

SLOVAK REPUBLIC

Investor Presentation

March 2019



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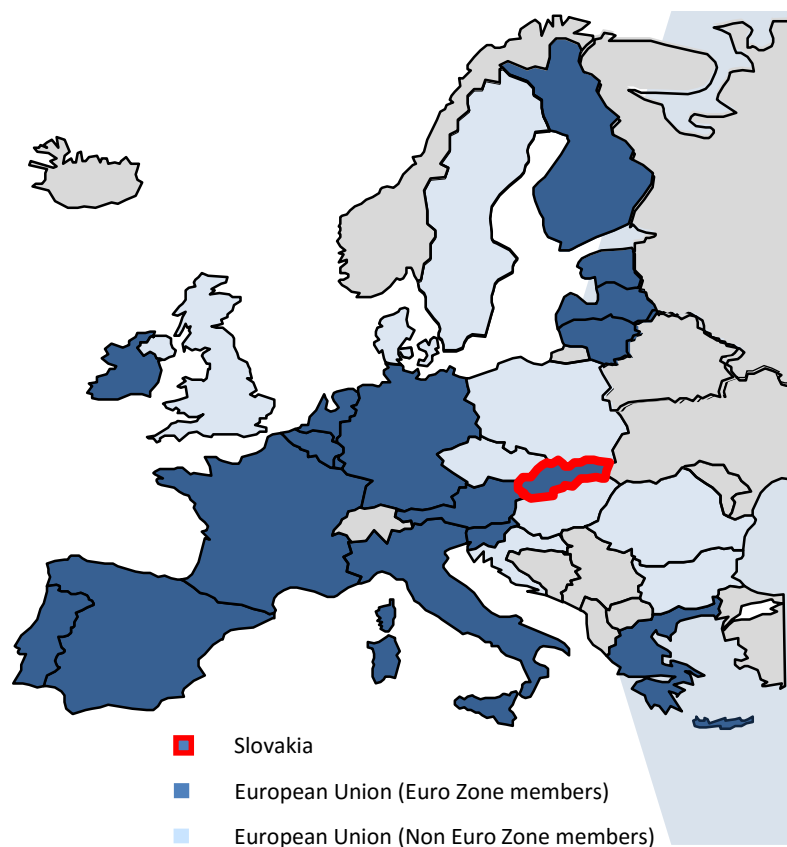
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Slovakia – At a Glance

Geographical location



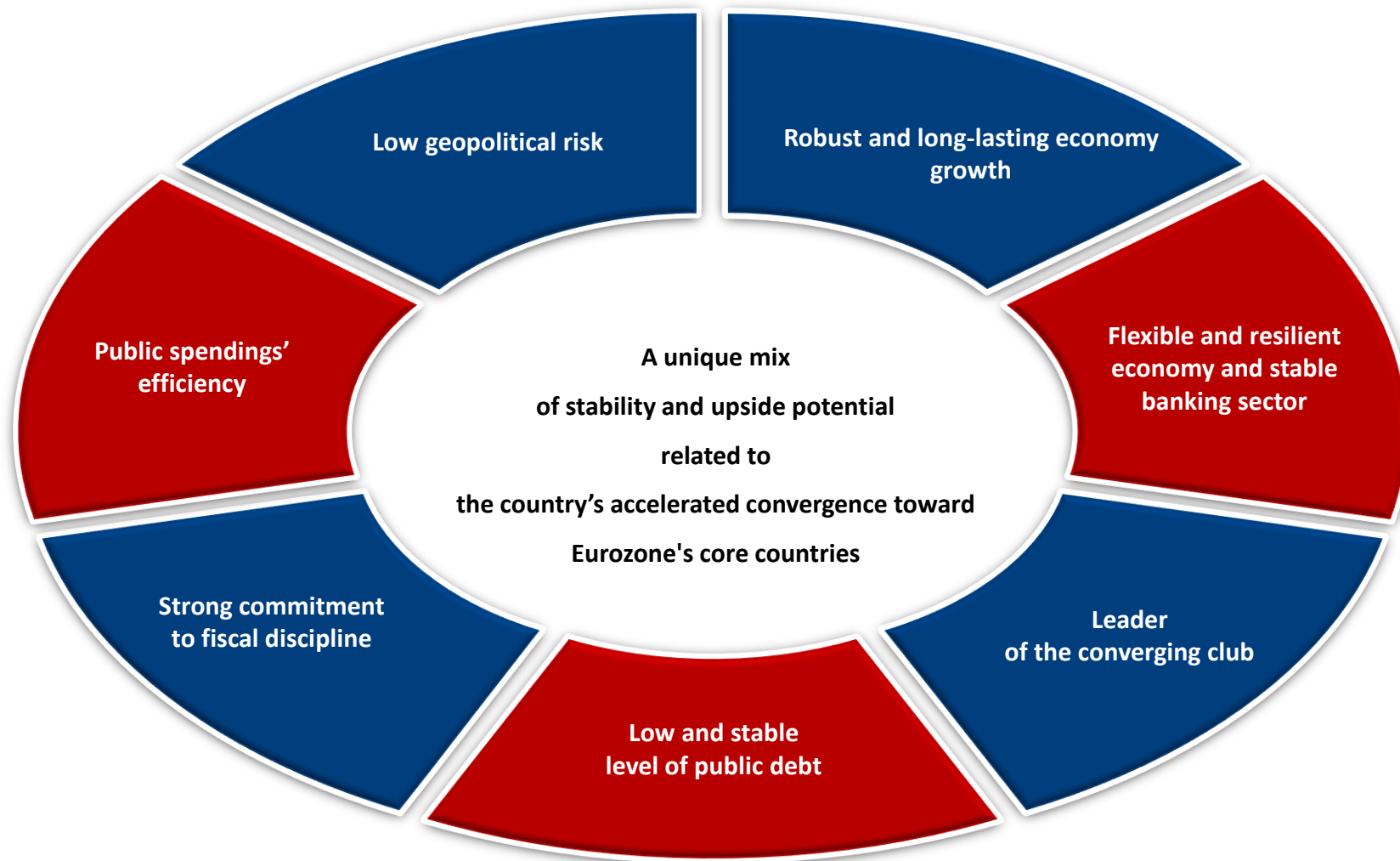
Key facts

| | |
|-----------------------------|---|
| 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 (2018) | 5.4 million |
| Real GDP growth (2018) | 4.1% |
| Inflation (HICP – 2018) | 2.5% (EUROSTAT) |
| Currency | EUR |
| Key economic sectors | Services, Manufacturing, Wholesale & Retail Trade, Construction |
| Memberships | OECD, EU, EMU, NATO, Schengen Area |
| Head of State | President Andrej Kiska |
| Capital | Bratislava |
| Territory | 49,036 km ² |

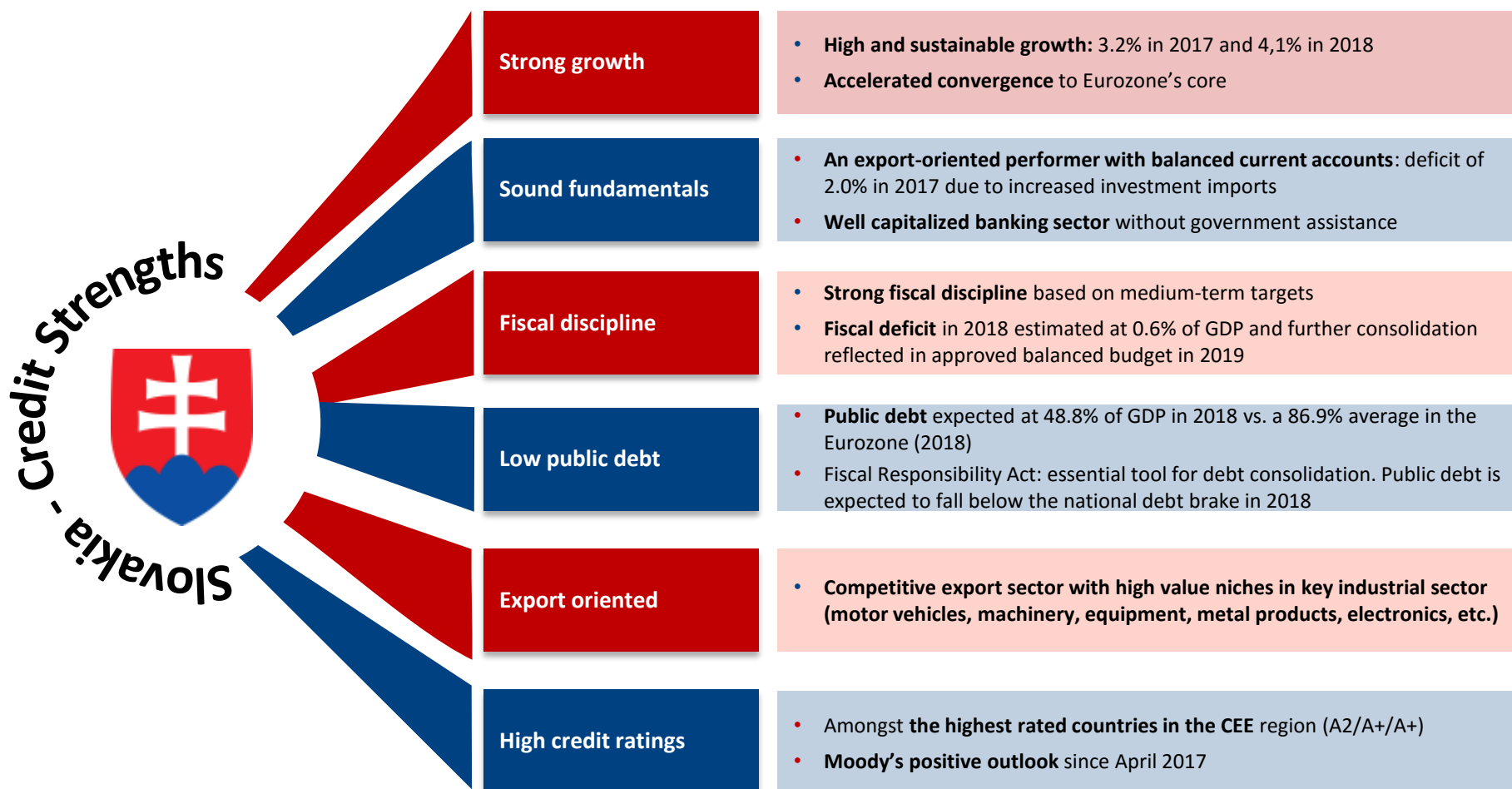
Source: Eurostat, Ministry of Finance, NBS



