



SLOVAK REPUBLIC



Debt and Liquidity Management Agency



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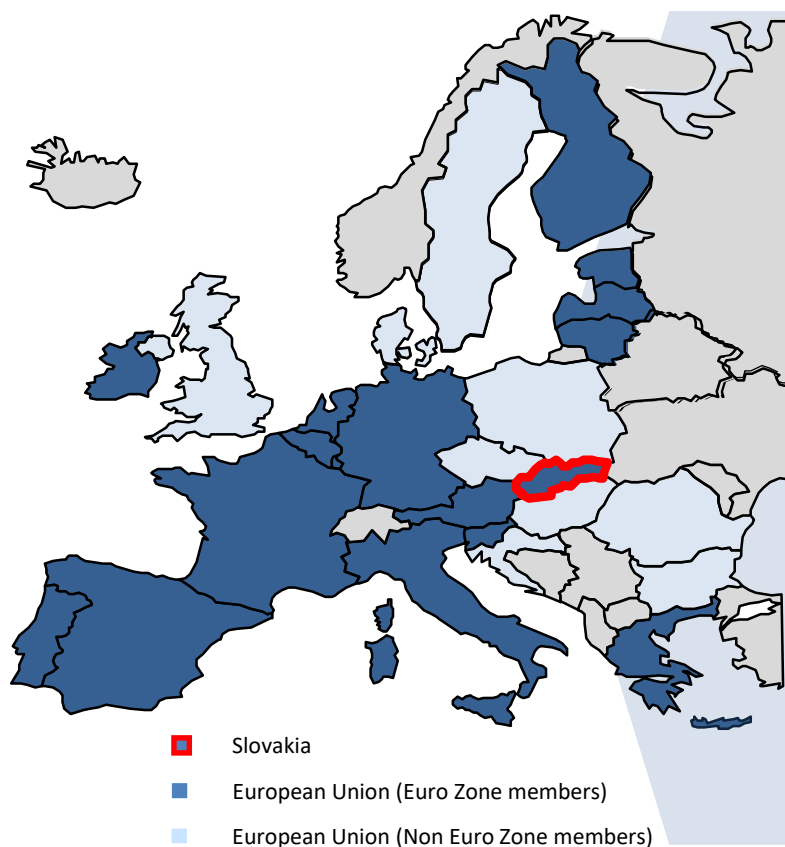


- Overview
- Fast Convergence Towards Core Eurozone
- Export-oriented Performer
- Strong and Long-lasting Commitment to Fiscal Discipline
- Efficient Funding and Debt Management
- Summary

Overview

Slovakia – At a Glance

Geographical location



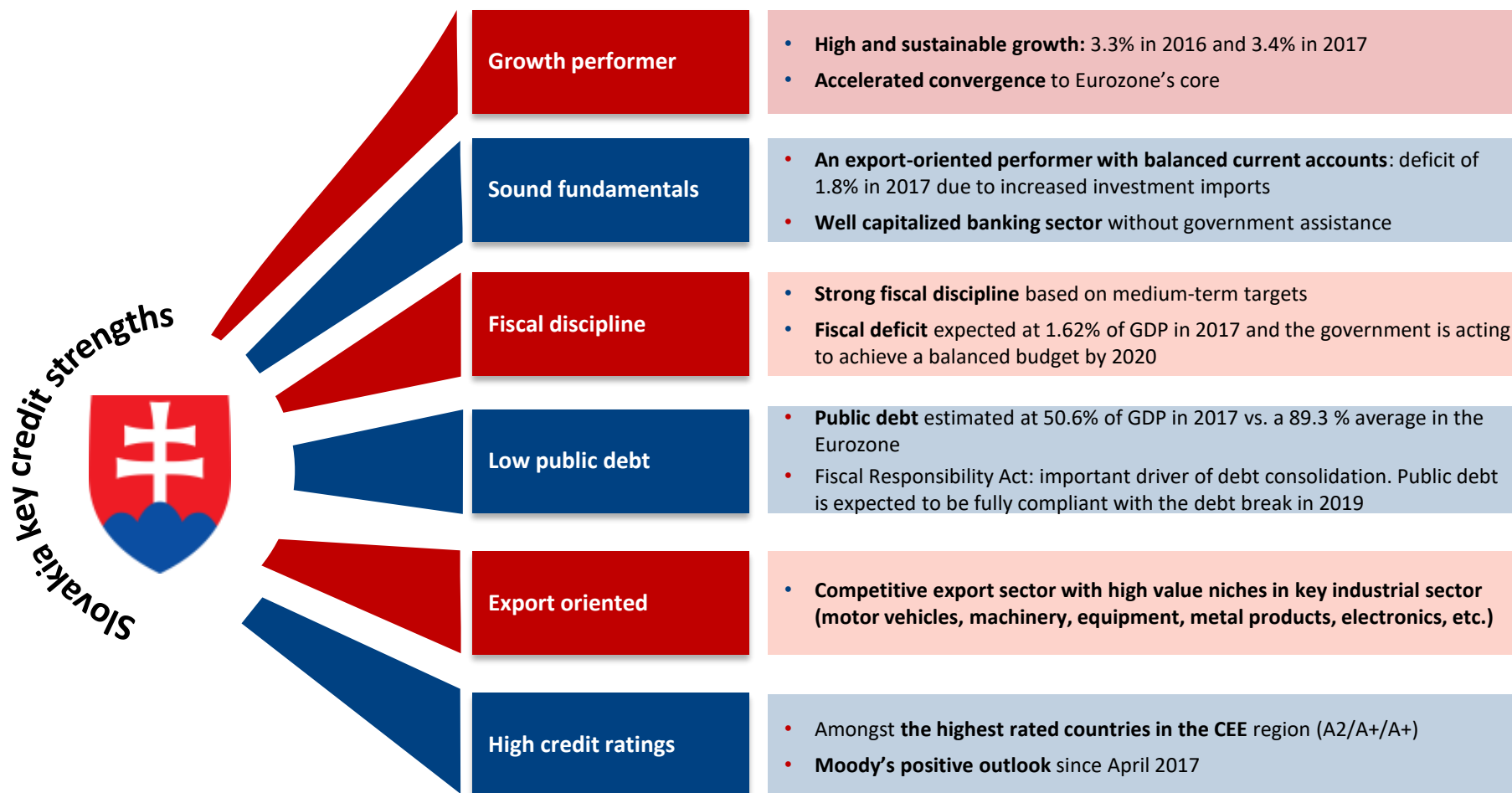
Key facts

Ratings (Moody's / S&P / Fitch)	A2 (pos.) / A+ (st.) / A+ (st.)
GDP (2017)	€ 85,033 million
GNI per capita (2016)	€ 14.7k
Population (2017)	5.4 million
Real GDP growth (2017)	3.4%
Inflation (HICP – 2017)	1.4%
Currency	Euro
Key economic sectors	Manufacturing, Construction, Wholesale & Retail Trade
Memberships	OECD, EU, EMU, NATO
Head of State	President Andrej Kiska
Capital	Bratislava
Territory	49,036 km ²



Source: Eurostat, Ministry of Finance

Slovakia – Key Strengths



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 (2016)	2015	2016	2017	2018e	2019e
Real GDP Growth (in %)¹		3.9	3.3	3.4	4.0	4.2
<i>Private Consumption</i>	54.5	2.2	2.7	3.6	3.3	3.3
<i>Public Consumption</i>	19.4	5.4	1.6	0.2	1.8	1.8
<i>Gross fixed capital formation</i>	21.2	19.8	-8.3	3.2	5.9	4.5
<i>Exports (goods and services)</i>	94.6	6.4	6.2	4.3	6.7	7.6
<i>Imports (goods and services)</i>	91.1	8.4	3.7	3.9	6.5	6.9
GNI (real growth in %, adjusted by GDP deflator)	98.6	3.3	3.8	3.4	3.9	4.1
Employment Growth (% p.a.)		2.0	2.4	1.3	1.2	1.2
Unemployment rate (% of labour Force)		11.5	9.7	8.3	7.4	6.6
Current account balance (% of GDP)		(1.7)	(1.5)	(1.7)	0.7	1.3
Inflation (HICP) (% p.a.)¹		(0.3)	(0.5)	1.4	2.2	2.0
General government balance (% of GDP)		(2.7)	(2.2)	(1.6)	(1.0)	(0.2)

Sources: EC Autumn Forecast 2017 for forecasts (2017-19), Eurostat for historical data (2015-16)

