

Investor Presentation

October 2024

**SLOVAK
REPUBLIC**



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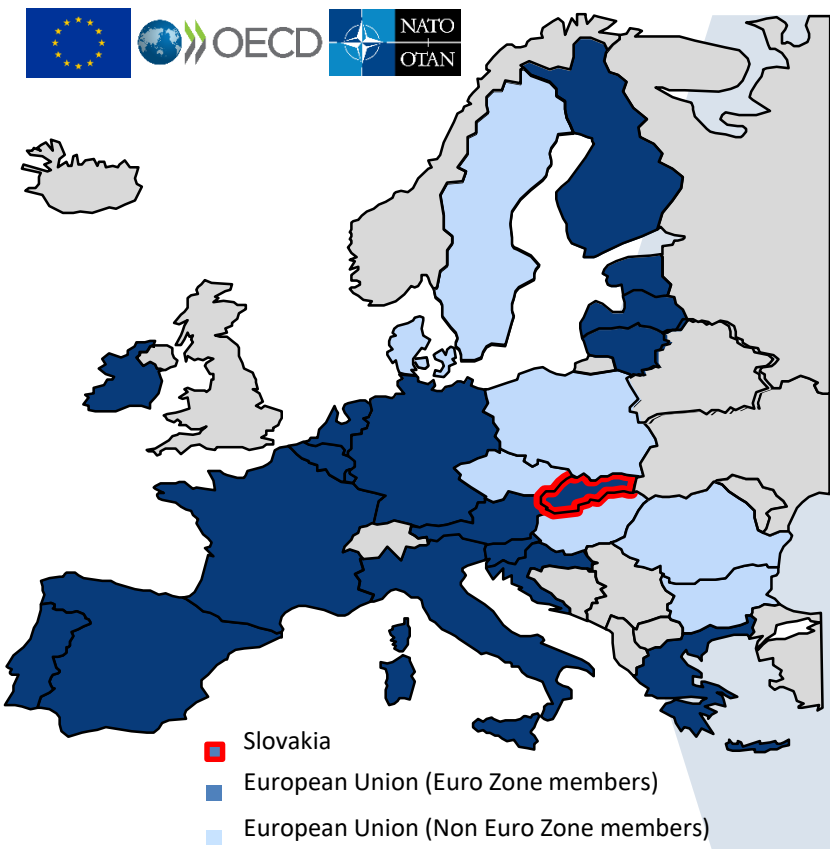


I Introduction



Slovakia – At a Glance

Geographical Location



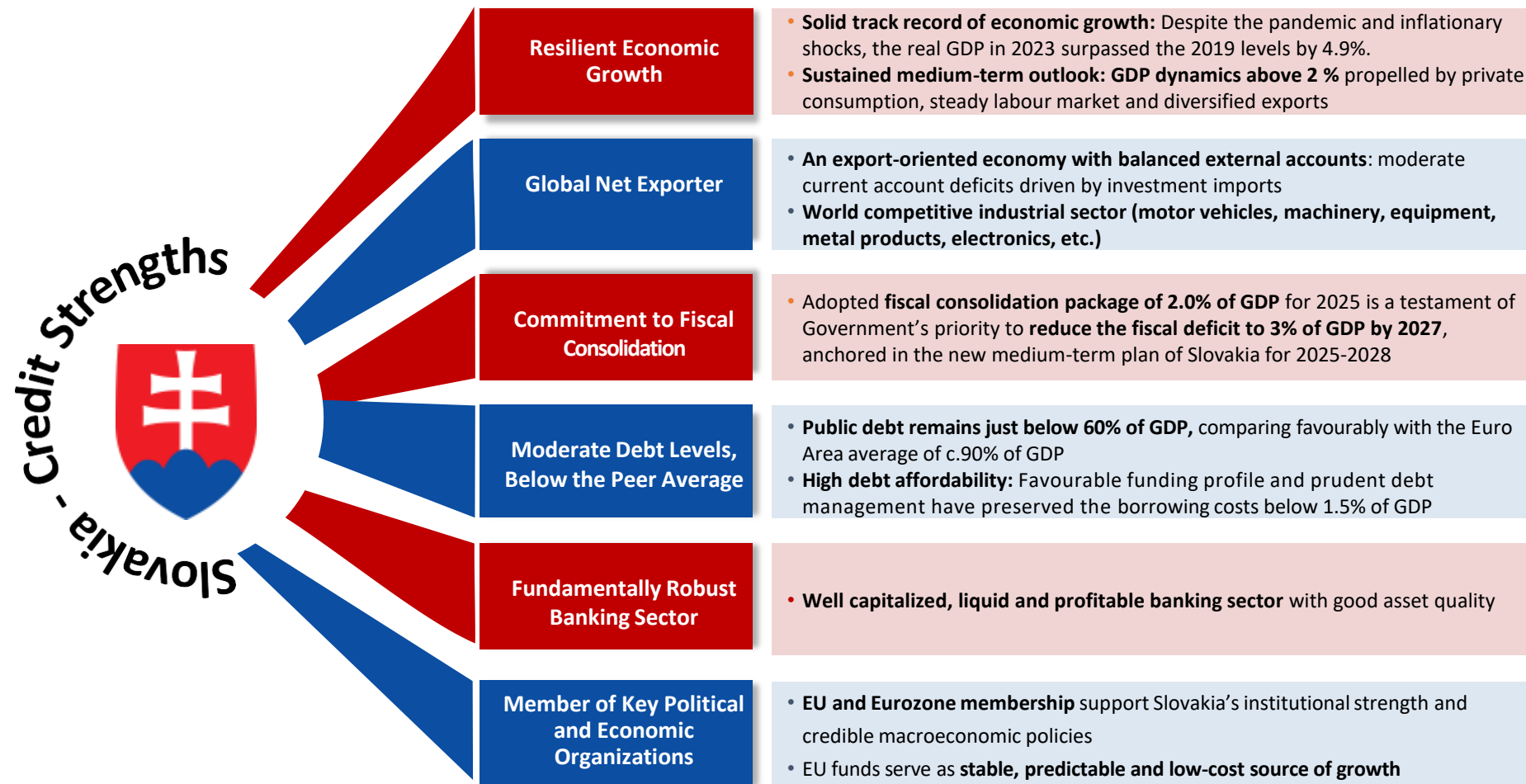
Key Facts

Ratings (Moody's/S&P/Fitch)	A2 (negative) / A+ (stable) / A- (stable)
GDP (2023)	EUR 122.9 billion
GDP per Capita (2023)	EUR 22,520
Population (2023)	5.4 million
Real GDP growth (2023)	1.4%
Inflation (HICP, YoY, September 2024)	2.9%
Currency	EUR
Key Economic Sectors	Services, Manufacturing, Wholesale & Retail Trade, Construction
Memberships	OECD, EU, EMU, NATO, Schengen Area
Head of State	President Mr. Peter Pellegrini
Capital	Bratislava
Territory	49,034 km ²

Source: Eurostat, Ministry of Finance of the Slovak Republic (MoF), National Bank of Slovakia (NBS)



Slovakia – Key Credit Strengths



Source: MoF, Fitch, IMF



Ratings Anchored in the 'A' Rating Category

Rating Agency	Rating	Comments
MOODY'S	A2 Negative (June 2024)	<i>"Slovakia's A2 ratings are supported by its moderate debt burden and strong trend growth, while the country's institutions benefit from its EU/euro area membership."</i>
STANDARD & POOR'S	A+ Stable (October 2024)	<i>"The stable outlook reflects our expectation that Slovakia's fiscal deficits will start to narrow from next year, and that it will preserve a generally prudent fiscal policy. The outlook also reflects our view that the economy will remain resilient in the near term, despite challenges to the medium-term growth outlook."</i>
FitchRatings	A- Stable (June 2024)	<i>"Slovakia's rating is supported by EU and Eurozone membership that underpins a relatively stable and credible macro-economic framework and steady EU capital inflows, as well as a competitive export sector and stable foreign direct investment."</i>

Sources: Moody's, S&P and Fitch



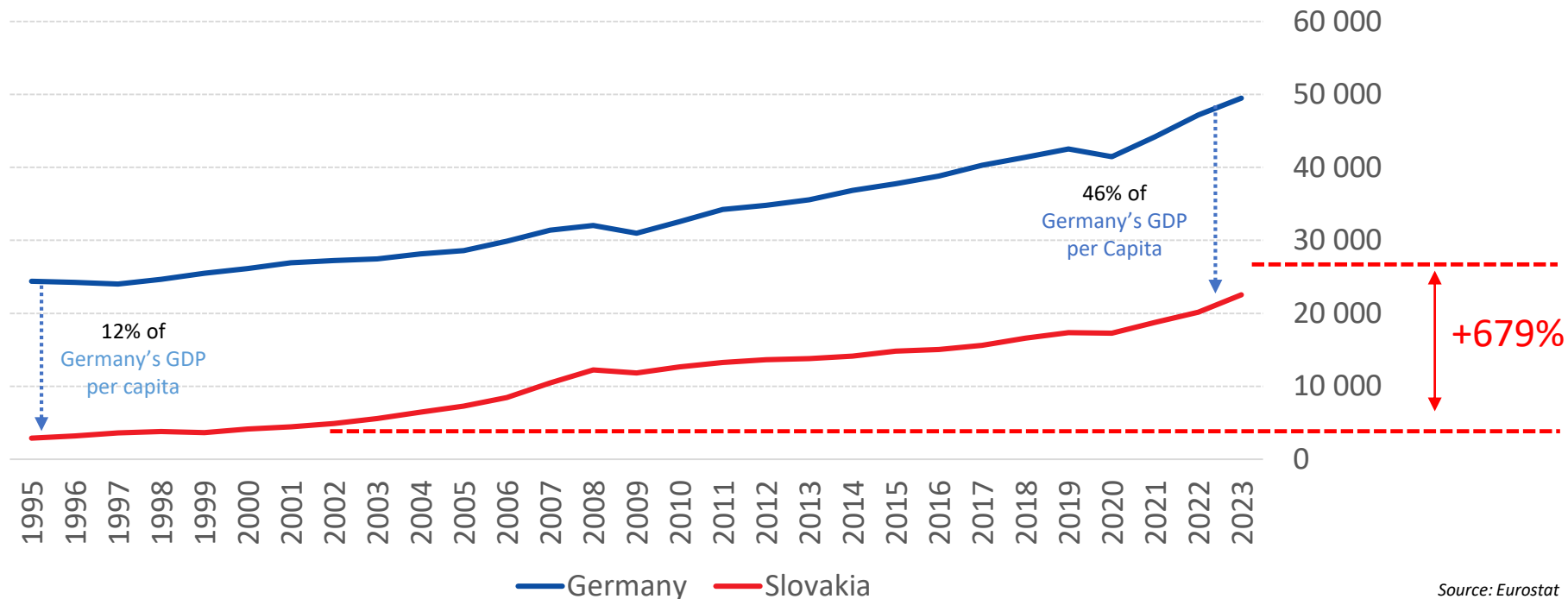


II Economic Developments

Ongoing Economic Convergence to EU27 (1/2)