Key Investment Highlights



Slovakia – Credit Strengths in Detail



Transformation Success Story

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

| SLOVAKIA | % of GDP (2017) | 2015 | 2016 | 2017 | 2018e | 2019e | 2020e |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Real GDP Growth (in %) | | 4.2 | 3.1 | 3.2 | 4.2 | 4.1 | 3.5 |
| <i>Private Consumption</i> | 54.9 | 2.2 | 2.9 | 3.5 | 2.9 | 3.2 | 3.0 |
| <i>Public Consumption</i> | 19.5 | 5.4 | 1.6 | 1.7 | 2.2 | 1.4 | 1.6 |
| <i>Gross fixed capital formation</i> | 21.4 | 21.9 | (9.4) | 3.4 | 12.4 | 2.2 | 3.0 |
| <i>Exports (goods and services)</i> | 96.9 | 6.0 | 5.5 | 5.9 | 5.4 | 8.0 | 7.0 |
| <i>Imports (goods and services)</i> | (93.8) | 8.0 | 3.4 | 5.3 | 5.7 | 6.8 | 6.3 |
| GNI (real growth in %, adjusted by GDP deflator) | 98.0 | 2.9 | 3.8 | 3.1 | 4.6 | 4.1 | 3.5 |
| Employment Growth (% p.a.) | | 2.0 | 2.4 | 2.2 | 1.7 | 1.0 | 0.6 |
| Unemployment rate (% of labour Force) | | 11.5 | 9.7 | 8.1 | 6.9 | 6.3 | 6.0 |
| Inflation (HICP) (% p.a.) | | (0.3) | (0.5) | 1.4 | 2.5 | 2.5 | 2.4 |
| General government balance (% of GDP) | | (2.6) | (2.2) | (0.8) | (0.6) | (0.3) | (0.1) |

Sources: EC Autumn forecast 2018, EC Winter (interim) forecast for GDP and inflation



Structural Reforms For Long-Term Development

The Slovak government continues to implement structural reforms to boost the competitiveness; key areas include ***pensions, tax policy and the Value for Money initiative***

✓ **Pension Reform saving 3% of GDP in the long run:**

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

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

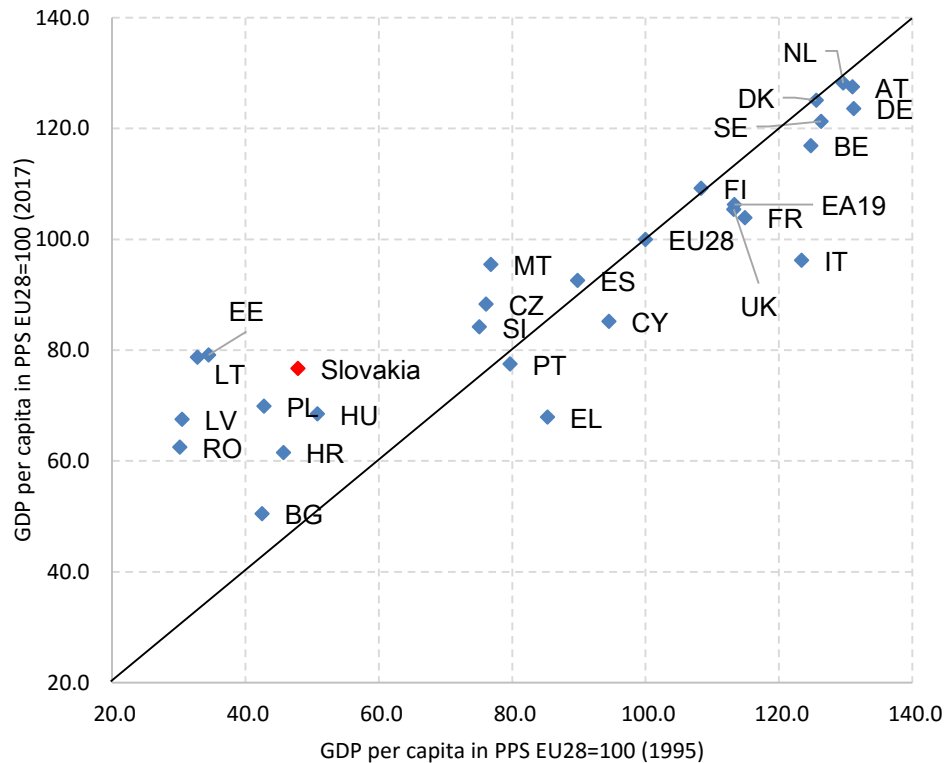
- VAT revenues have increased by 39% since 2012 primarily due to more effective tax collection
- Law regulating offshore companies' participation in the public procurement process

✓ **Value for Money**

- Government initiative to raise the public spending efficiency (started in 2016)
 - Compulsory spending reviews of at least 50% of government expenditures within the electoral cycle
 - Public Investment projects evaluation (all projects > 40 million EUR and >10 mil. EUR in the IT sector)
- Past spending reviews:
 - Healthcare, transport and informatization completed in 2016
 - Education, social policies and environment sector completed in 2017
 - Public wage bill, agriculture, culture, marginalized groups and healthcare 2 to be finished in 2019



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 the 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

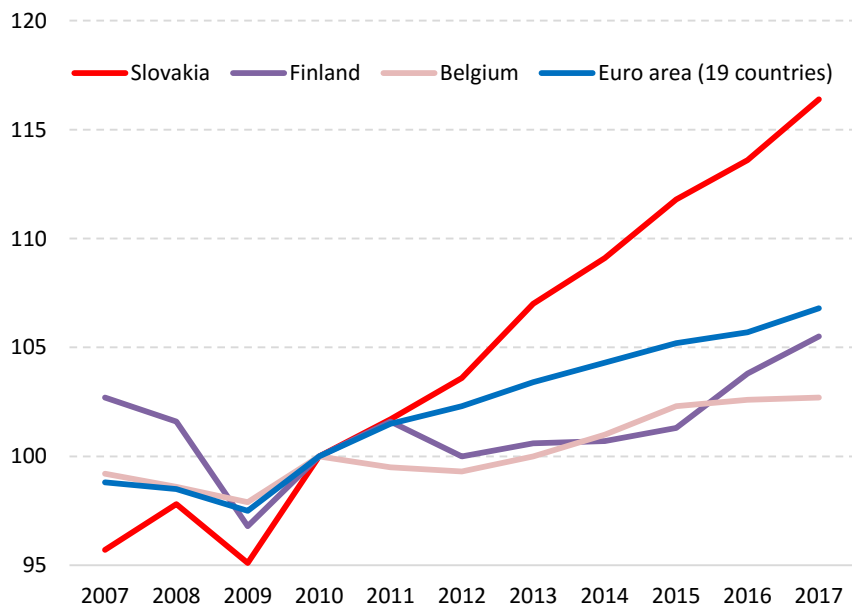
| 2018 | Slovakia | Belgium | Finland | Eurozone |
|---|----------|---------|---------|----------|
| Real GDP growth (%) | 4.2 | 1.4 | 2.5 | 1.9 |
| Inflation – HICP (%) | 2.5 | 2.3 | 1.2 | 1.7 |
| Unemployment rate (%) | 6.5* | 6.4 | 7.8 | 8.4 |
| Current Account Balance (% of GDP) | 0.0 | 1.2 | 0.7 | 3.8 |
| Budget Balance (% of GDP) | -0.6 | -1.0 | -0.8 | -0.6 |
| Structural Budget Balance (% of pot. GDP) | -0.8 | -1.3 | -0.8 | -0.7 |
| General Government Gross Debt (% of GDP) | 48.8 | 101.4 | 59.8 | 86.9 |

Sources: EC Autumn forecast 2018, EC Winter forecast 2019 for GDP growth and inflation,
*Ministry of Finance estimation March 2019

