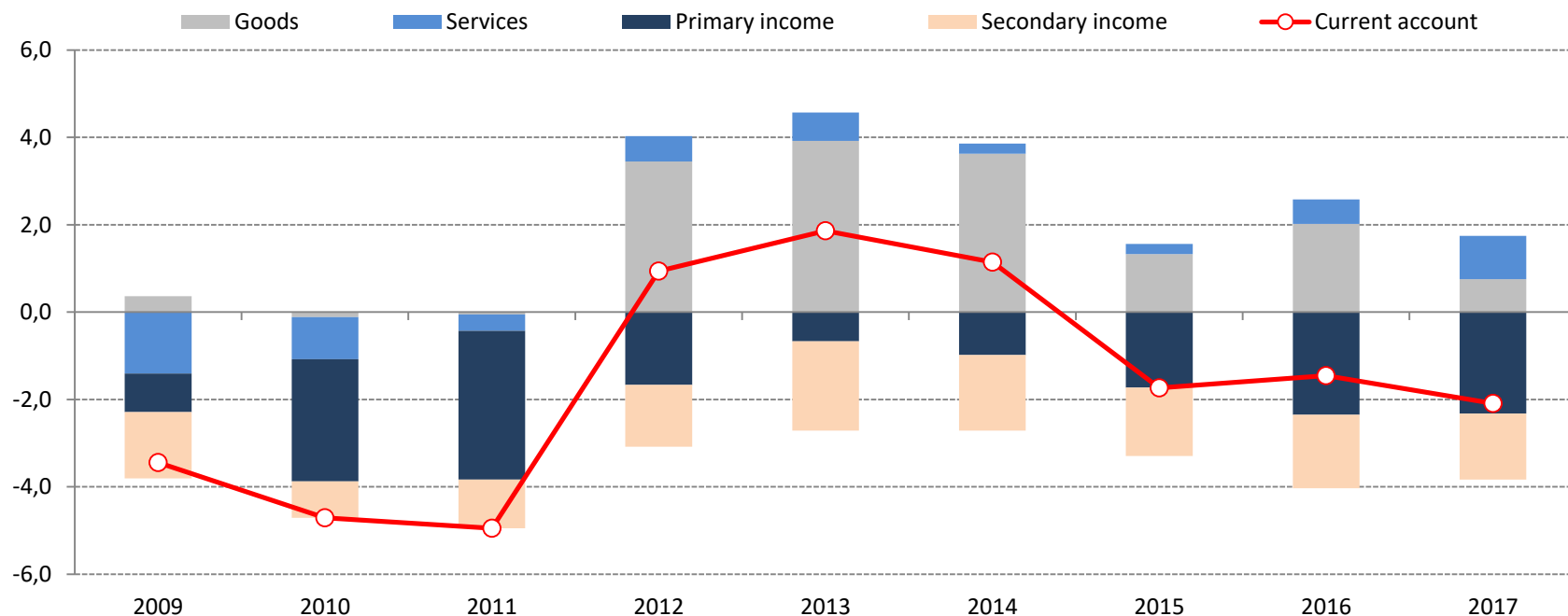


Source: Eurostat, EC Spring Forecast 2018

✓ **New industries and services translated into new jobs (automotive industry, shared services, IT sector)**



High Investment Imports Turning Current Account Negative



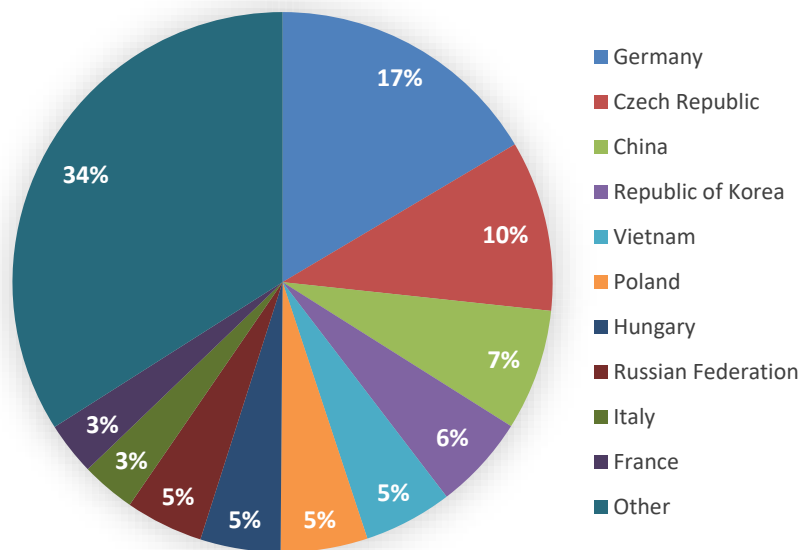
Source: NBS; Ministry of Finance, September 2018 Forecast

✓ From trade deficit (importing technologies) to trade surplus (export performer)

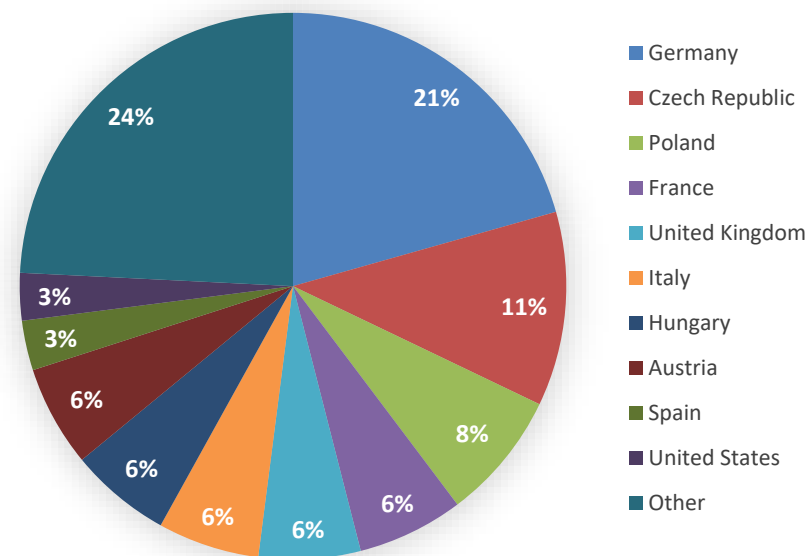


Key Trading Partners in 2017

Imports Geographical Structure (%)



Exports Geographical Structure(%)



