

SLOVAK REPUBLIC

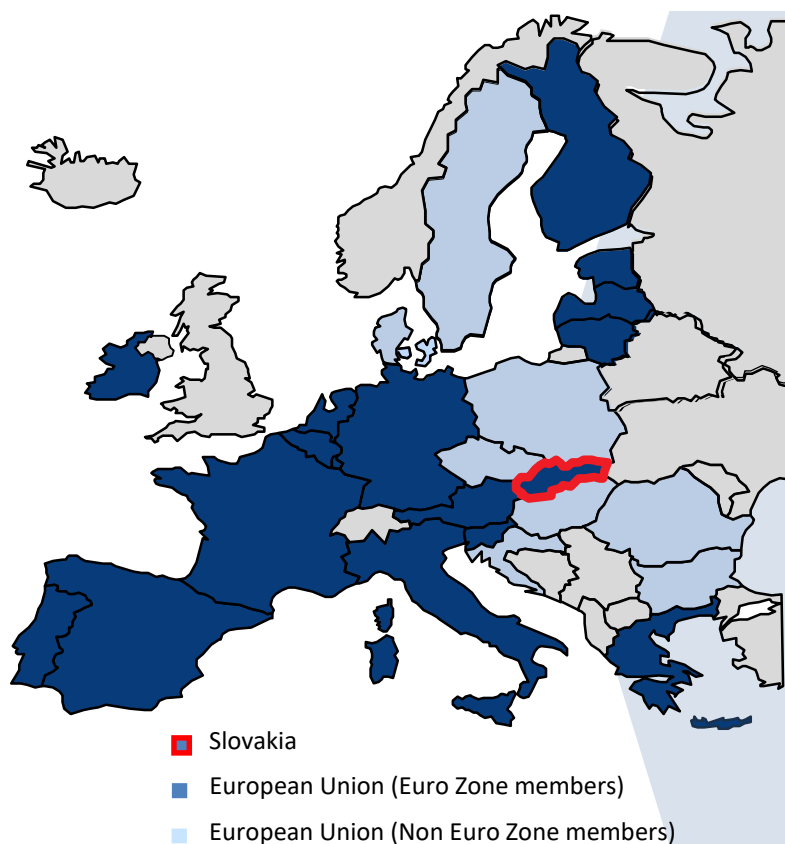
Investor Presentation April 2021



Slovakia: A Robust Credit Story

Slovakia – At a Glance

Geographical location

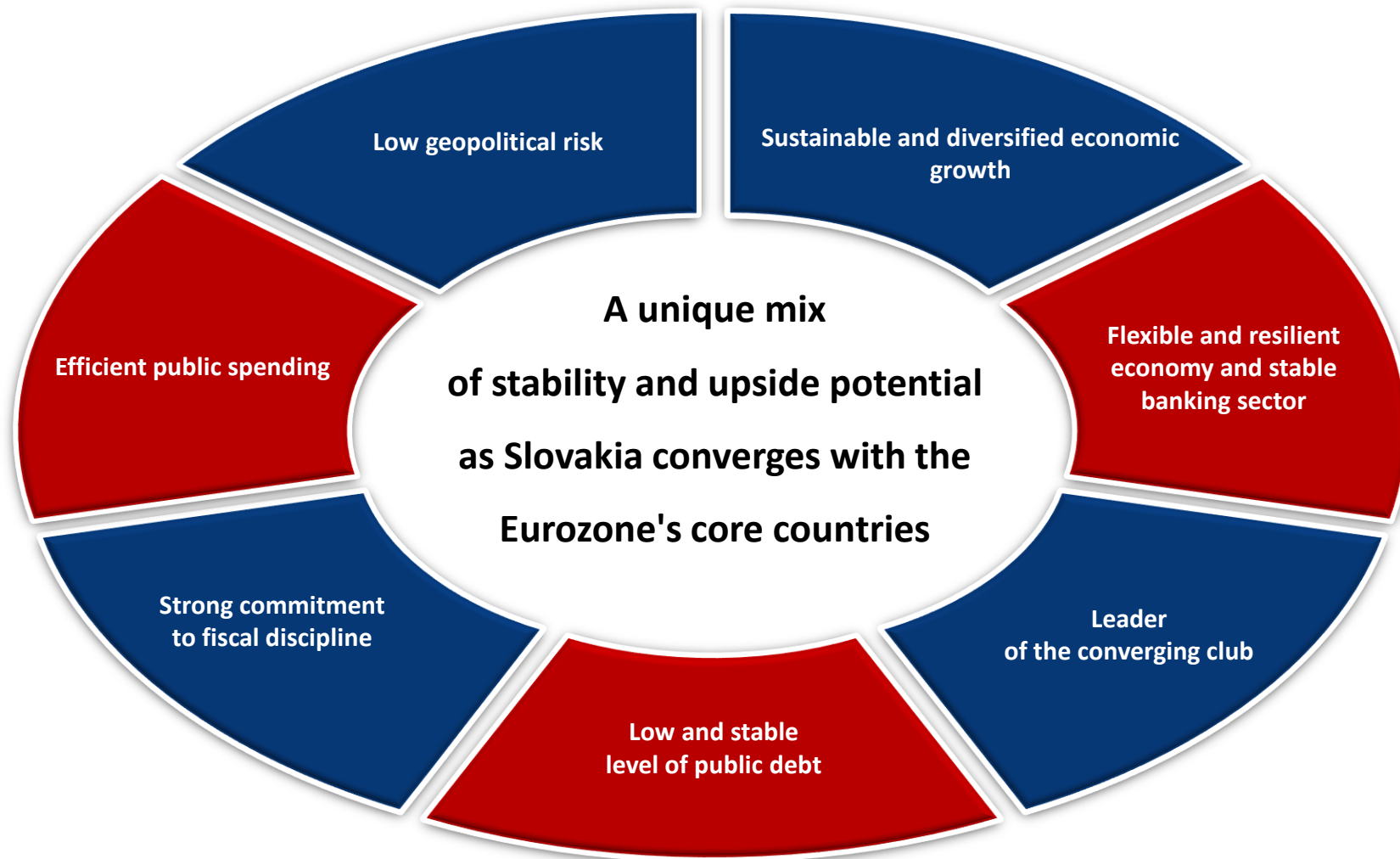


Key facts

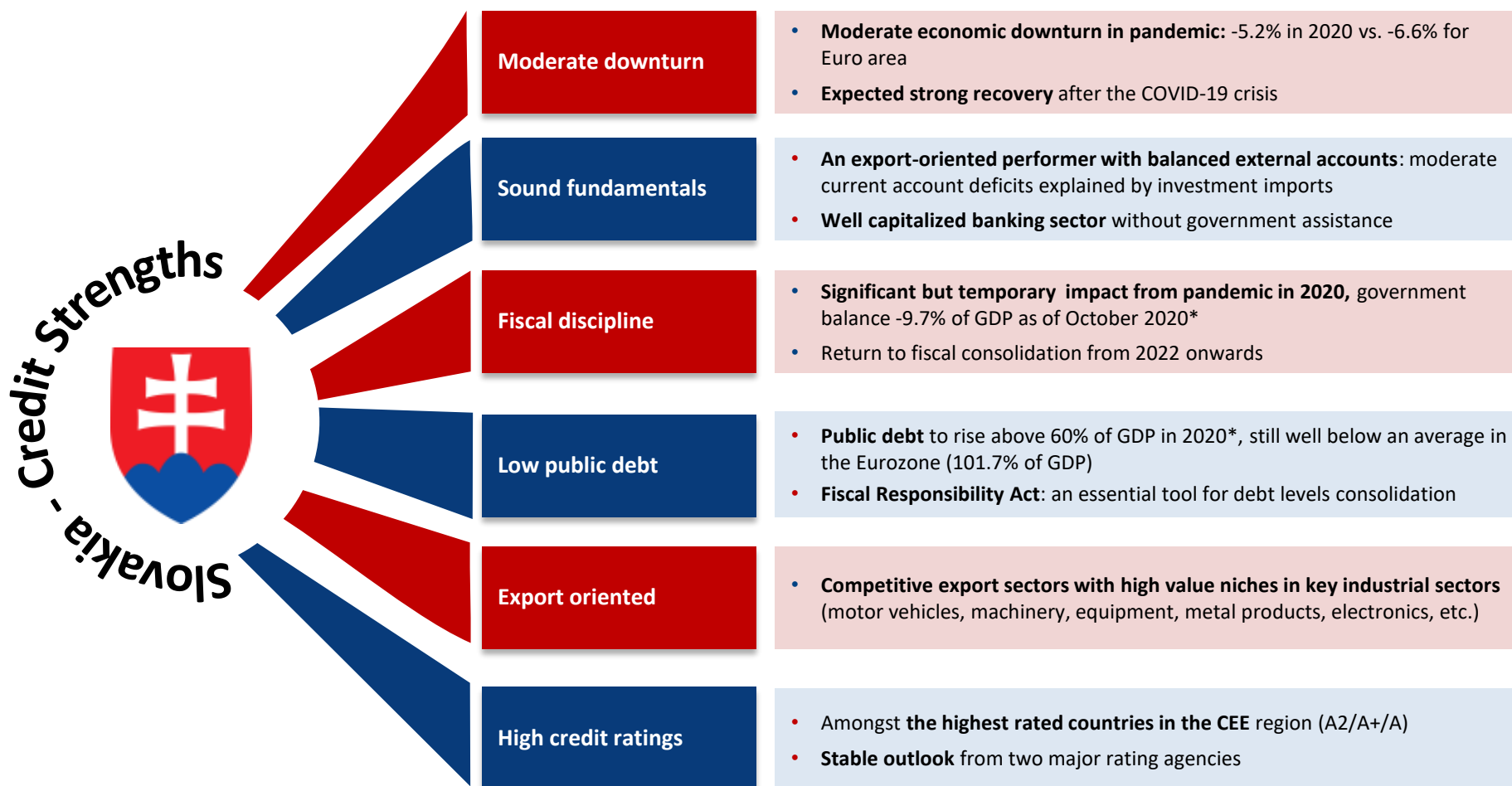
Ratings (Moody's/S&P/Fitch)	A2 (stable) / A+ (stable) / A (negative)
GDP (2020)	€ 91.1 billion
GNI per capita (2019)	€ 17,039
Population (2020)	5.5 million
Real GDP growth (2020)	-5.2%
Inflation (HICP – 2020)	2.0%
Currency	EUR
Key economic sectors	Services, Manufacturing, Wholesale & Retail Trade, Construction
Memberships	OECD, EU, EMU, NATO, Schengen Area
Head of State	President Mrs. Zuzana Čaputová
Capital	Bratislava
Territory	49,034 km ²