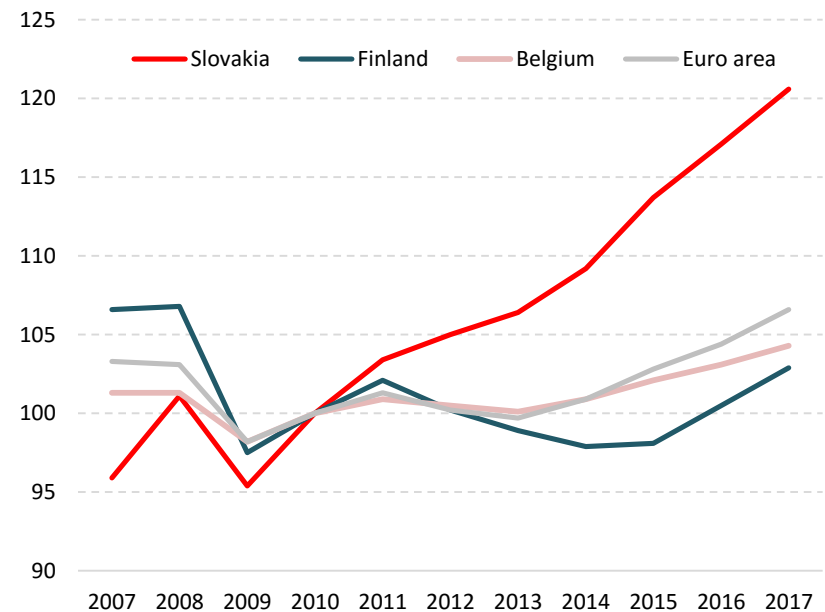


Strong Productivity and GDP Growth

Real labor productivity per hour worked
2010=100



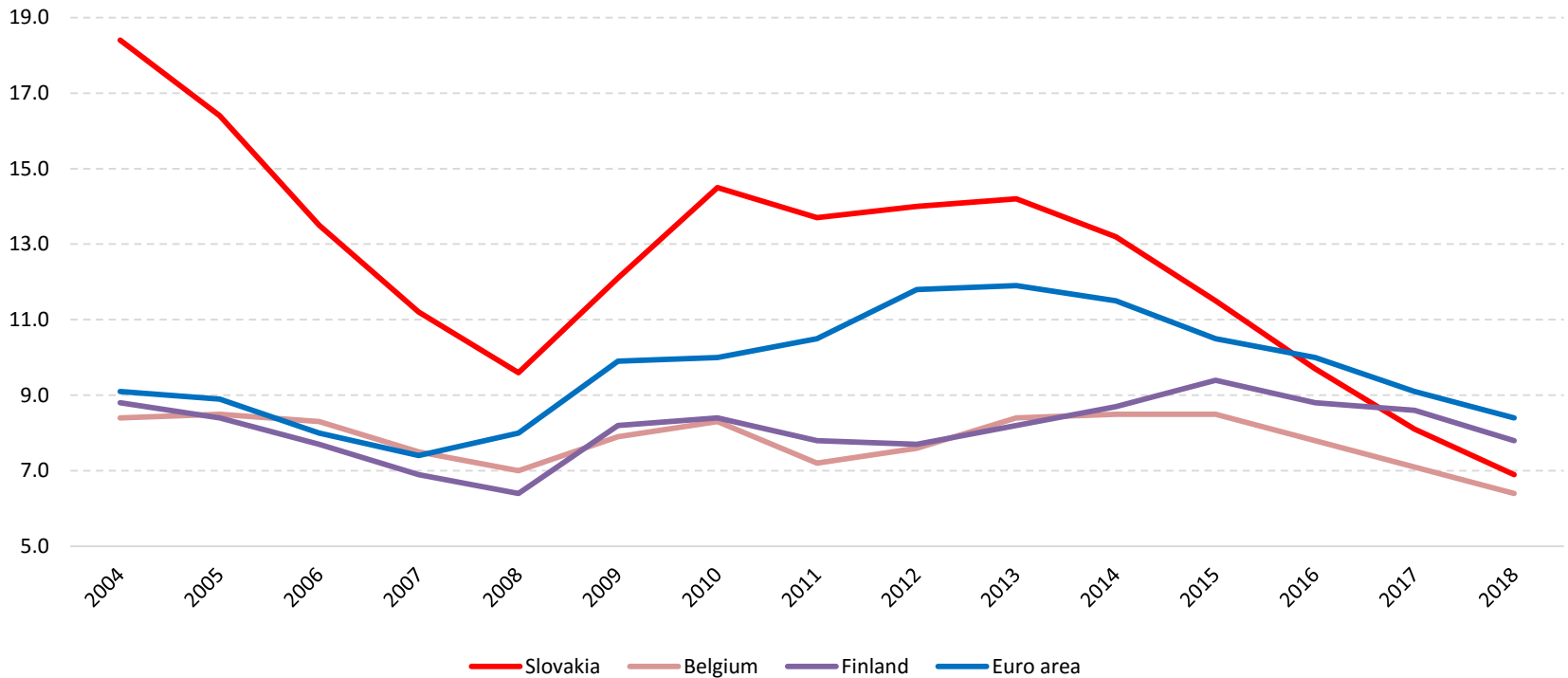
GDP per capita (chain-linked volumes)
2010=100



Source: Eurostat



Unemployment Rate at All Time Low

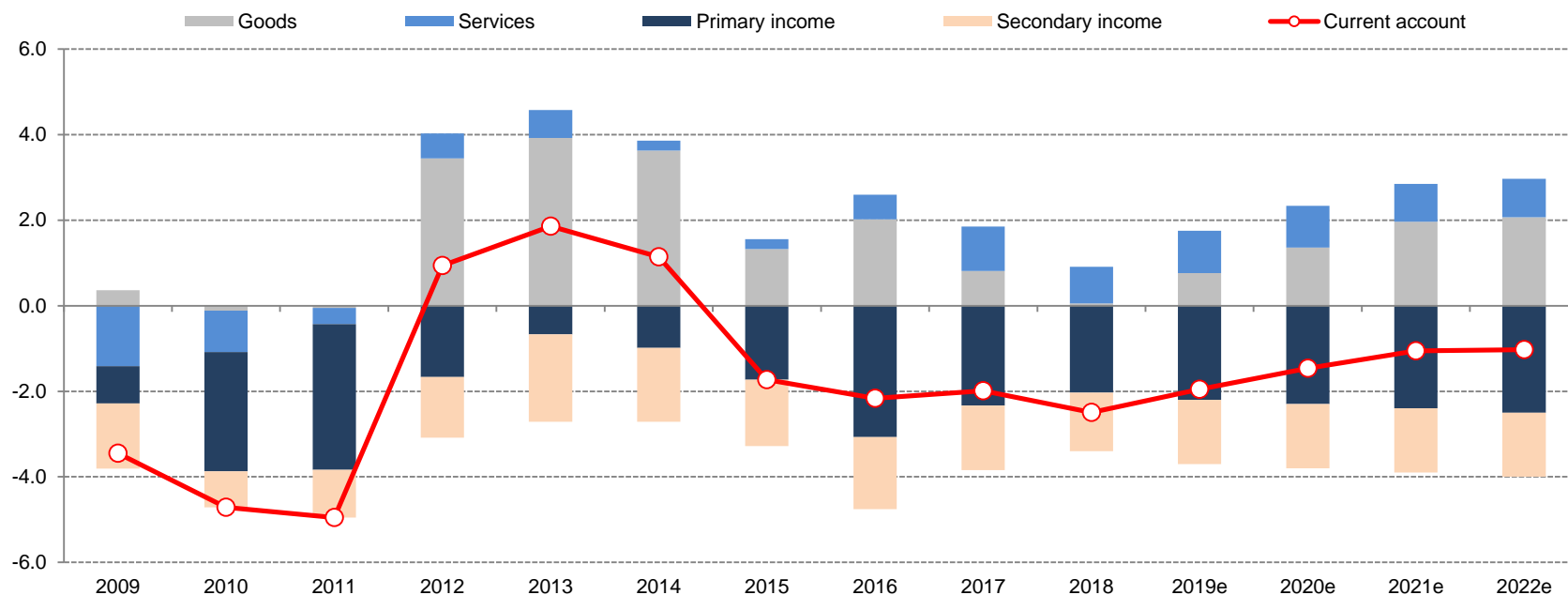


Source: Eurostat, EC Autumn forecast 2018

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



High Investment Imports Turning Current Account Negative



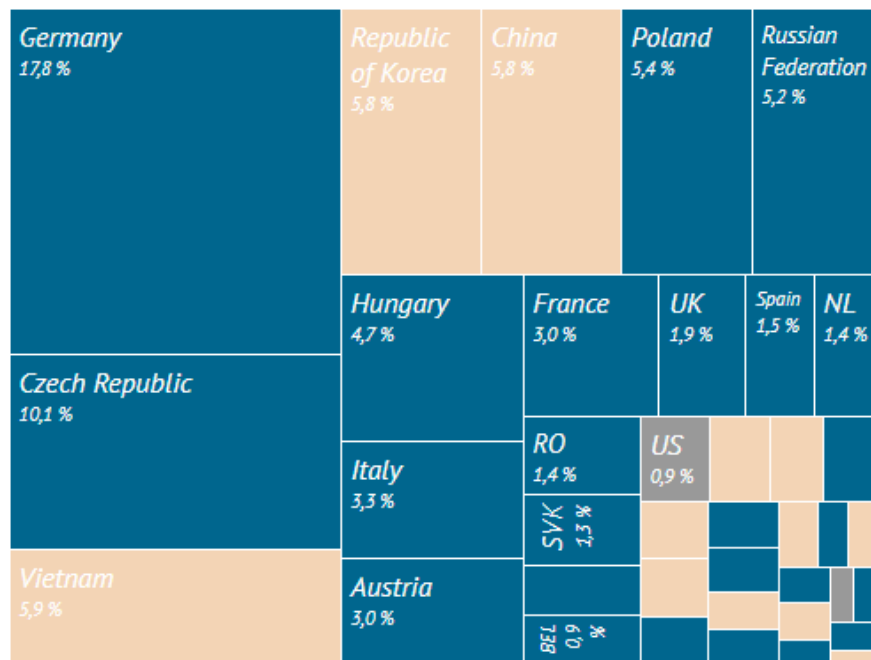
Source: NBS; Ministry of Finance, February 2019 forecast