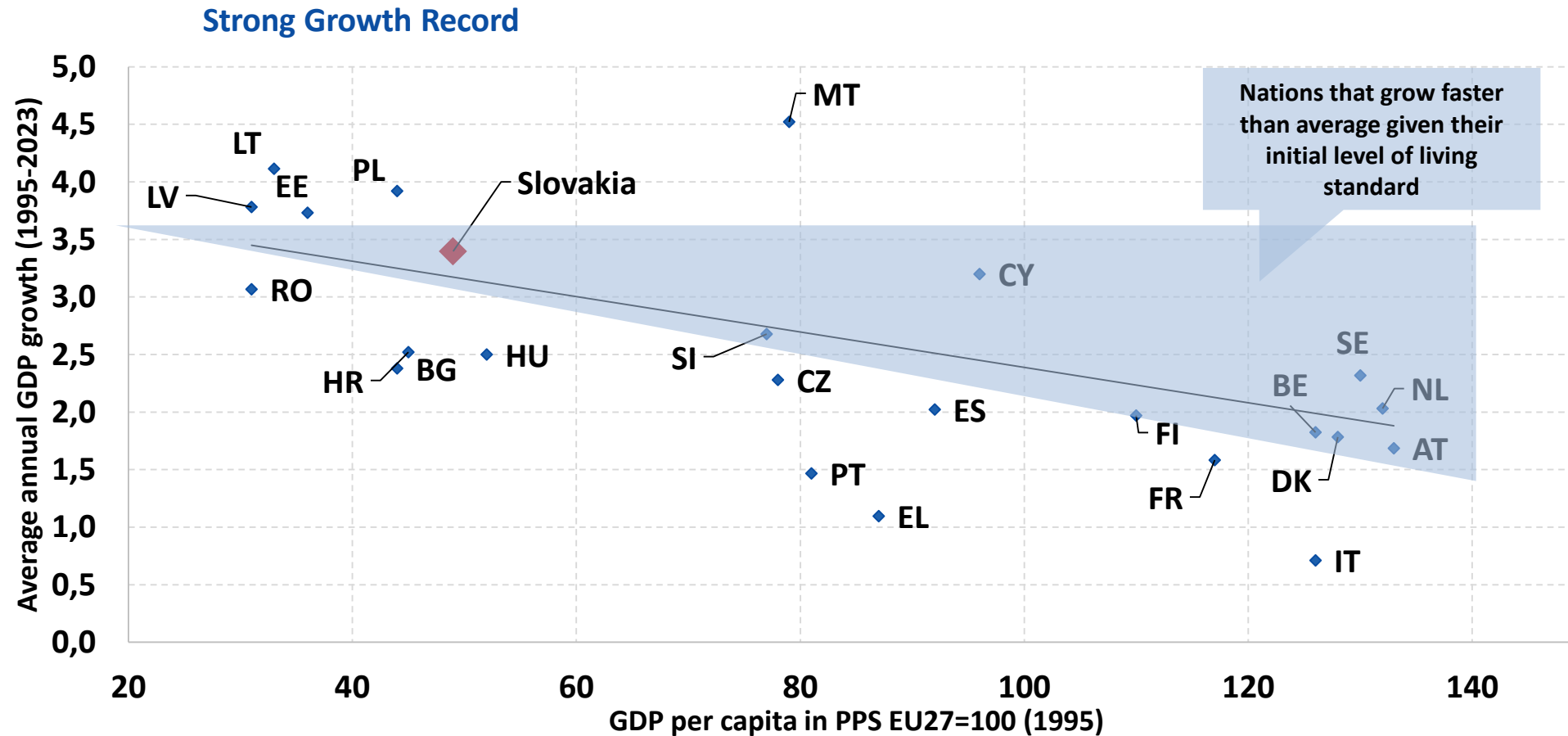
- ✓ Slovakia has successfully managed to cut half of the convergence gap vis-a-vis western economies
- ✓ Further convergence is ongoing

Nominal GDP per Capita (in €)



Ongoing Economic Convergence to EU27 (2/2)

- ✓ Slovakia's economic growth has consistently outpaced the EU average, fostering convergence towards EU27 standards



Source: Eurostat

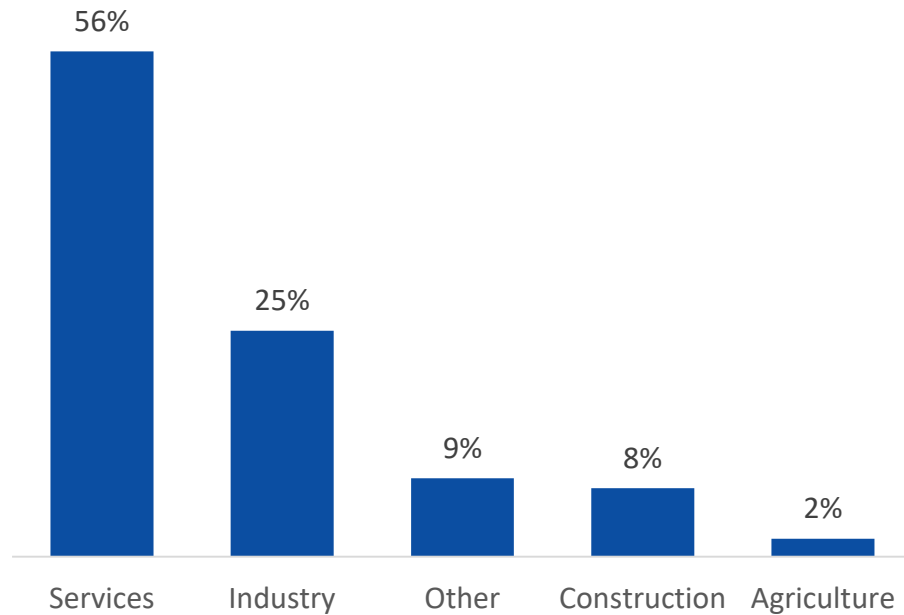


Economy Based on Two Pillars: Industry and Services

- ✓ Services-based economy with resilient and competitive industrial sector
- ✓ Highly open economy benefiting from global growth

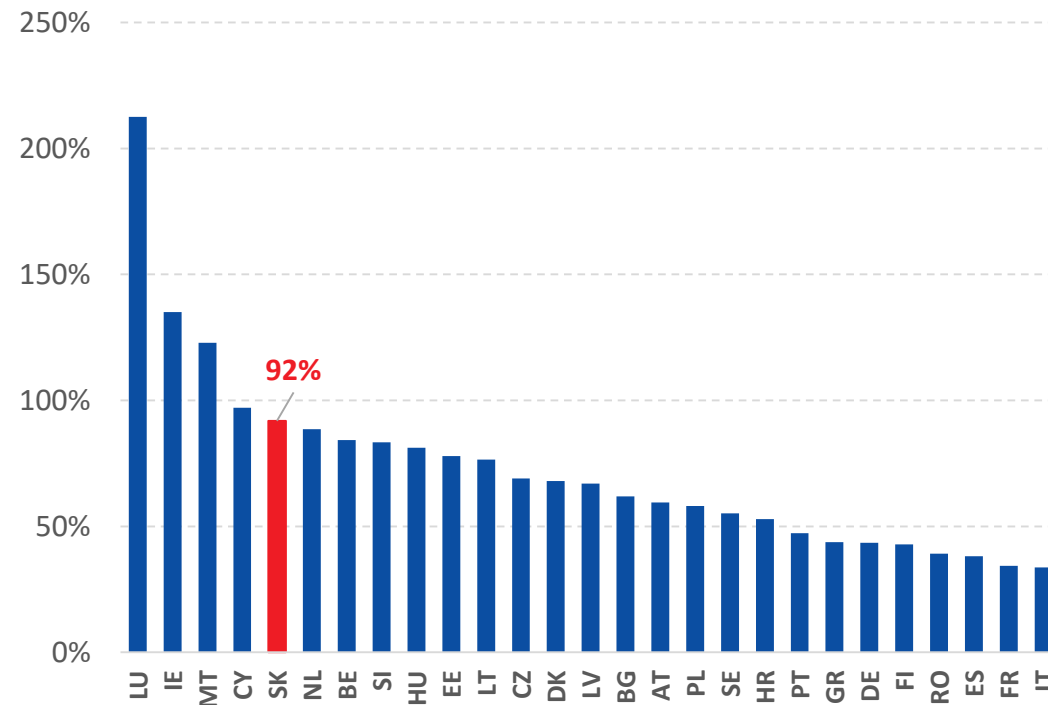


Shares of Sectors on Nominal GDP (2023)



Source: Statistical Office of Slovak Republic (SO SR)

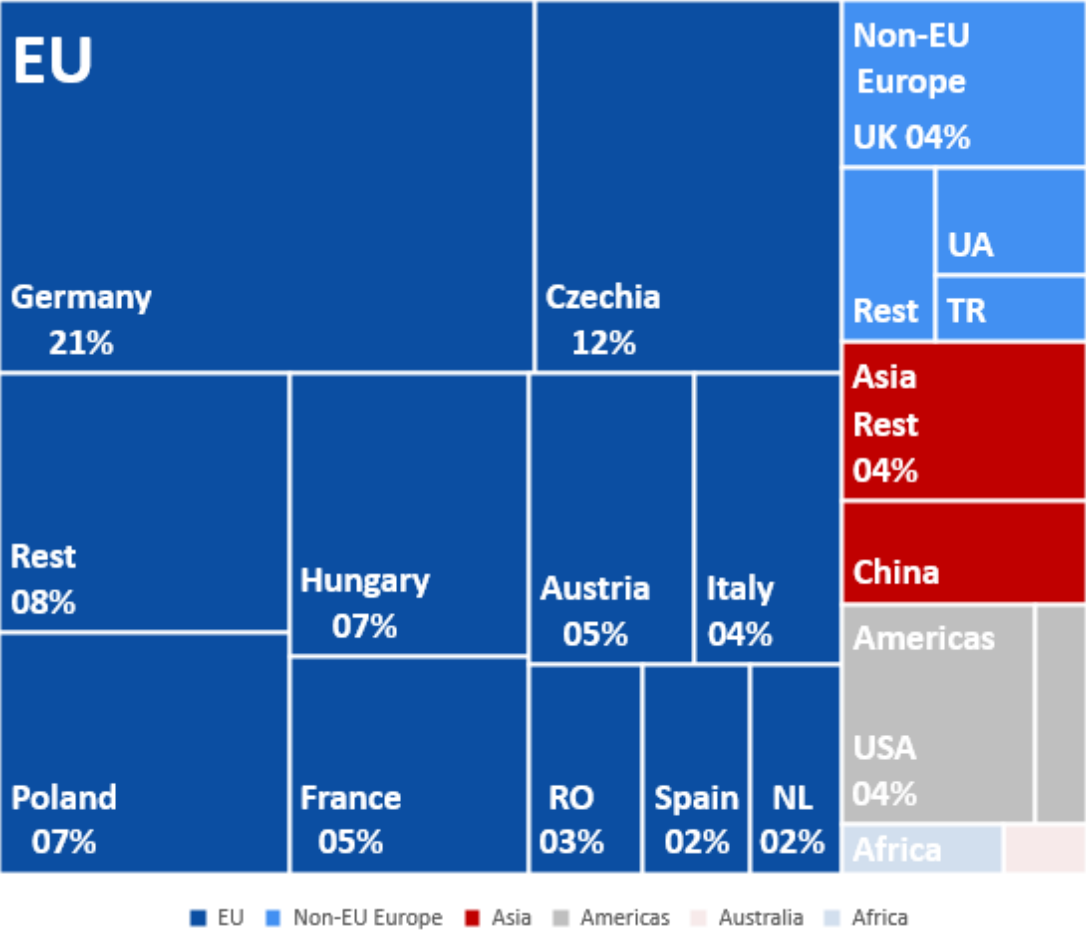
Share of Exports on GDP (2023)