¹ EC Winter Forecast 2018



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 to 2060:**

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

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

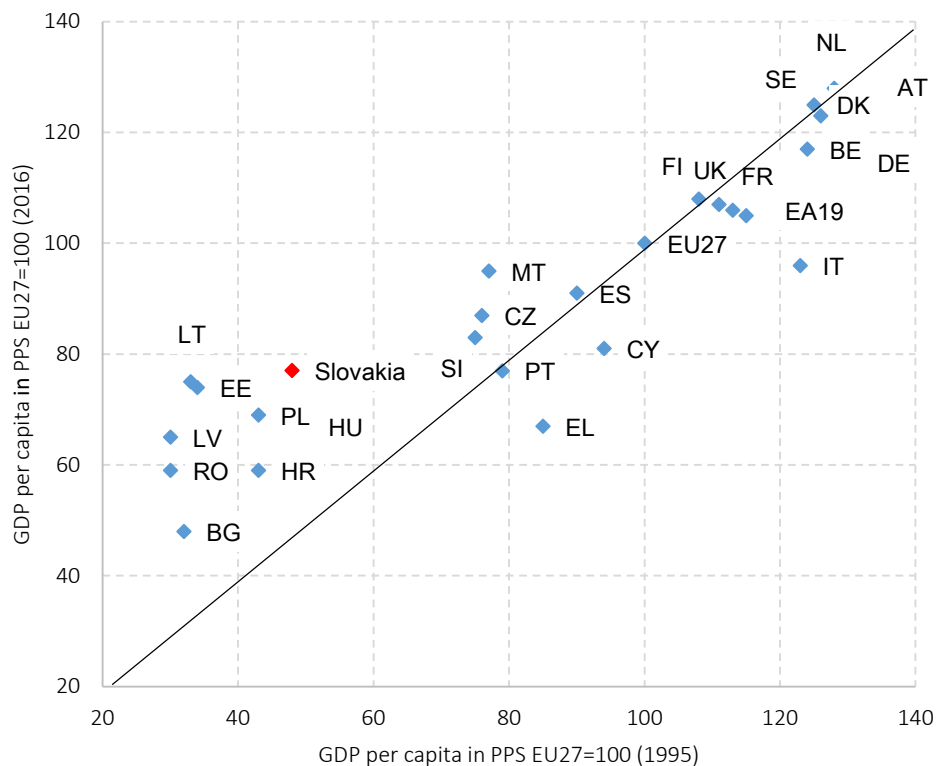
- VAT revenues have increased by 36 % since 2012 primarily due to more effective tax collection
- Law regulating offshore companies' participation in the public procurement process

✓ **Value for Money**

- Operational tool to raise the efficiency of public spending
- Comprehensive spending reviews of public sector expenditures:
 - Spending review of health care, transportation and the IT sector completed in 2016
 - Ongoing spending reviews in labor and social policies, education and environment sectors
 - Investment projects evaluated above 50 million eur



Fast and Ongoing Convergence



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

Source: Eurostat

Fast Convergence Towards Core Eurozone

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 among the region's lowest at almost half the euro area average

2018	Slovakia	Belgium	Finland	Euro Area
Real GDP growth (%) ¹	4.0	1.8	2.8	2.3
Inflation – HICP (%) ¹	2.2	1.5	1.4	1.5
Unemployment rate (%)	7.4	7.0	8.3	8.5
Current Account Balance (% of GDP)	0.7	-1.1	-0.3	3.0
Budget Balance (% of GDP)	-1.0	-1.4	-1.2	-0.9
Structural Budget Balance (% of pot. GDP)	-1.2	-1.5	-1.4	-1.1
General Government Gross Debt (% of GDP)	49.9	102.5	62.1	87.2

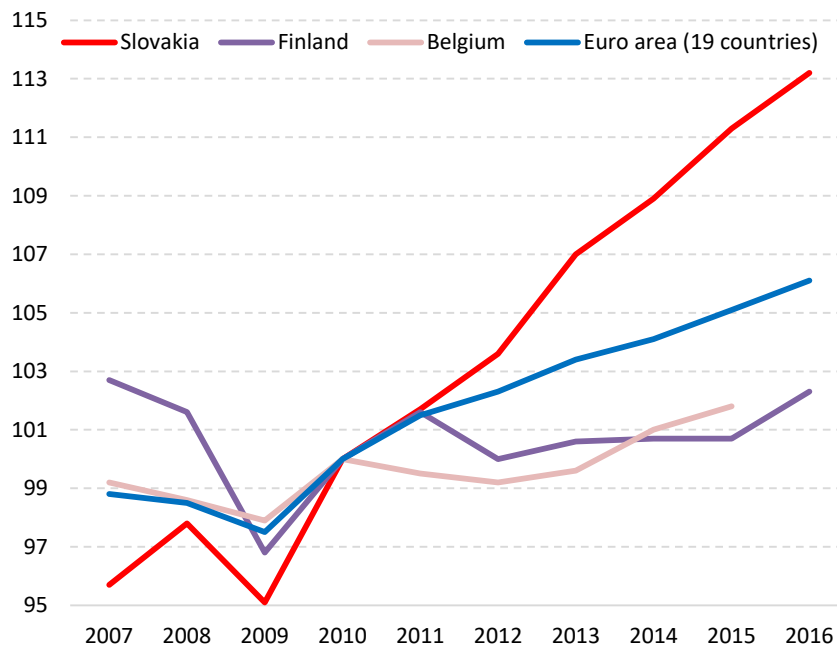
Source: EC Autumn Forecast 2017

¹ EC Winter Forecast 2018

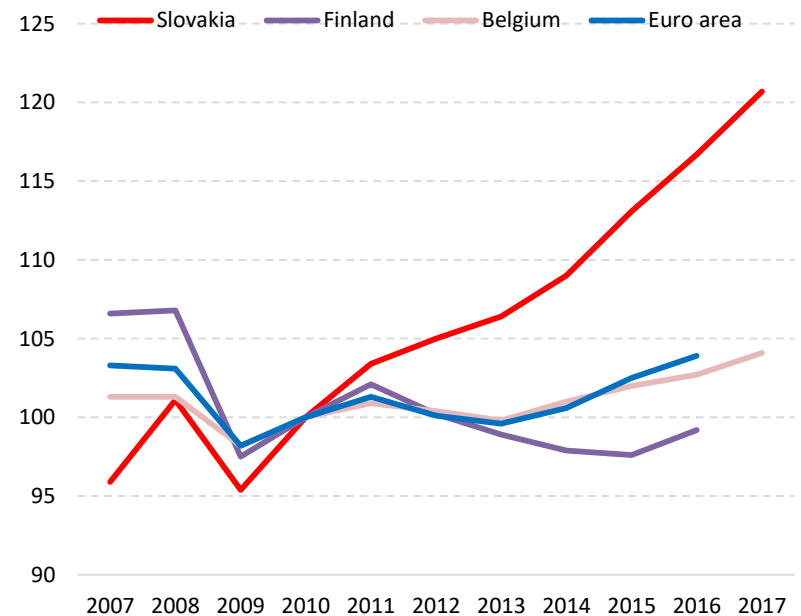


Top Performer: Productivity and GDP Growth

Real labor productivity per hour worked
2010=100



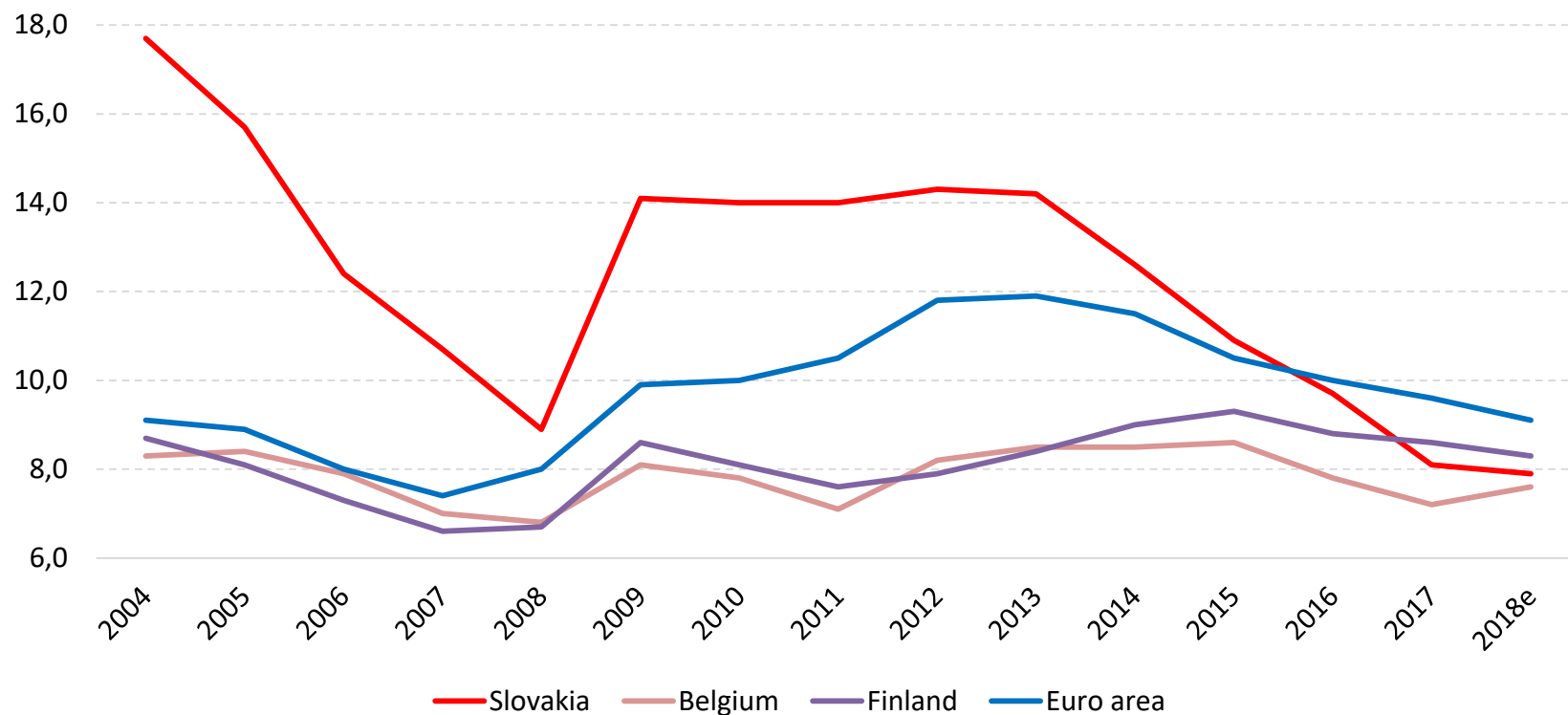
GDP per capita (chain-linked volumes)
2010=100



