



SLOVAK REPUBLIC

INVESTOR PRESENTATION FEBRUARY 2017



Slovak Debt Management Office

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Agenda

- Macroeconomic Overview
- Core Eurozone Metrics
- External Profile
- Debt Position
- Funding and Debt Management
- Summary



Macroeconomic Overview

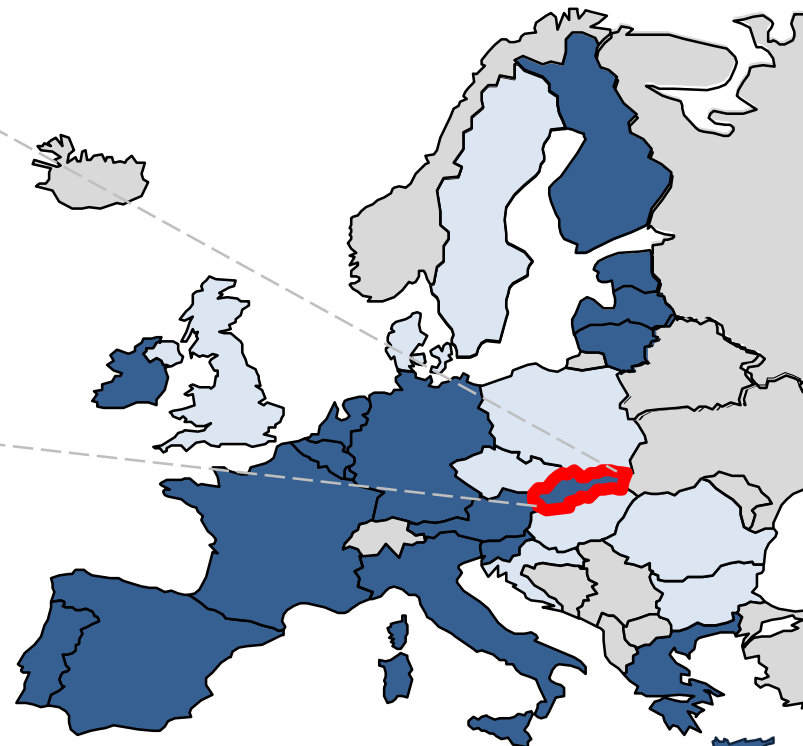
Slovakia - At a Glance

| | Slovakia | Euro area |
|---------------------------------|----------|-----------|
| Area (sq. km '000) | 49 | 4 382 |
| Population 2016 (mil.) | 5.4 | 339.8 |
| GNI* per capita 2016 ('000 EUR) | 14.7 | 31.6 |

Source: EC, AMECO

*GNI (real growth, adjusted by GDP deflator)

- ✓ **In the core of the European integration:**
Member of EU and Euro area
- ✓ **Stable political environment:**
Member of NATO
- ✓ **Responsible debt management:**
Fiscal Responsibility Act adopted in 2011



Slovakia
European Union (Euro area members)
European Union (non-Euro area)



Slovakia – Key Strengths

- ✓ High and sustainable GDP growth facilitating **accelerated convergence to Eurozone's core**
- ✓ **Low public and private debt** levels well below the EU average
- ✓ Strong **Fiscal Discipline** based on medium-term targets; fiscal responsibility and debt brake
- ✓ **Fiscal deficit at 1.6% of GDP** as of September 2016, projected to decline to 1.4% of GDP in 2017
- ✓ Amongst the **highest rated countries** in the CEE region (A2/A+/A+); all with Stable Outlook
- ✓ **Current account surplus of 1.2%** in 2016 expected to remain strong in coming years
- ✓ Sound and **well-capitalized banking sector** without government assistance
- ✓ **Political stability** reflected in a cross-party support for EU/Eurozone/NATO membership



Transformation Success Story

- ✓ Small and effective government
- ✓ Sustainably robust GDP growth
- ✓ High share of investment to GDP
- ✓ Export-oriented economy
- ✓ Low debt and strong external accounts