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





Slovakia – Credit Strengths in Detail



**Draft Budgetary Plan for 2021 based on preliminary estimates from October, the recent cash data point to general government deficit below 7 % of GDP*



Transformation Success Story

- ✓ Small and effective government
- ✓ High share of investment to GDP
- ✓ Sustainably robust GDP growth
- ✓ Export-oriented economy
- ✓ Commitment to fiscal discipline
- ✓ Economic costs of COVID-19 are comparable within the region

SLOVAKIA	2015	2016	2017	2018	2019	2020	2021e
Real GDP Growth (in %)	4.8	2.1	3.0	3.8	2.3	(5.2)	3.3
<i>Private Consumption</i>	2.8	3.9	4.5	4.1	2.3	(1.1)	(3.3)
<i>Public Consumption</i>	5.3	1.9	1.0	0.2	4.7	(2.3)	3.6
<i>Gross fixed capital formation</i>	21.6	(9.3)	3.5	2.6	5.8	(11.9)	0.8
<i>Exports (goods and services)</i>	6.6	5.0	3.6	5.2	0.8	(7.2)	10.6
<i>Imports (goods and services)</i>	8.5	4.8	3.9	4.9	2.1	(8.5)	8.8
GNI (real growth p.c. in %, adjusted by GDP deflator)*	2.9	3.8	3.8	4.3	1.9	-	-
Employment Growth (% p.a.)	2.0	2.4	2.2	2.0	1.0	(1.9)	(0.4)
Unemployment rate (% of labour Force)	11.5	9.6	8.1	6.5	5.8	6.7	7.1
Inflation (HICP) (% p.a.)	(0.3)	(0.5)	1.4	2.5	2.8	2.0	1.1
General government balance (% of GDP)	(2.7)	(2.6)	(0.9)	(1.0)	(1.4)	(9.7)**	(7.4)**

Sources: Eurostat, MoF March forecast for 2021, EC for GNI in current prices per head of population

*Last available value for GNI is for 2019

** Draft Budgetary Plan for 2021 as of October 2020



Structural Reforms For Long-Term Development

The Slovak government remains committed and continues to implement structural reforms to boost competitiveness and quality of life for the country.

EU Recovery and Resilience Plan

- ✓ Focusing on 5 key structural areas in Slovakia with investment plan for 2021 – 2026:
 - Better education
 - Healthy life
 - Effective public administration and digitalization
 - Green economy
 - Competitive and innovative economy

Improving Tax Collection and Combating Tax Evasion

- ✓ VAT gap has decreased from 37% in 2012 to 16.6 % in 2020.
- ✓ Primarily due measures aimed at increasing tax collection. In 2020, online cash registers were introduced to tackle evasion in sectors with the largest VAT gap such as retail, hotels and restaurants. Besides, electronic invoicing is expected to be introduced in June 2022.

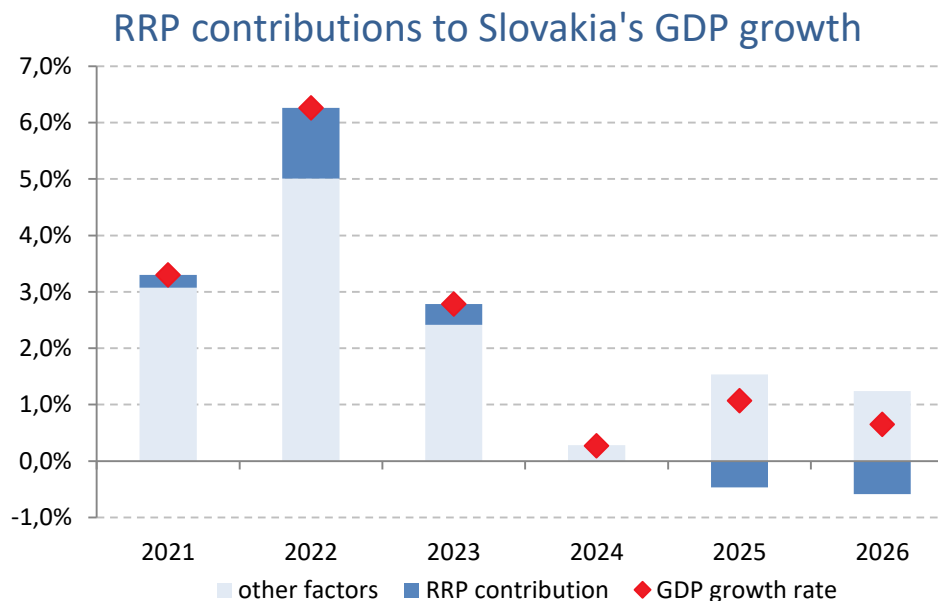
Value for Money Initiative

- ✓ Government initiative to raise public spending efficiency (started in 2016)
 - Compulsory spending reviews of at least 50% of government expenditures within the electoral cycle
- ✓ Reinforced the Ministry of Finance mandate in 2020:
 - Strengthening the role of the VfM Unit in investment process and managing the investment centralized budget
 - Efficiency check of investment projects exceeding € 1mn

Expected Reform of Fiscal Responsibility Act

- ✓ Implementation of multi-annual expenditure limits to promote effective fiscal policy
- ✓ Net debt basis to provide flexible liquidity management
- ✓ Recalibrations of debt thresholds, escape clauses and respective sanctions
- ✓ Stronger emphasis on analytical input into the budgetary process



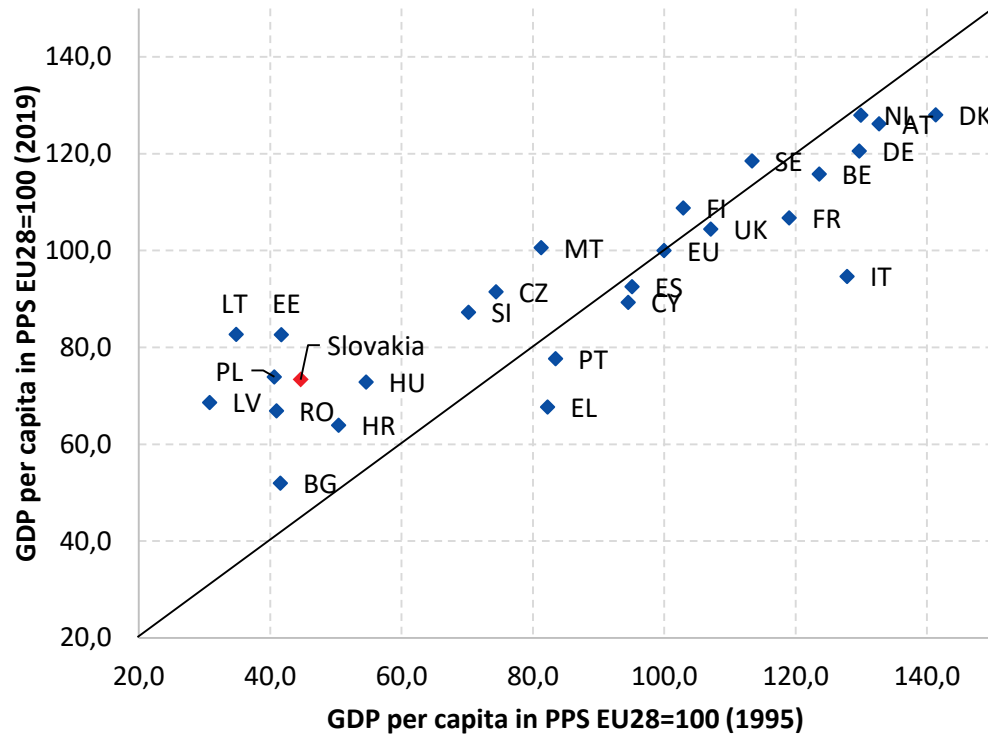


✓ **RRP is expected to boost the economy mainly from 2022 to 2026**

- Slovak economy is set to grow by 6.3 percent in 2022, partly due to financial impulse from the RRP
- Public investment funded by the RRP will boost the output by approx. 1 bn. EUR each year until 2026.



Ongoing Convergence



- ✓ **Leading convergence player**
- ✓ **Currently: 73.3% of the EU28 GDP/per capita**
- ✓ **Convergence: 28,7 p.p. in 24 years**
- ✓ **Continued convergence process**

Slovakia – A Top Performer Among EZ Countries

- ✓ Slovakia's economic performance declined in 2020 due to coronavirus - however, the slump is milder than in the euro area
- ✓ Healthy and competitive external sector and industrial production suggest a high growth potential for Slovakia
- ✓ Convergence is almost complete for the unemployment and inflation rates
- ✓ Slovakia's public debt ratio is among the region's lowest at almost half that of the euro area average with a large head room to face COVID-19 emergency

	Slovakia		Belgium		Finland		Eurozone	
	2019	2020	2019	2020	2019	2020	2019	2020
Real GDP growth (%)	2.3	(5.2)	1.7	(6.4)	1.3	(2.8)	1.3	(6.6)
Inflation – HICP (%)	2.8	2.0	1.2	0.4	1.1	0.4	1.2	0.3
Unemployment rate (%)	5.8	-	5.4	-	6.7	-	7.5	-
Current Account Balance (% of GDP)	(2.7)	(4.2)	0.3	0.7	(0.2)	(1.5)	2.3	-
Budget Balance (% of GDP)*	(1.4)	(9.6)	(1.9)	(11.2)	(1.0)	(7.6)	(0.6)	(8.8)
Structural Budget Balance (% of pot. GDP)*	(2.8)	(7.8)	(3.3)	(6.8)	(1.7)	(5.3)	(1.3)	(4.8)
General Government Gross Debt (% of GDP)*	48.5	63.4**	98.1	117.7	59.3	69.8	84.0	101.7