Source: Eurostat



Unemployment Rate at All Time Low



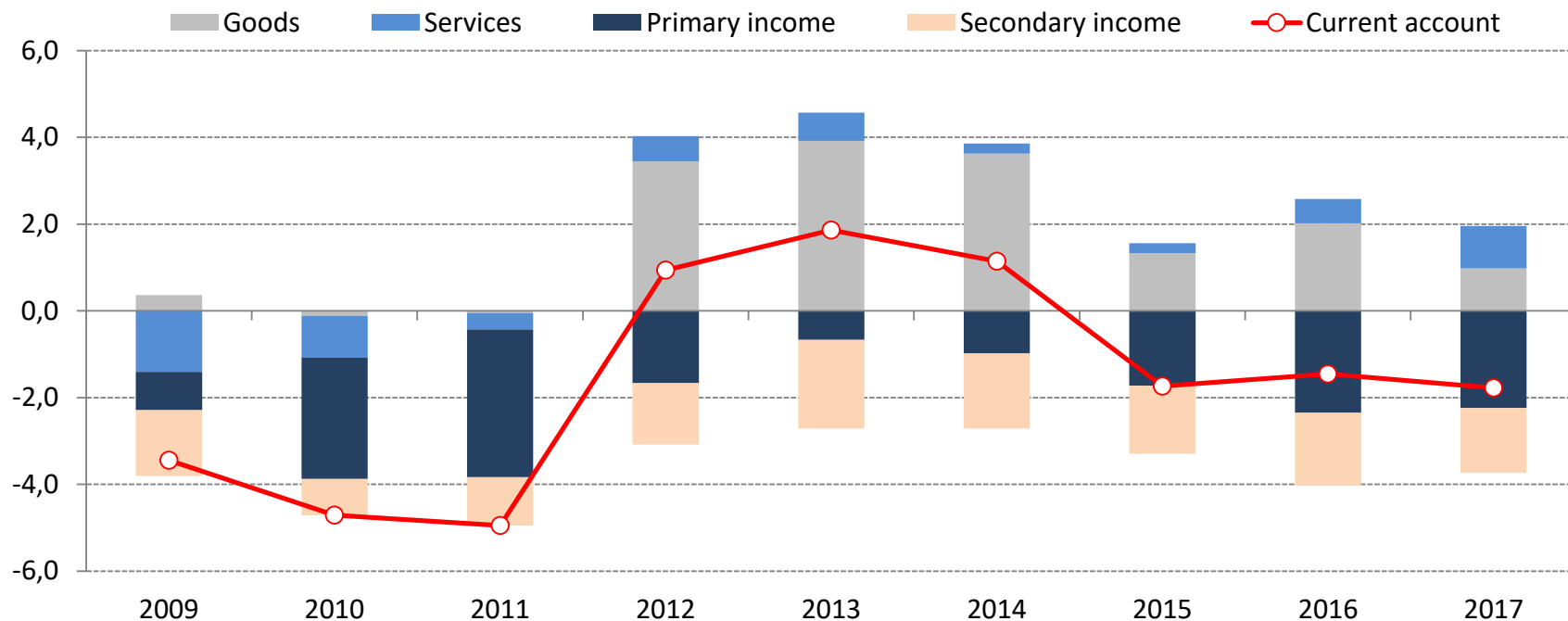
Source: Eurostat, EC Winter Forecast 2018

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



Export – Oriented Performer

Higher Investment Imports Turning Current Account Negative

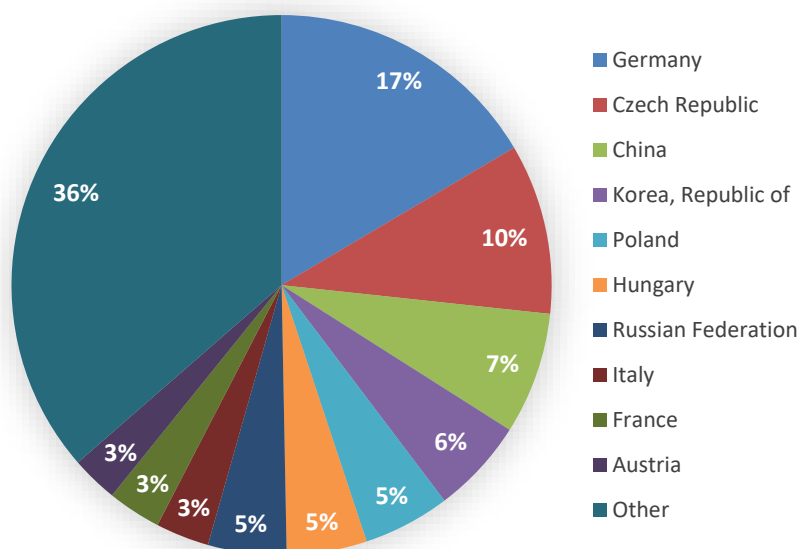


Source: NBS; Ministry of Finance, February 2018 Forecast

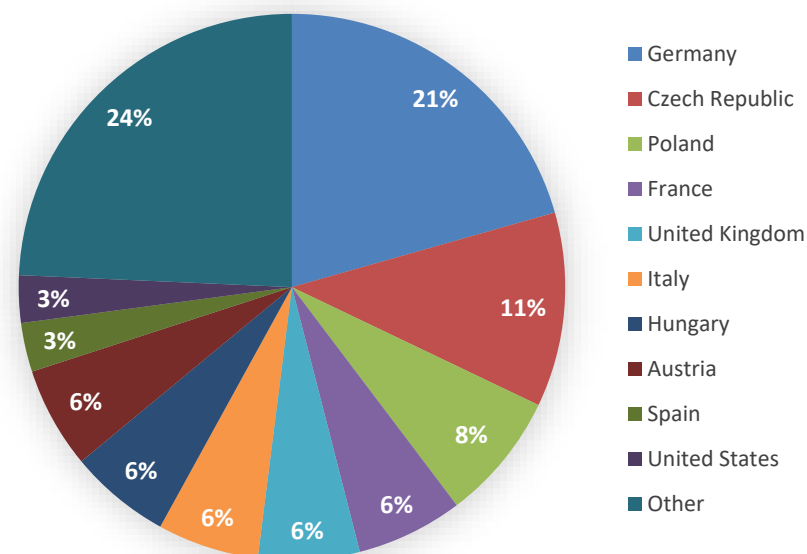
✓ From trade deficit (importing technologies) to trade surplus (export performer)

Key Trading Partners in 2017

Imports Geographical Structure (%)



Exports Geographical Structure(%)



Main 5 exports destinations:

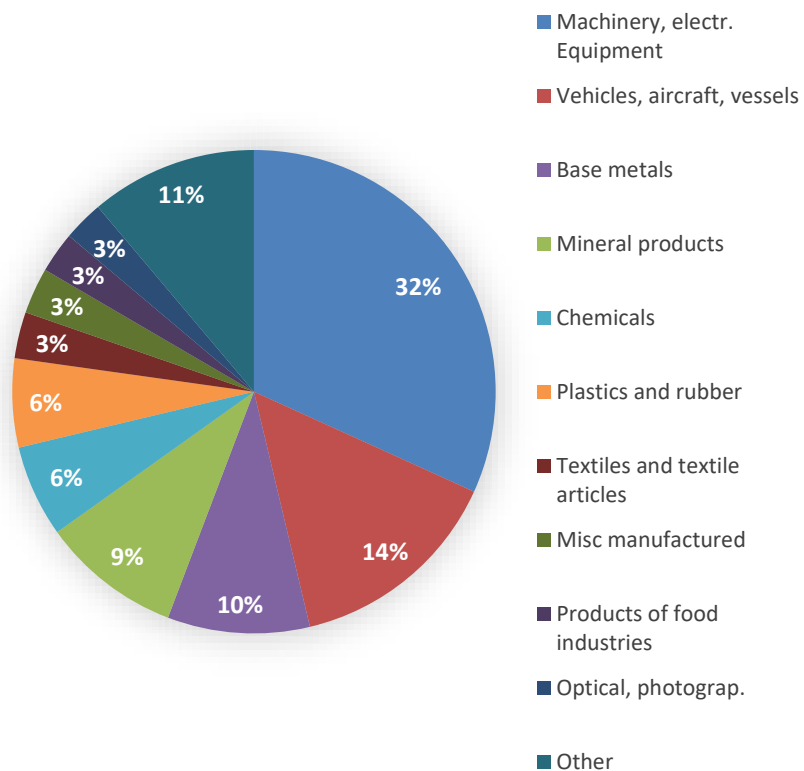
- ✓ Germany
- ✓ Czech Republic
- ✓ Poland
- ✓ France
- ✓ UK