| SLOVAKIA | % of GDP (2015) | 2014 | 2015 | 2016e | 2017e | 2018e |
|---|-----------------|-------------|-------------|-------------|-------------|-------------|
| Real GDP Growth (in %) | | 2.6 | 3.8 | 3.3 | 2.9 | 3.6 |
| <i>Private Consumption</i> | 54.9 | 1.4 | 2.2 | 2.7 | 2.9 | 2.8 |
| <i>Public Consumption</i> | 19.5 | 5.3 | 5.4 | 2.9 | 2.9 | 3.0 |
| <i>Gross fixed capital formation</i> | 23.0 | 1.2 | 16.9 | -7.3 | 2.1 | 5.4 |
| <i>Exports (goods and services)</i> | 93.5 | 3.7 | 7.0 | 4.1 | 5.1 | 6.6 |
| <i>Imports (goods and services)</i> | 91.1 | 4.4 | 8.1 | 2.2 | 5.1 | 6.5 |
| GNI (real growth in %, adjusted by GDP deflator) | 98.4 | 1.7 | 4.0 | 3.4 | 3.0 | 3.6 |
| Employment Growth (% p.a.) | | 1.4 | 2.0 | 2.6 | 1.4 | 1.6 |
| Unemployment rate (% of labour Force) | | 13.2 | 11.5 | 9.7 | 9.0 | 7.9 |
| Current account balance (% of GDP) | | 1.2 | 0.2 | 1.2 | 1.2 | 1.5 |
| Inflation (HICP) (% p.a.) | | -0.1 | -0.3 | -0.5 | 0.9 | 1.4 |
| General government balance (% of GDP) | | -2.7 | -2.7 | -2.0 | -1.4 | -0.6 |

Source: EC Winter Forecast 2017



Structural Reforms For Long-Term Development

The Slovak government continues to push ahead a comprehensive program of structural reforms to improve the competitiveness of the economy; 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

✓ **Combating Tax Evasion**

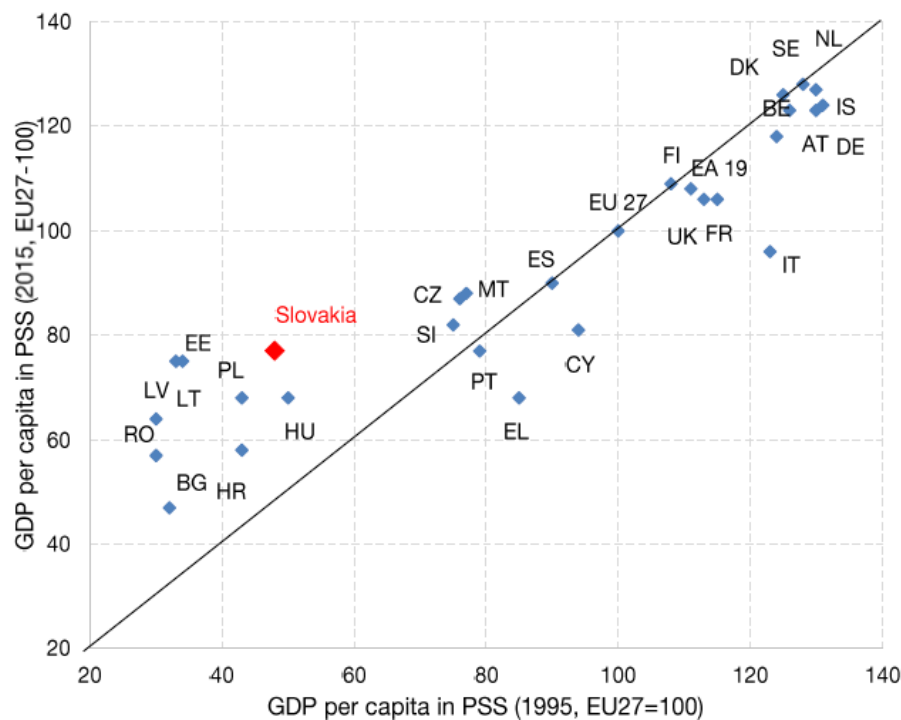
- VAT revenues have increased by 25% since 2012 due to more effective tax collection
- Law regulating offshore companies' participation in the public procurement process

✓ **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, the IT sector completed in 2016
- Ongoing spending reviews in labor and social policies, education, and environment sectors



Fast and Ongoing Convergence



Source: Eurostat

- ✓ Leader of the converging club
- ✓ Currently: 77% GDP of EU27
- ✓ Convergence: 30pp in 20 years
- ✓ Fast convergence remains intact



Core Eurozone Metrics

Slovakia – On the Way to the European Core

- ✓ Slovakia's growth at about 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 about half the euro area average