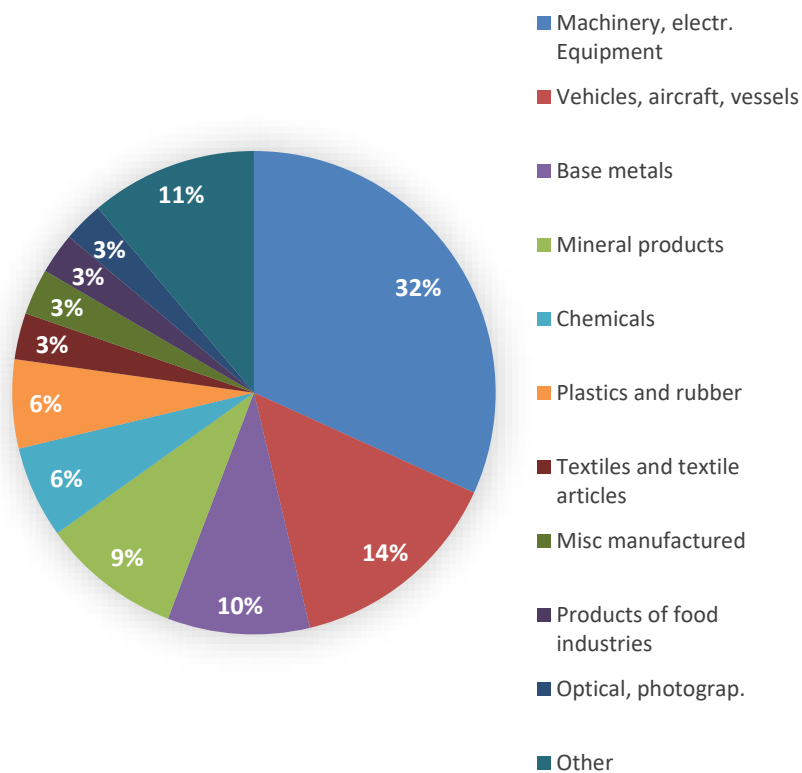
73% of exports goes to EU countries

Source: Statistical Office of the Slovak Republic

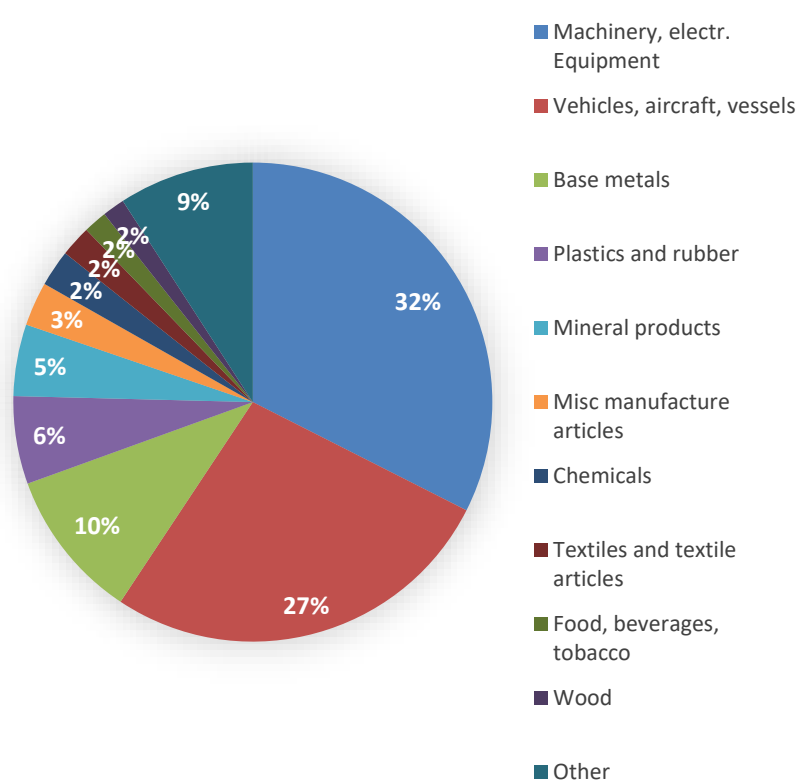


Key Export and Import Products in 2017

Imports by Product (%)






Exports by Product (%)



Source: Statistical Office of the Slovak Republic



Ratings Reflect a Solid Credit Profile

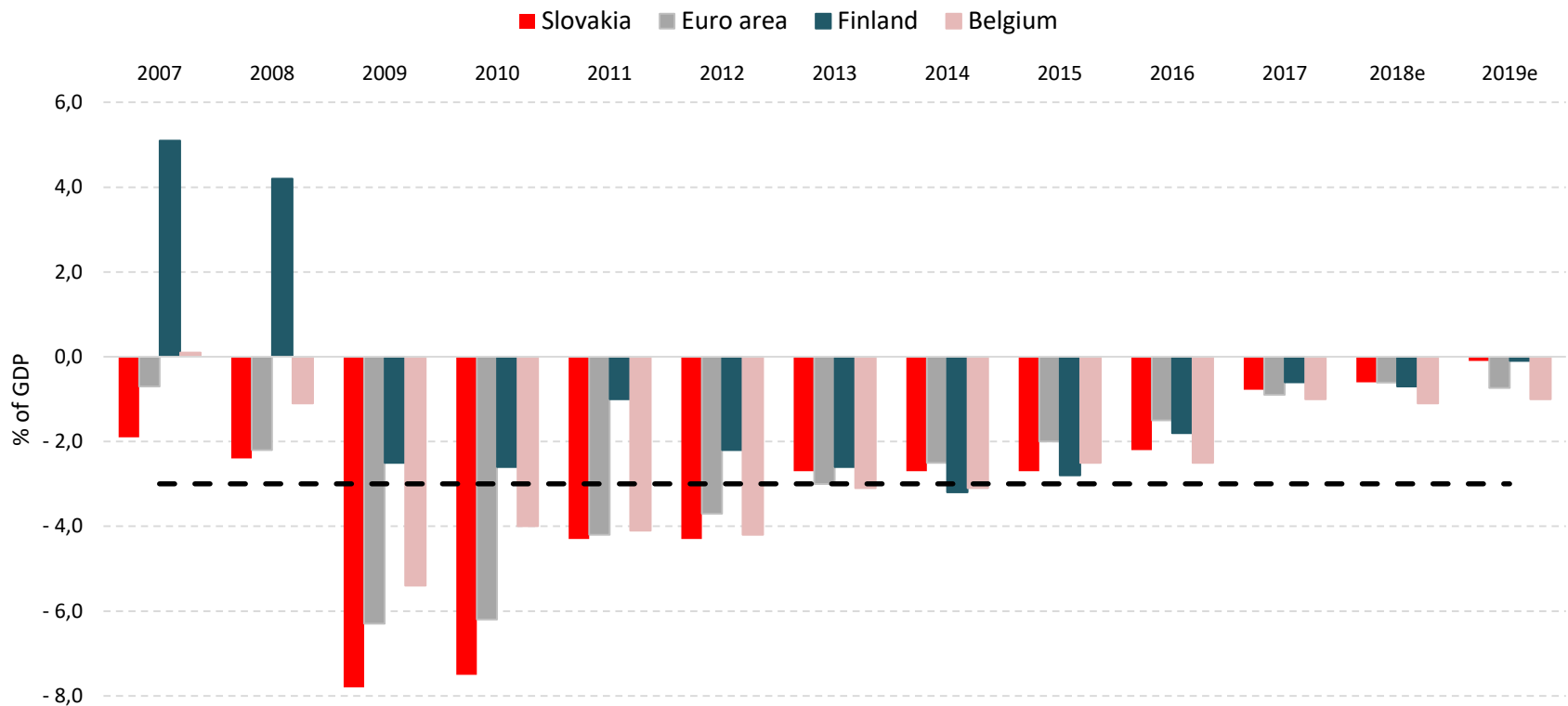
Rating Agency	Rating	Comments
	A2 Positive	<i>“ ... the key credit strengths of Slovakia are: (1) Slovakia's continued strong economic growth prospects in the coming years, and (2) Anticipated pick-up in the pace of public sector debt reduction supported by robust growth and continued fiscal consolidation”</i>
	A+ Stable	<i>“ ... positively evaluated the low debt burden of the public sector, sustainable public finances, the stable volume of foreign investments and the well-capitalised banking sector with a low incidence of troublesome credits (5%). According to its estimates, the Slovak public debt should decline to about 48 percent of GDP by 2020”</i>
	A+ Stable	<i>“... Slovakia's 'A+' ratings reflect its robust and credible economic framework, including its solid banking sector, eurozone membership and ability to attract foreign investment. EU membership supports political stability and institutional strength”</i>