Source: Eurostat, EC

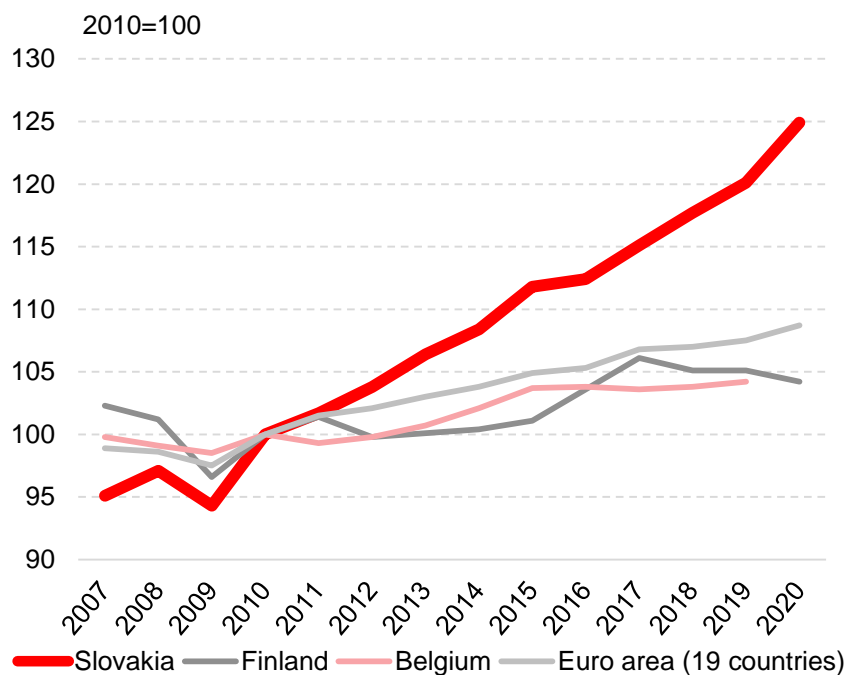
* EC autumn forecast as of October 2020. However, the latest data indicate fiscal indicators to be significantly better in 2020.

**Including extra cash reserves, which increased from 2.9% of GDP (2019) to 8.0% of GDP (2020).



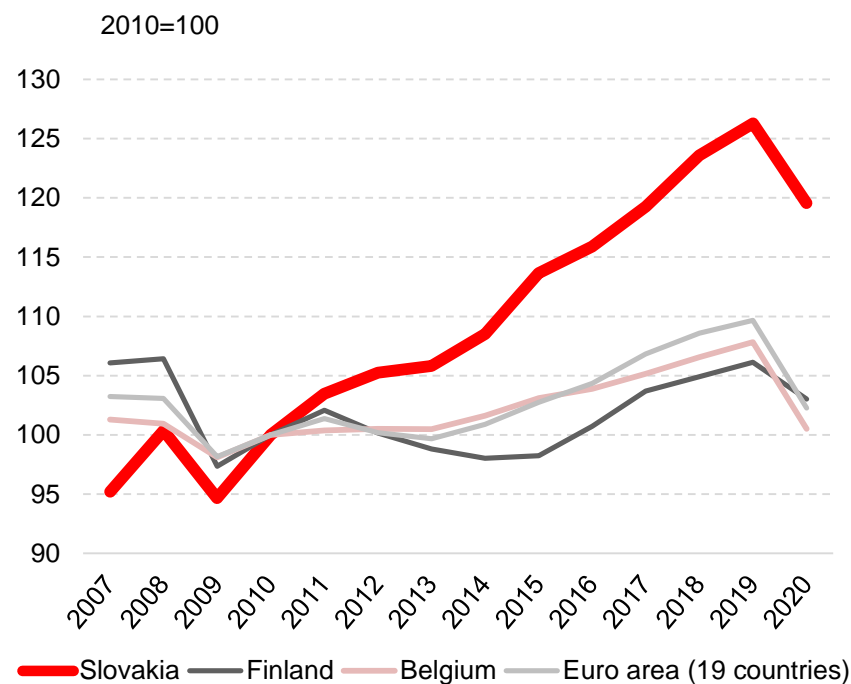
Strong Productivity and GDP Growth

Real labor productivity per hour worked



* Data for 2020 for Belgium is not available

GDP per capita (chain-linked volumes)



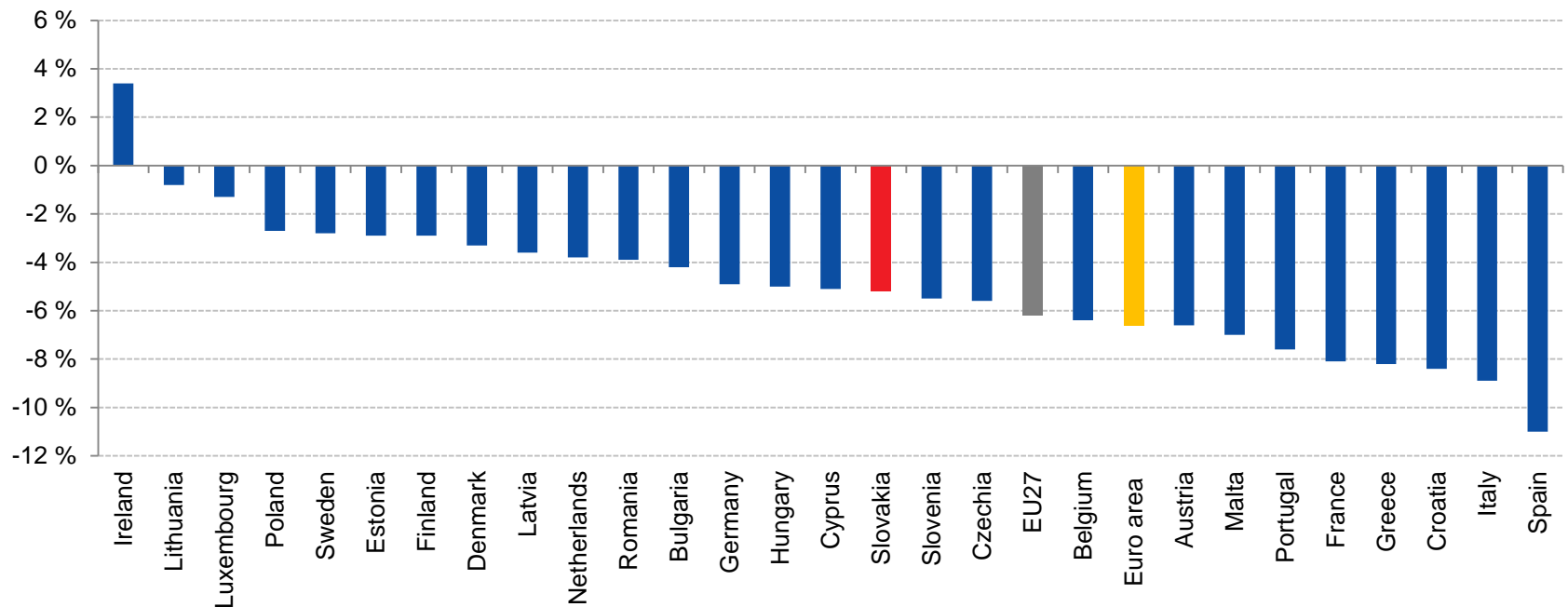
Source: Eurostat



GDP Loss in 2020 - Less Than EU Average

- ✓ Second half of 2020 saw strong recovery mainly due to resilient manufacturing production and strong exports

Real GDP Growth in 2020



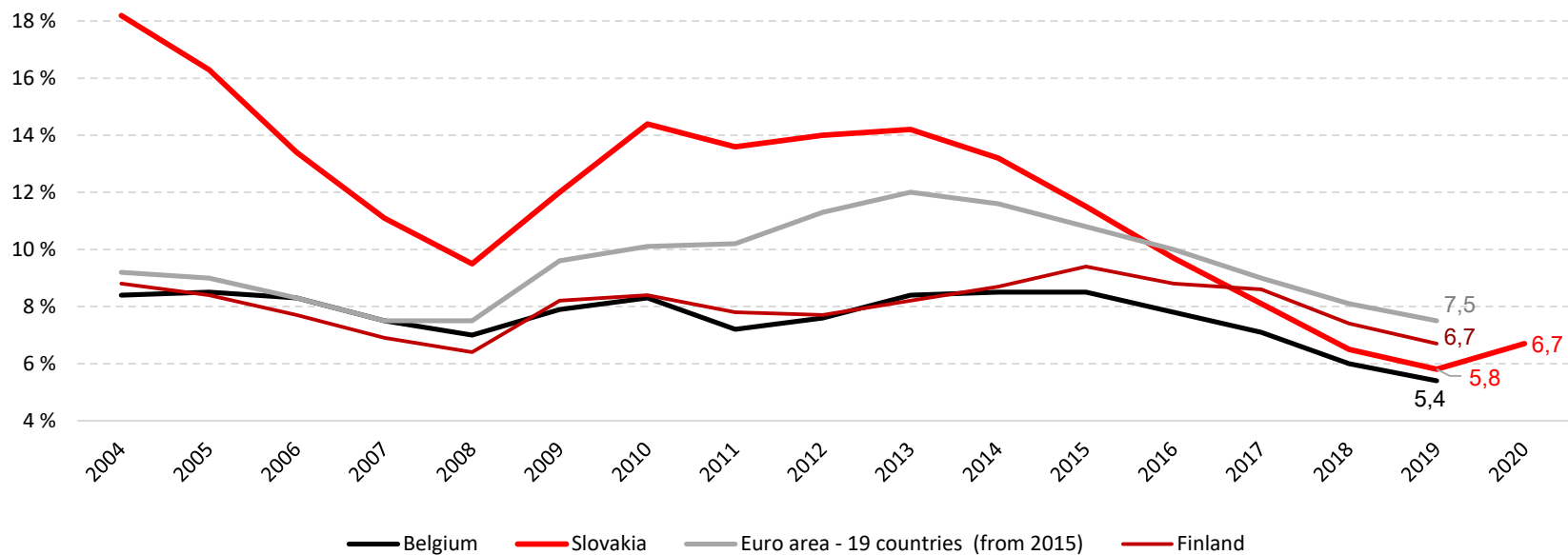
Source: Eurostat



Unemployment Rate Increased Due to Crisis

- ✓ The unemployment rate declined towards historical minimum in 2019
- ✓ Yet, the pandemic reverted the positive trend
- ✓ Nevertheless, the labour market outcome is **currently comparable to euro area peers**

Unemployment Evolution versus Peers



* Data for 2020 for other countries is not available yet, but an increase in the unemployment rate is also expected in those countries.