Source: Eurostat

Industry: Competitive and Export-Oriented Economy

Exports by Country (% of Total, 2023)



Source: Statistical Office of the Slovak Republic

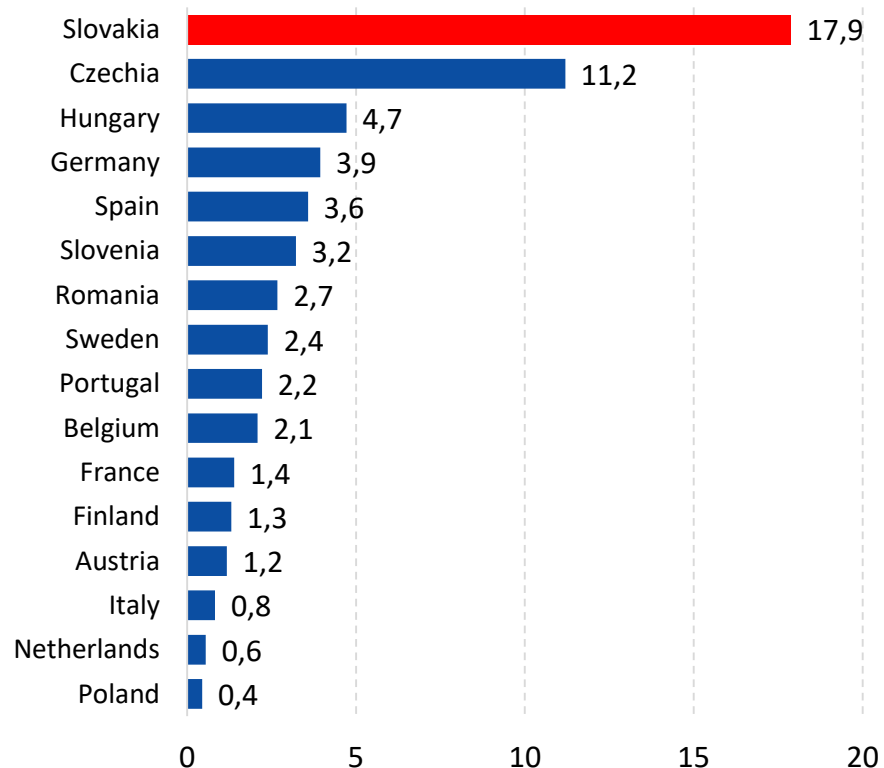
Top Industrial Companies



Strong Industrial Efficiency

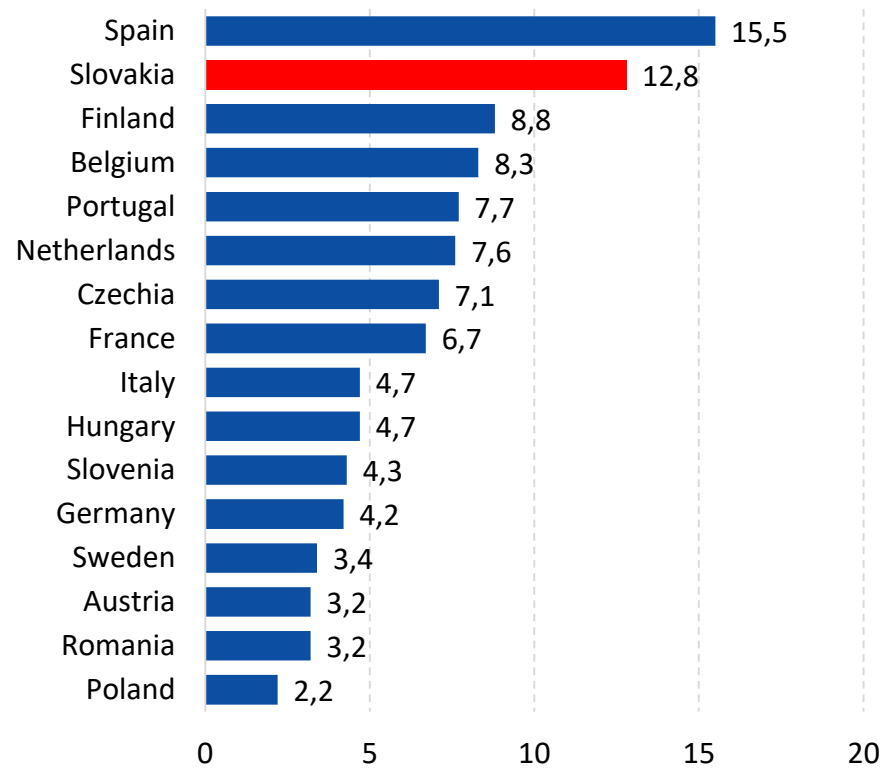
- ✓ Powerful industry and labour productivity are key factors attracting investment, especially in the automotive sector

Produced Cars per 100 Persons (2022)*



Source: Own calculation based on the underlying data extracted from acea.auto, S&P Global Mobility and UN

Vehicle Production per Direct Automotive Manufacturing Employee (2022)

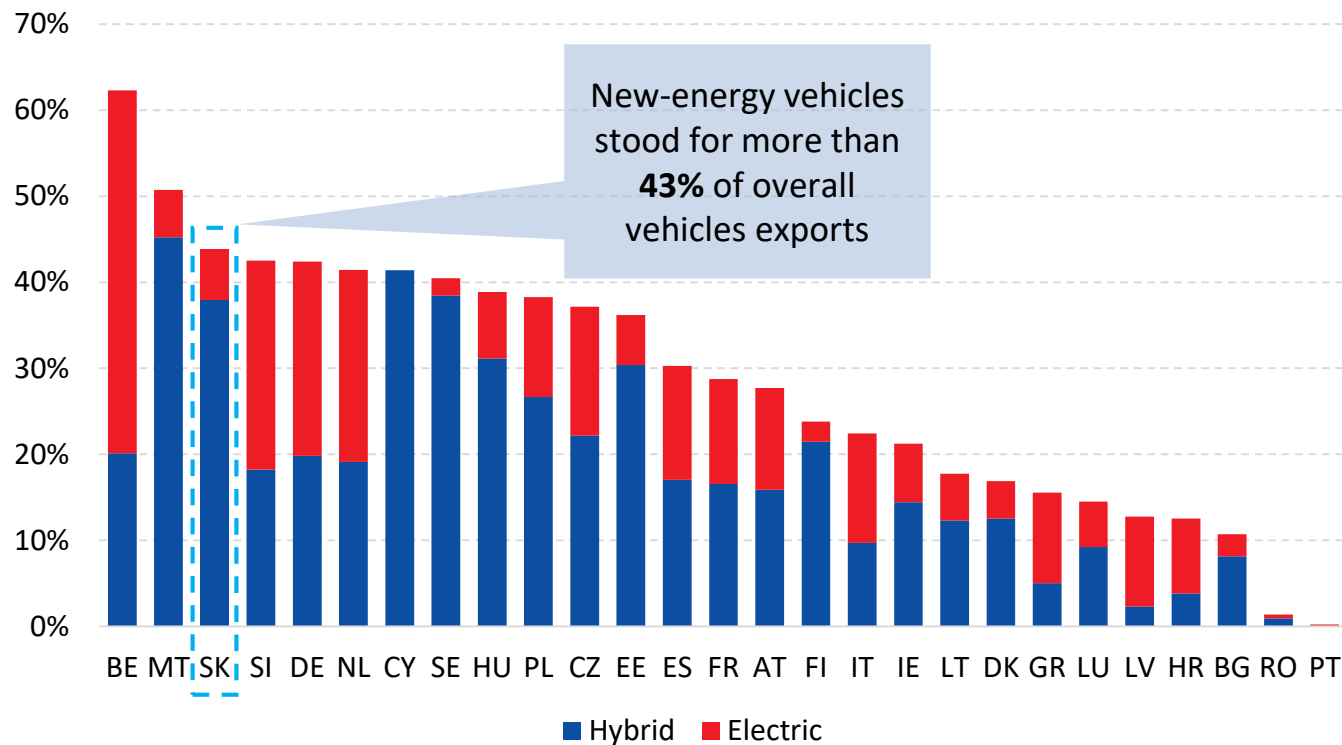


Source: acea "The Automobile Industry Pocket Guide 2024/2025", Eurostat, S&P Global Mobility



Slovak Automotive Is EV Ready

Share of the Value of New-energy Vehicles to the Overall Value of Vehicle-Exports in 2023



Source: Eurostat

- ✓ The largest industrial sector has been smoothly transitioning to new trends
- ✓ The well-established quality continues to attract new investors
- ✓ New VOLVO EV factory (1bn. EUR investment) in Slovakia will start production in 2027

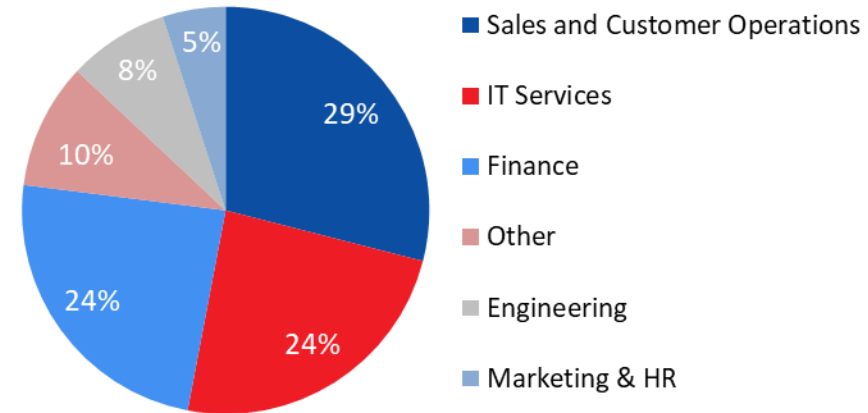


Service: Shared Services Centers (SSC) and Business Process Outsourcing Centers (POC)