- ✓ **Stable outlook by S&P and Fitch**
- ✓ **Positive outlook by Moody's since April 2017**

Sources: Moody's, S&P and Fitch



Balanced Budget within Range



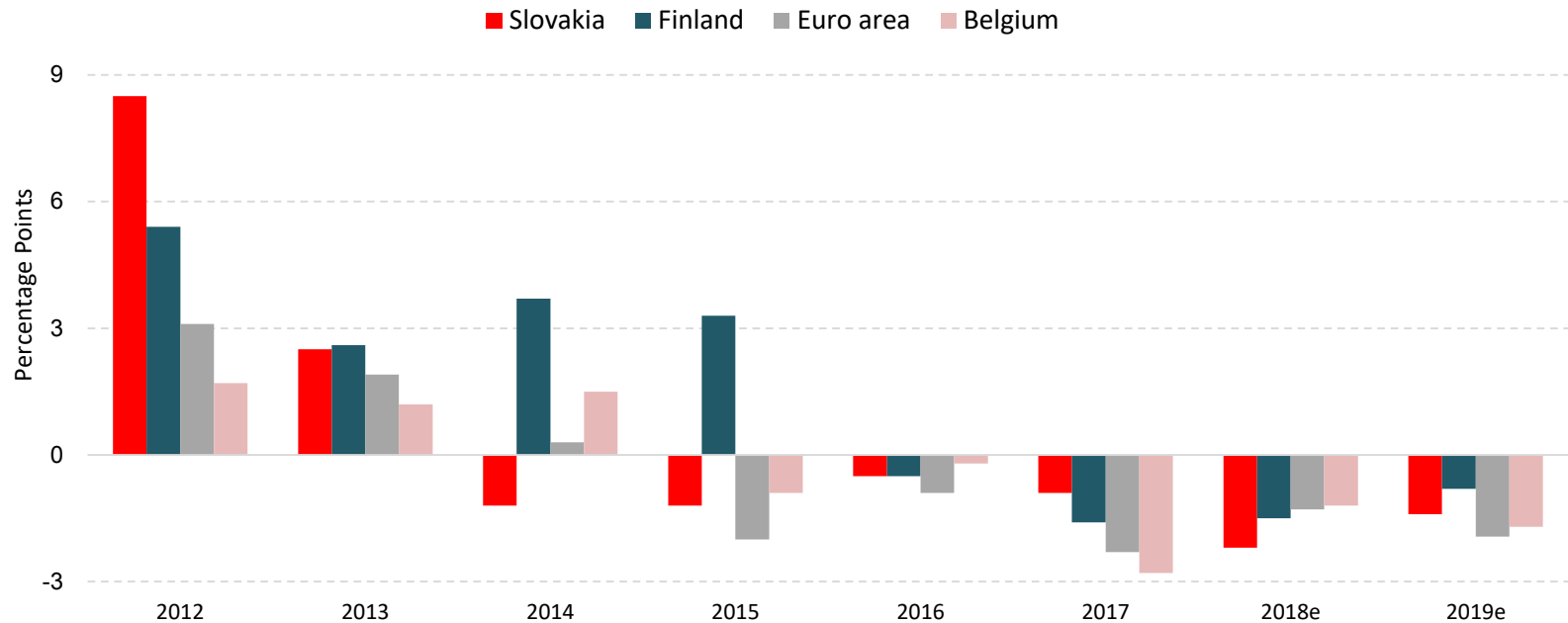
Source: Eurostat, Draft budgetary plans for 2019

- ✓ Primary balance surplus historically reached in 2017
- ✓ Very close to headline balanced budget in 2019