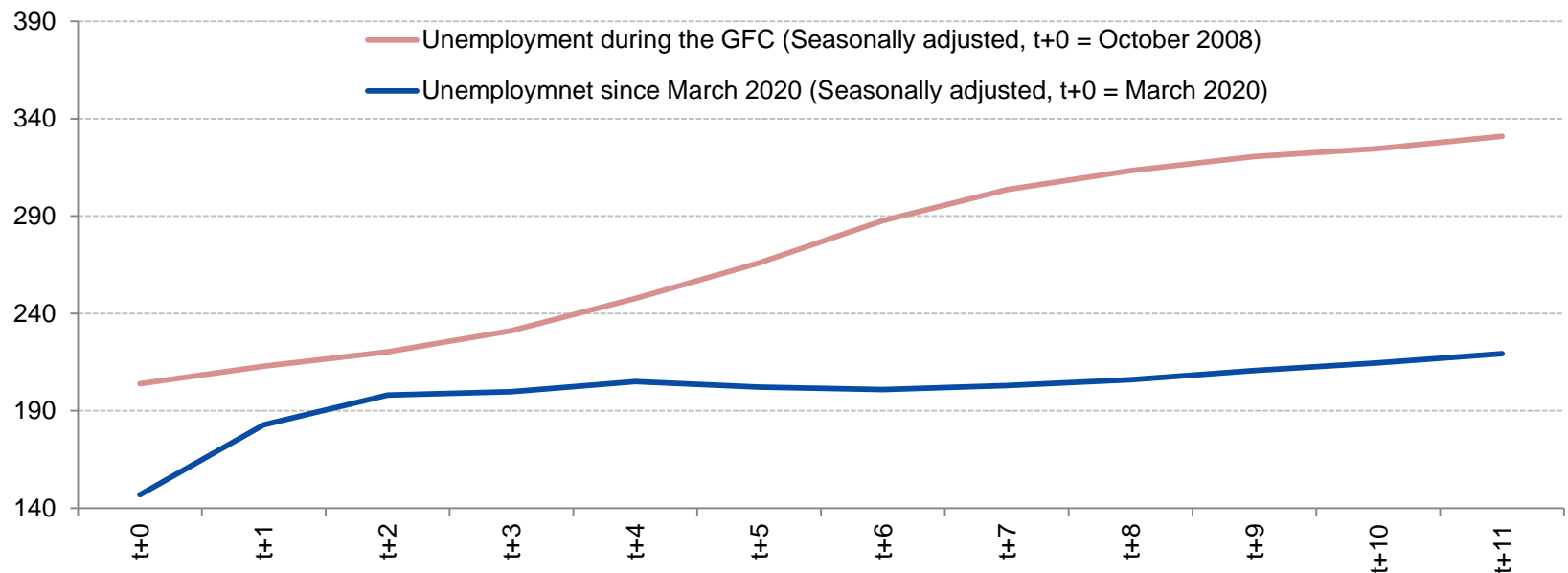


Source: Eurostat

Unemployment Grew Less than in the Great Financial Crisis

- ✓ Despite the sharp drop in GDP during the pandemic, the labour market is fairly stable
- ✓ **With swift policy reaction, the unemployment rate increased by less compared to the global financial crisis**
- ✓ **Recovery expected in the second half 2021**

Disposable Unemployment, Seasonally Adjusted, in Thousands

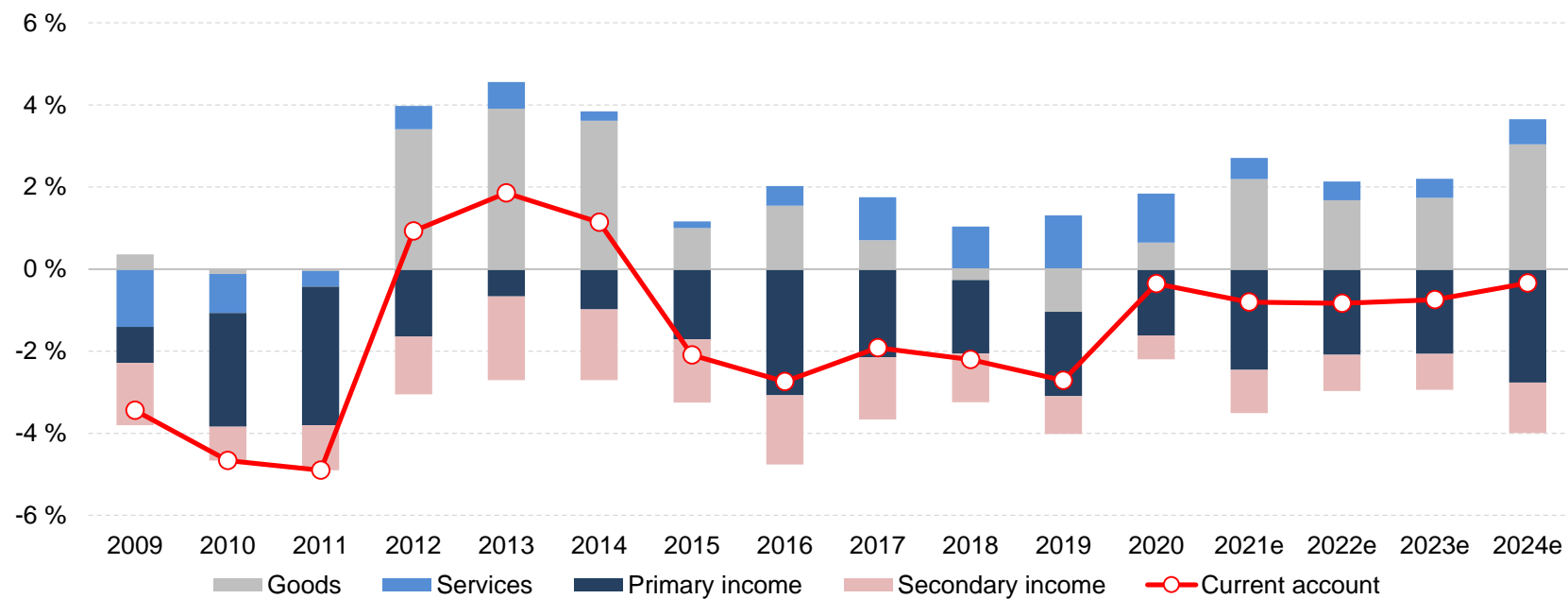


Source: Labor Office of the Slovak Republic and MoF



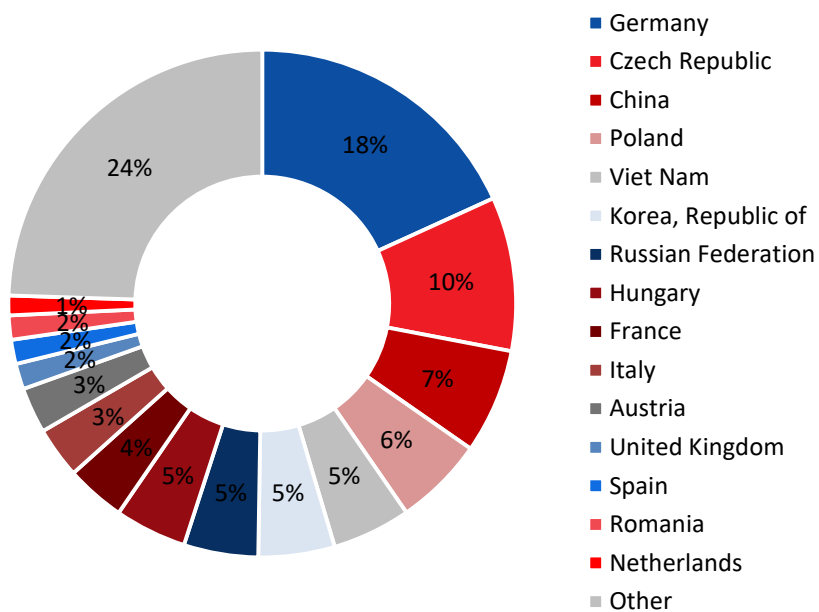
✓ External imbalances are curbed

Economic Composition of Accounts

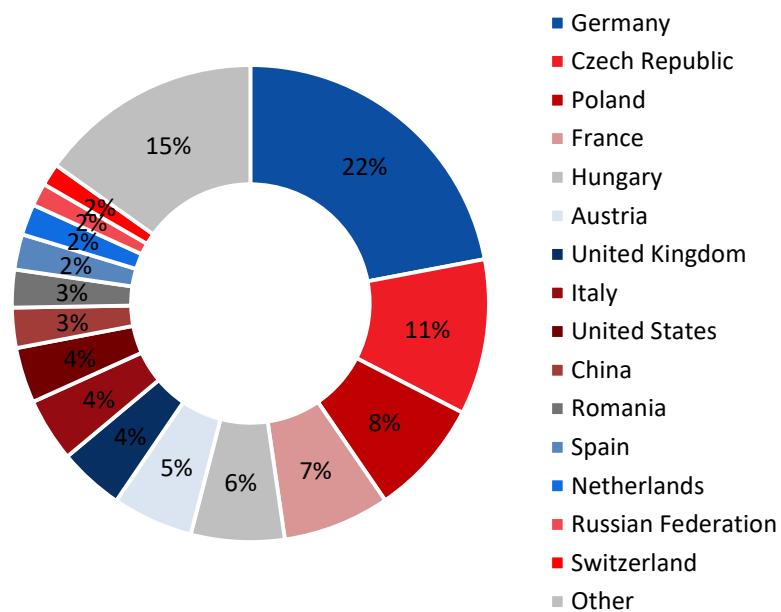


Key Trading Partners in 2020

Imports Geographical Structure (%)