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

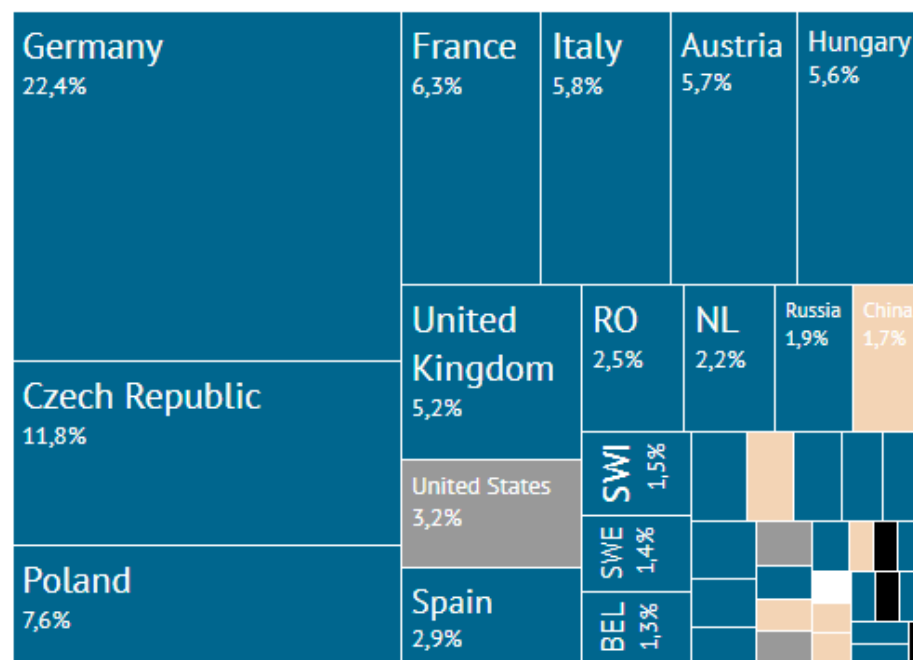


Key Trading Partners in 2018

Imports Geographical Structure (%)

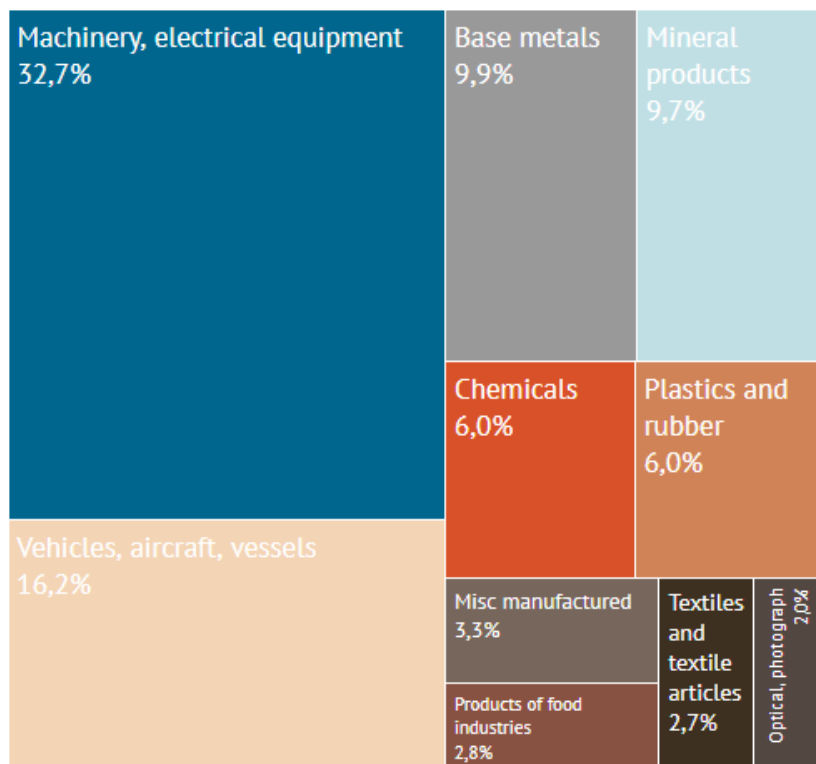


Exports Geographical Structure (%)

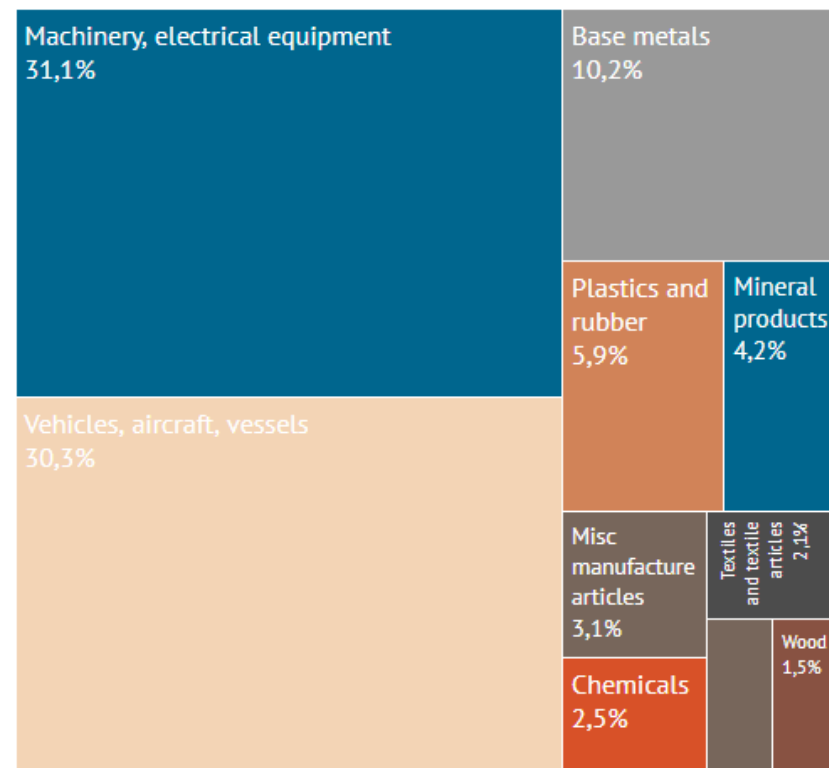


Key Export and Import Products in 2018




Imports by Product (%)



Exports by Product (%)



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> |

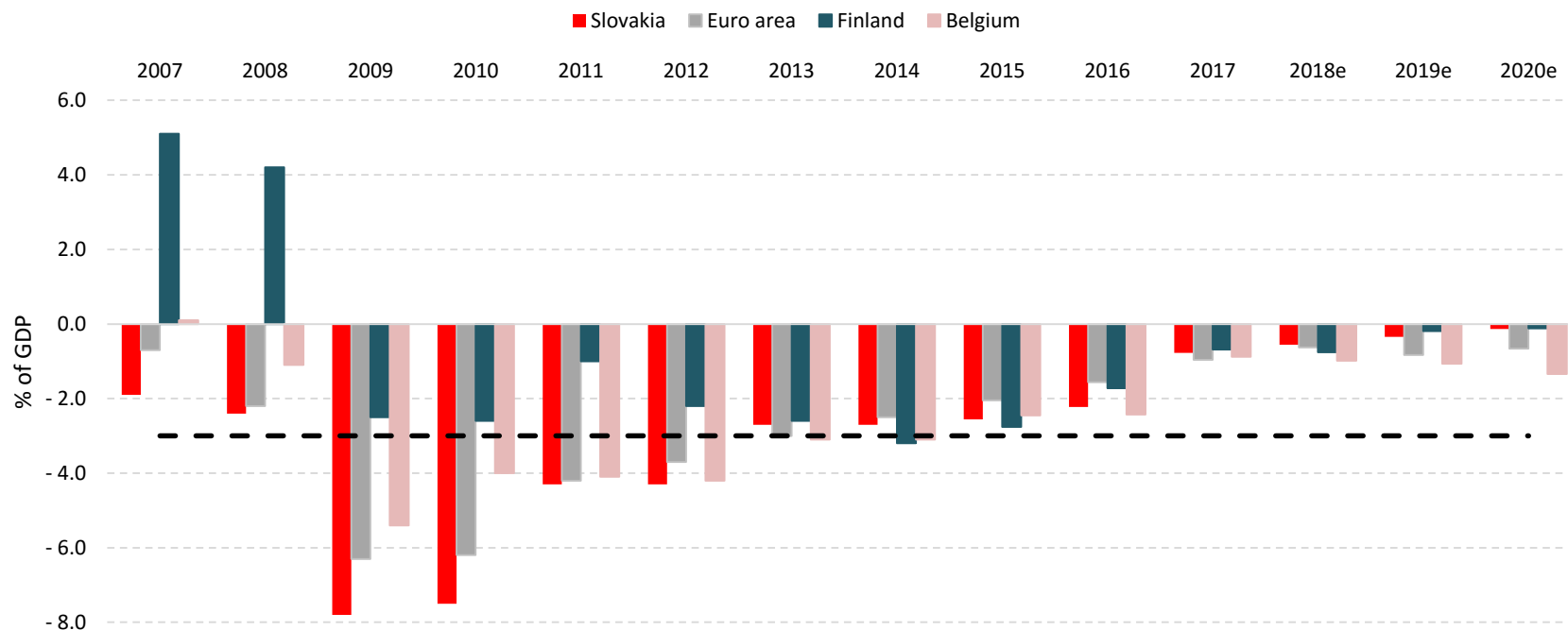
- ✓ **Stable outlook by S&P and Fitch**
- ✓ **Positive outlook by Moody's since April 2017**