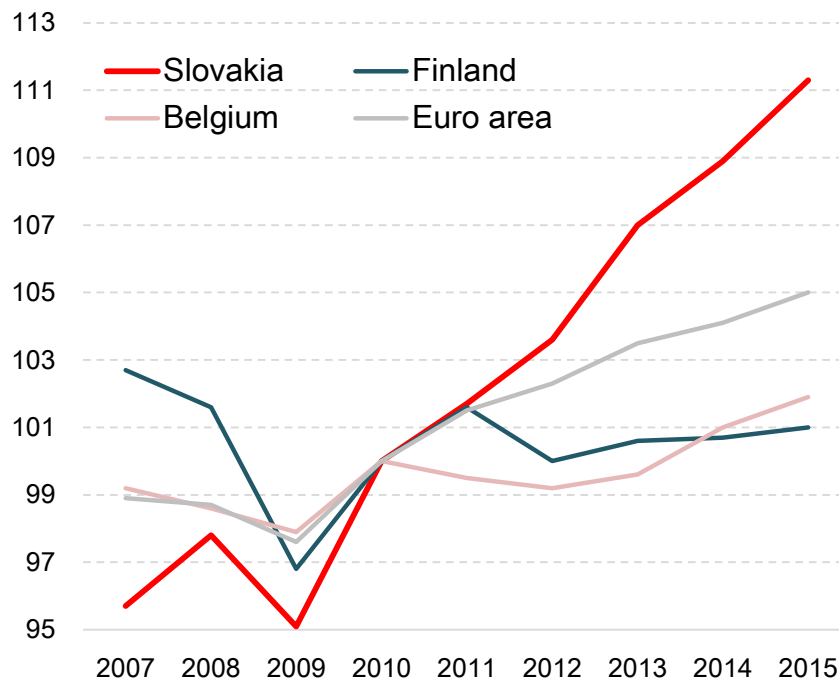
| 2016 | Slovakia | Belgium | Finland | Euro Area |
|--|----------|---------|---------|-----------|
| Real GDP growth (%) | 3.3 | 1.2 | 1.5 | 1.7 |
| Inflation – HICP (%) | -0.5 | 1.8 | 0.4 | 0.2 |
| Unemployment rate (%) | 9.7 | 8.0 | 8.8 | 10.0 |
| Current Account Balance (% of GDP) | 1.2 | 1.0 | -0.5 | 3.3 |
| Budget Balance (% of GDP) | -2.2 | -2.9 | -2.2 | -1.7 |
| Structural Budget Balance (% of GDP) | -2.1 | -2.5 | -1.2 | -1.1 |
| General Government Gross Debt (% of GDP) | 52.2 | 106.8 | 63.7 | 91.5 |