Source: SU SR

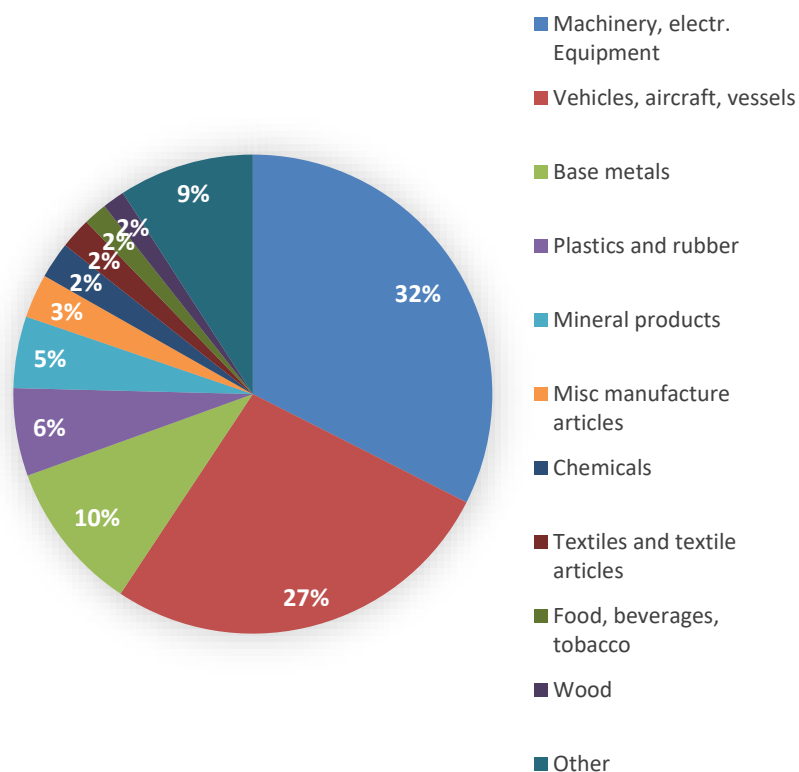


Key Export and Import Products in 2017

Imports by Product (%)






Exports by Product (%)



Source: SU SR

Strong and Long-lasting Commitment to Fiscal Discipline

Ratings Reflect a Solid Credit Profile

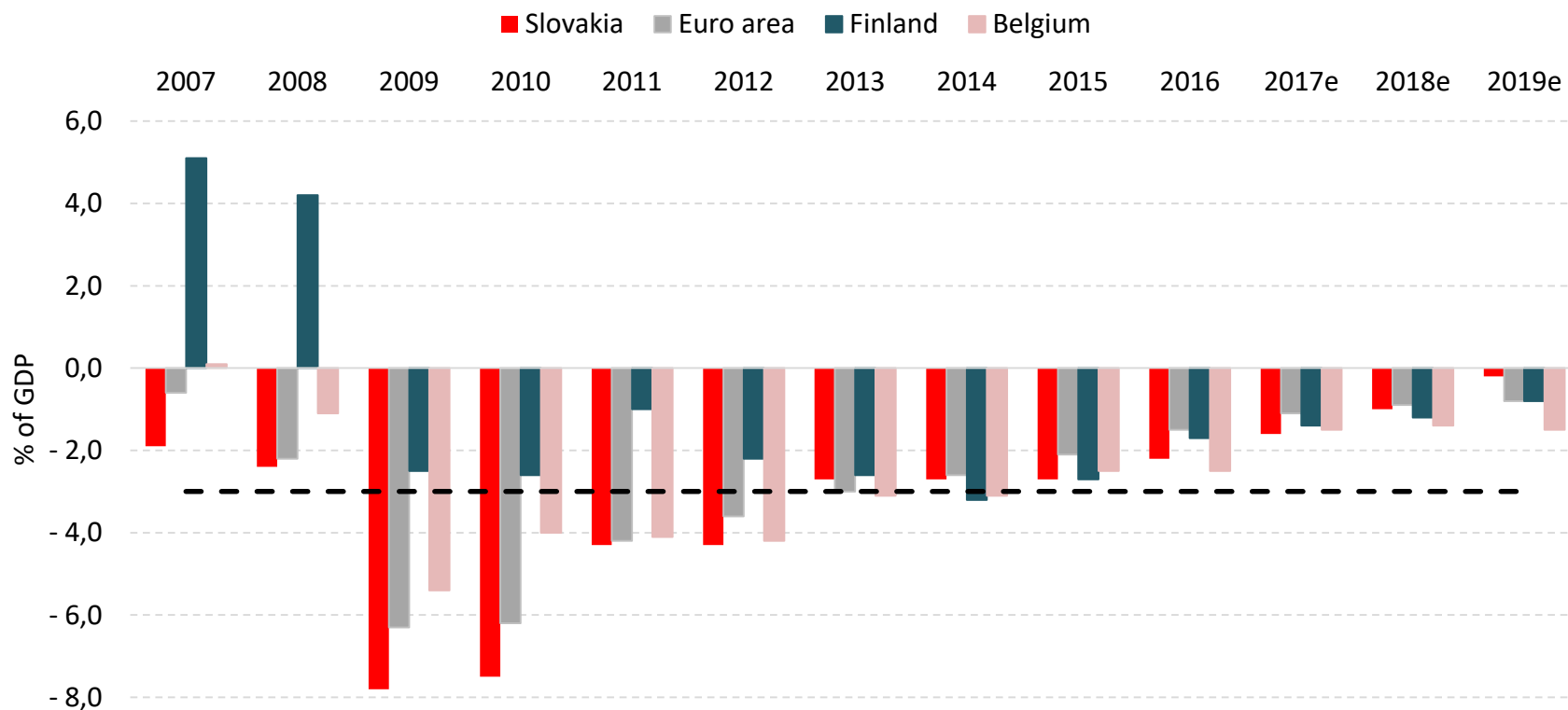
Rating Agency	Rating	Comments
	A2 Positive	<i>" ... the key credit strengths of Slovakia are: (1) Slovakia's continued strong economic growth prospects in the coming years, and (2) Anticipated pick-up in the pace of public sector debt reduction supported by robust growth and continued fiscal consolidation"</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>

- ✓ **A+ rating (Fitch) since 2008**
- ✓ **Recent outlook improvement to positive by Moody's (April 2017)**

Sources: Moody's, S&P and Fitch



Small and Declining Budget Deficit

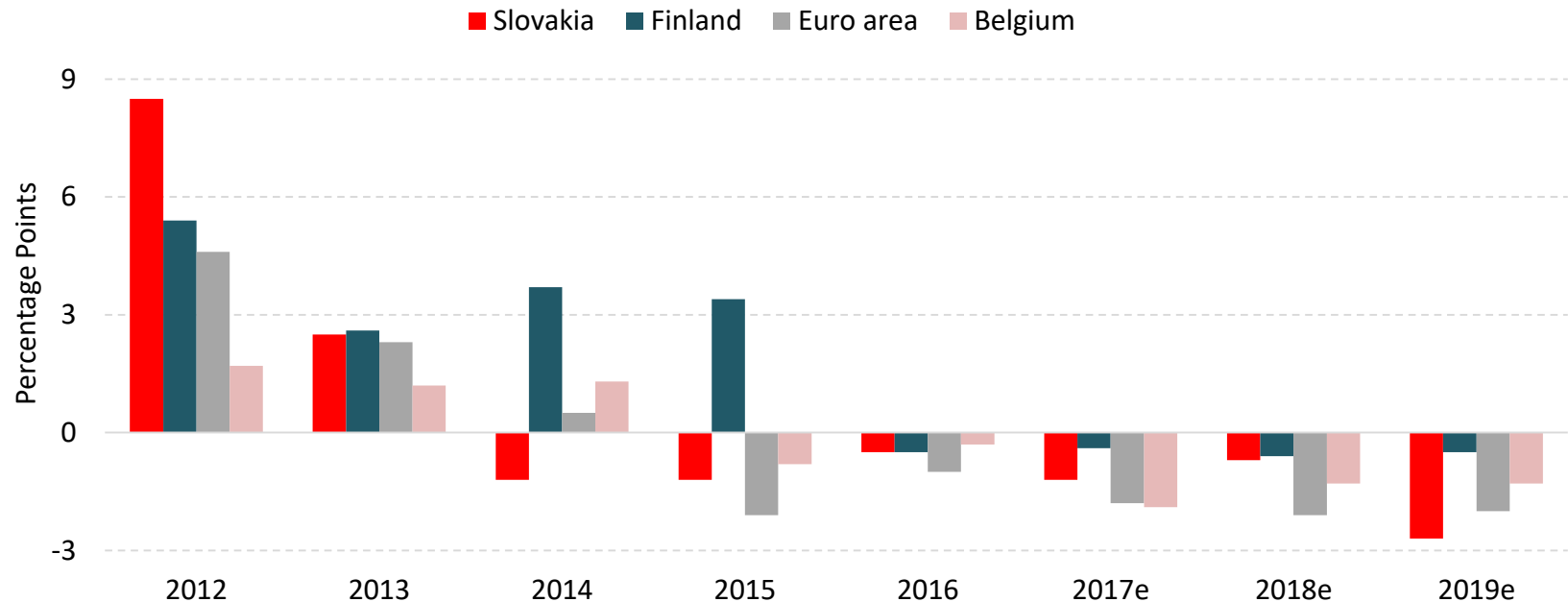


Source: Eurostat, EC Autumn Forecast 2017

- ✓ Primary balance surplus expected already in 2018
- ✓ Very close to headline balanced budget in 2019