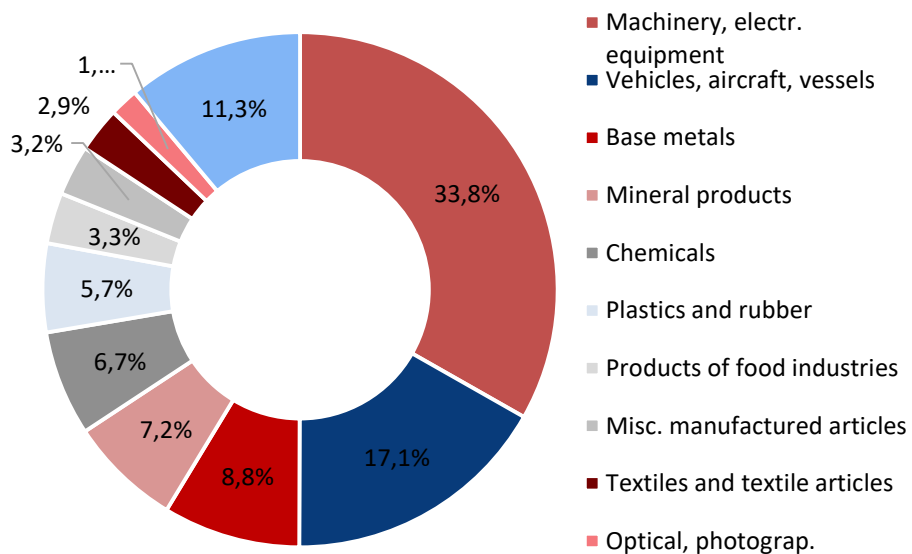


Exports Geographical Structure (%)

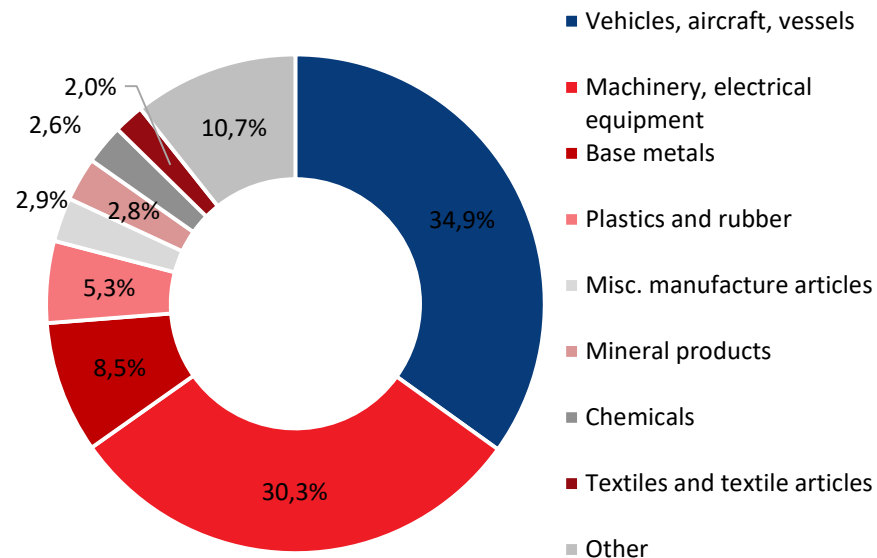


Key Export and Import Products in 2020

Imports by Product
(%)



Exports by Product
(%)



Ratings Reflect a Solid Credit Profile



Rating Agency	Rating	Comments
MOODY'S	A2 Stable (Sept. 2019)	<i>"government fiscal metrics ... remain strong in a global comparison against a level of institutional strength that, although high in a broader international comparison, continues to be constrained by long-standing issues related to the rule of law and control of corruption,"</i>
STANDARD & POOR'S	A+ Stable (Jan. 2021)	<i>"The stable outlook balances the consequences of the pandemic on public finances with our expectation of an economic rebound facilitated by a steady absorption of EU funds and continued investments from the private sector into Slovakia's productive capacity"</i>
FitchRatings	A Negative (Nov. 2020)	<i>"Fitch expects the fiscal balance to reach -8.1% of GDP in 2020 (previous review: -7.7%, 2019: -1.3%) before recovering modestly to -6.3% in 2021 and -5.4% in 2022 (current peer median -5.4%). We expect that the government will undershoot its deficit target, given likely challenges with execution of some investment projects associated with EU funds (as of end-October, state budget expenditure had reached only 61.8% of the full-year target). ... "</i>

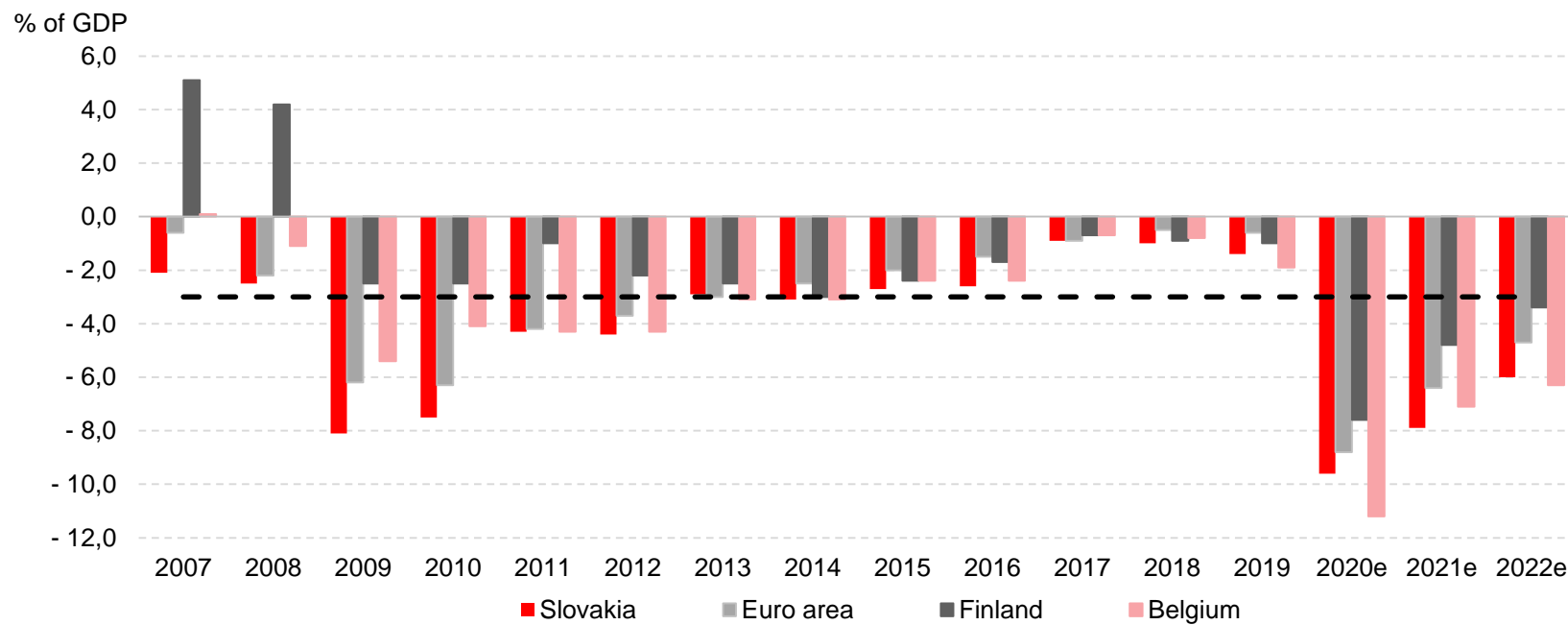


Sources: Moody's, S&P and Fitch

Track Record of Prudent Fiscal Policy

- ✓ Since global financial crisis in 2009, Slovakia successfully consolidated the government deficit by 6.7% of GDP (2019)
- ✓ Deterioration of 2020 deficit primarily reflects the outbreak of COVID-19 pandemic
- ✓ Medium-term consolidation plan will be presented in the upcoming Stability programme

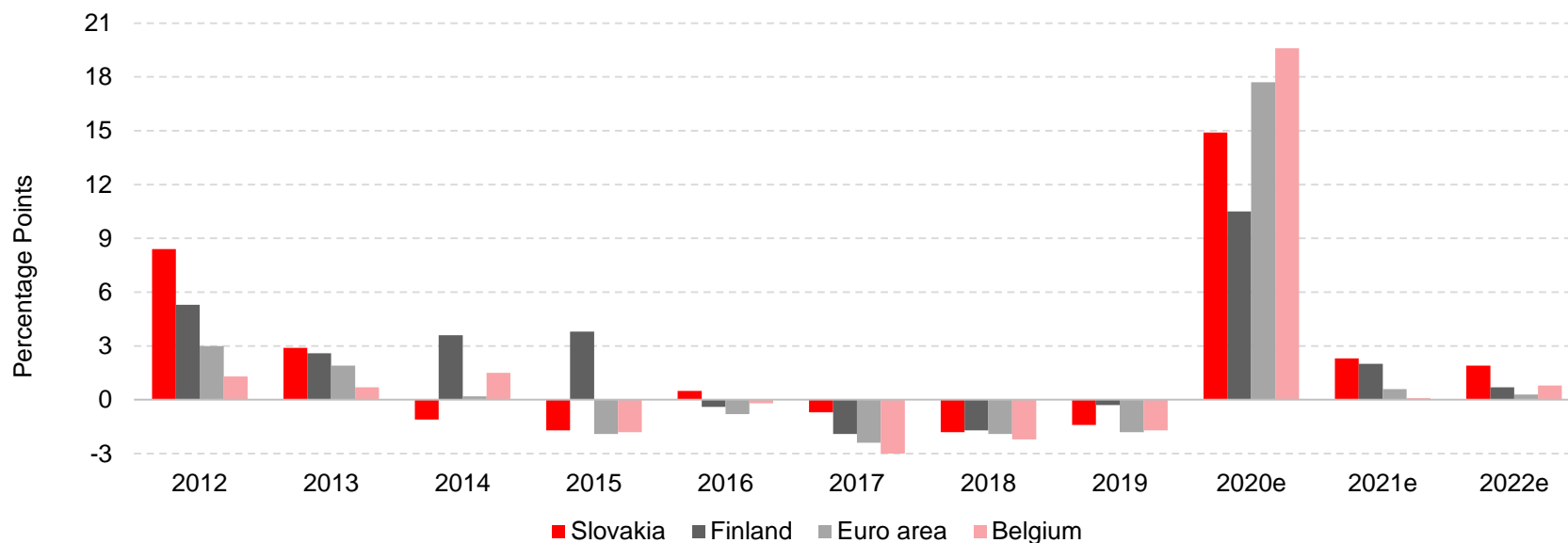
General Government balance



Government's Objective to Stabilize Post-Pandemic Debt

- ✓ **Public debt on a declining trajectory since 2014, with cumulative decline of 6.2% of GDP until 2019**
- ✓ Debt to GDP ratio decrease driven by macroeconomic growth, inflation and primary surpluses
- ✓ **Outbreak of COVID-19 caused an increase of public debt by more than 10 p.p. (preliminary estimate)**
- ✓ Upcoming medium-term plan will aim to stabilize debt-to-gdp ratio