Sources: Moody's, S&P and Fitch



Strong Fiscal Position

General Government balance



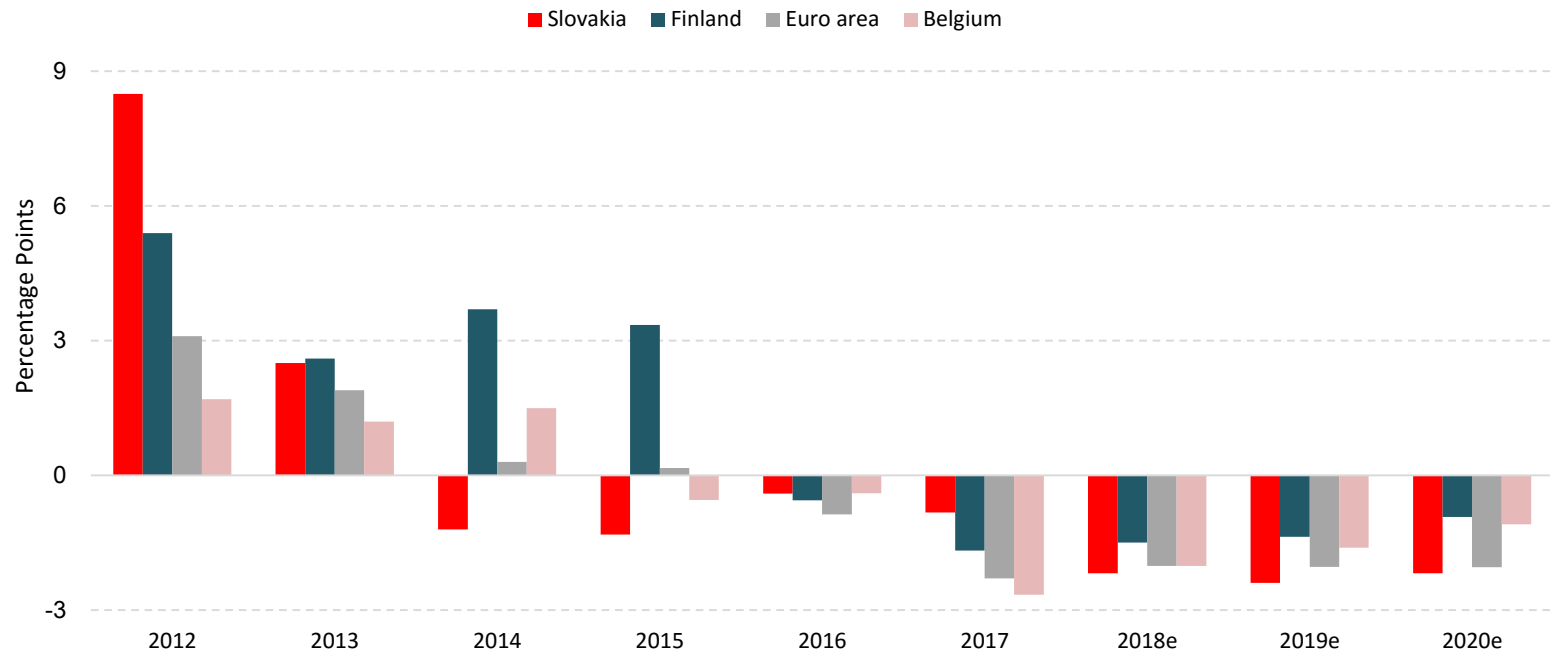
Source: Eurostat, EC Autumn forecast 2018

- ✓ On the way to a balanced budget
- ✓ Since 2009 Slovakia consolidated the budget deficit by 8pp



Public Debt On the Declining Path

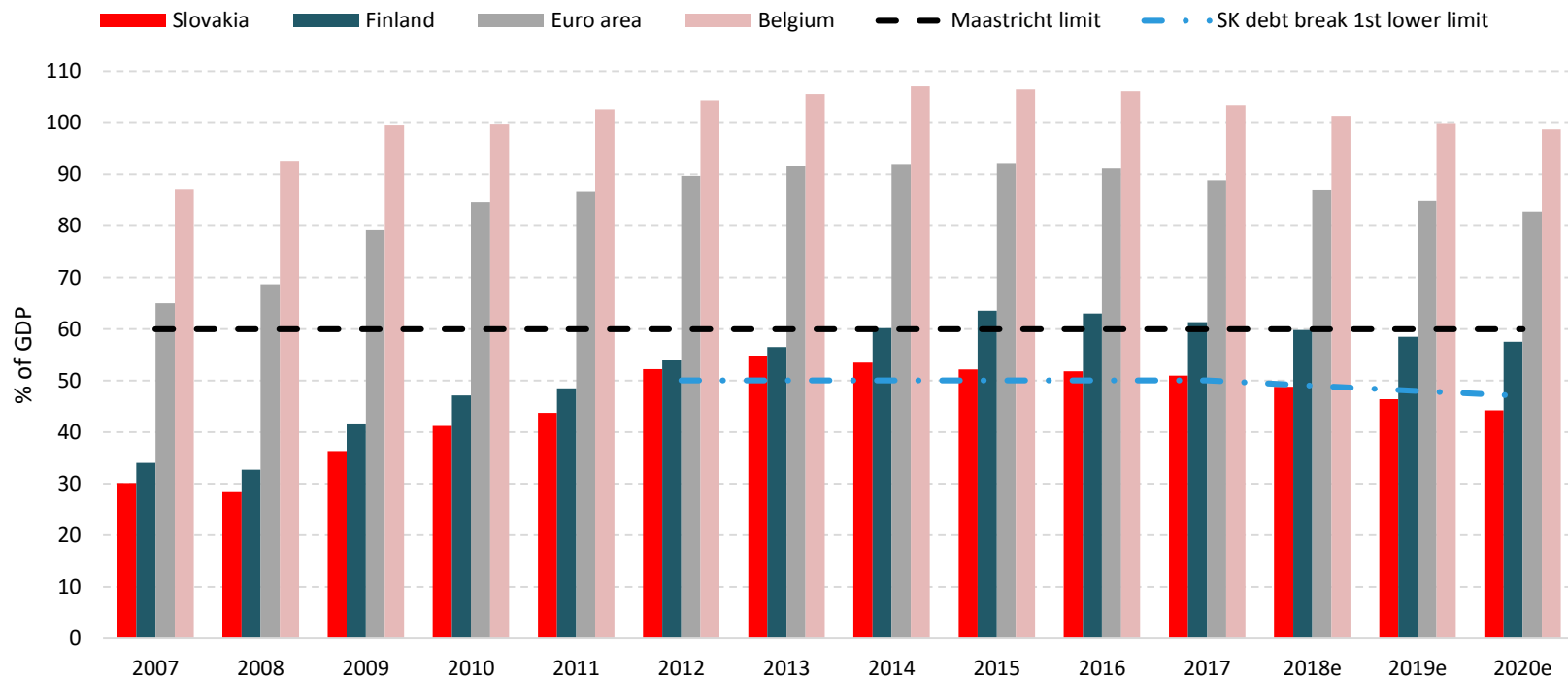
Change in the Public Debt to GDP Ratio



Source: Eurostat, EC Autumn forecast 2018

- ✓ Public debt on a declining trajectory since 2014, with cumulative decline of 8.7% of GDP until 2020
- ✓ Debt to GDP ratio decrease driven by macroeconomic growth, inflation rebound and primary surpluses

Favorable Debt Position



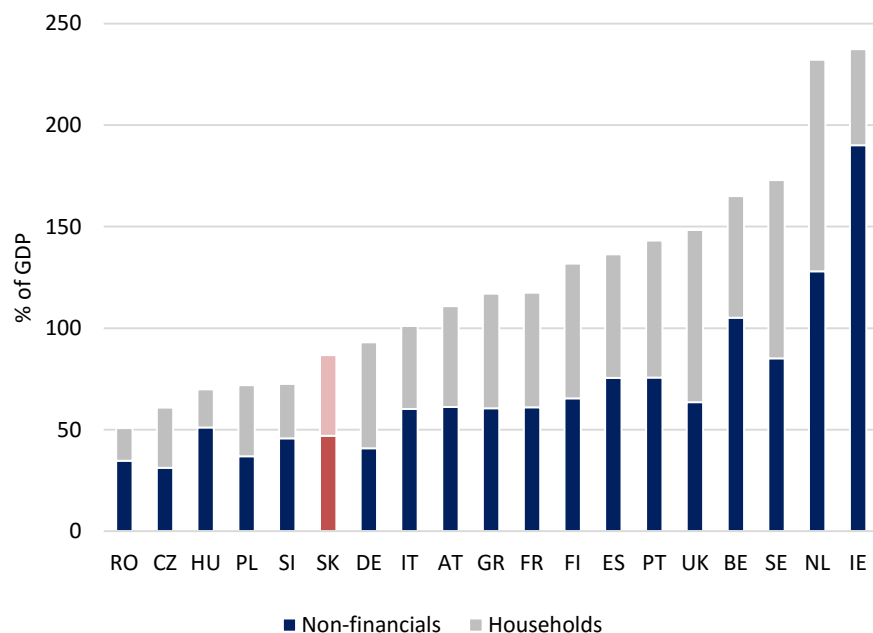
Source: Eurostat, EC Autumn forecast 2018

- ✓ Sufficient fiscal space while solid debt consolidation below 50% of GDP (well below euro area average)
- ✓ Fiscal responsibility act (national debt brake) has become stricter from 2018:
 - ✓ debt level expected to leave the sanction thresholds in 2018 at the level of 48.8% of GDP
 - ✓ by 2028 the lowest threshold of the debt brake will fall to 40% of GDP