- ✓ More than **70** Shared Services Centers employing around **40,000 people**
- ✓ A **well-educated** and highly skilled workforce with excellent language skills provides a strong foundation for a thriving sector
- ✓ Vigorous SSC performance drives development towards **Centers of Excellence**

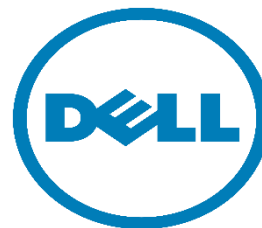
Area of Operation

(Share of Total)



Source: SARIO

Top Employers in SSCs and POCs

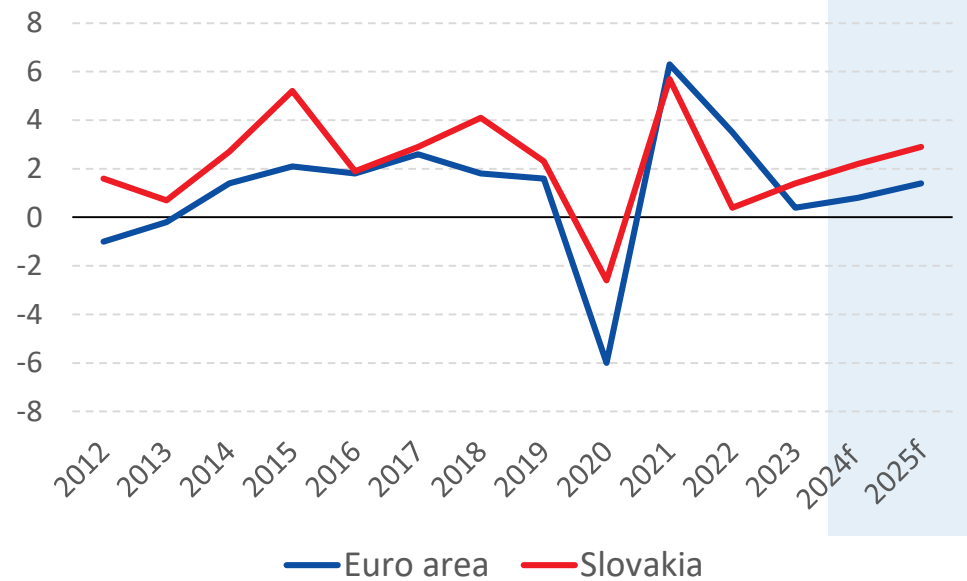


Current Development in Economy

- ✓ The Slovak GDP dynamics should exceed the EU average in 2024-2025
- ✓ Acceleration of growth in coming years due to (i) revival of private consumption and (ii) implementation of Recovery and Resilience Program

GDP Growth

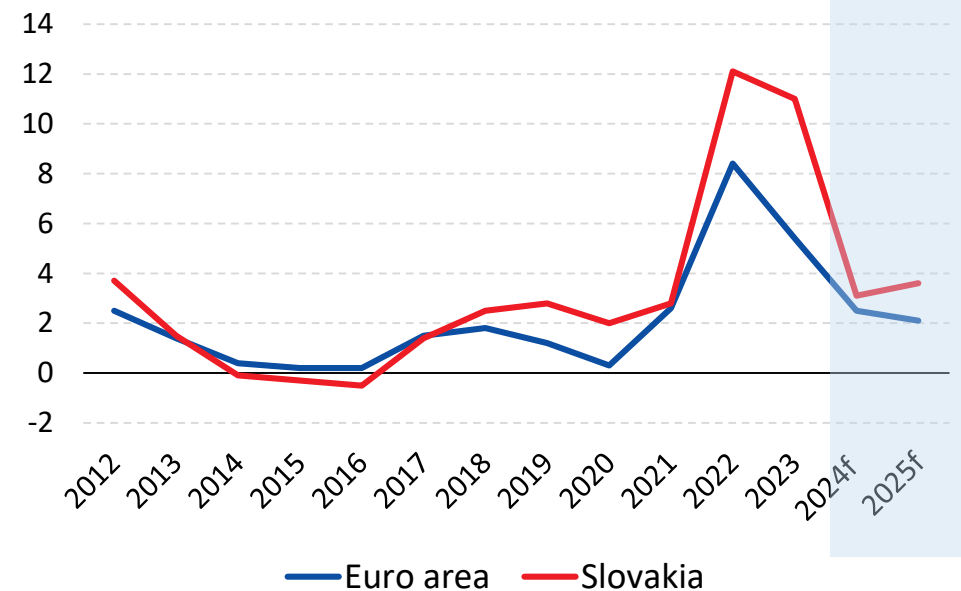
(%)



- ✓ Inflation is back under control and is heading for 3% in 2024
- ✓ We expected further deceleration close to EU level in the following years

HICP Inflation

(%)



Sources: Eurostat, EC forecast



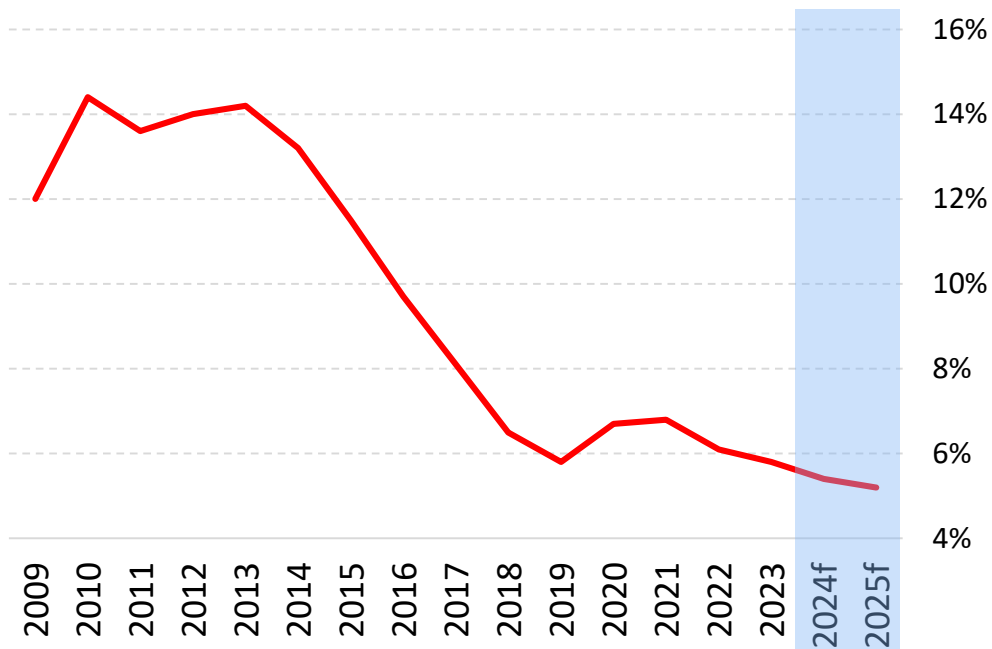
Resilient Labour Market

- ✓ Unemployment is at a record low (5.8 %) and is expected to continue to decrease
- ✓ The influx of foreign labour is helping to keep the employment rising

- ✓ Government has recently relaxed legal requirements for employing foreign workers
- ✓ Most of the foreign workers come from Ukraine, Serbia and Romania

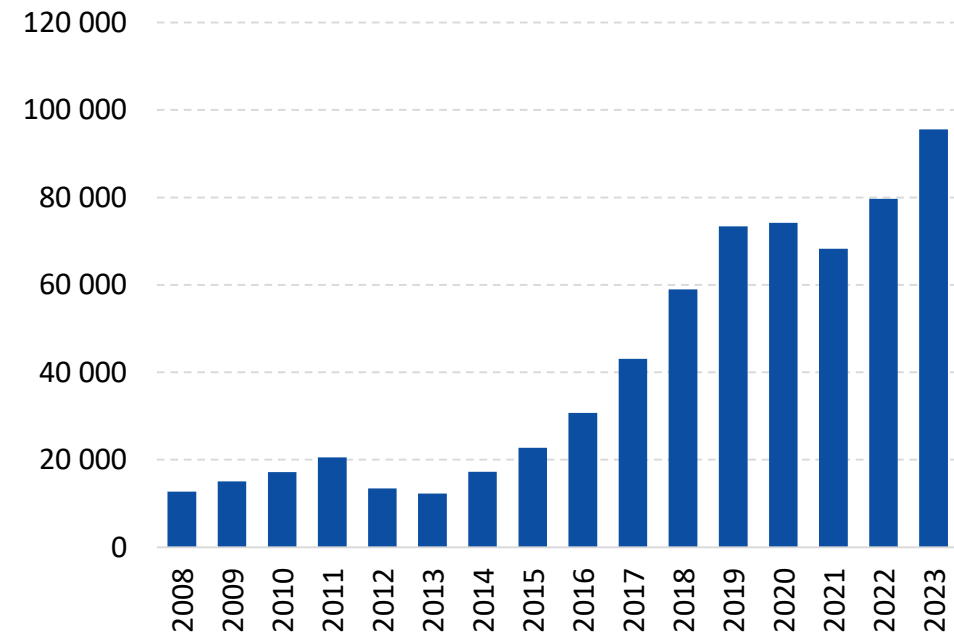
Unemployment Rate

(in % of labor force)