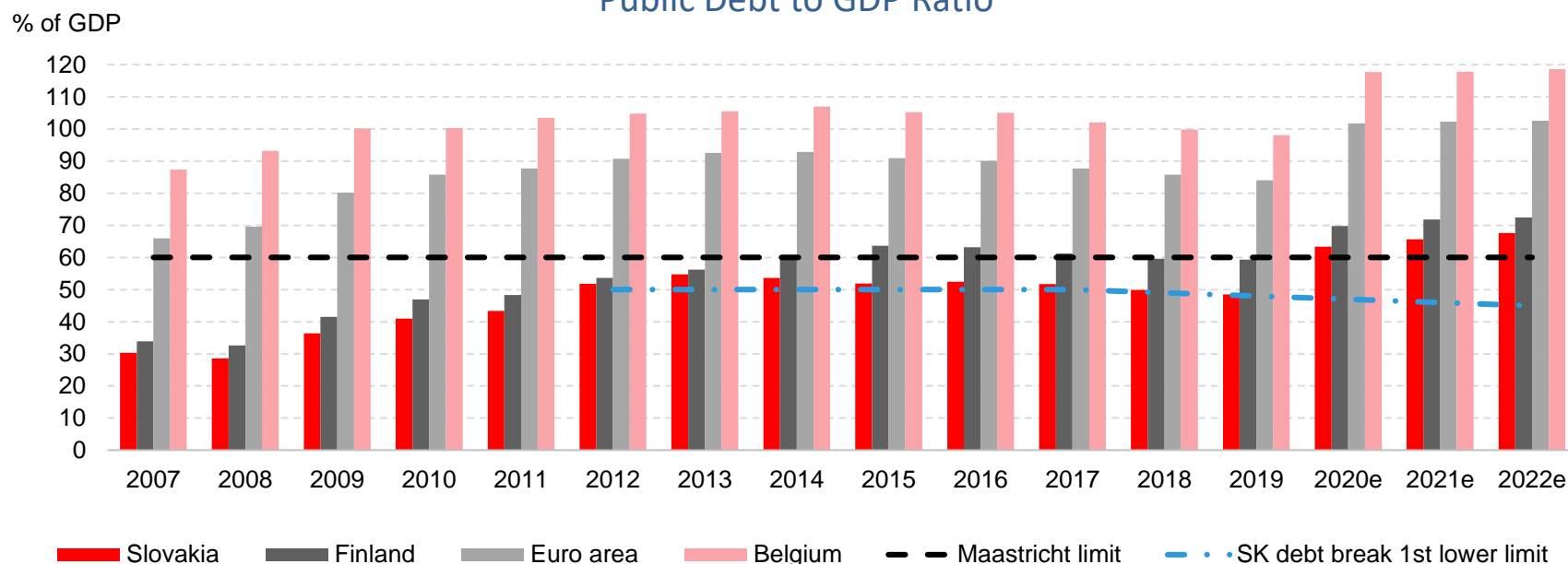
Change in the Public Debt to GDP Ratio



Safe Debt Position Anchored by the Debt Brake

- ✓ **Strong commitment to keep public debt below 50% of GDP “debt brake” (well below euro area average)**
- ✓ Fiscal responsibility act (national debt brake) became stricter starting from 2018:
 - ✓ Debt level below the sanction thresholds in 2019 at the level of 48.5% of GDP
 - ✓ Outbreak of COVID-19 worsen fiscal position in 2020
 - ✓ Proposed amendment of Fiscal Responsibility Act to be approved by Parliament in 2021

Public Debt to GDP Ratio



Prudent Debt Management Strategy

Debt Management in 2020

Financial needs originally planned at EUR 4.0 billion

- ⑩ Covid-19 pandemic changed plans significantly
- ⑩ GDP growth forecast revised several times, from +2.3% (September 2019) to -9.8% (June 2020) to -6.7% (September 2020); reality was -5.2%
- ⑩ State budget deficit for 2020 originally approved at EUR 2.4 billion (State budget for 2020), revised to EUR 12 billion (State budget for 2020 updated in July 2020); reality was EUR 7.8 billion

Sold amount of bonds EUR 10.0 billion

- ⑩ EUR 5.5 billion via Syndicate
- ⑩ EUR 3.5 billion via regular auctions without remuneration
- ⑩ EUR 1.0 billion via auction with remuneration

Sold amount of T-bills EUR 3.2 billion

- ⑩ EUR 1.7 billion maturing in 2020
- ⑩ EUR 1.5 billion maturing in 2021

Loans received in amount of EUR 1.1 billion

- ⑩ Only from international or supranational institutions (EIB and CEB)
- ⑩ Includes EUR 300 million from SURE

One benchmark redemption

- ⑩ EUR 3 billion in April
- ⑩ No T-Bills or foreign bonds redemption

Two syndicated bond transactions

- ⑩ EUR 1.5 billion 10Y benchmark in April
- ⑩ Dual tranche EUR 2.0 billion 5Y benchmark and EUR 2.0 billion 12Y benchmark in May

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

- ⑩ Two bonds offered from January till March; 4 bonds from April on
- ⑩ Special auction in March
- ⑩ Auction with remuneration in June (4Y and 7Y bond lines opened)

Cheap financing continued

- ⑩ Weighted average yield at 0.48% p.a. (new issuance; record all time low); weighted average maturity 9.6 years (new issuance)

Strong presence of ECB

- ⑩ Continuing PSPP (holdings 15.1 billion; end of February 2021) and new PEPP (holdings 5.4 billion; end of January 2021)
- ⑩ Central bank could buy approximately EUR 1 billion each month based solely on the announced aggregate amounts and ECB capital key – in reality significantly lower monthly purchases



Debt Management Outlook in 2021

Total redemptions in 2021 EUR 2.5 billion

- 10 EUR 1 billion bond matured in March 2021
- 10 EUR 1.5 billion T-bills maturing in January and May 2021

Uncertainty about GDP and state budget cash deficit

Budgeted cash deficit of state budget around EUR 8.0 billion in 2021

Total gross financing needs will be around EUR 10.5 billion, depending on budget deficit

- 10 EUR 3.5 billion can be issued via regular monthly auctions
- 10 EUR 3.5 billion can be issued via syndications
- 10 EUR 2.0 billion 1Y T-Bills – the amount will be decreased in case of better state budget development
- 10 EUR 0.5 billion loans (Supranational and SURE)
- 10 Rest from total needs (EUR 1.0 billion) – increase of State Treasury sources + liquidity buffer optimization

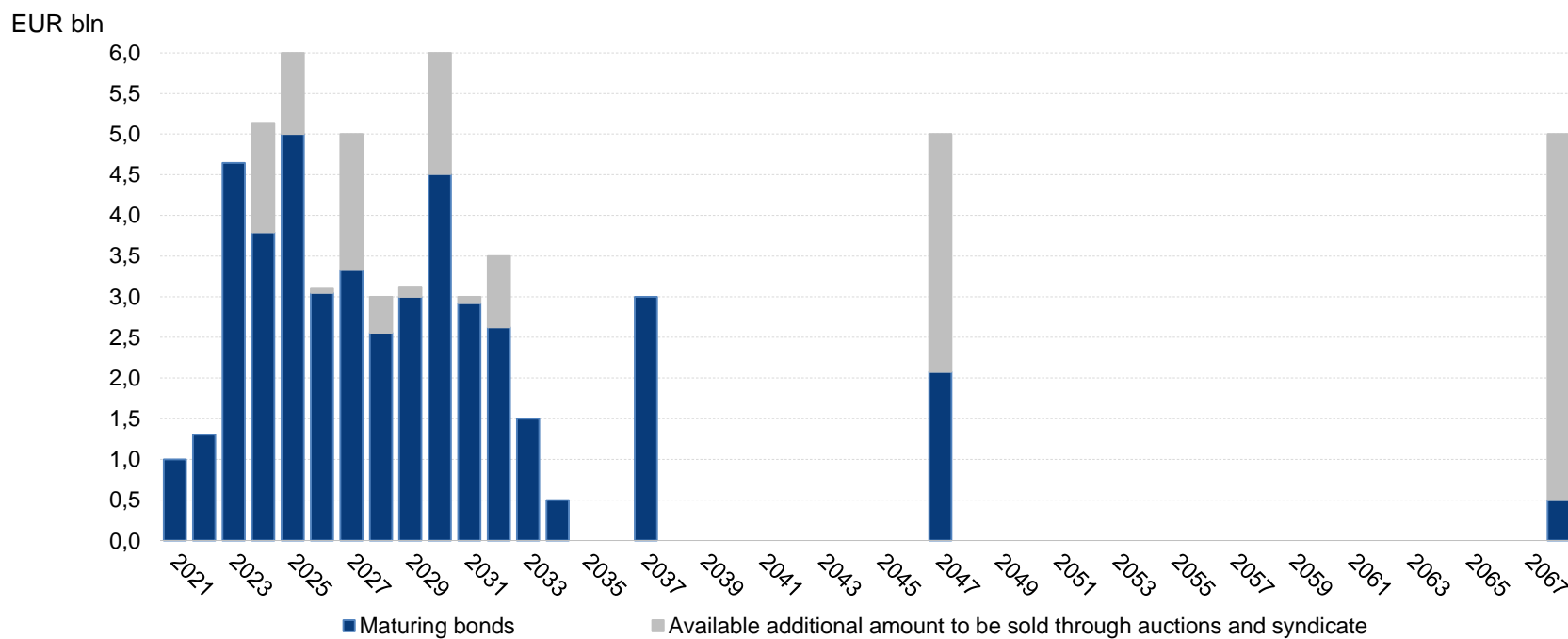
Ultra-long or foreign currency issuances are less likely