Source: EC Winter Forecast 2017

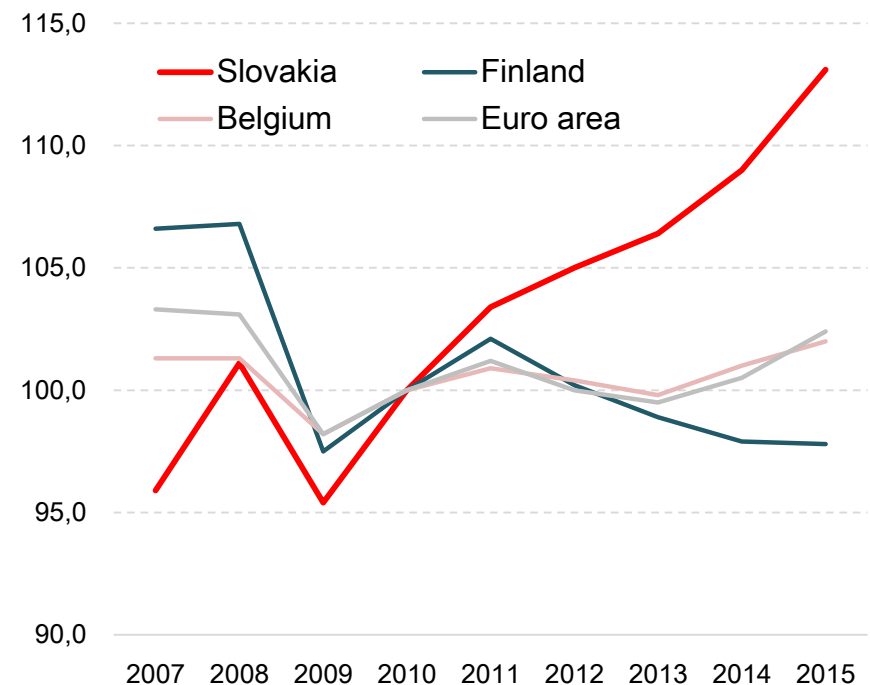


Top Performer: Productivity and GDP Growth

Real labor productivity per hour worked
2010=100



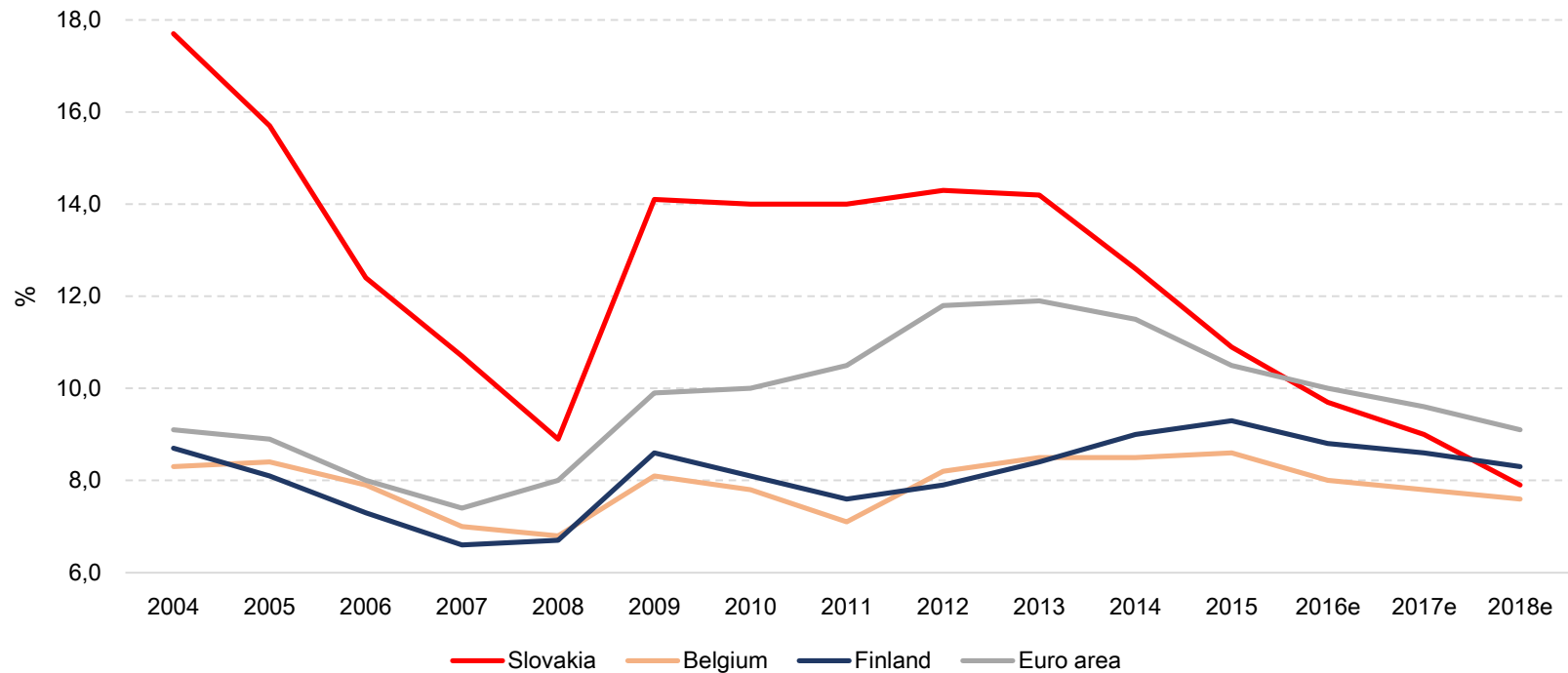
GDP at market prices per capita
2010=100



Source: Eurostat



Unemployment Rate at All Time Low



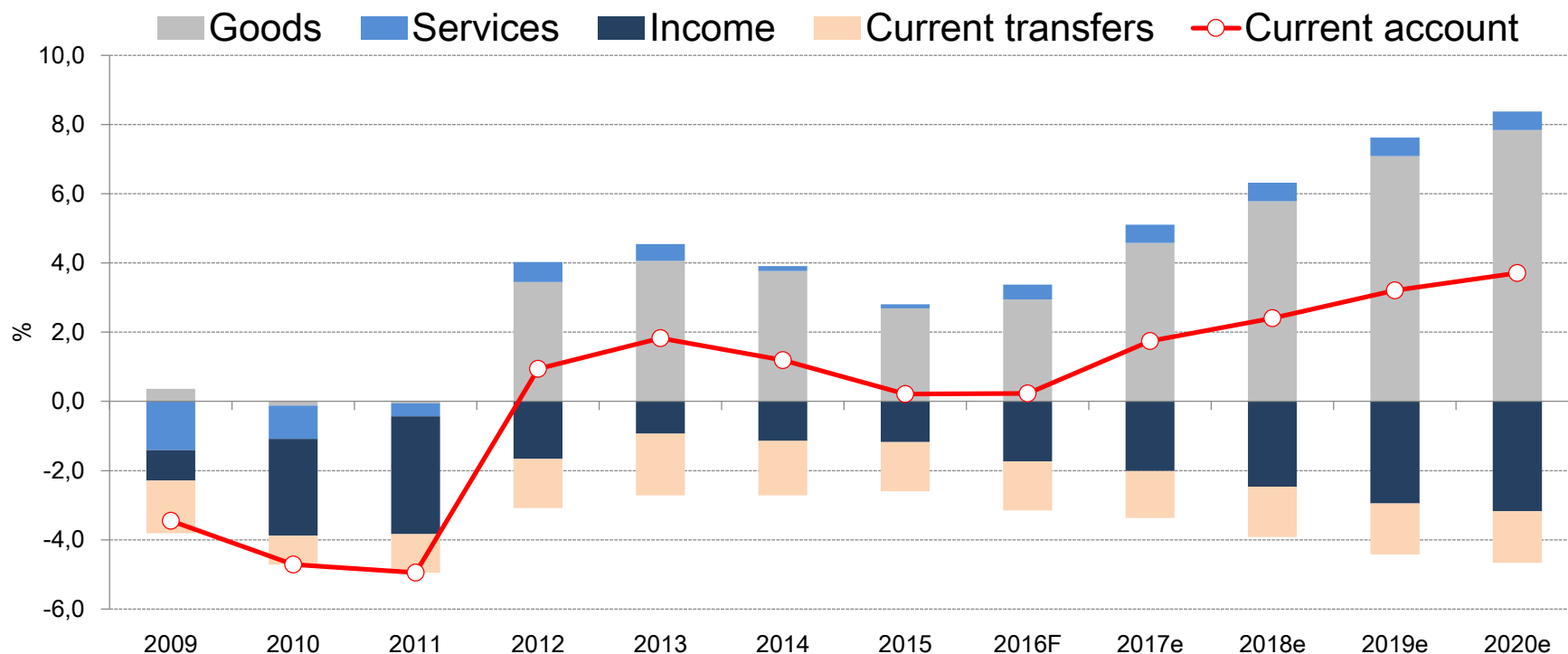
Source: Eurostat, EC Winter Forecast 2017