Public Debt on a Steady Declining Path

Change in the Public Debt to GDP Ratio

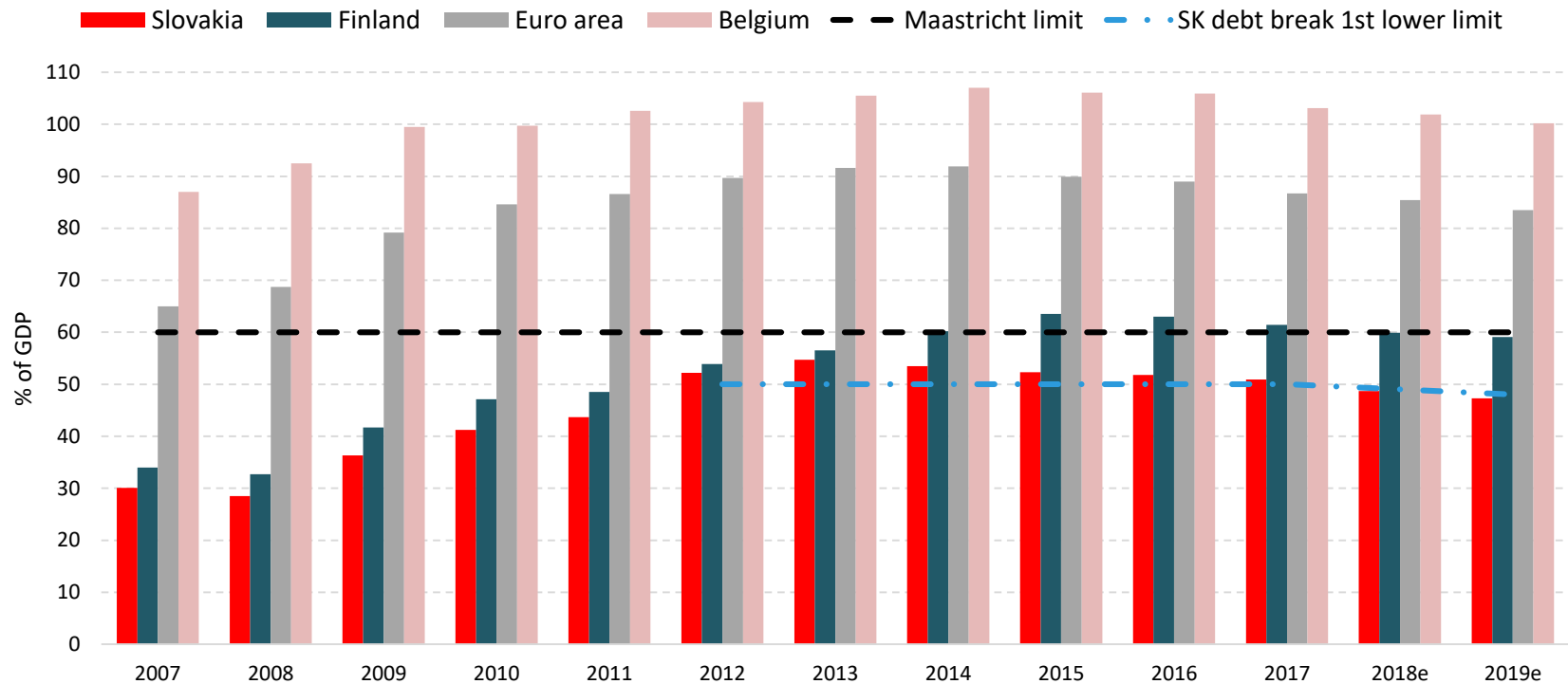


Source: Eurostat, Draft budgetary plans for 2019

- ✓ **Public debt on a declining trajectory since 2014, with cumulative decline of 7.4% of GDP until 2019**
- ✓ **Expected debt to GDP ratio decrease to be driven primarily by macroeconomic growth, inflation rebound and primary surpluses**



Favorable Debt Position



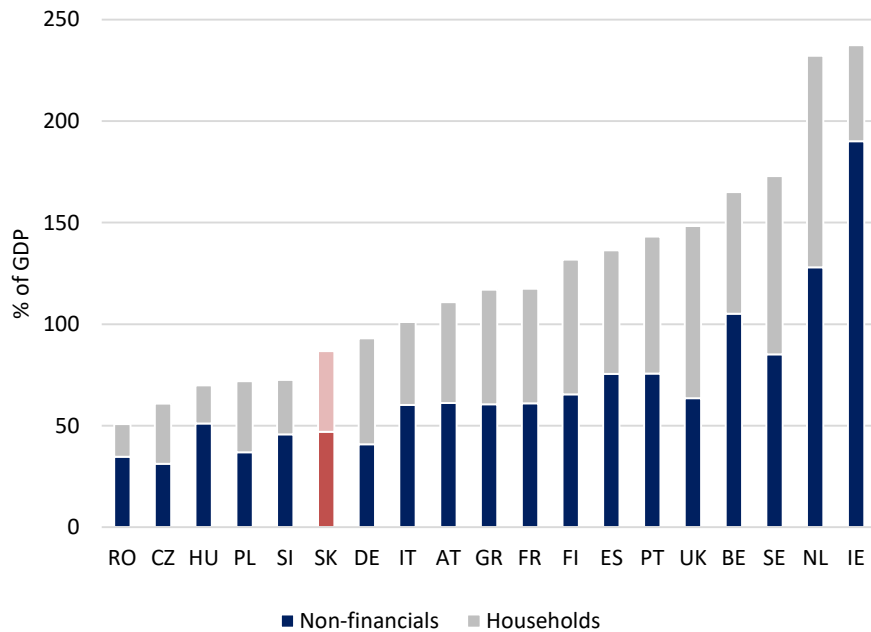
Source: Eurostat, Draft budgetary plans for 2019

- ✓ Sufficient fiscal space while solid debt consolidation below 50% of GDP (well below euro area average)
- ✓ Fiscal responsibility act (national debt brake) is becoming stricter from 2018:
 - ✓ debt level expected to leave the sanction thresholds already in 2018 at the level of 48.7% of GDP
 - ✓ by 2028 the lowest threshold of the debt brake will fall to 40% of GDP



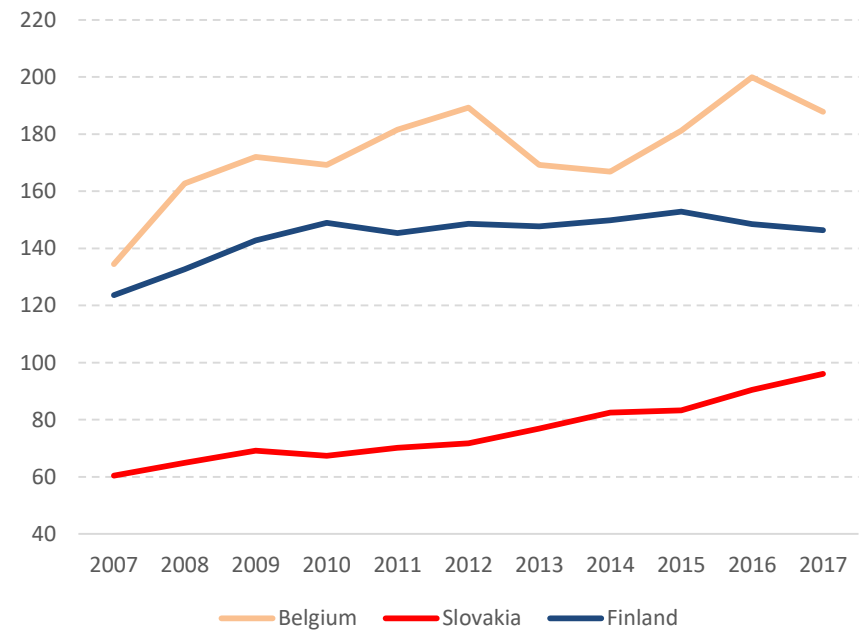
Low Household, Corporate and Private Debt

Household and Corporate Debt



Source: Eurostat, data as end of 2017

Private Debt - % of GDP



Source: Eurostat

✓ **Low debt dynamics reflects high GDP growth**



Prudent Debt Management Strategy

2018 Funding

- ✓ Total funding needs at EUR 4.1bn (originally planned 4.5bn)
- ✓ Only one benchmark redemption of EUR 3.0bn in November
- ✓ T-bills issue of EUR 0.7 – 0.8bn
- ✓ One syndicated bond transaction - dual-tranche: EUR 1.0bn 10 year bond and EUR 0.5bn 50 year bond

Secondary market improvements

- ✓ Implementation of MTS platform in February 2018
- ✓ Adjustments in primary dealers evaluation – secondary market performance

2019 Funding outlook

- ✓ Total funding needs at EUR 4.4bn
- ✓ Small redemptions – EUR 1.3bn in May (originally SKK bond) and EUR 0.3bn equivalent in October (CHF bond); 0.7 – 0.8bn T-bills
- ✓ 1 – 2 syndicated deals (one deal with maturity of 11 years and possible other with maturity based on market conditions)