Sources: Eurostat, EC forecast

Number of Employed Foreigners in Slovakia



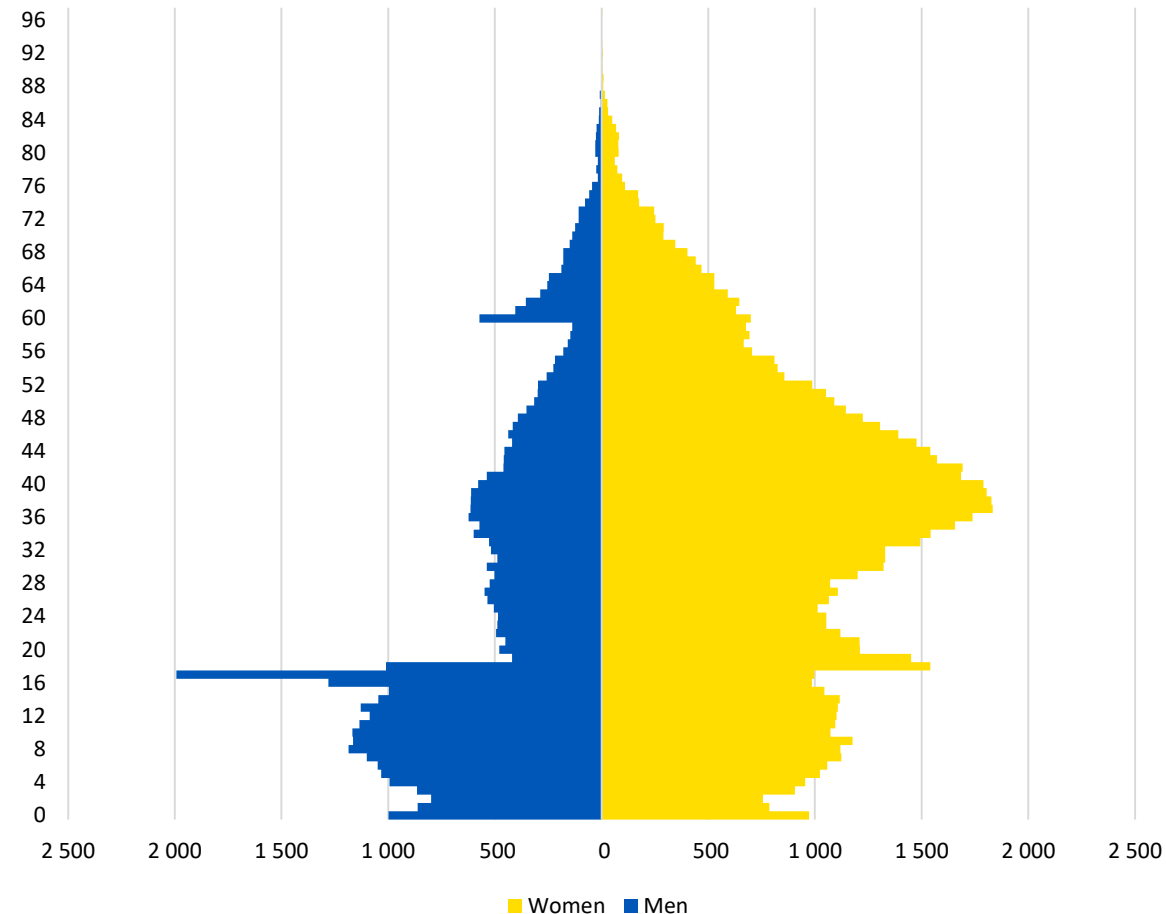
Source: Central Office of Labour, Social Affairs and Family



War Refugees Support the Slovak Labour Market

- ✓ Since the beginning of the war in February 2022, almost 130,000 Ukrainian refugees, mostly women and children, have applied for temporary refugee status in Slovakia
- ✓ So far, over a quarter from 18 - 64 years old have found a job. Refugees occupy mainly positions in manufacturing and services, and their integration represents a positive impact for the Slovak labour market

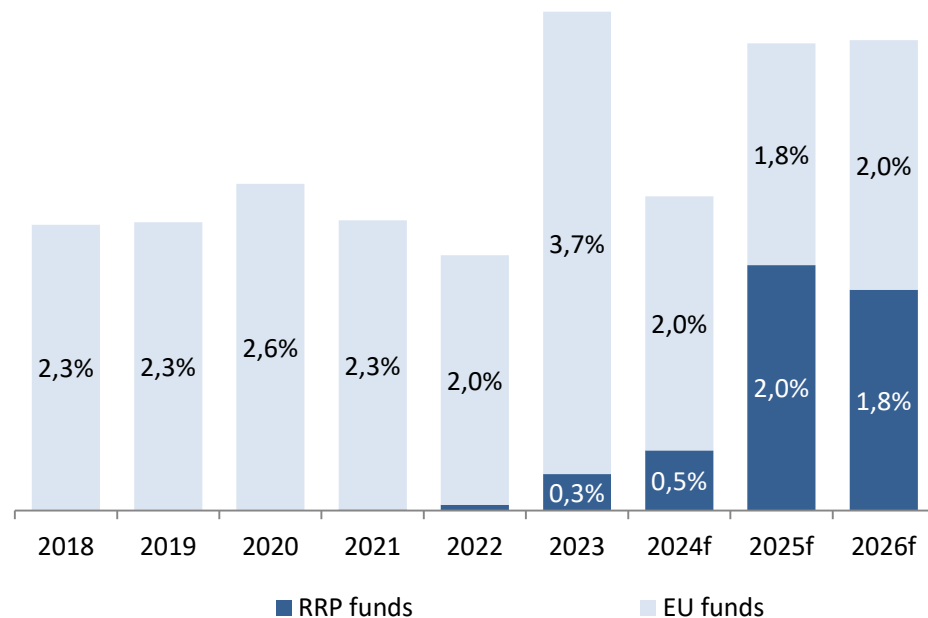
Age Distribution of Ukrainian Refugees



EU Recovery and Resilience Plan Supports Economic Growth

RRP and EU Funds Inflow

(% of nominal GDP)



Source: Government Office of the Slovak Republic, MoF

✓ RRP is expected to prop up the economy mainly in 2025 and 2026

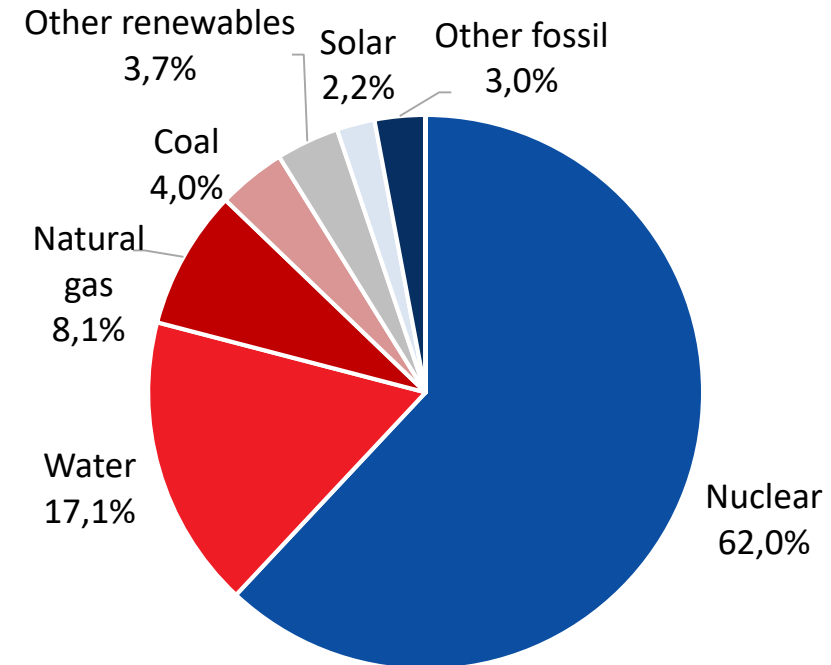
- Slovakia will be a key beneficiary of the RRP, boosting its productivity and accelerating the green and digital transformation
- Public investment funded by the RRP will support the output by over EUR 2.5 billion in 2025 and 2026 as well
- Slovakia has already received three tranches in the total amount of EUR 2 billion. Milestones and goals for the fourth tranche of over EUR 900 million have been met in terms of content and time already at the end of 2023



Energy Mix Relies on Nuclear Power Generation

- ✓ Elevated electricity output, facilitated by numerous **nuclear power plants**, fortifies the robustness of the economy
- ✓ A new nuclear unit became fully operational last year, making Slovakia completely **self-sufficient in electricity**
- ✓ Slovakia is already a **net exporter of energy**, and the completion of additional power units currently under construction will **further strengthen** this position
- ✓ Government announced **replacement of universal energy subsidies with targeted compensation** for low-income and most vulnerable (estimated overall costs EUR 100 mil. in 2025 compared to almost EUR 1.200 mil. in 2024)

Energy Mix Shares
(2023)

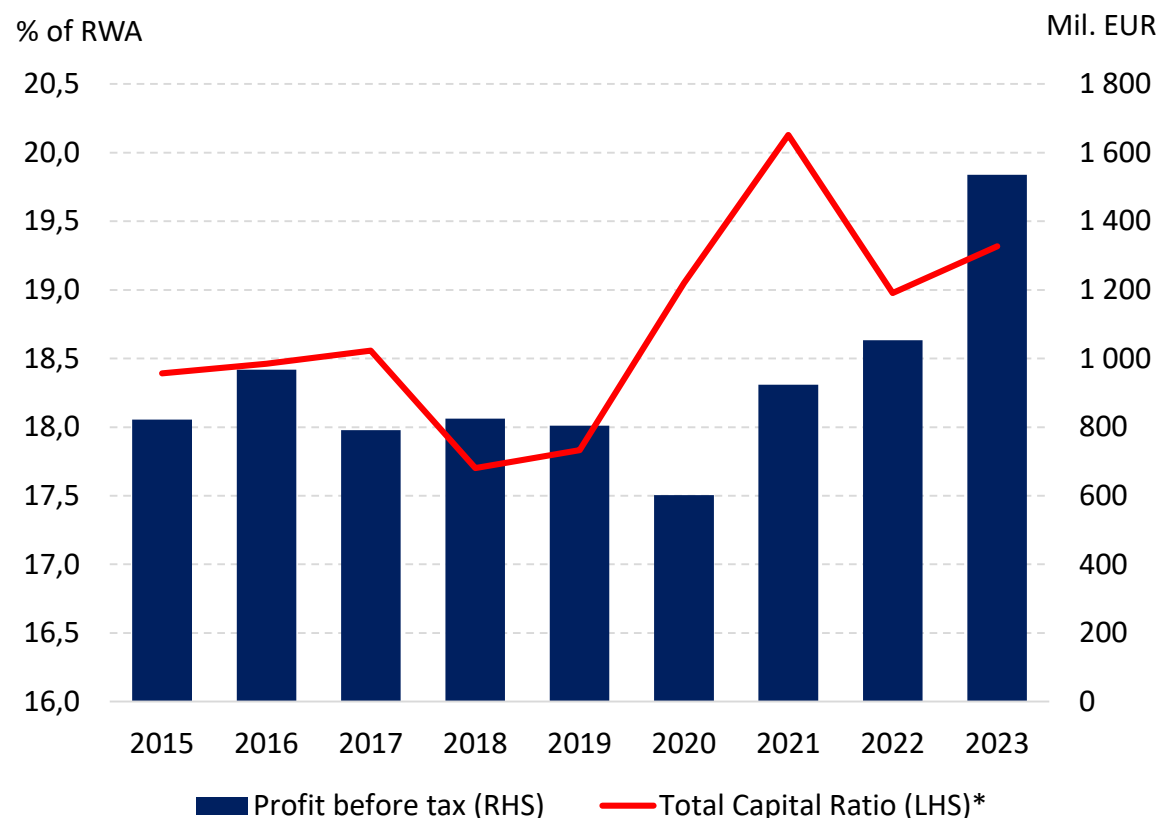


Source: OKTE



Resilient Banking Sector - Solid Profits and Ample Capitalization

Capital Ratio and Profitability of the Banking Sector



Source: EBA, NBS

*The total capital ratio is the total capital (own funds) of the institution as a percentage of its total risk-weighted assets.