Bond Redemption Profile

- ✓ Smooth redemption profile not exceeding EUR 6 billion redemption in any single year
- ✓ Only small redemptions in 2021 and 2022

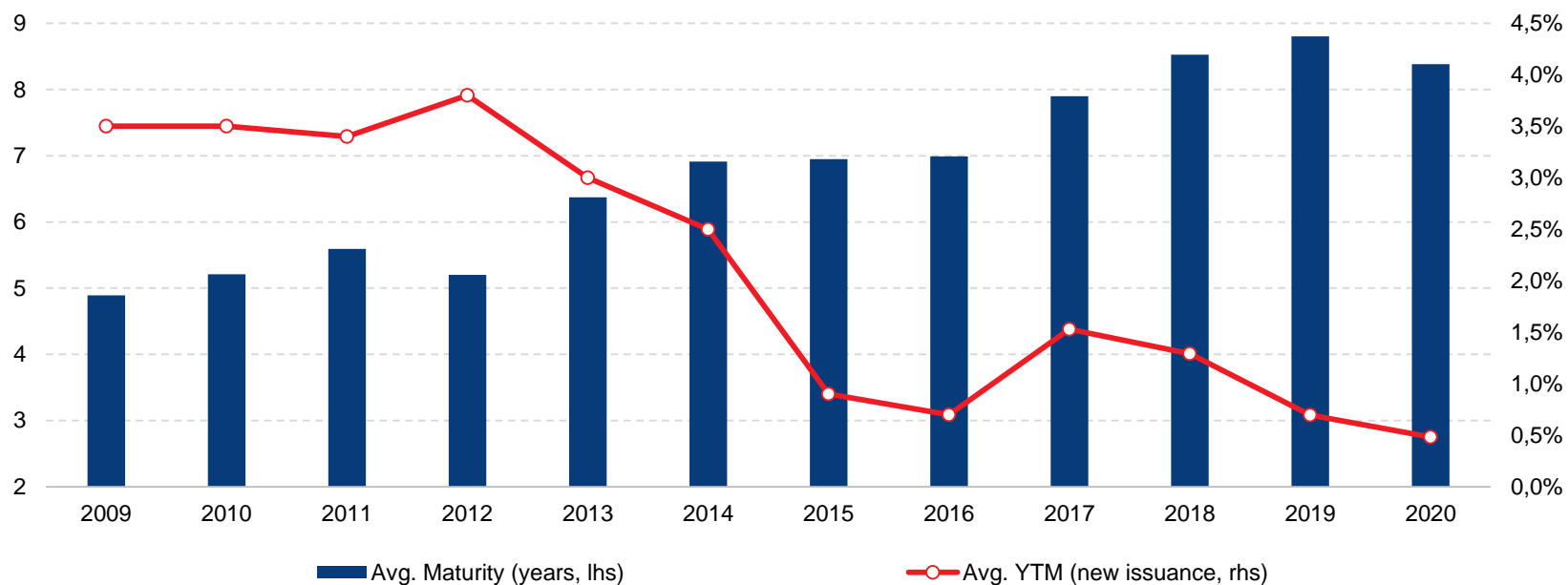
Slovakia Bond Redemptions



Government Bond Portfolio Metrics

- ✓ Average maturity increased steadily since 2012 – maintained above 8 years since 2018
- ✓ At the same time average YTM was reduced significantly

Average Maturity and Yield Metrics for Slovakia



Source: ARDAL, data as of December 31, 2020

Risk Indicators Comparison

As of 31 December 2020	Slovakia	Belgium	France	Slovenia	Latvia	Germany	Austria	Euro Area
Average Life of Debt (years)	8.3	9.6	8.2	8.8	8.6	7.3	10.1	8.2
Refinancing Risk 1Y (% of total debt)	5.0	14.2	14.0	11.4	12.8	16.1	15.4	15.1
Refinancing Risk 5Y (% of total debt)	35.5	39.0	45.8	35.7	53.9	50.9	49.3	47.6
Refixing Risk 1Y (% of total debt)	5.1	14.7	24.2	12.0	12.3	22.0	16.0	23.6
Refixing Risk 5Y (% of total debt)	35.5	39.4	52.3	36.1	56.7	56.7	50.0	52.0
Foreign Debt to Total Debt (before derivatives) %	3.9	1.3	0.0	3.9	4.1	5.1	0.4	0.7
Foreign Debt to Total Debt (after derivatives) %	0.1	0.0	0.0	0.1	1.2	7.4	0.8	0.1

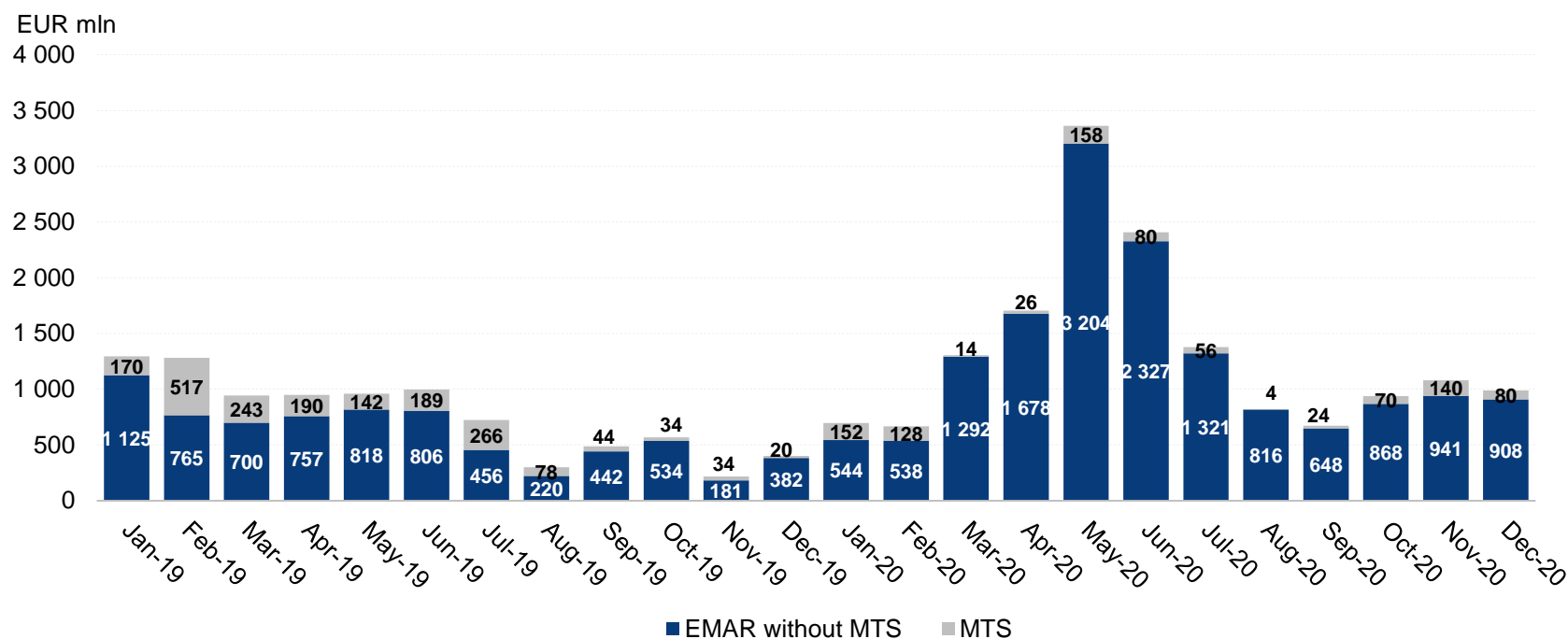
- ✓ Prudent risk management
- ✓ Average debt maturity of Slovakia at Euro Area level and comparable with higher rated issuers
- ✓ Sufficient space for short term financing and shock absorption



Source: ESDM, data as of December 31, 2020

- ✓ Introduction of MTS Slovakia in February 2018
- ✓ Quoting obligation for Primary Dealers

Slovak PDs Secondary Market (EMAR)