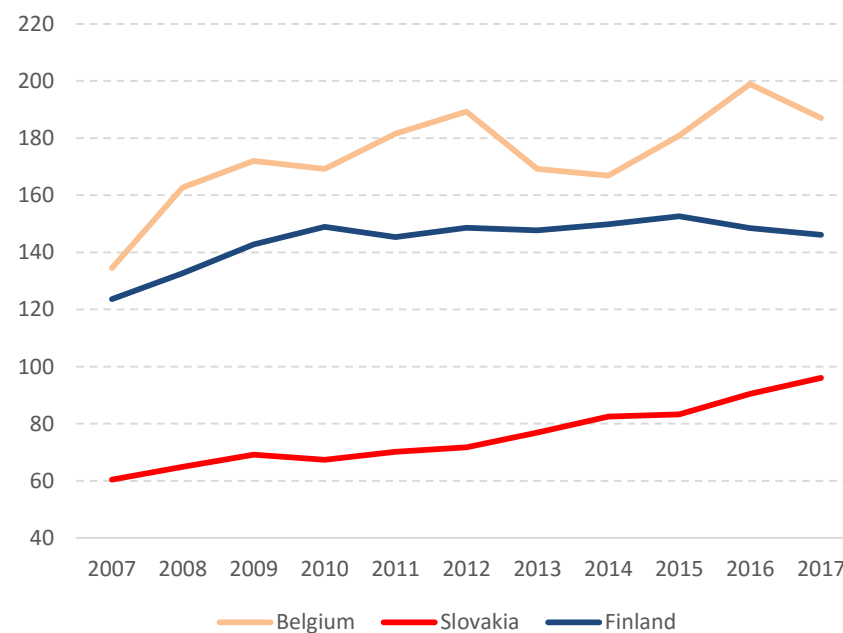
Low Household, Corporate and Private Debt

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 at EUR 3.9bn (originally planned 4.5bn)
- ✓ Only one benchmark redemption of EUR 3.0bn in November
- ✓ T-bills issuance of EUR 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); 0.8bn 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

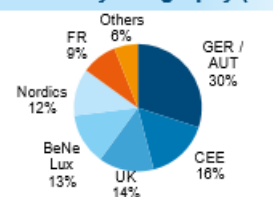
Terms & Conditions

| | | |
|---|--|---------------------------------------|
| 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 | |

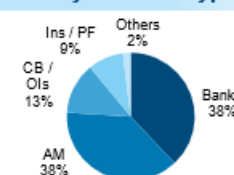
Key Aspects of the Transaction

- 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

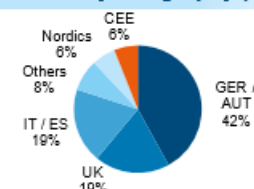
Distribution by Geography (10yrs)



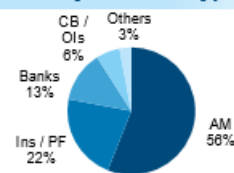
Distribution by Investor Type (10yrs)



Distribution by Geography (50yrs)

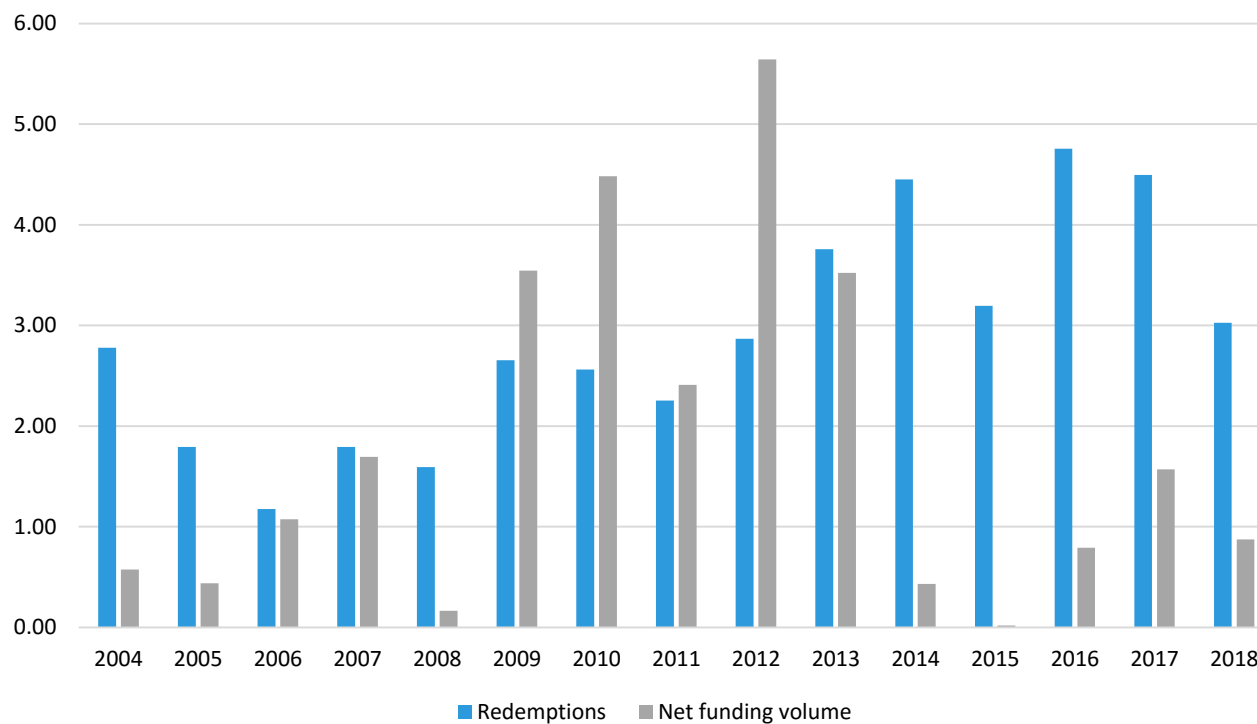


Distribution by Investor Type (50yrs)



Total Gross Funding Development

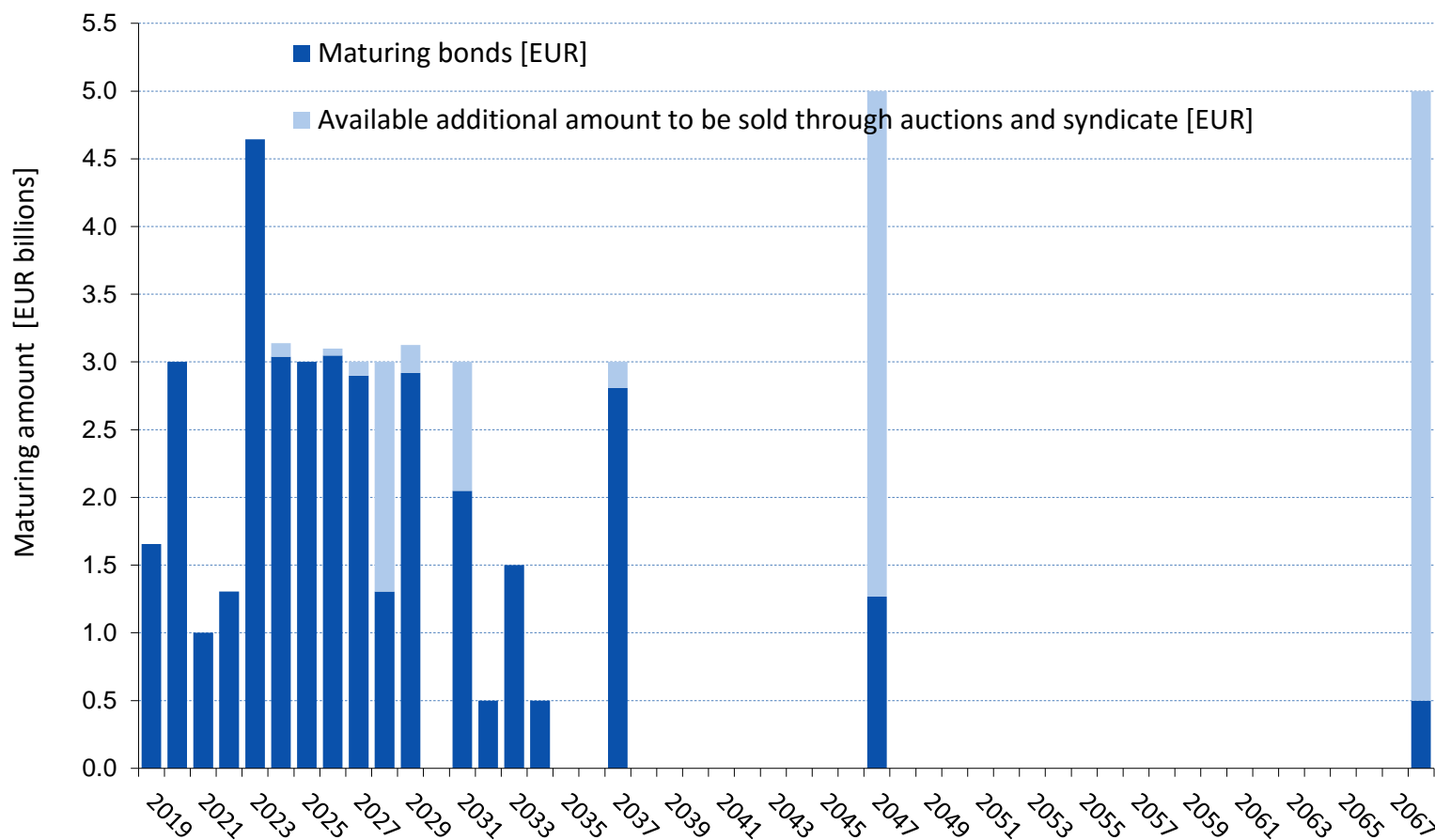
Redemptions - Net Funding Volume (EUR bn)