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



Strong External Profile

Current Account in Surplus



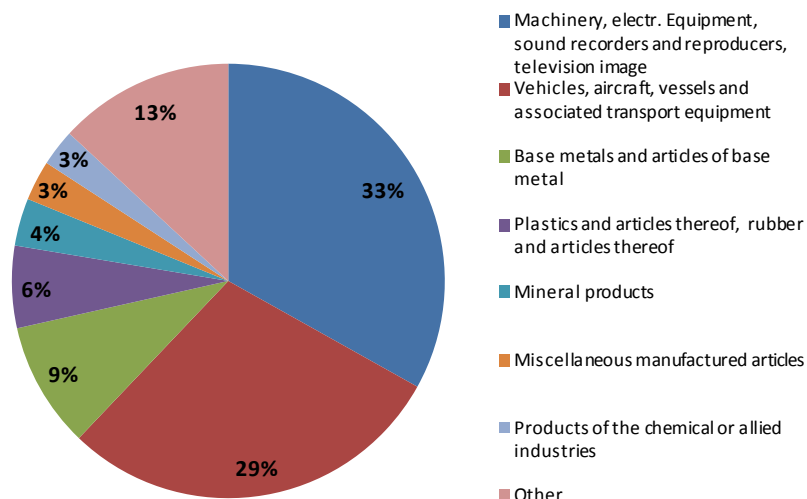
Source: NBS; Ministry of Finance, February 2017 Forecast

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

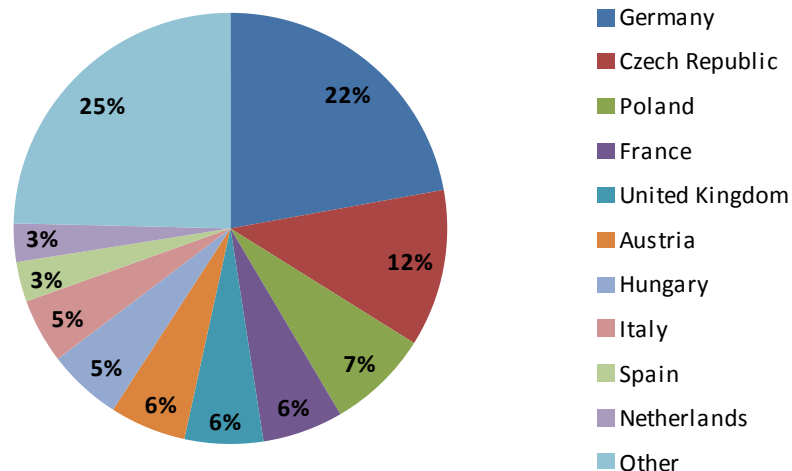


What We Export (as end November 2016)

Exports by Product (%)



Exports by Country (%)