Public Debt on a Steady Declining Path

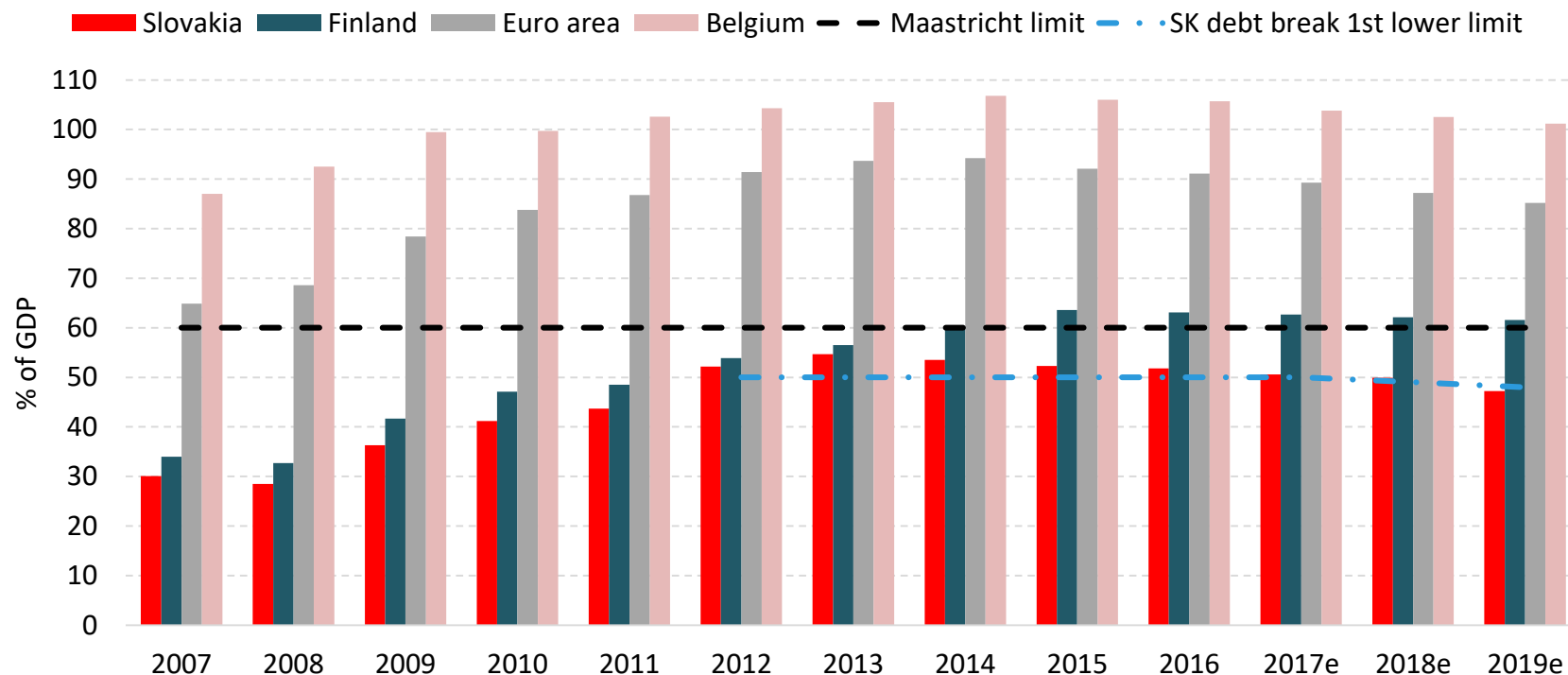
Change in the public debt-to-GDP ratio



Source: Eurostat, EC Autumn Forecast 2017, CBR

- ✓ Public debt on a declining trajectory since 2014, with cumulative decline of almost 8 % of GDP until 2019
- ✓ Debt to GDP ratio decrease driven primarily by macroeconomic growth and improving tax collection efficiency

Favorable Debt Position



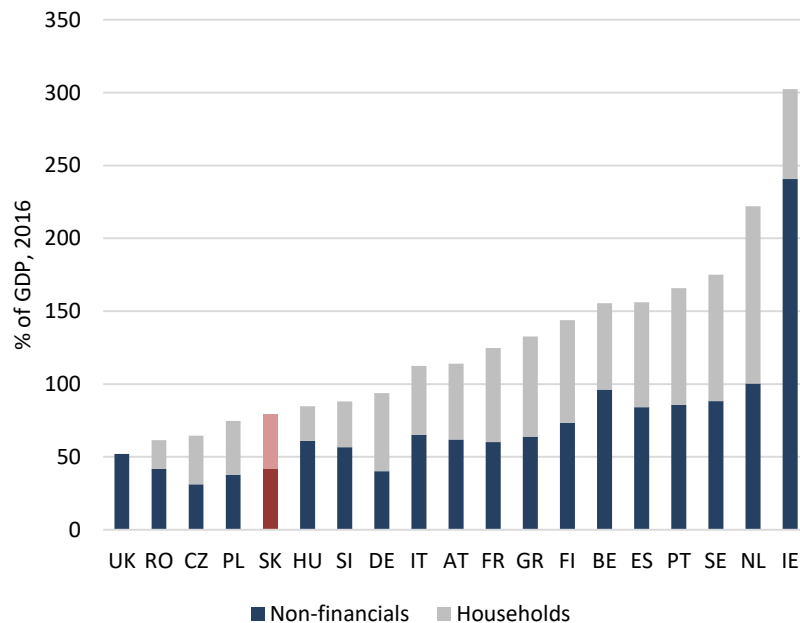
Source: Eurostat, EC Autumn Forecast 2017, CBR

- ✓ Sufficient fiscal space with debt level at around 50 % of GDP (well below euro area average)
- ✓ Fiscal responsibility act (national debt brake) getting stricter since 2018:
 - ✓ by 2028 the lowest threshold of the debt break will fall to 40% of GDP



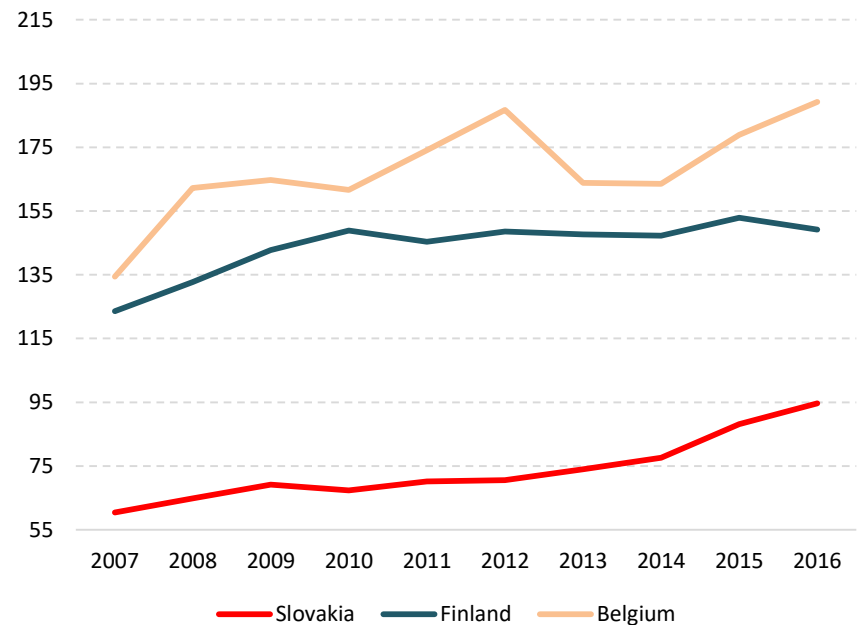
Low Household and Corporate Debt

Household and Corporate debt



Source: Eurostat, data as end of 2016

Private debt - % of GDP



Source: Eurostat

✓ **Low debt levels, dynamics reflecting high GDP growth**



Efficient Funding and Debt Management

2017 Funding

- ✓ Bonds issued in total amount EUR 6.1bn of which EUR 3bn through syndicated bond issuance
- ✓ First syndicated transaction was completed in March 2017 – 20 year EUR 2bn bond
- ✓ Second syndicated transaction was completed in October 2017 – 30 year EUR 1bn bond