Source: ARDAL, as of 31/12/2018



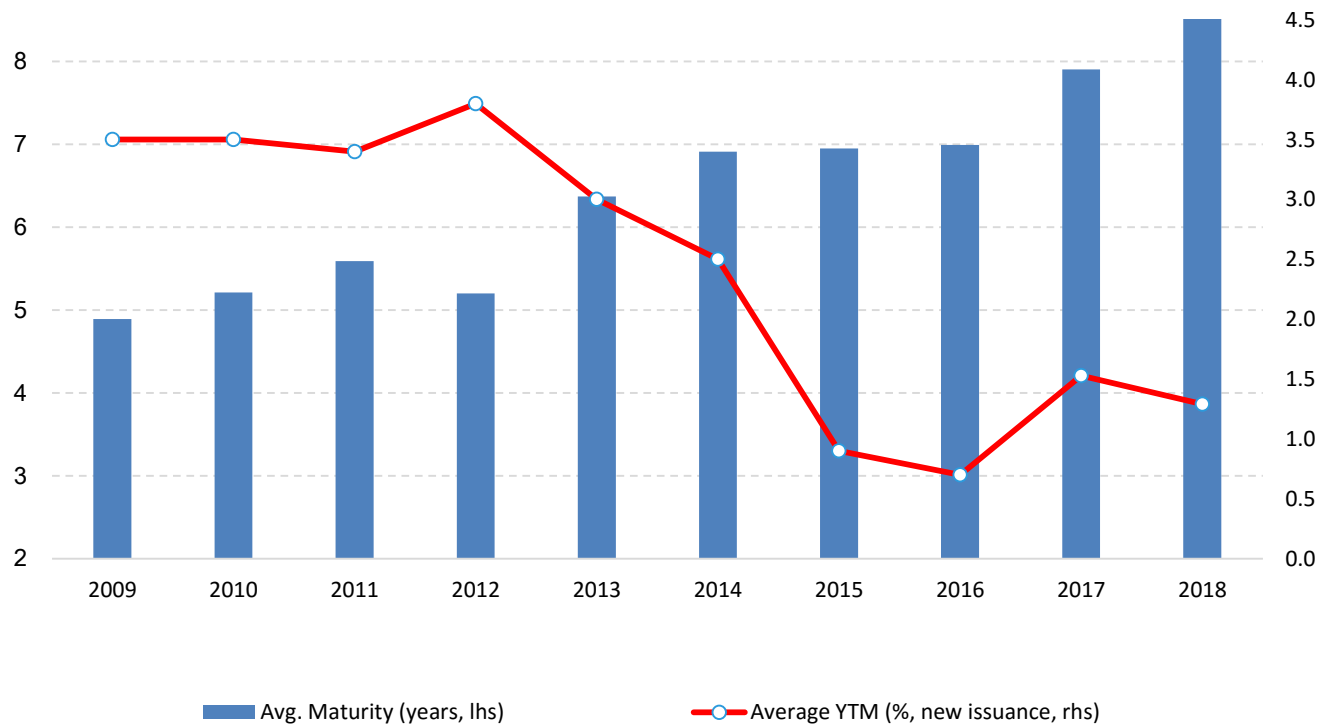
Bond Redemption Profile



Source: ARDAL as of 31/12/2018

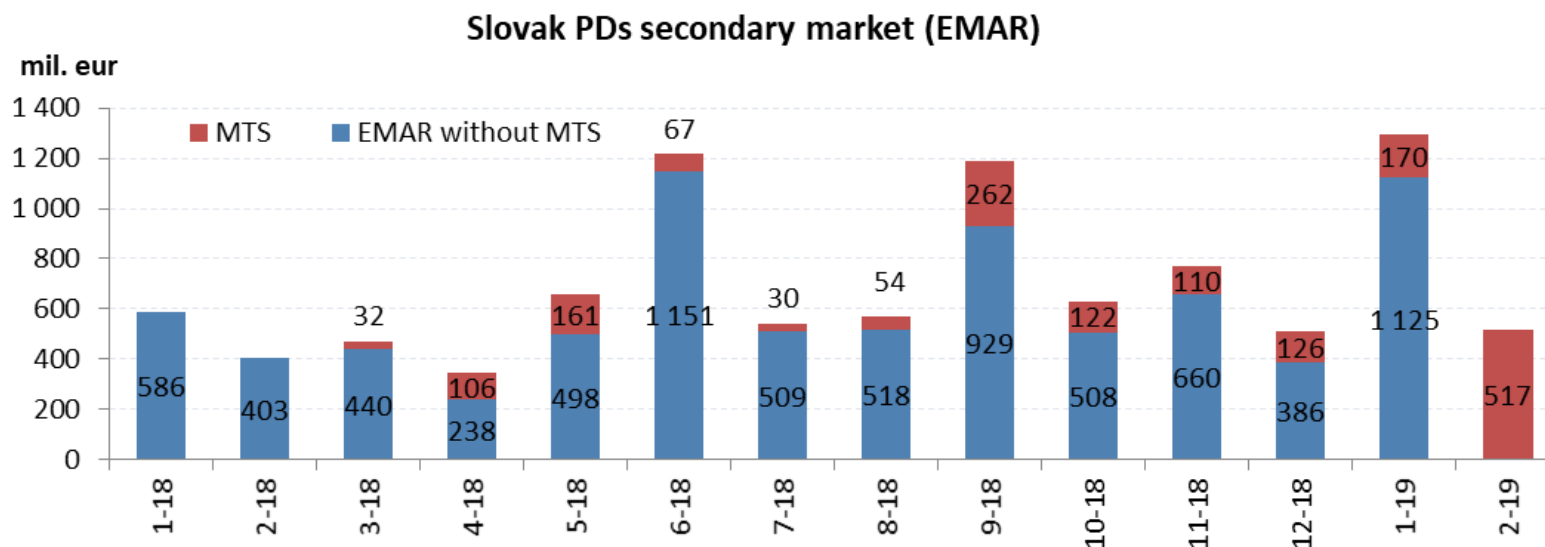


Government Bond Portfolio Metrics



Source: ARDAL as of 31/12/2018





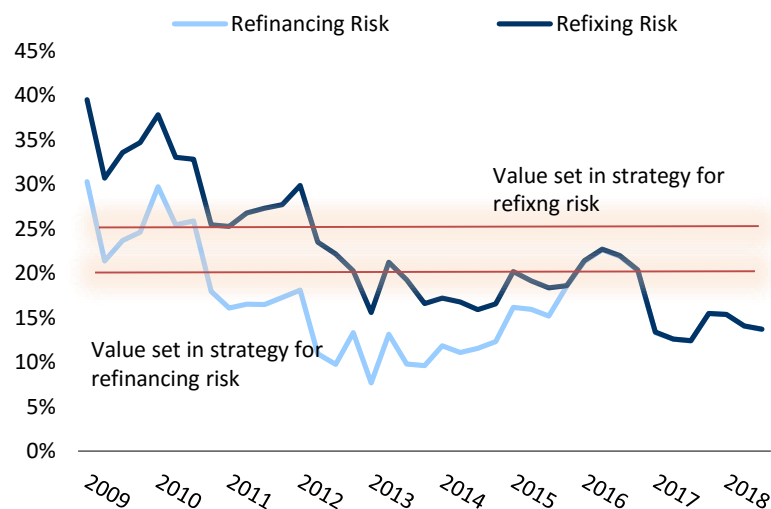
- ✓ Introduction of MTS Slovakia in February 2018
- ✓ Quoting obligation for Primary Dealers
- ✓ Record volume in February 2019 at EUR 517 million