Main exports jurisdictions

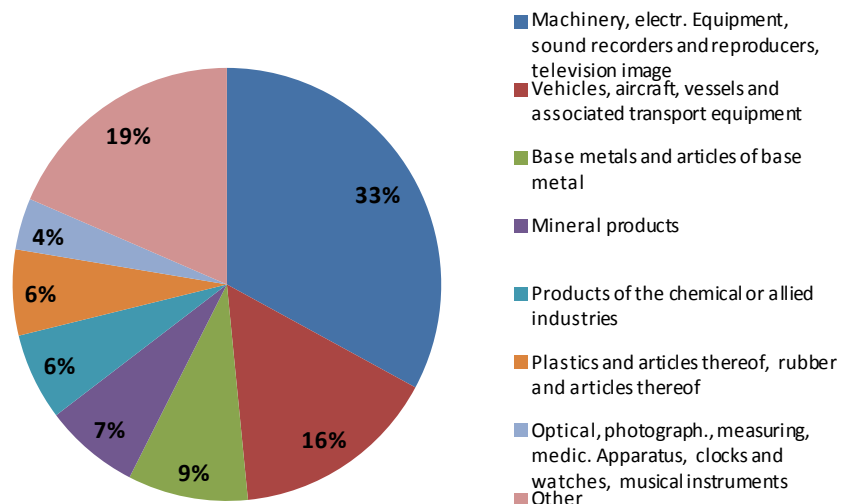
- ✓ Germany
- ✓ Czech Republic
- ✓ Poland
- ✓ France
- ✓ UK

Source: Ministry of Finance

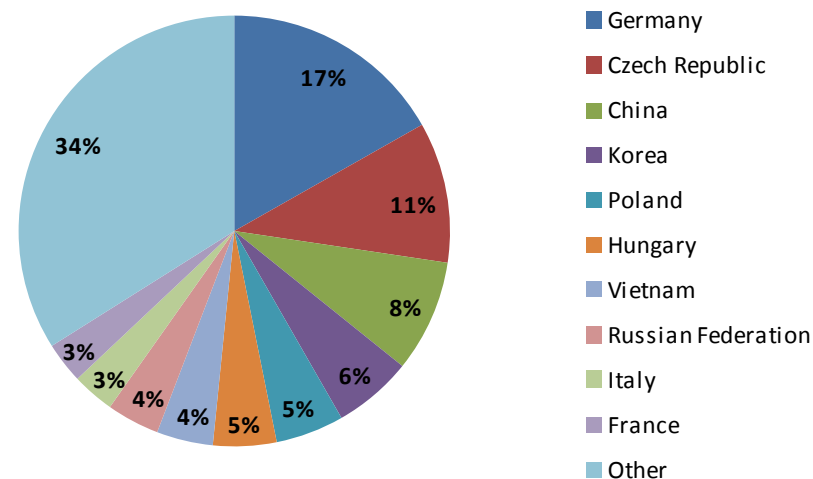


What We Import (as end November 2016)

Imports by Product (%)



Imports by Country (%)



Source: Ministry of Finance



Debt Position

Ratings Reflect Solid Credit Profile

| Rating Agency | Rating | Comments |
|----------------------------------|----------------------|---|
| MOODY'S | A2 Stable | <i>" ... the key credit strengths of Slovakia are: (1) deep economic and financial integration with core Europe that facilitates income convergence, and (2) relatively moderate government debt ratios and high debt affordability"</i> |
| STANDARD & POOR'S | A+ Stable | <i>" ... The ratings are supported by Slovakia's low external debt, gradually improving fiscal metrics, and healthy economic growth prospects. We expect that firm domestic demand will underpin average GDP growth of around 3% between 2017 and 2020"</i> |
| FitchRatings | 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> |