Slovak Republic EUR 1.5bn Dual Tranche 2028 & 2068 Issue

Slovakia impressively extends its benchmark curve to 2068 with a landmark half century bond

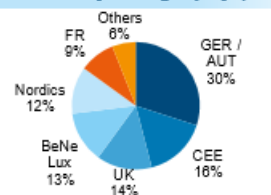
Terms & Conditions

Issuer	The Slovak Republic, acting through the Ministry of Finance and the Debt and Liquidity Management Agency (ARDAL)	
Issuer Rating	A2 / A+ / A+ (positive / stable / stable) (Moody's / S&P / Fitch)	
Format	Reg S, Bearer	
Amount	EUR 1 billion	EUR 500 million
Trade Date	5 June 2018	5 June 2018
Settlement Date	12 June 2018	12 June 2018
Maturity	12 June 2028	12 June 2068
Coupon	1.000% p.a. fixed Act/Act	2.250% p.a. fixed Act/Act
Re-offer Spread vs. DBR	+65.6bps (vs. DBR 0.5% Feb-2028)	+117.2bps (vs. DBR 1.25% Aug-2048)
Re-offer Spread vs. Mid-Swaps (MS)	+10bps	+80bps
Re-offer Yield	1.021% p.a.	2.254% p.a.
Re-offer Price	99.801%	99.881%
Denomination	EUR 1	
Governing Law	Slovak Law	
Listing	Bratislava Stock Exchange	
ISIN	SK4120014150	SK4120014184
Joint Bookrunners	Barclays / Citi / Erste Group / RBI	

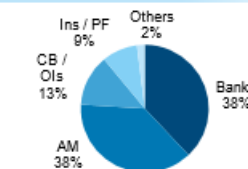
Key Aspects of the Transaction

- Following the announcement on Monday, 4th June, of a new 10-year issue with the possibility to add a 50-year tranche, the Slovak Republic ("Slovakia") together with the JLMs decided to opt for a swift execution on the next day. As the investor feedback was very constructive across both tranches supported by a positive market backdrop the group finally proceeded with both tenors
- While IPTs were set at MS +20bps area and MS +90/+95bps for the 10- and 50-year transactions, respectively, the combined lol book which soon reached over EUR 4.1bn (skewed towards the 10-year line) allowed to go out with a guidance of MS +15bps area and MS +90bps area, respectively
- Both orderbooks continued to develop very nicely and eventually reached over EUR 3.4bn from over 150 accounts in the 10-years and more than EUR 1.6bn from over 125 investors in the 50-years, respectively
- Consequently, the final spreads were set at MS +10bps and MS +80bps for the 10- and 50-year transaction, respectively, which implies a small new issue concession in the high single digits for the 10-year and 15bps for the 50-year deal
- While this milestone deal underlines the utmost trust from the international investor base towards Slovakia as an issuer, the half century bond will serve as a main reference point for sovereign issuers worldwide

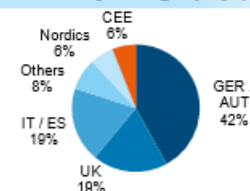
Distribution by Geography (10yrs)



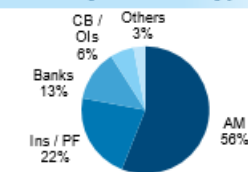
Distribution by Investor Type (10yrs)



Distribution by Geography (50yrs)



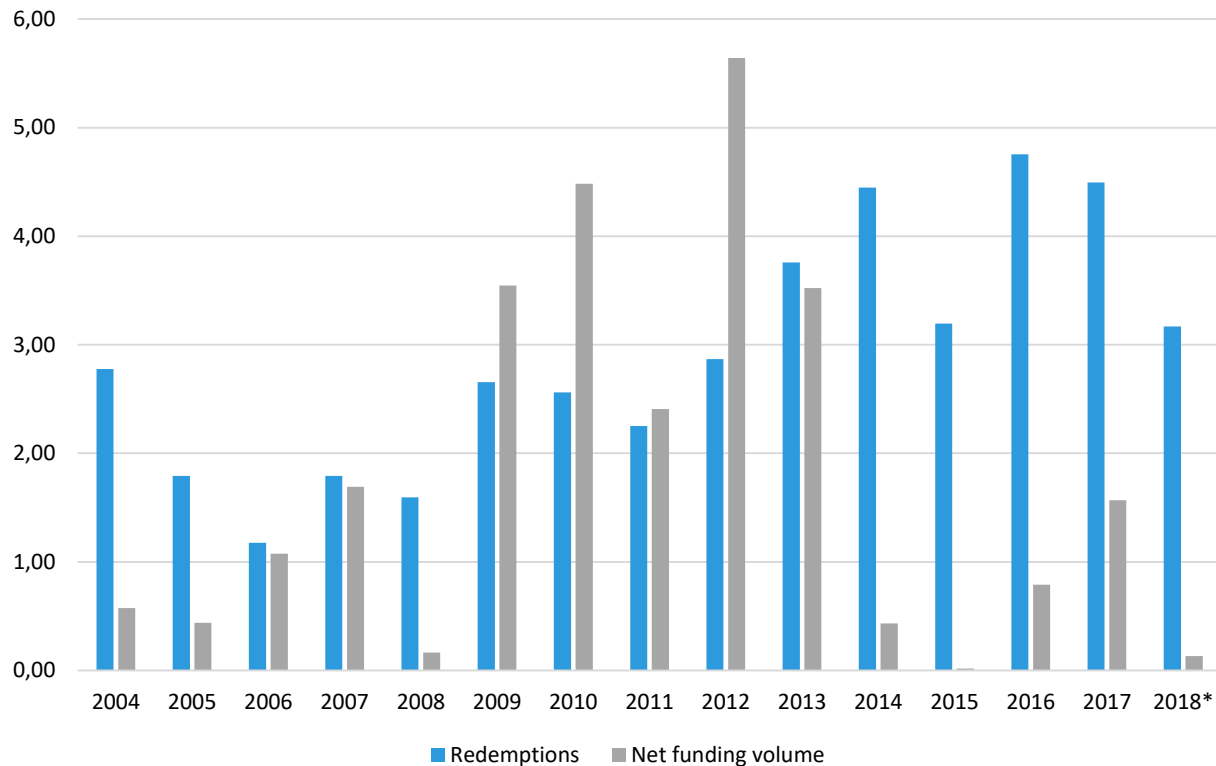
Distribution by Investor Type (50yrs)



Total Gross Funding Development



Redemptions - Net Funding Volume (EUR bn)