2018 Funding outlook

- ✓ Total funding needs at EUR 4.5bn
- ✓ Only one benchmark redemption of EUR 3.0bn in November
- ✓ Possible T-bills issue
- ✓ First syndicated bond transaction likely in spring 2018

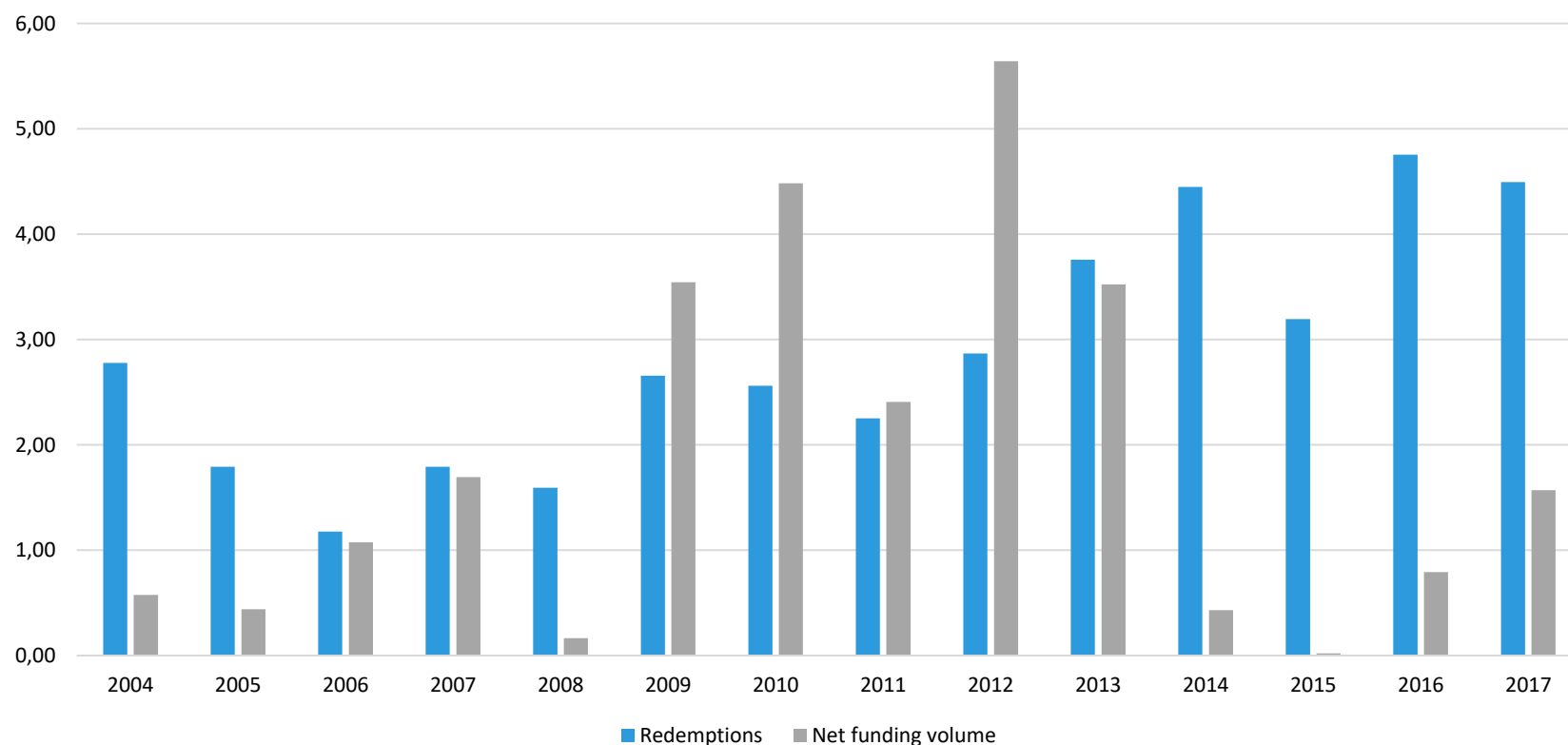
Secondary market improvements

- ✓ Implementation of MTS platform in February 2018 (successfully completed)
- ✓ Adjustments in primary dealers evaluation – secondary market performance
- ✓ Create an active market for REPO operations



Total Gross Funding 2004 - 2017

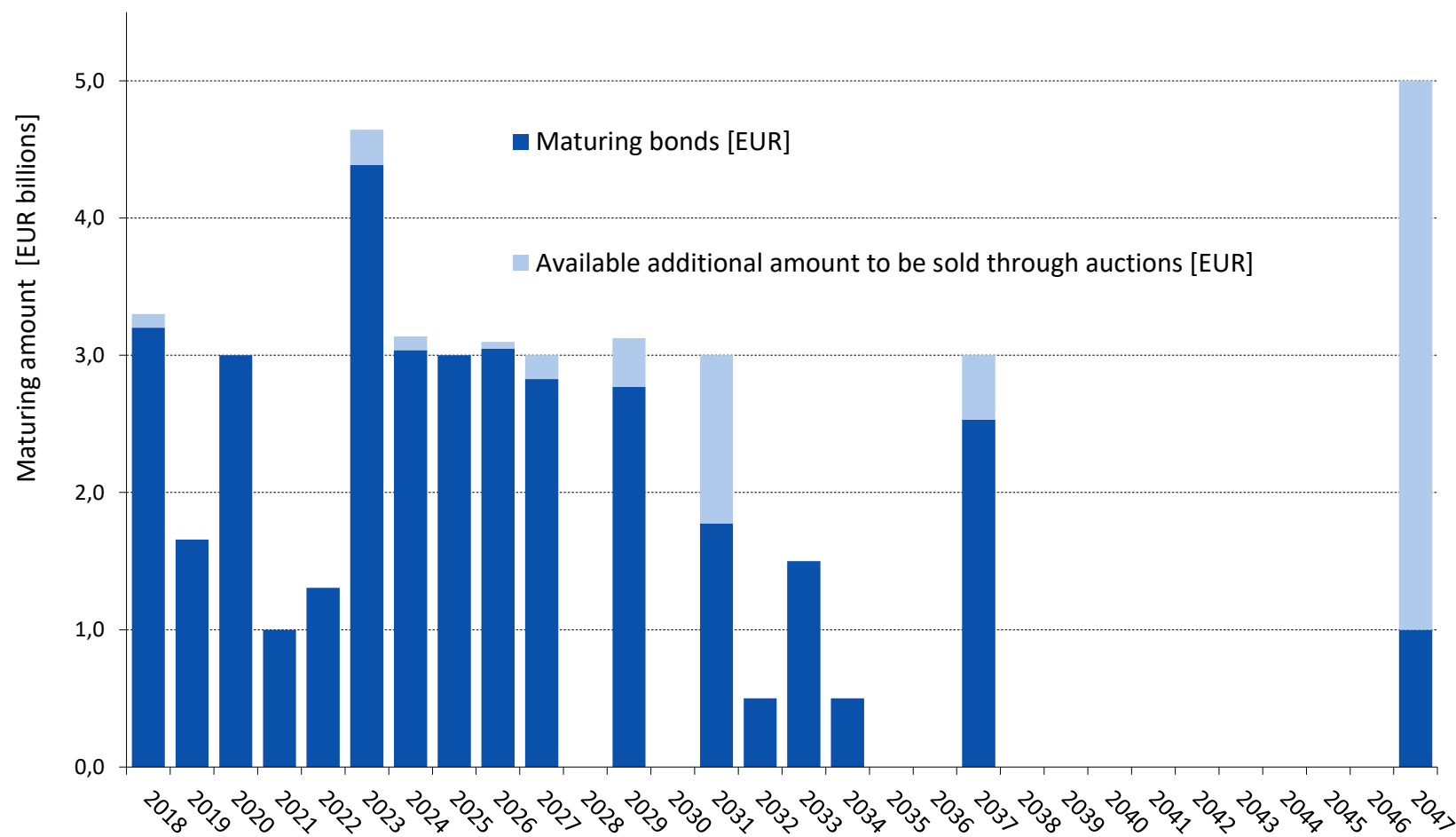
Redemptions - net funding volume (EUR bn)