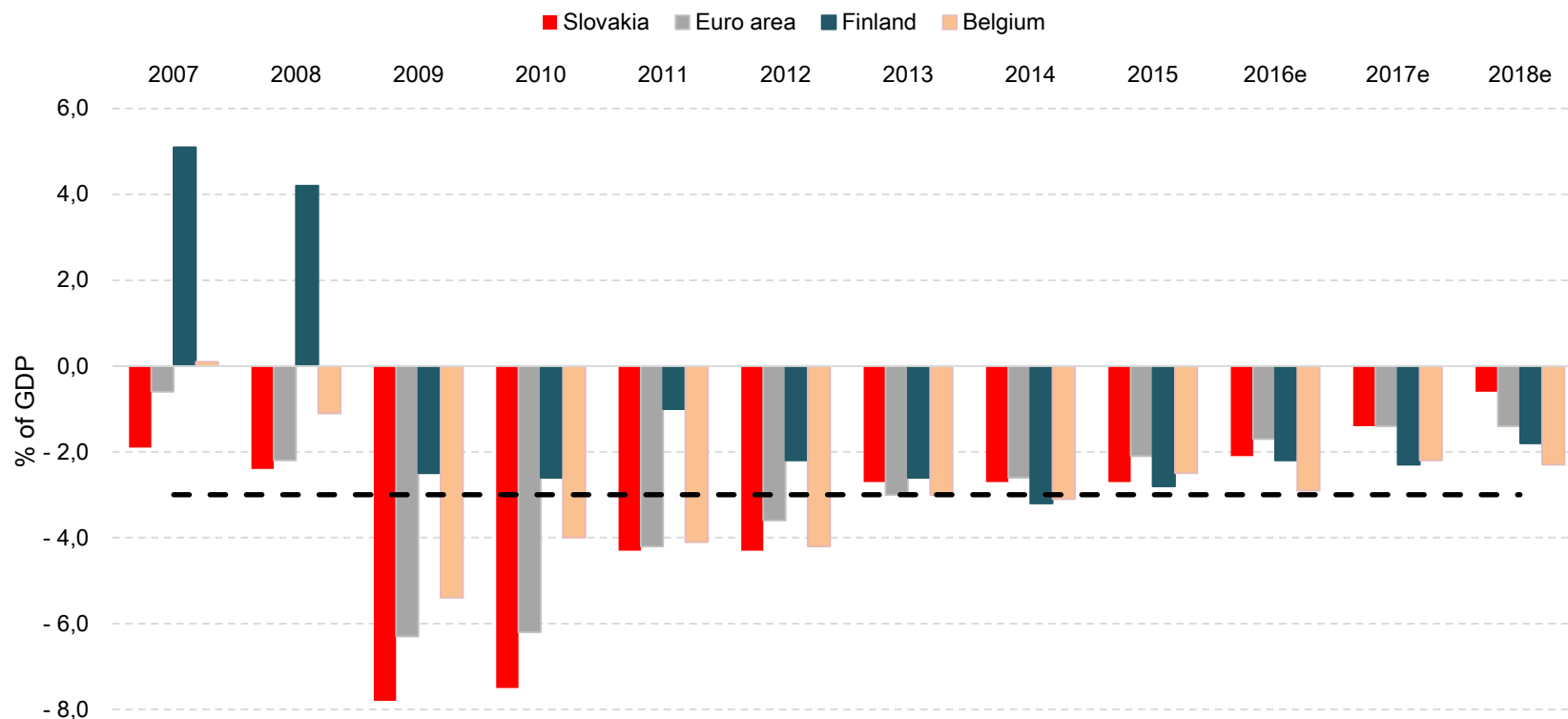
- ✓ A+ rating (Fitch) since 2008
- ✓ Ranked 29th out of 62 countries in the "RobecoSAM country sustainability rankings" *

Source: Moody's, S&P and Fitch

*RobecoSAM country sustainability ranking is a comprehensive framework for analyzing countries' ESG performance. CSR offers view on a country's strengths and weaknesses that are not typically covered by rating agencies



Declining Budget Deficit



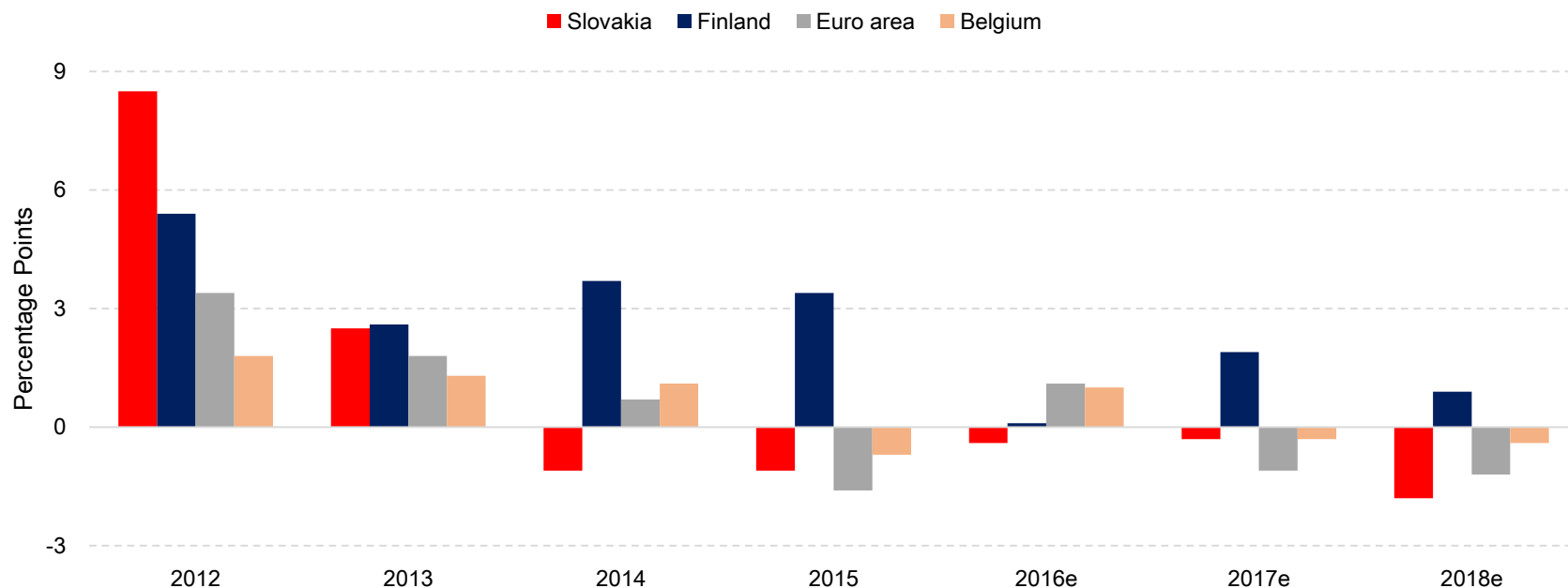
Source: Eurostat, EC Winter Forecast 2017