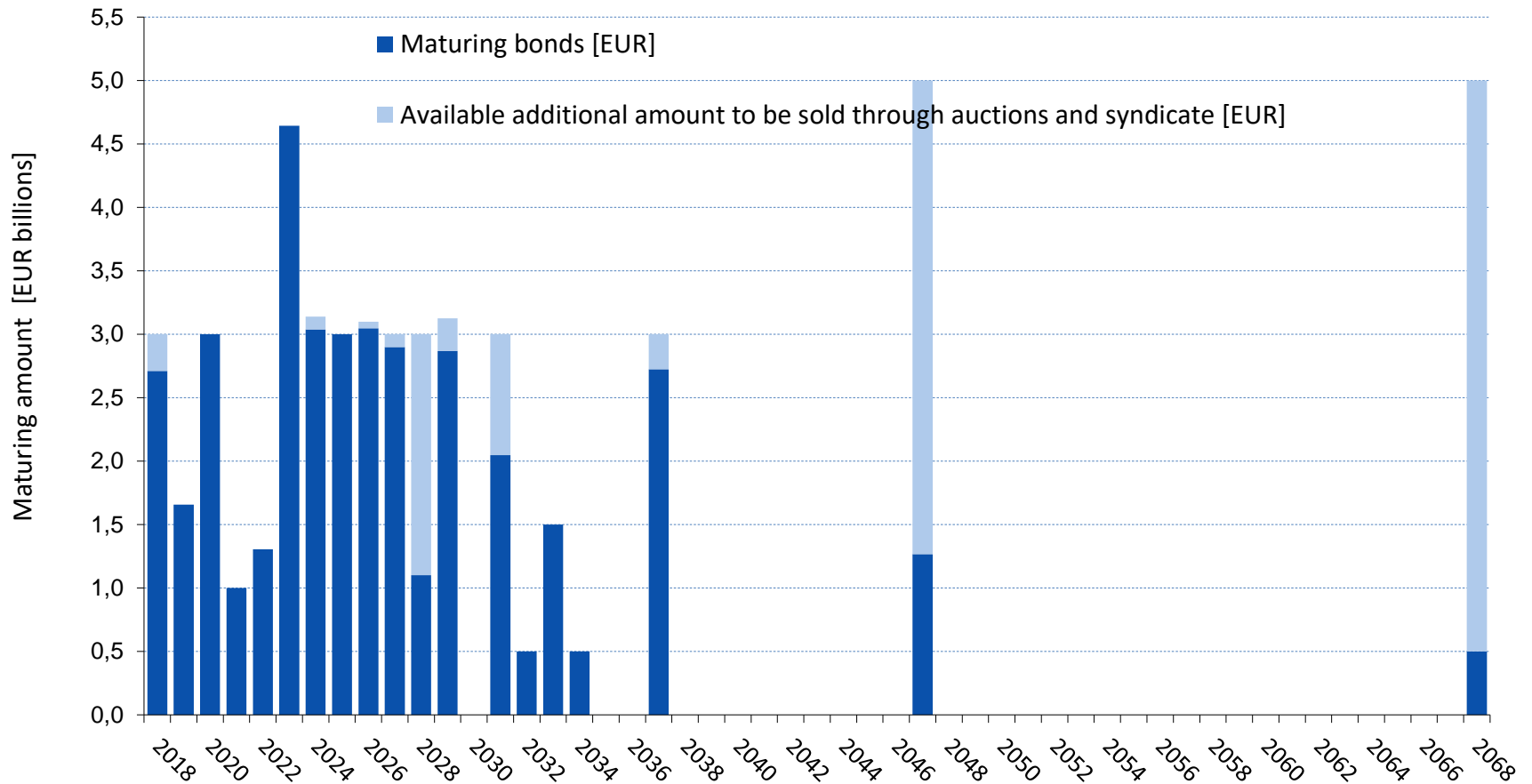


Source: ARDAL, as of 30/09/2018

*Estimate for entire year 2018



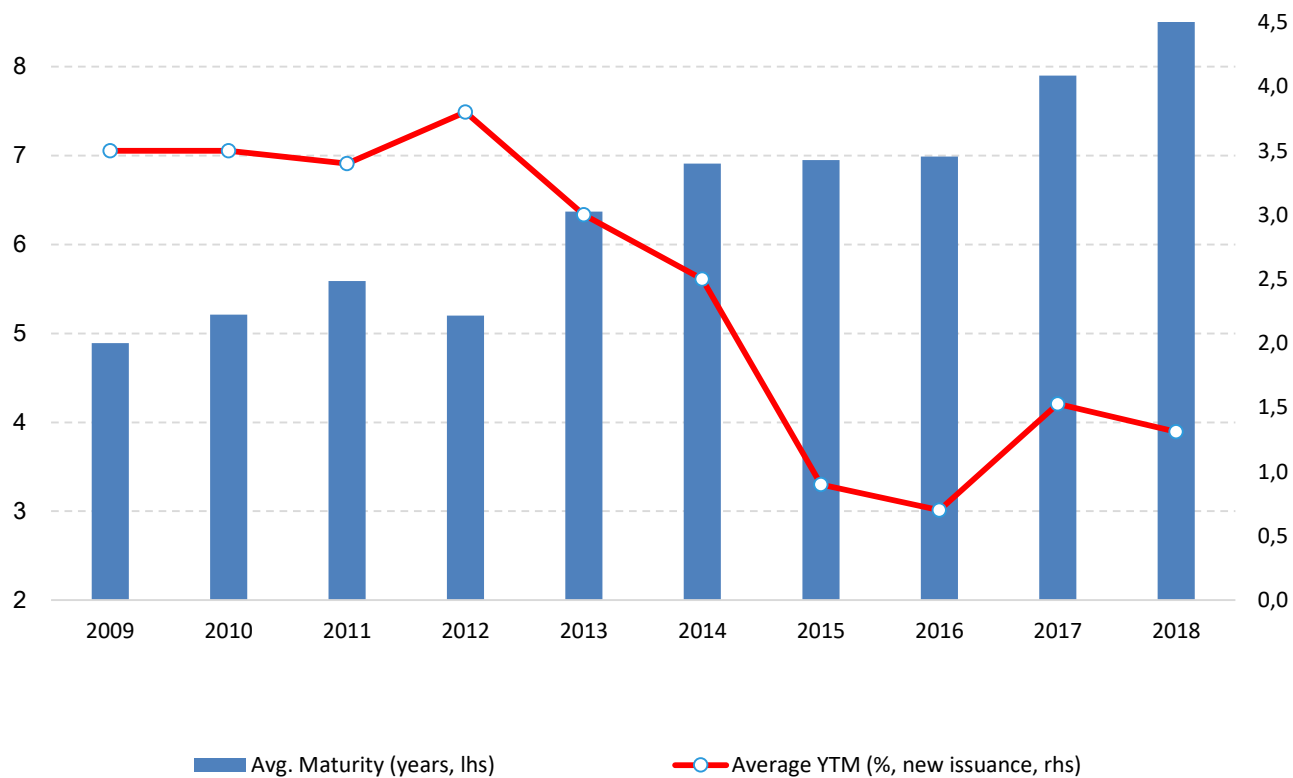
Bond Redemption Profile



Source: ARDAL as of 30/09/2018



Government Bond Portfolio Metrics



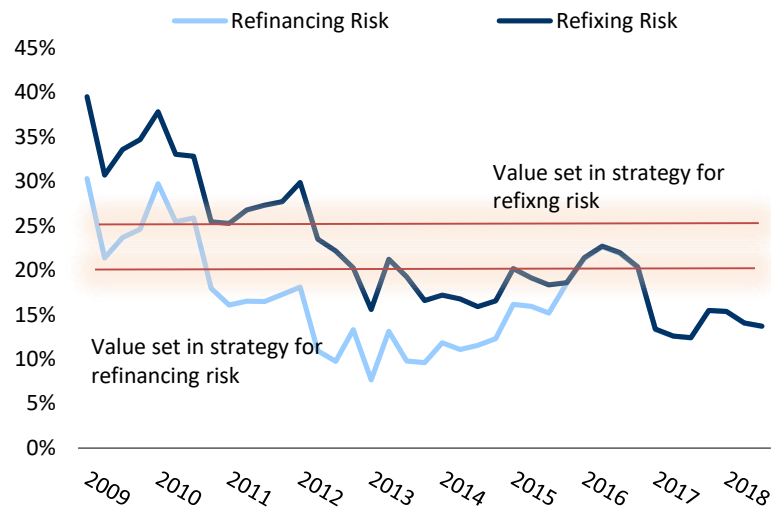
Source: ARDAL as of 30/09/2018