- ✓ Strong capitalization and profitability in Slovakia's banking sector signify **resilience** and growth potential
- ✓ Many Slovakian banks are affiliated with **prestigious global banking conglomerates**, illustrating integration into the international financial landscape
- ✓ **Strict supervision by the ECB and prudent policies** enforced by the National Bank of Slovakia, including additional capital buffers, fortify the financial sector against risks and bolster resilience
- ✓ Low levels of non-performing loans and almost non-existing foreign currency loans support stability



Fiscal Policy

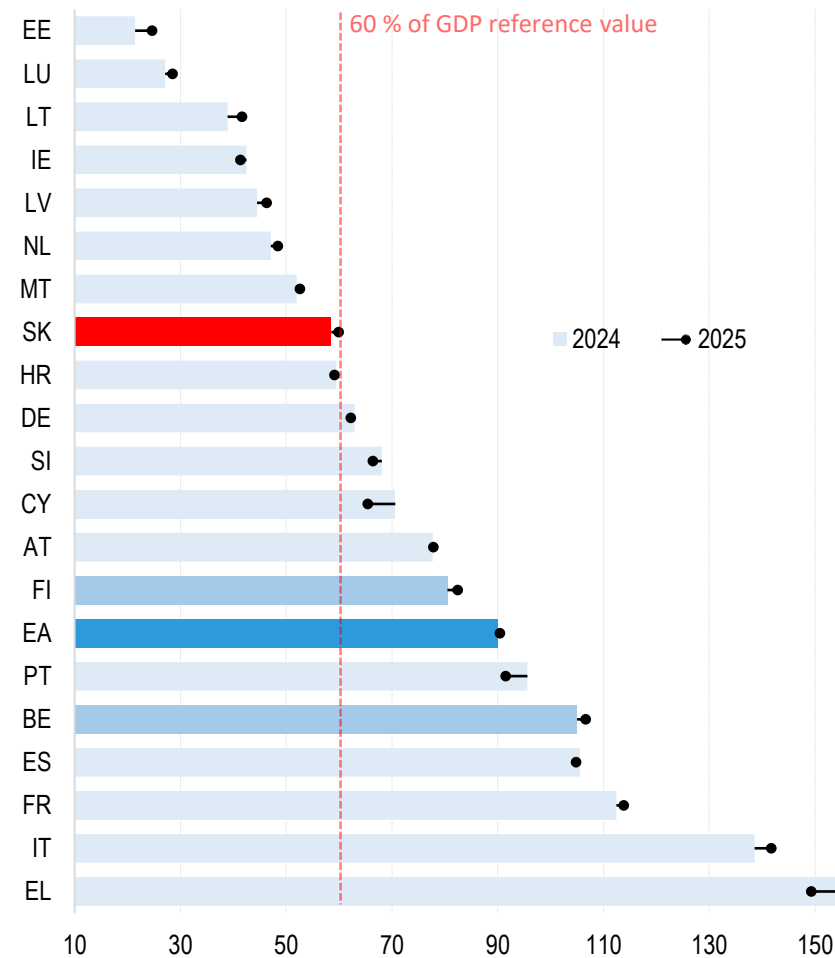


Slovak Debt Among the Lowest in the Euro Area

✓ Debt remains well below peer countries and the Euro Area average

✓ Despite multiple crisis episodes in recent years, the debt also remains below Maastricht reference value of 60% of GDP

Public Debt-to-GDP Ratio (EC forecast)



Source: EC Spring forecast 2024

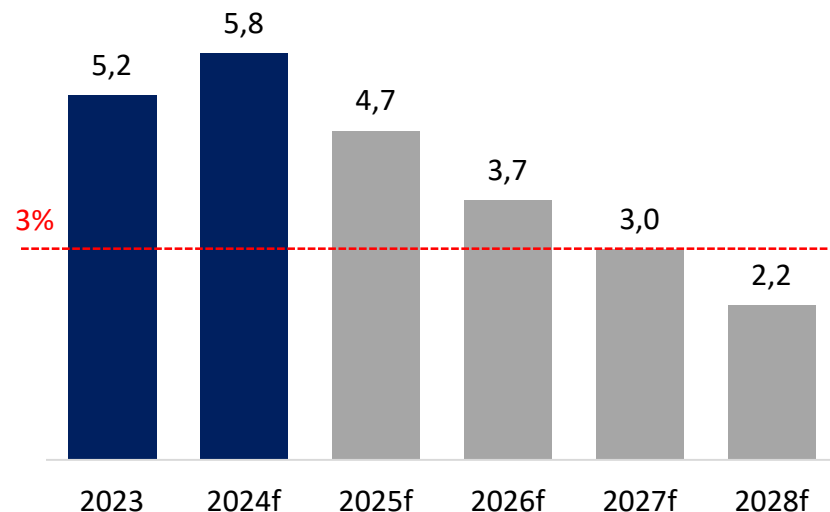


On the Path towards a 3% of GDP Deficit and Stabilization of Debt

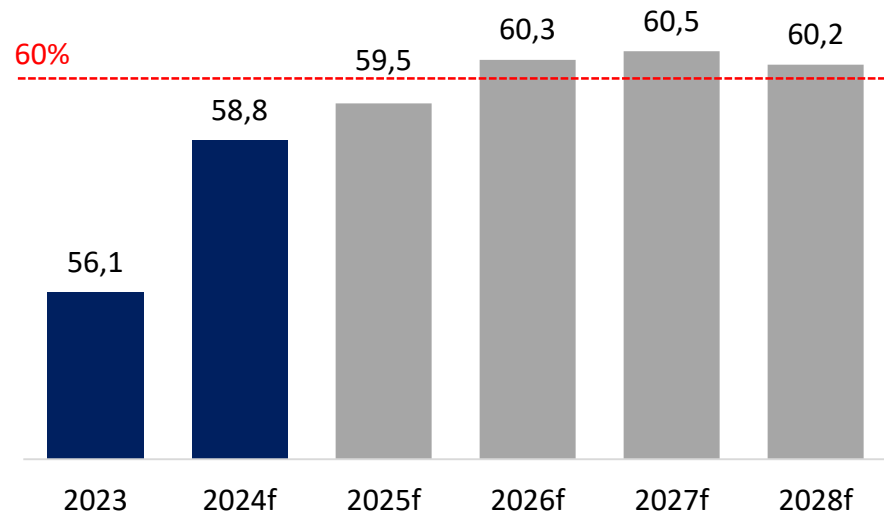
- ✓ The government has recently adopted a **consolidation package of 1.9% of GDP** with the aim of reducing the overall fiscal deficit to 4.7% of GDP in 2025
- ✓ The fiscal strategy aims for a **further fiscal deficit reduction to 3% of GDP in 2027**, which is already enshrined in the new medium-term plan of Slovakia for 2025-2028
- ✓ The strategy follows on the government's commitment **to stabilise debt at around 60% of GDP in 2027**



Government Budgetary Targets (% of GDP)



Gross Public Debt (% of GDP)

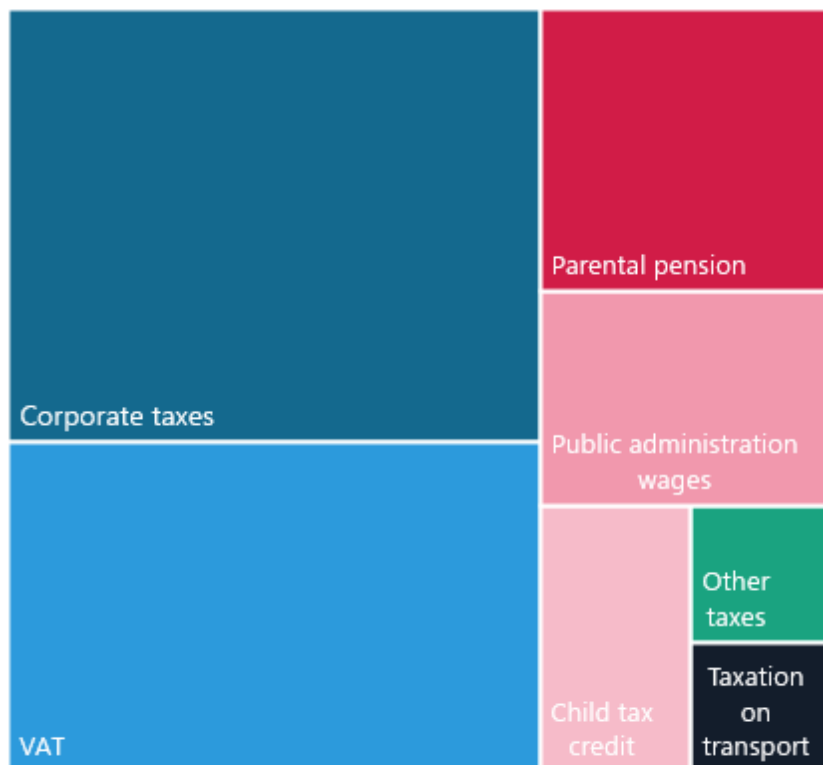


Source: Eurostat, Ministry of Finance

Consolidation Package for 2025

The structure of the adopted measures

(impact of 1.9 % of GDP)



Revenues (% of GDP)

- ✓ **VAT reform** – standard rate increased from 20 to 23%, reduced rate on selected groceries or electricity, books, etc. (0.5%)
- ✓ **Corporate taxes** – introduction of a financial transactions tax (0.4%); increase in CIT rate for larger companies (0.3%)
- ✓ **Other taxes** (0.1%)

Expenditures (% of GDP)

- ✓ **Pensions benefits reduction** (0.3%)
- ✓ **Savings on the public compensations** – healthcare and line ministries (0.2%)
- ✓ **Child benefit reform** – targeting lower income households (0.1%)



Reformed EU Framework Strengthening the Fiscal Responsibility

- ✓ **New EU fiscal rules** implemented in the 2025 Budget
- ✓ **Public finance managed by a new expenditure rule** as a single indicator for better fiscal outcomes
- ✓ Adoption of a **national medium-term fiscal-structural plan** introducing a commitment to fiscal strategy, reforms and investment and endorsed by the EU
- ✓ **The medium-term roadmap of binding budgetary targets for the next four years**
- ✓ A new mechanism, **control account**, is set up to correct any fiscal slippage
- ✓ **Annual progress report focused on the implementation of commitments** and strengthening fiscal discipline





IV Debt Management

Debt Management in 2024

Total redemptions EUR 5.04 billion equivalent

- ✓ EUR 2.0 billion – bond matured in June
- ✓ EUR 2.9 billion – bond matures in November
- ✓ EUR 0.14 billion equivalent – NOK 1.150 billion bond matured in March

Cash deficit of state budget expected at EUR 5.8 billion

- ✓ Improvement compared to budgeted amount EUR 7.6 billion – Act on State Budget from 21 December 2023

Two syndicated deals in 2024 covered EUR 3.65 billion

- ✓ 10y EUR deal in March EUR 3.0 billion
- ✓ 4y + 7y CHF deal (dual tranche) in May in total EUR 0.65 billion equivalent

Bond auctions: third Monday of each month except July, August & December

- ✓ EUR 5.8 billion sold in regular multiple auctions
- ✓ EUR 1.4 billion sold in special auction with remuneration in February – new 2y and new 4y bonds opened
- ✓ Four bonds offered in all auctions, solid BID/COVER ratio; Only bonds, No T-Bills

Financing of total debt portfolio at a manageable level

- ✓ Weighted average yield at 3.59% p.a. of total new issuance in 2024 EUR 10.4bn (average maturity 9.9y)
- ✓ Weighted average yield of all outstanding bonds at 2.28% p.a. (average maturity 8.3y)
- ✓ Weighted average yield of all liabilities 2.06% p.a.