Source: ARDAL, as of 31/12/2017



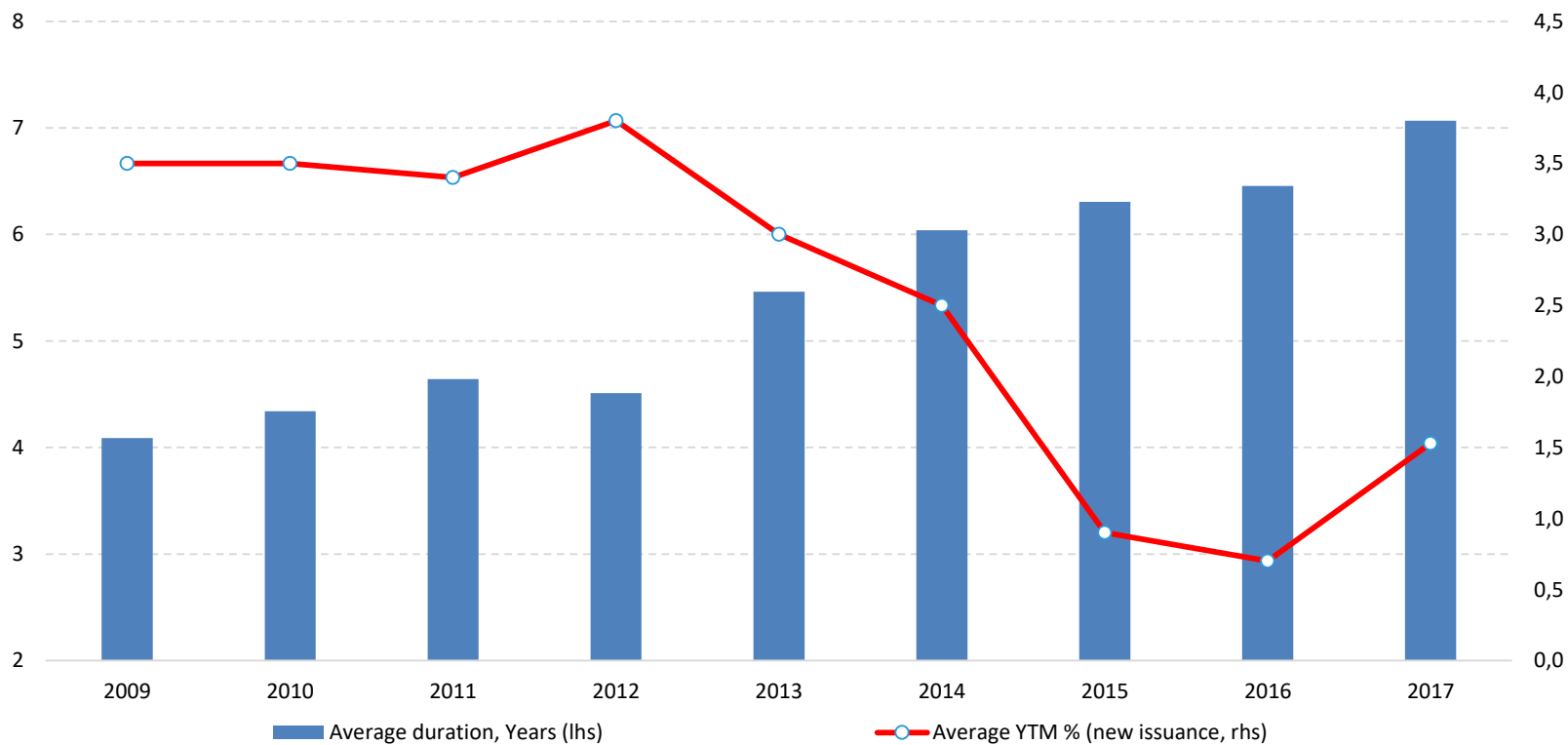
Bond Redemption Profile



Source: ARDAL as of 31/12/2017



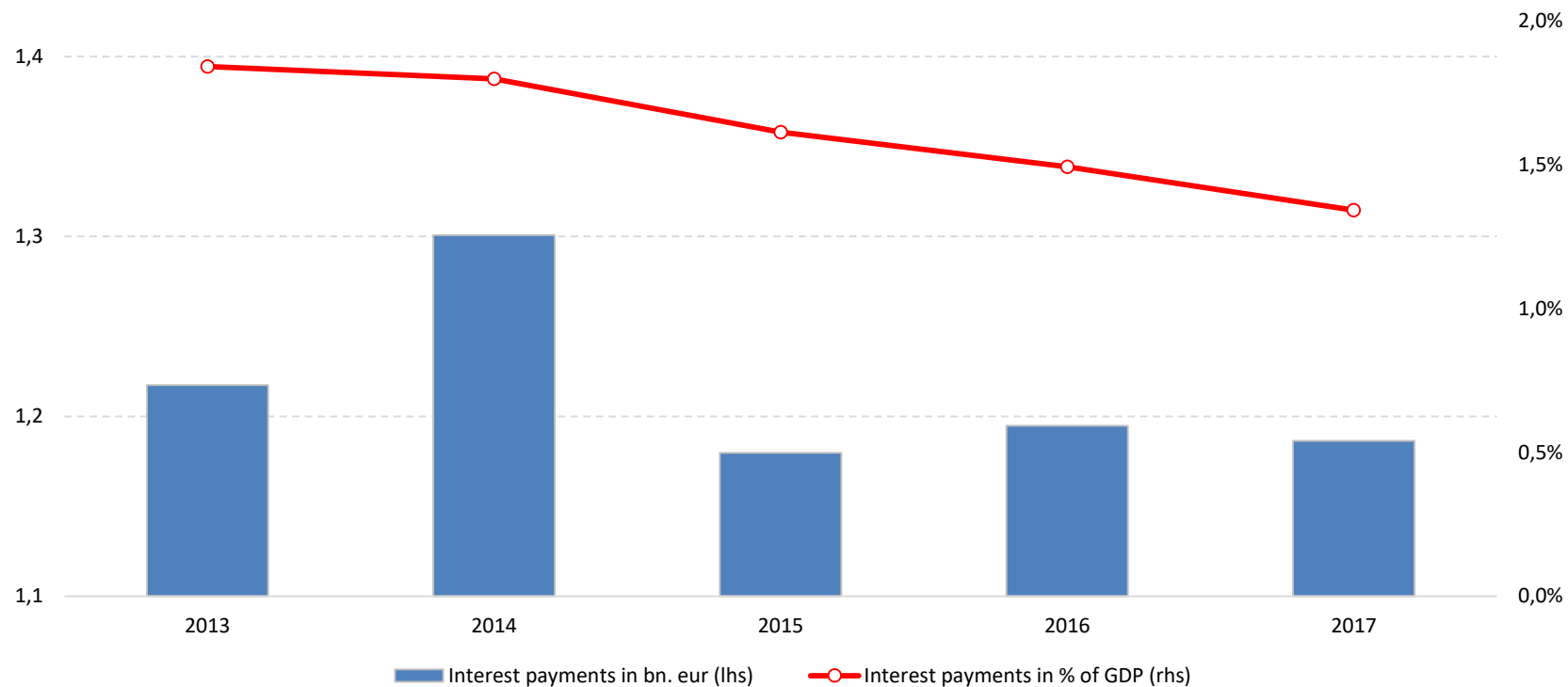
Government Portfolio Metrics



Source: ARDAL



Government – Interest Payments 2004 – 2017

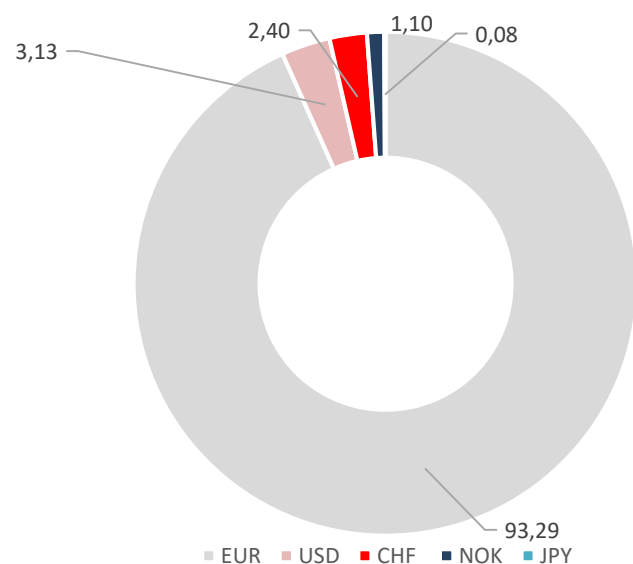


Source: ARDAL, as of 31/12/2017

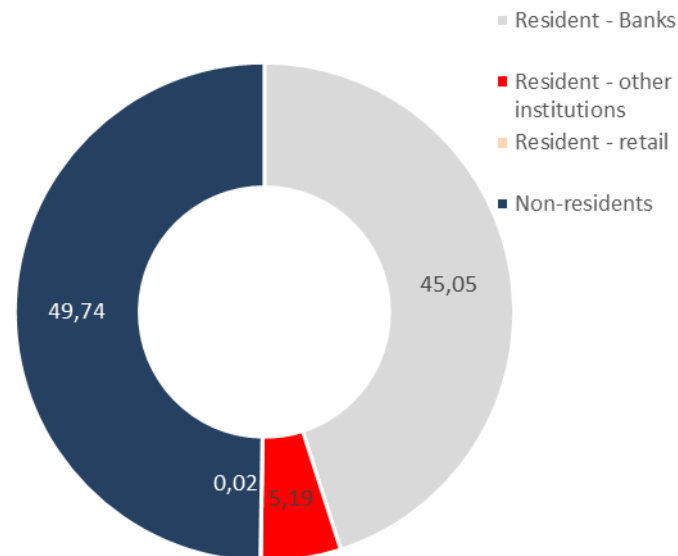
- ✓ Interest payments are at historical lows as a percentage of GDP
- ✓ ECB's PSPP further helped decreasing interest payments