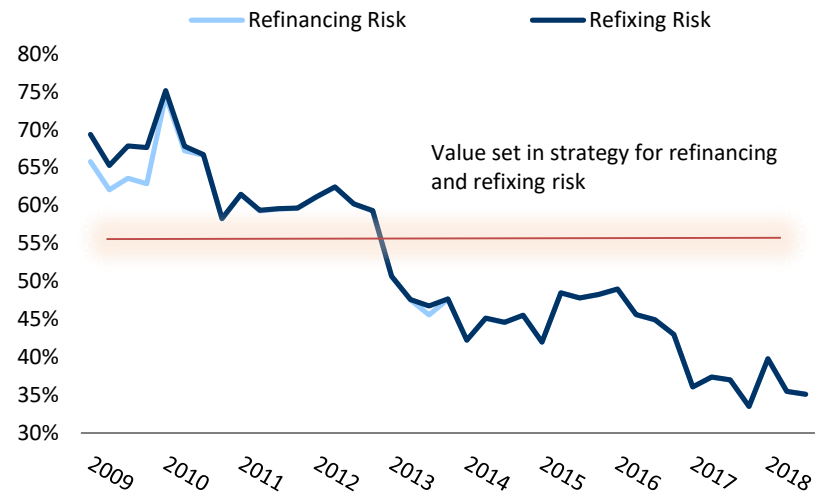
Risk Indicators of the Slovak Debt Portfolio



Debt portfolio for the next year



Debt Portfolio for the next 5 cumulative years

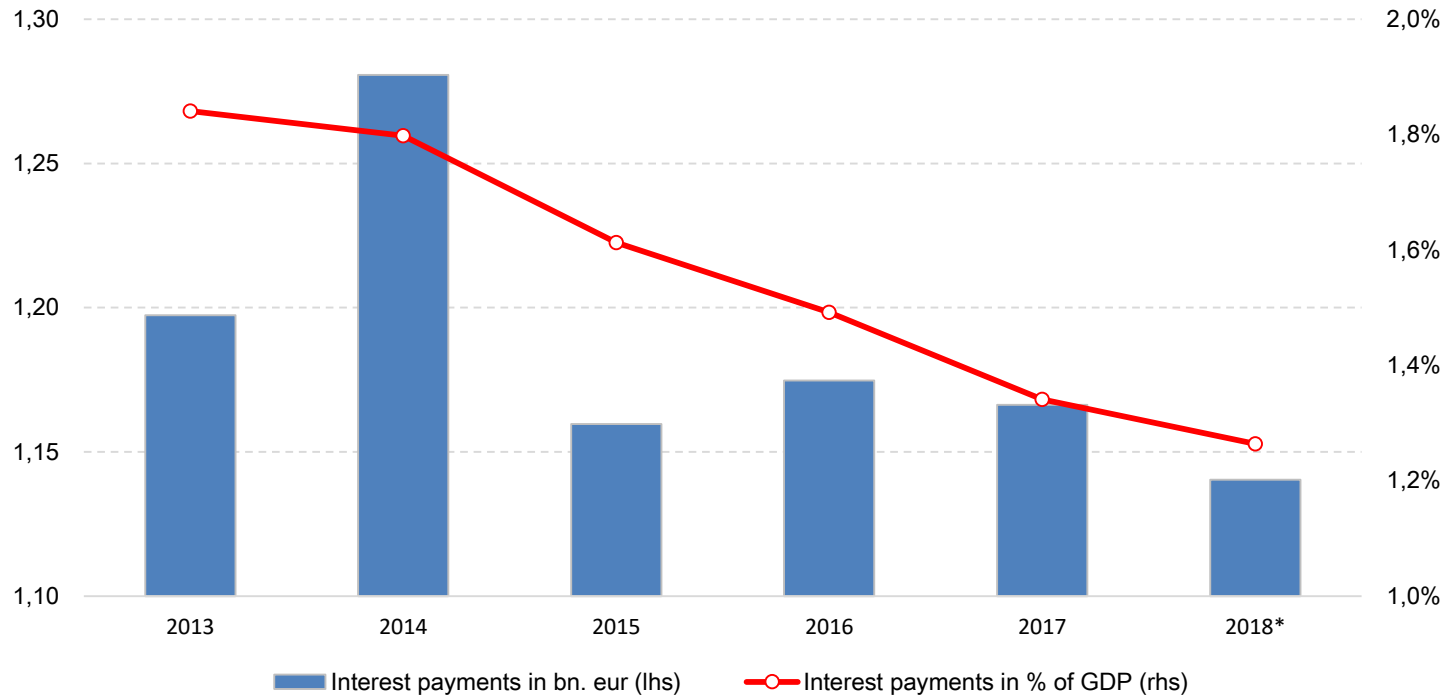


- ✓ Values at historical lows
- ✓ Sufficient space for short term financing and shock absorption