Source: ARDAL, as of October 2024



Debt Management Outlook 2025

Total redemptions EUR 6.55 billion equivalent

- ✓ EUR 3.0 billion – bond maturing in May
- ✓ EUR 3.0 billion – bond maturing in October
- ✓ EUR 0.55 billion – loans from international institutions

Uncertainty about state budget cash deficit

- ✓ Cash deficit of state budget at EUR 6.4 billion – preliminary estimate for 2025
- ✓ Several risks on both sides – the real development subject to continual monitoring

EUR 12 billion expected gross issuance

- ✓ EUR 6.0 billion expected to be issued via regular monthly auctions
- ✓ EUR 6.0 billion expected to be issued via syndications
- ✓ No specific loans planned but could be arranged based on market conditions
- ✓ Some financing needs may be covered by increase from State Treasury funds + liquidity buffer optimization

Foreign currency issuances in consideration

- ✓ More active in diversification base of investors (other markets roadshows)
- ✓ Debut CHF deal printed in April 2024, other currencies under consideration

Source: ARDAL, as of October 2024

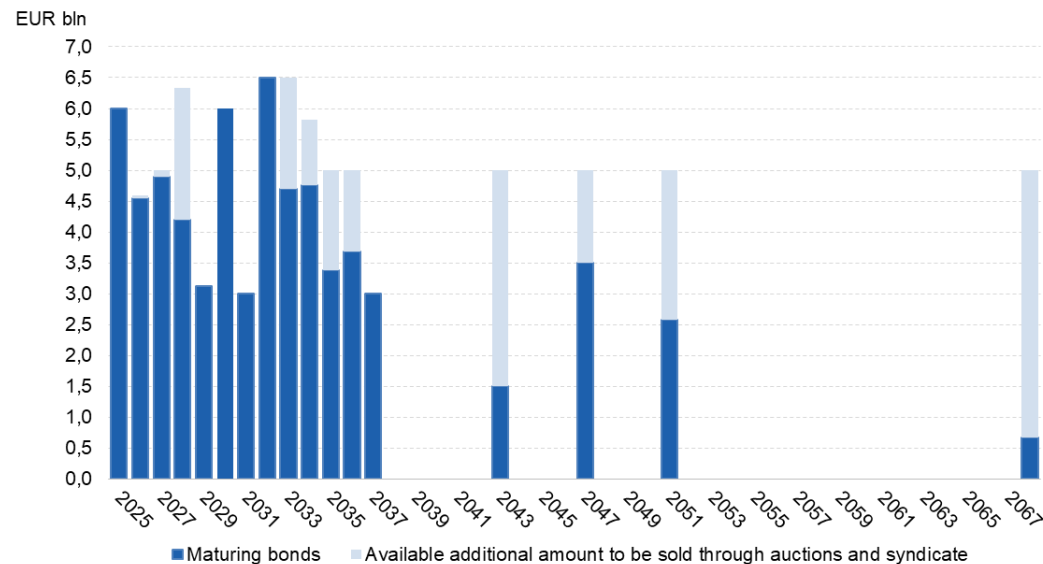


Well Balanced Bond Redemption Profile

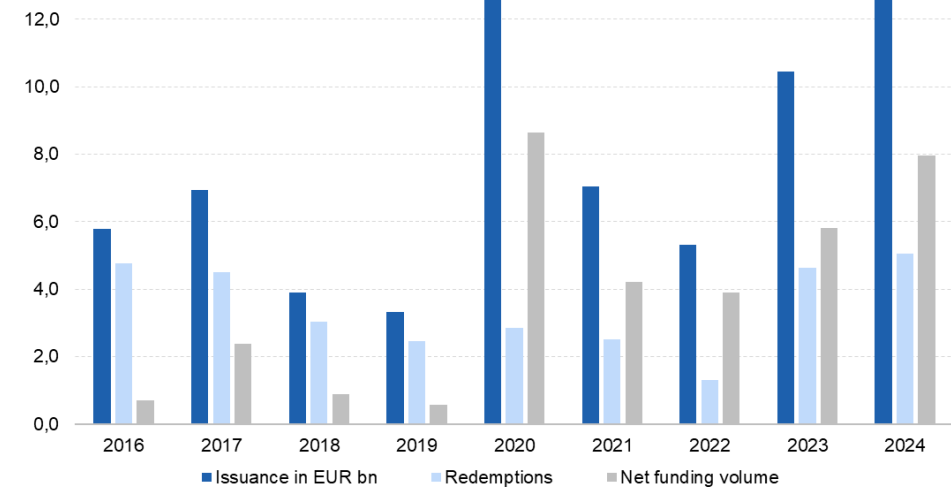
- ✓ Smooth redemption profile not exceeding EUR 6.5 billion redemption in any single year
- ✓ Increased issuance after the COVID outbreak
- ✓ Net funding volume expected to decrease in line with fiscal consolidation



Bond Redemptions Profile



Issuance and Redemptions



*Year 2024 is estimate for the whole year as of September

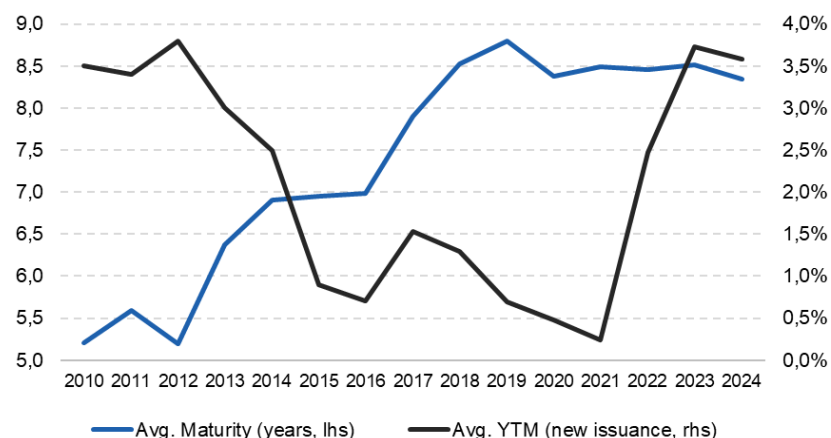
Source: ARDAL, as of September 2024

Risk Management

- ✓ Average maturity stabilized above 8 years since 2018 reflecting prudent debt portfolio management
- ✓ Rising yields since 2022 reflect a rise in base rates in the Euro Area and globally
- ✓ Debt maturity profile is in line with the Euro Area level and comparable to higher rated issuers
- ✓ Risk management considers various stress-test scenarios
- ✓ Sufficient capacity to absorb both short- and medium-term financing needs



Average Maturity and Yield Metrics



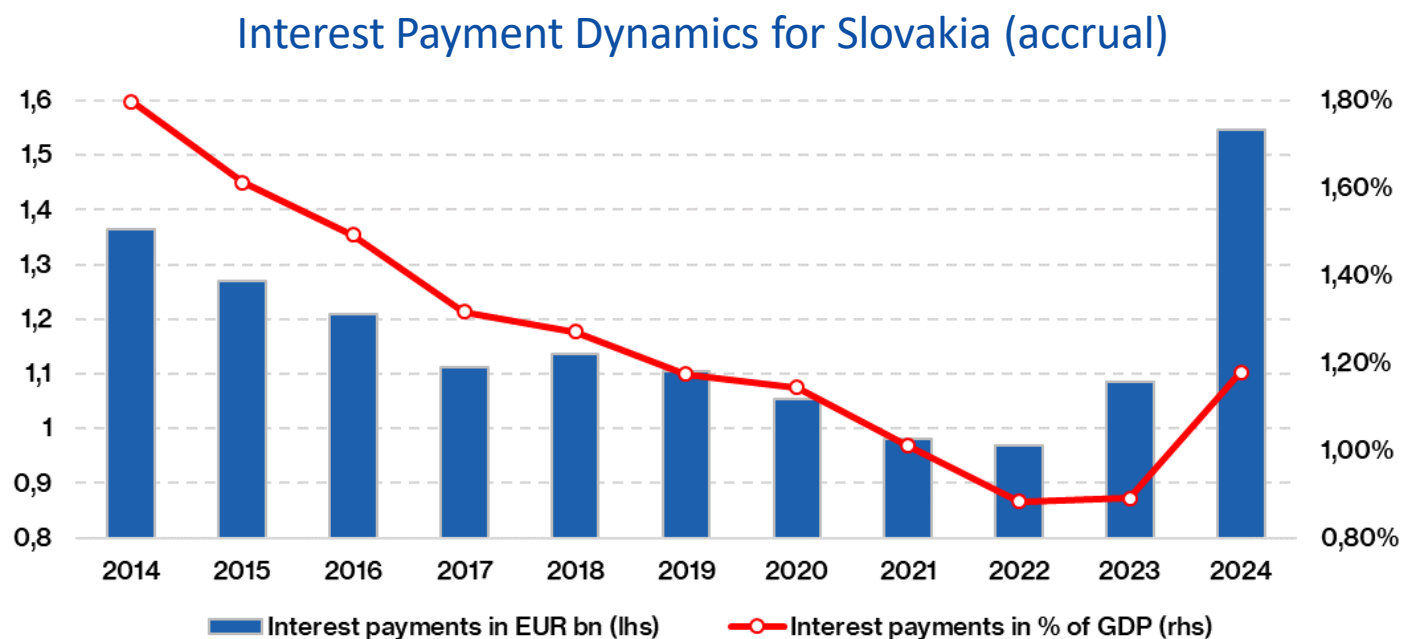
Risk Indicators International Comparison