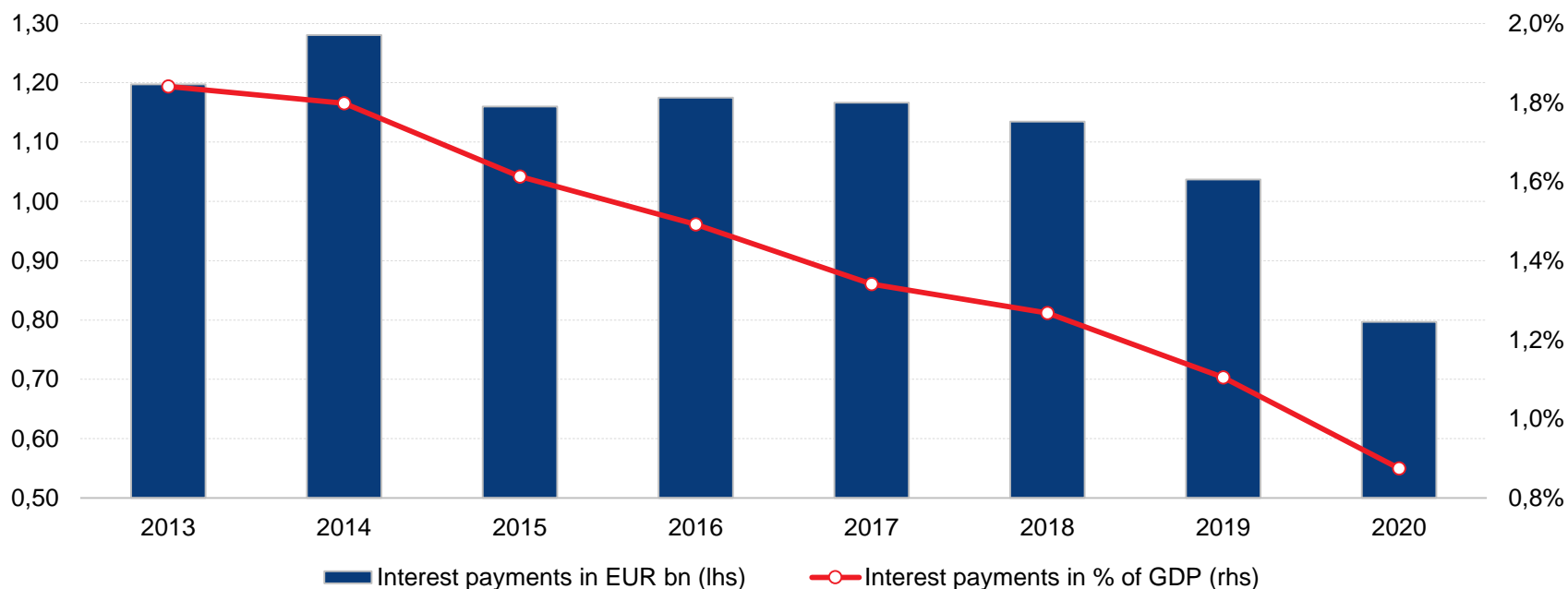


Source: ARDAL, data as of December 31, 2020

Interest Payments Development

- ✓ Interest payments are at historical lows as a percentage of GDP
- ✓ ECB's PSPP further helped in decreasing interest payments
- ✓ Sharp drop in 2020 and partially in 2019 due to significant premium received (bonds issued above par)

Interest Payment Dynamics for Slovakia

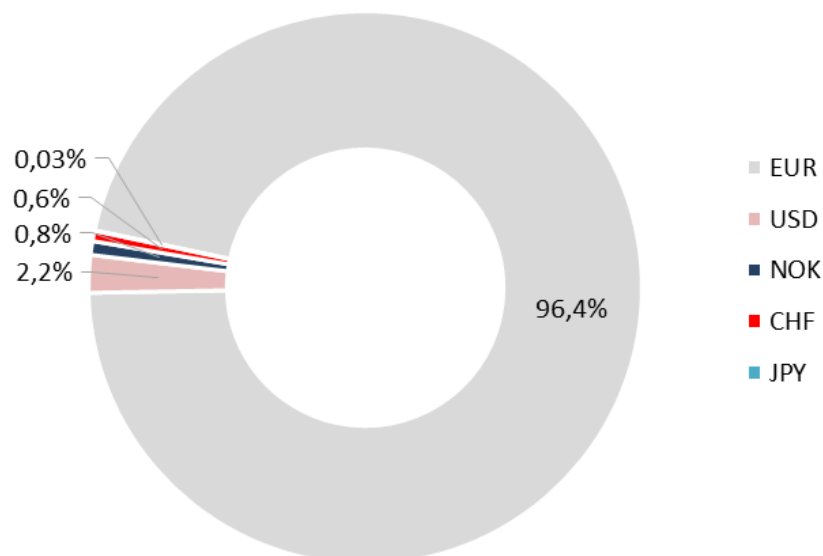


Low Currency Risk and Diversified Investor Base



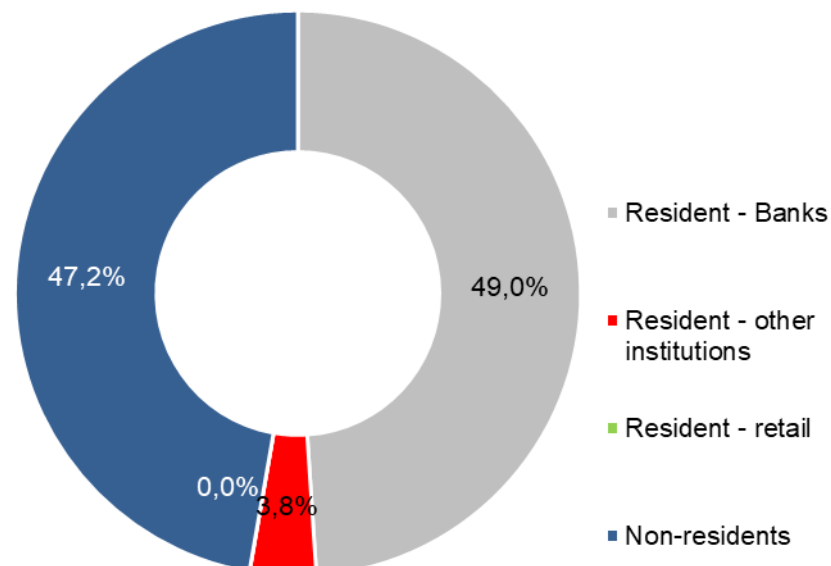
✓ Debt hedged against FX risk

Currency Breakdown
(%)



✓ Increasing portfolio holdings of residents due to PSPP and PEPP

Investor Type Breakdown
(%)*

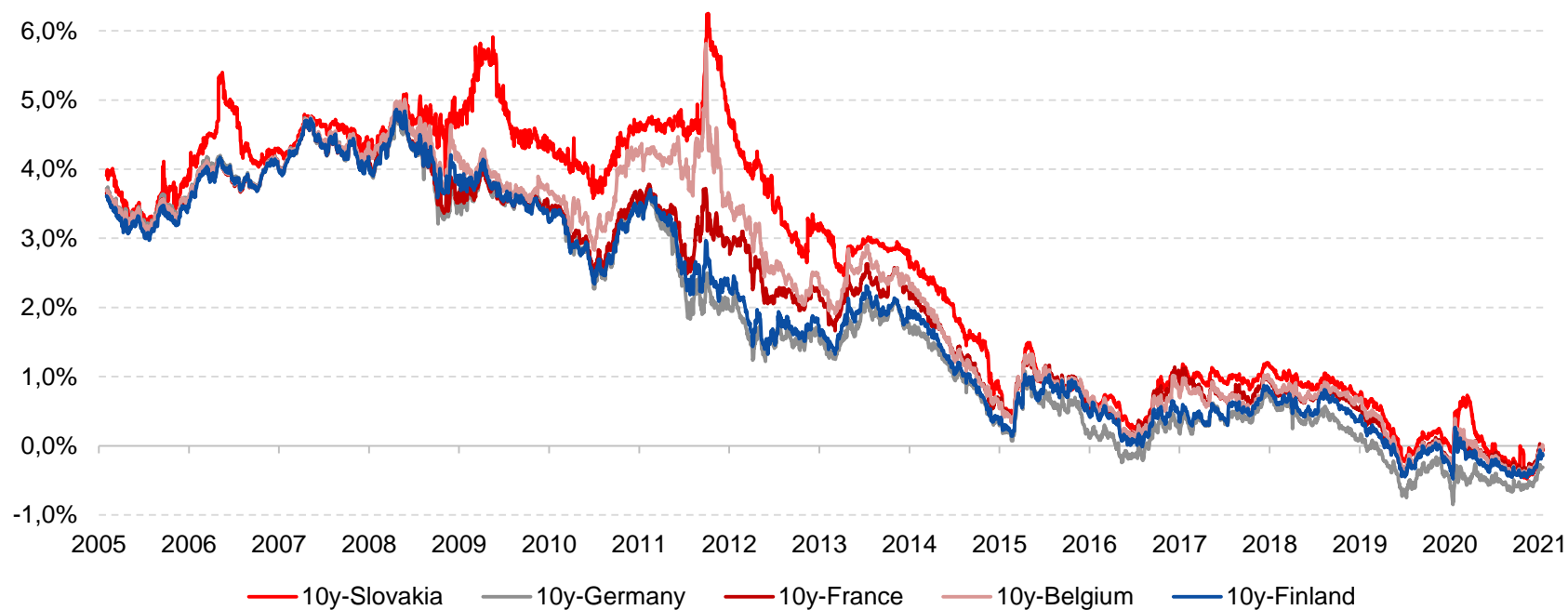


*Bonds held in Slovak Central Securities Depository

Source: ARDAL, data as of December 31, 2020



Slovakia 10Y Government Bond versus Peers



Source: Bloomberg, NBS, Deutsche Bundesbank, as of March 2021

Auction Calendar 2021 - Bonds



Government Bonds

Auction Date	Settlement Date
18 January	20 January
15 February	17 February
15 March	17 March
19 April	21 April
17 May	19 May
21 June	23 June
20 September	22 September
18 October	20 October
15 November	18 November

- ✓ Auctions on the third Monday of the month – no auction during summer and in December
- ✓ Settlement T+2
- ✓ Possibility to include additional auctions based on the funding requirements and market conditions



Source: ARDAL

Auction Calendar 2021 – Treasury Bills

- ✓ Currently there are no Treasury Bills auctions planned
- ✓ The auction can be added into the auction calendar based on state budget development
- ✓ Treasury Bills are sold in competitive auctions (Dutch type – single price)
- ✓ Settlement T+2

Primary Dealers of the Slovak Republic



- ✓ Barclays Bank Ireland PLC
- ✓ Citibank Europe PLC
- ✓ Československá obchodná banka, a.s. (KBC Group)
- ✓ Deutsche Bank AG
- ✓ HSBC Continental Europe S.A.
- ✓ J.P. Morgan AG
- ✓ NATIXIS
- ✓ Slovenská sporiteľňa, a.s. (Erste Group)
- ✓ Tatra banka, a.s. (RBI Group)
- ✓ UniCredit Bank Czech Republic and Slovakia, a.s.
- ✓ Všeobecná úverová banka, a.s. (Intesa Sanpaolo Group)



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