Source: ARDAL as of 30/09/2018



Interest Payments Development



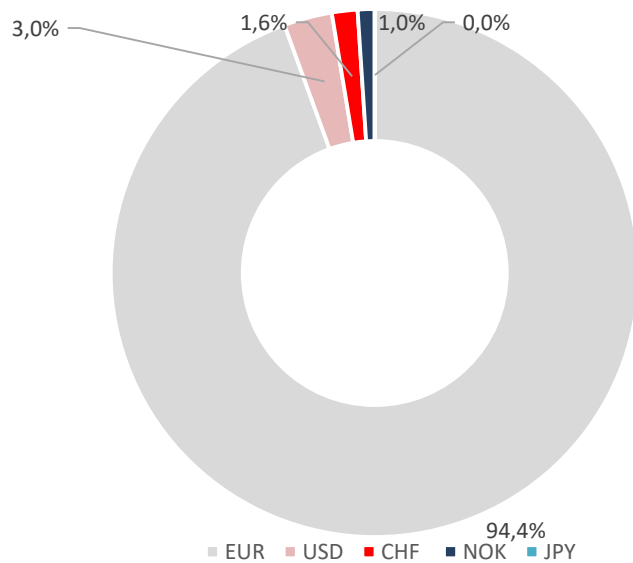
Source: ARDAL, as of 30/09/2018

*Estimate for entire year 2018

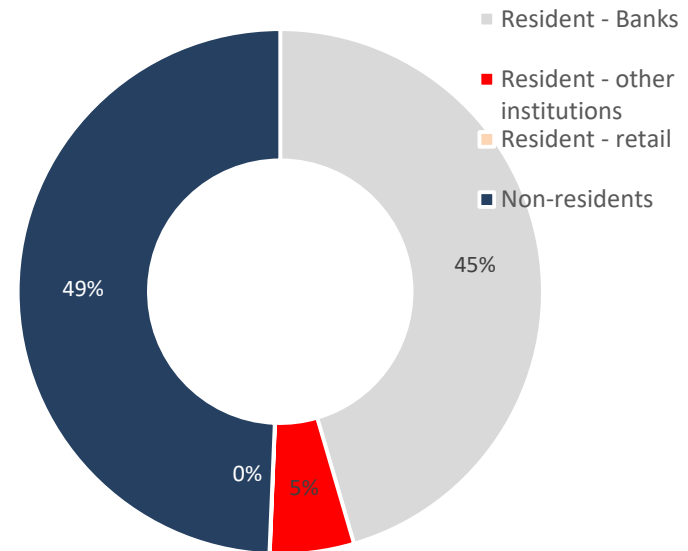
- ✓ Interest payments are at historical lows as a percentage of GDP
- ✓ ECB's PSPP further helped decreasing interest payments



Currency Breakdown in %



Investor Type Breakdown in %



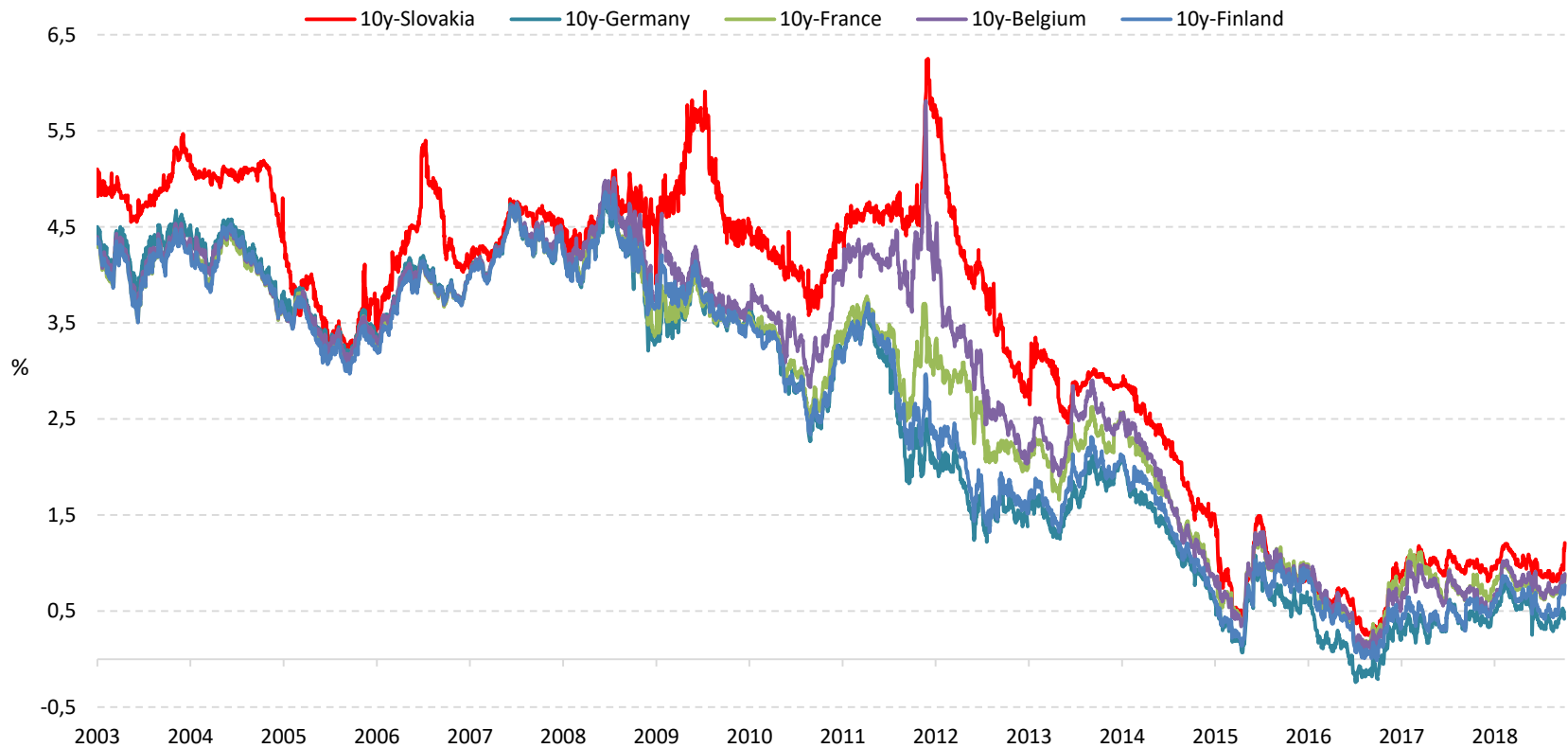
Source: ARDAL, as of 30/09/2018

✓ Debt hedged against FX risk

✓ Increasing portfolio holdings of residents due to ECB PSPP



Government Bond Yields



Source: Bloomberg, NBS, Deutsche Bundesbank, as of September 2018



Auction Calendar & Issuance 2018



Government Bonds

Auction Date

Settlement Date

15 January

17 January

19 February

21 February

19 March

21 March

16 April

18 April

21 May

23 May

18 June

20 June

17 September

19 September

15 October

17 October

19 November

21 November

Treasury Bills

1

24 September

26 September

2

22 October

24 October

3

26 November

28 November

Source: ARDAL



Primary Dealers of the Slovak Republic



- ✓ **Barclays Bank plc**
- ✓ **Citibank plc**
- ✓ **Československá obchodná banka, a.s. (KBC group)**
- ✓ **Deutsche Bank AG**
- ✓ **HSBC France**
- ✓ **Natixis S.A.**
- ✓ **Slovenská sporiteľňa, a.s. (Erste Group Bank)**
- ✓ **Société Générale S.A.**
- ✓ **Tatra banka, a.s. (RBI Group)**
- ✓ **Všeobecná úverová banka, a.s. (Intesa Sanpaolo Group)**



Thank you



Contacts

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