Low Currency Risk and Diversified Investor Base

Currency Profile in %



Investor Base in %



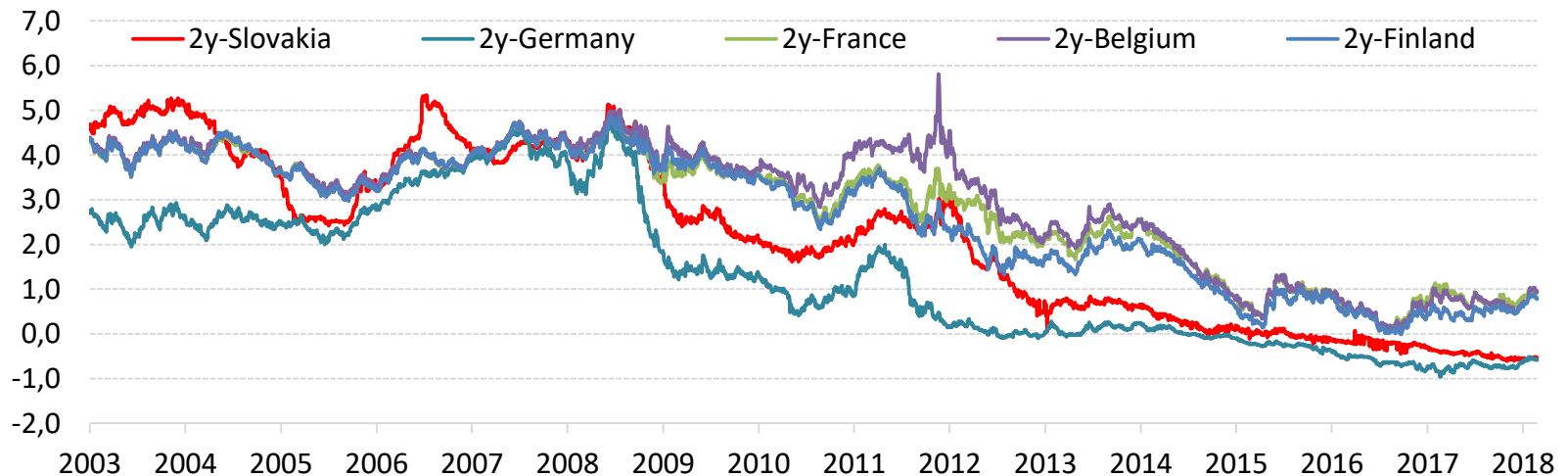
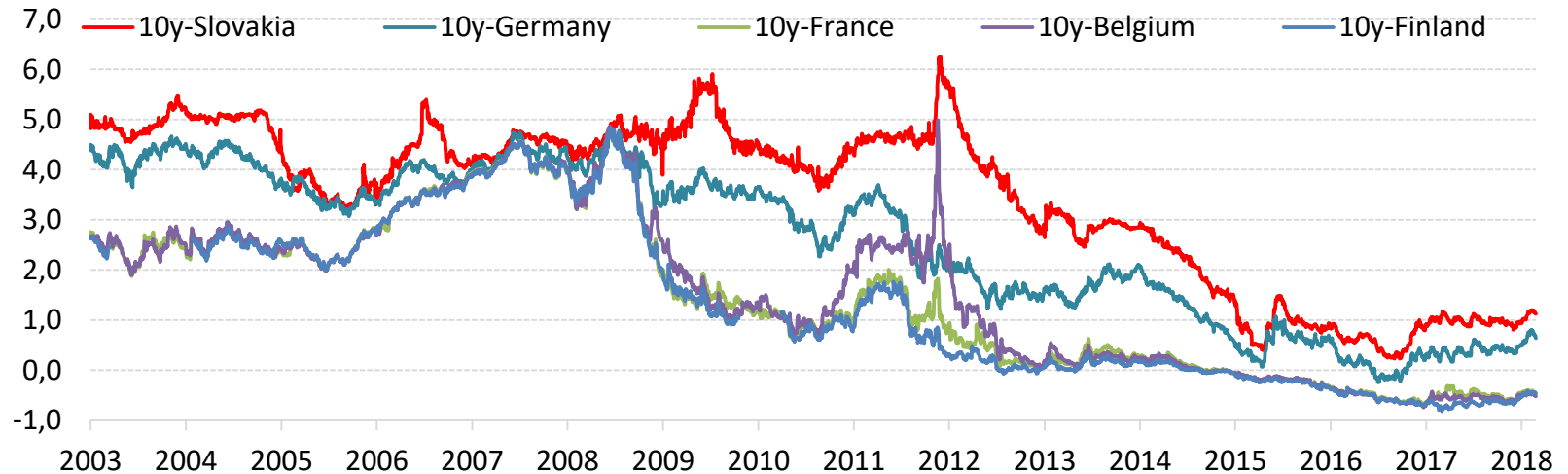
Source: ARDAL, as of 30/06/2017

✓ Debt hedged against FX risk

✓ Increasing portfolio holdings of residents due to ECB PSPP



Government Bond Yields



Source: Bloomberg, IFP, Deutsche Bundesbank, as of March 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

On decision

On decision

2

On decision

On decision

3

On decision

On decision

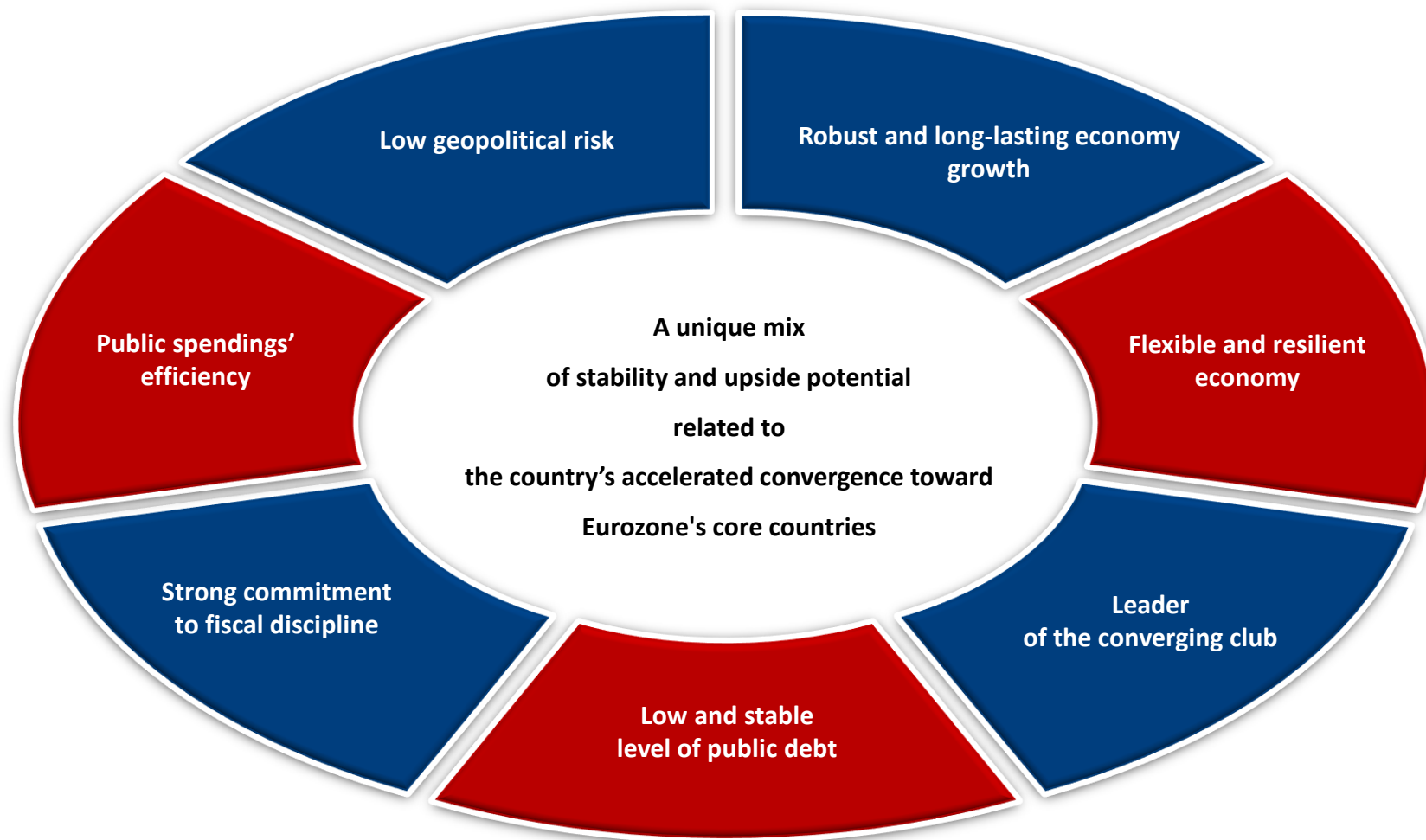
Source: ARDAL



Primary Dealers

- ✓ **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)**

Summary



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