As of 30 June 2024	Slovakia	Belgium	France	Slovenia	Latvia	Germany	Austria	Euro Area
Average Life of Debt (years)	8.36	10.31	8.52	9.46	7.38	7.81	10.89	8.61
Refinancing Risk 1Y (% of total debt)	8.79	19.12	14.42	7.49	4.87	15.47	17.27	14.08
Refinancing Risk 5Y (% of total debt)	37.64	41.81	49.18	38.42	56.23	50.41	49.78	46.22
Refixing Risk 1Y (% of total debt)	8.79	19.55	24.68	7.57	5.05	19.70	18.11	20.73
Refixing Risk 5Y (% of total debt)	37.64	42.23	55.81	38.50	56.30	54.96	50.66	50.36
Foreign Debt to Total Debt (before derivatives) %	1.18	0.95	0.00	2.26	6.73	0.00	0.85	0.34
Foreign Debt to Total Debt (after derivatives) %	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.01

Source: ARDAL, as of June 2024

Interest Costs

- ✓ Well-distributed debt maturity profile is a testament to the prudent risk management practice and has resulted in a limited increase in cost expenditure



**Year 2024 is estimate for the whole year as of September*

Source: ARDAL, as of September 2024

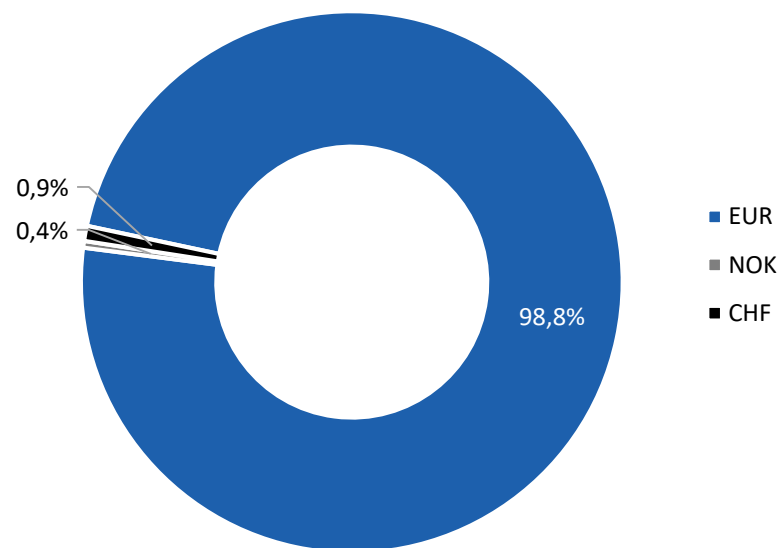
Strong Resilience to FX Volatility and Diversified Investor Base

- ✓ Debt primarily denominated in domestic currency (EUR)
- ✓ CHF, NOK, CZK, USD, JPY historically
- ✓ Return to CHF market in 2024

- ✓ Increased portfolio holdings of residents due to PSPP and PEPP

Currency Breakdown

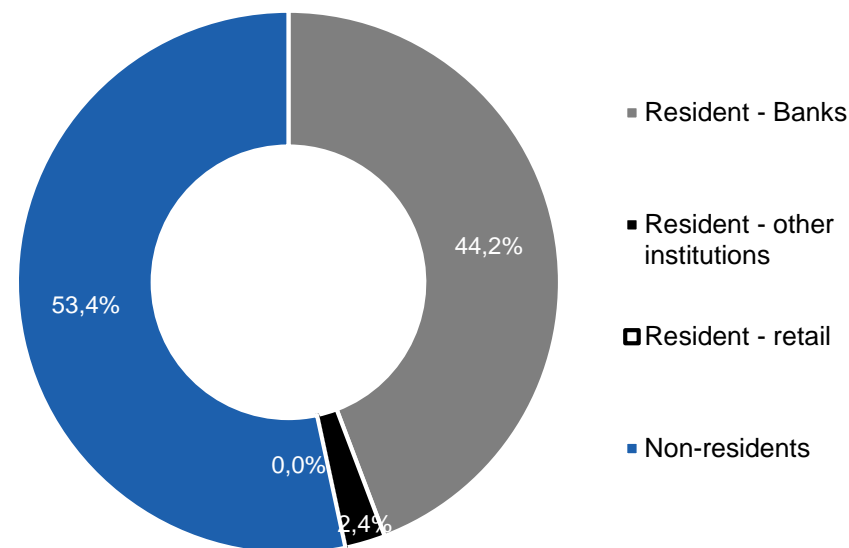
(%)



Source: ARDAL, as of September 2024

Investor Type Breakdown

(%)*



*Bonds held in Slovak Central Securities Depository
Source: ARDAL, as of September 2024

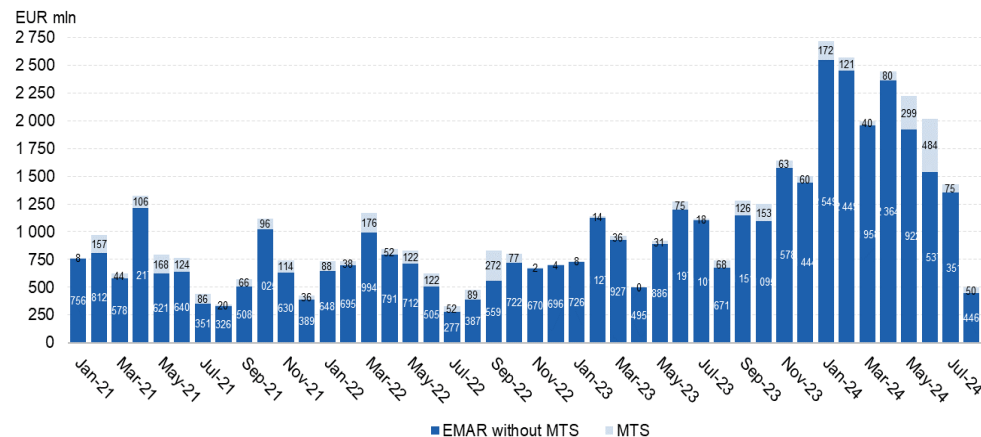


Secondary Market

- ✓ Introduction of MTS Slovakia in February 2018
- ✓ Quoting obligation for Primary Dealers
- ✓ Average monthly traded volume on MTS Slovakia EUR 103 million since inception

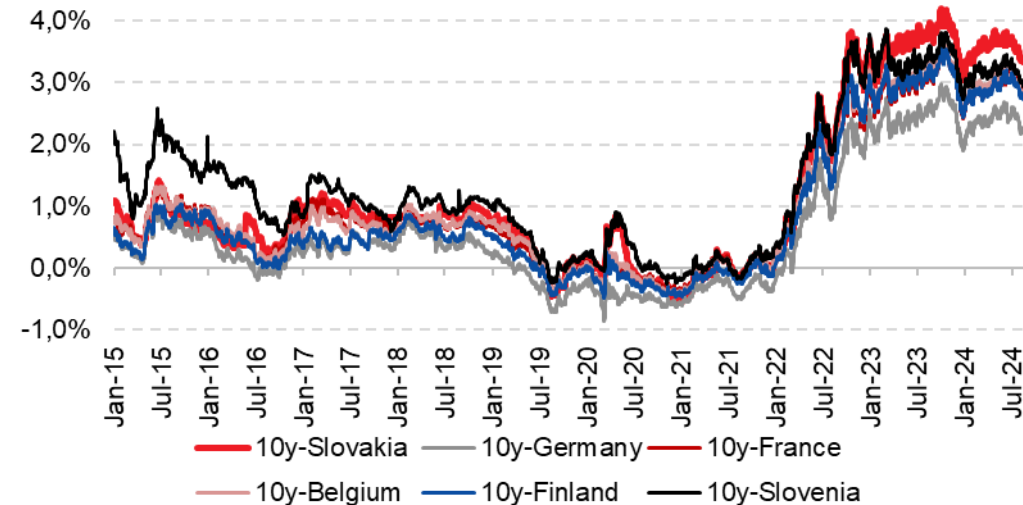


Slovak PDs Secondary Market (EMAR)



Source: ARDAL, MTS

Slovakia 10Y Government Bond versus Peers



Source: ARDAL, Bloomberg

Auction Calendar 2024 – Regular Bond Auctions

Government Bonds		
Auction Date	Settlement Date	Offered Bonds
15 January	17 January	06/27, 10/32, 04/36, 10/51
19 February	21 February	06/27, 10/32, 06/33, 10/47
18 March	20 March	06/27, 10/32, 06/33, 02/35
15 April	17 April	02/26, 02/28, 03/34, 10/47
20 May	22 May	02/26, 02/28, 03/34, 04/36
17 June	19 June	02/26, 06/33, 03/34, 02/35
16 September	18 September	02/26, 02/28, 06/33, 02/35
21 October	23 October	02/28, 03/34, 02/35, 04/36
18 November	20 November	to be decided

Source: ARDAL

- ✓ Auctions on the third Monday of the month – no auction in July, August and December
- ✓ Settlement T+2 (Wednesday)
- ✓ Non-competitive part of the auction usually on the next day (Tuesday) with settlement T+1 (Wednesday)
- ✓ Possibility to include additional auctions based on the funding requirements and market conditions





v Transaction Overview

Transaction Term Sheet

Issuer	The Slovak Republic acting through the Ministry of Finance of the Slovak Republic and represented by the Debt and Liquidity Management Agency (ARDAL)
Ratings	A2 (negative) by Moody's / A+ (stable) by S&P / A (stable) by Fitch
Status	Senior Unsecured
Format	Regulation S only
Currency	Euro
Tenor	Single Tranche: 7-year
Size	Benchmark
Maturity	[] November 2031
Coupon	Fixed (Annual, ACT/ACT, ICMA)
Denominations	EUR 1 x EUR 1
Governing Law / Listing	Slovak Law / Bratislava Stock Exchange (Main Market)
Use of Proceeds	The net proceeds of issue of the Notes will be used for funding of the state debt of the Slovak Republic
Joint Bookrunners	Citi, CSOB (KBC Group), Deutsche Bank, J.P. Morgan (B&D)
Target Market	EU MiFID II – Eligible counterparties, Professional and Retail Clients (all distribution channels)



Primary Dealers of the Slovak Republic

- ✓ Barclays Bank Ireland PLC
- ✓ Citibank Europe PLC
- ✓ Československá obchodná banka, a.s. (KBC Group)
- ✓ Deutsche Bank AG
- ✓ J.P. Morgan SE
- ✓ Slovenská sporiteľňa, a.s. (Erste Group)
- ✓ Tatra banka, a.s. (RBI Group)
- ✓ UniCredit Bank GmbH
- ✓ Všeobecná úverová banka, a.s. (Intesa Sanpaolo Group)



Contacts

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