Source: ARDAL as of 31/12/2018

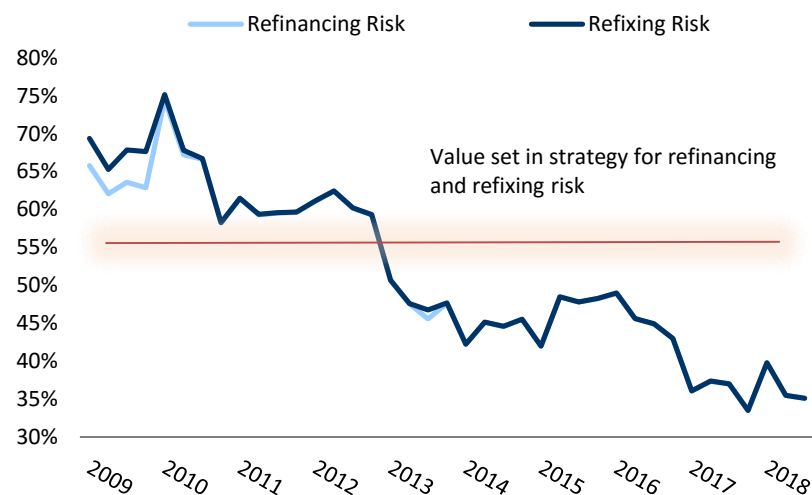


Risk Indicators of the Slovak Debt Portfolio

Debt portfolio for the next year



Debt portfolio for the next 5 cumulative years

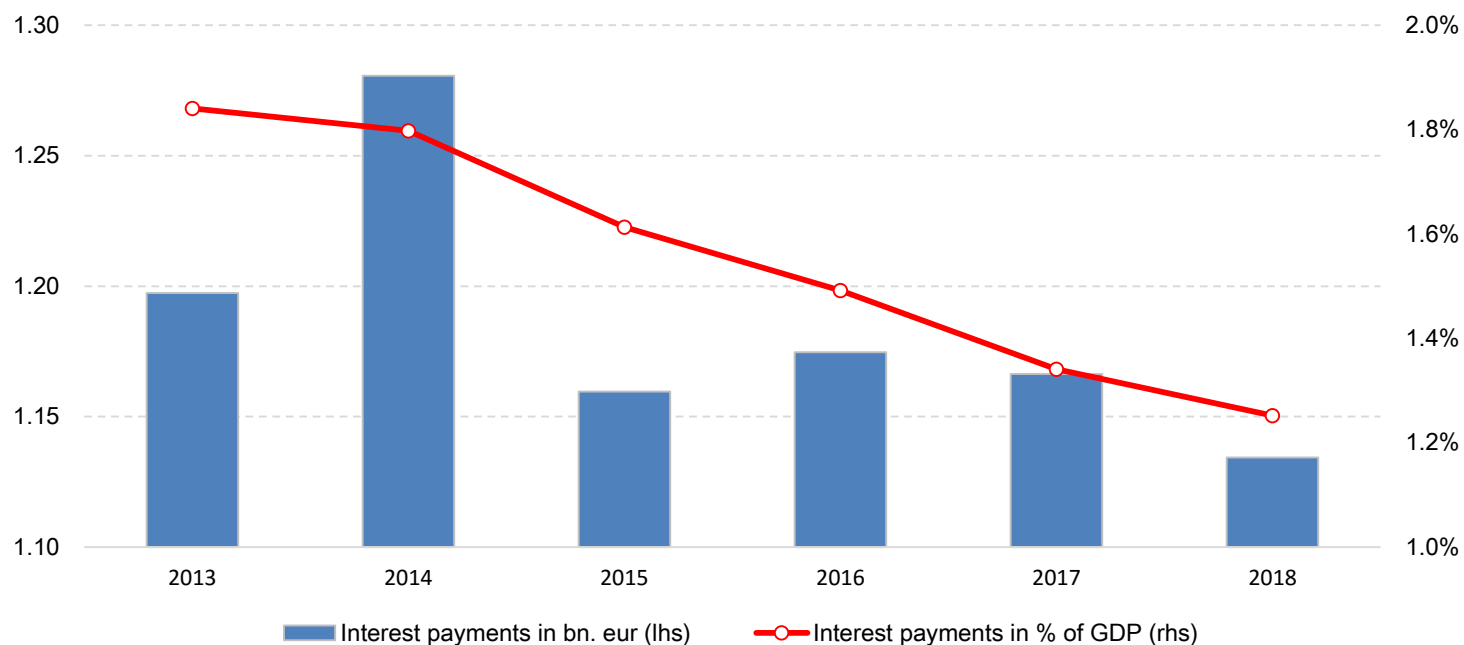


- ✓ Values at historical lows
- ✓ Sufficient space for short term financing and shock absorption

Source: ARDAL as of 30/09/2018



Interest Payments Development

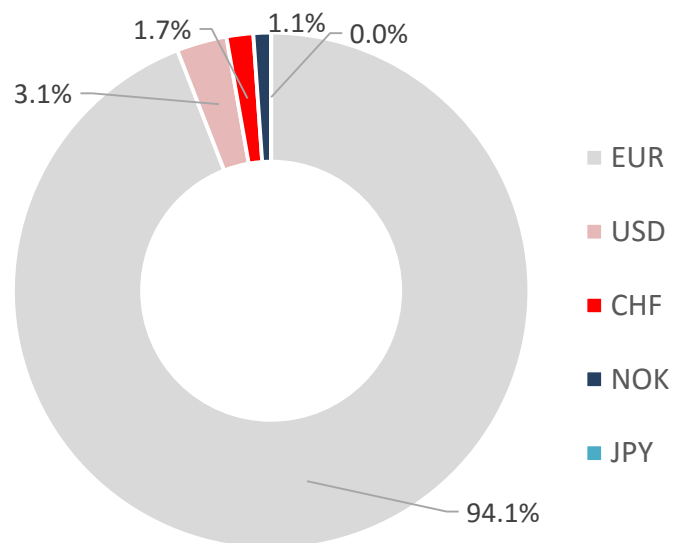


Source: ARDAL, as of 31/12/2018

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

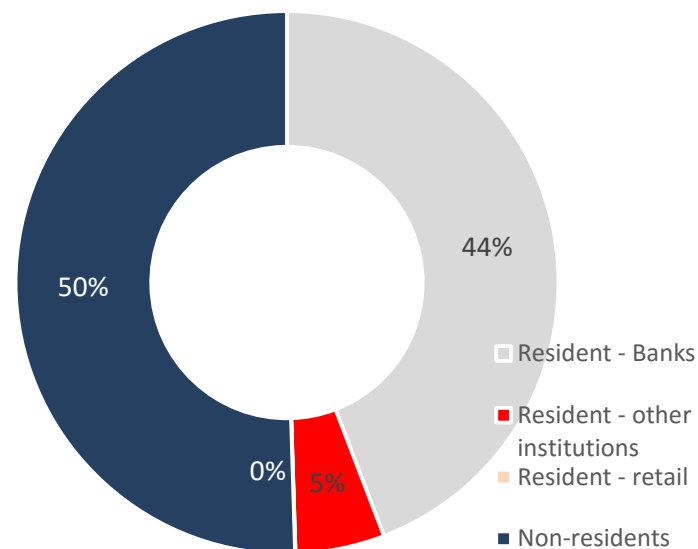
Low Currency Risk and Diversified Investor Base

Currency Breakdown in %



Source: ARDAL, as of 31/12/2018

Investor Type Breakdown in %*



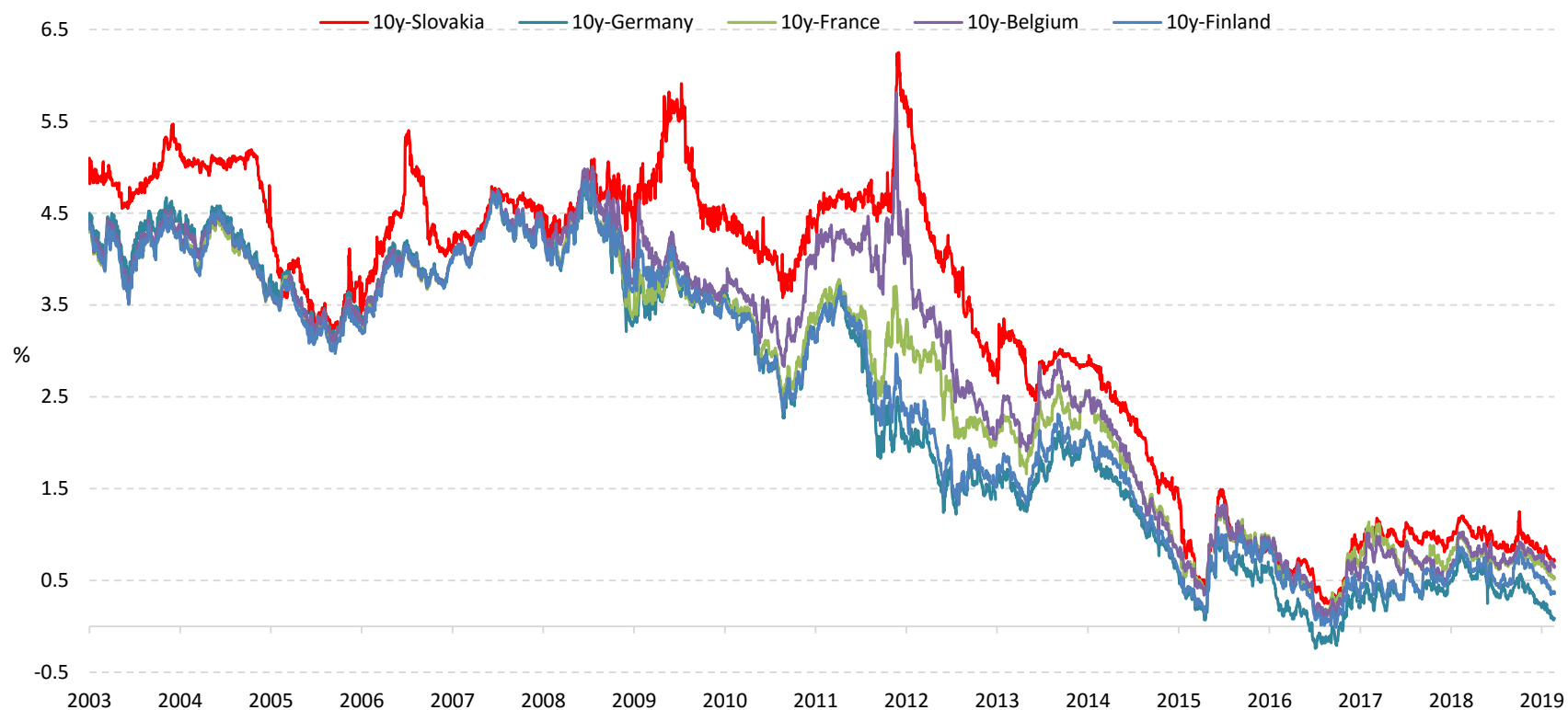
*Bonds held in Slovak CDCP

✓ Debt hedged against FX risk

✓ Increasing portfolio holdings of residents due to ECB PSPP



Government Bond Yields



Sources: Bloomberg, NBS, Deutsche Bundesbank, as of February 2019

Auction Calendar & Issuance 2019



Government Bonds

Auction Date

21 January

18 February

18 March

15 April

20 May

17 June

16 September

21 October

18 November

Settlement Date

23 January

20 February

20 March

17 April

22 May

19 June

18 September

23 October

20 November

Treasury Bills

No issuance

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)**
- ✓ **Société Générale S.A.**
- ✓ **Tatra banka, a.s. (RBI Group)**
- ✓ **UniCredit Bank Czech Republic and Slovakia, a.s.**
- ✓ **Všeobecná úverová banka, a.s. (Intesa Sanpaolo Group)**



Thank you



Contacts

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