- ✓ Primary balance in surplus already this year
- ✓ Government nominal surplus expected in 2019



Public Debt on a Steady Declining Path

Change in the public debt-to-GDP ratio

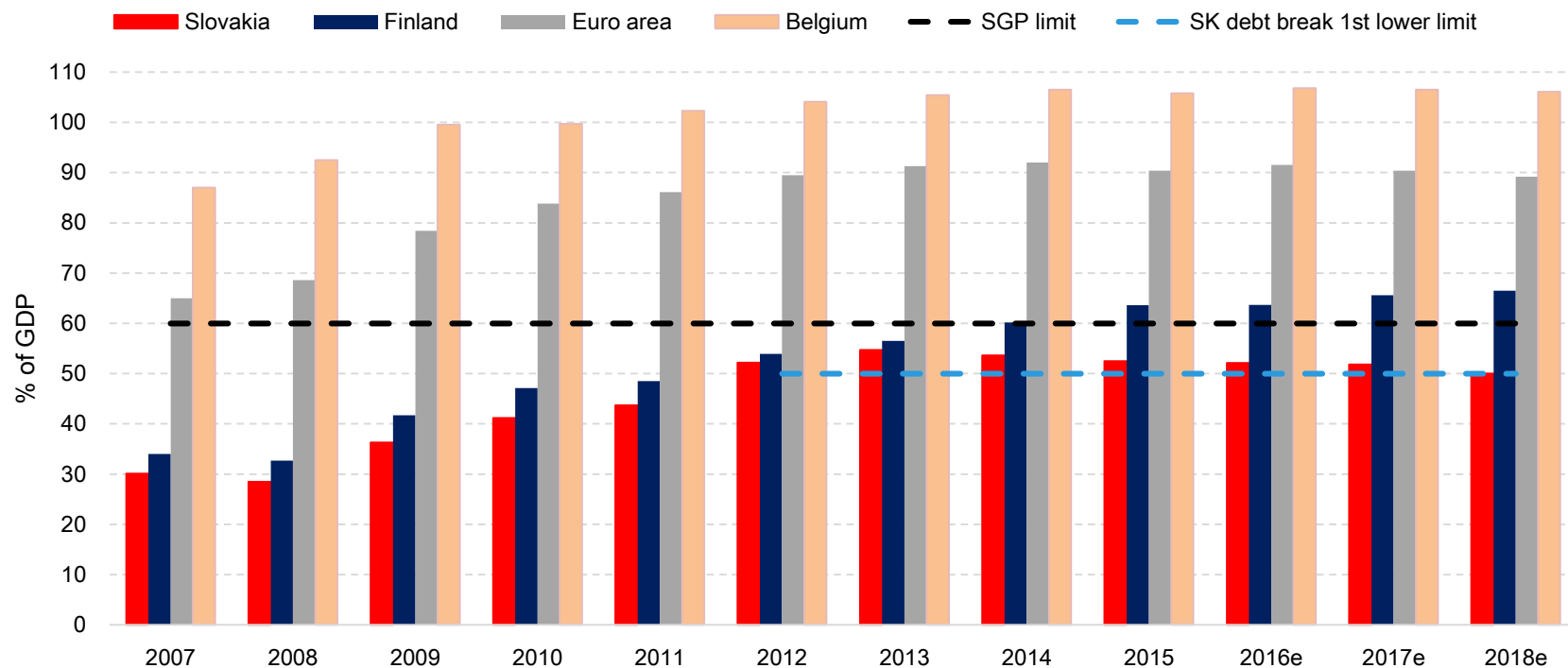


Source: Eurostat, EC Winter Forecast 2017, CBR

- ✓ Consolidation in 2013 had stabilized public debt
- ✓ Moderate consolidation on the revenue side of the budget in 2017



Favorable Debt Position



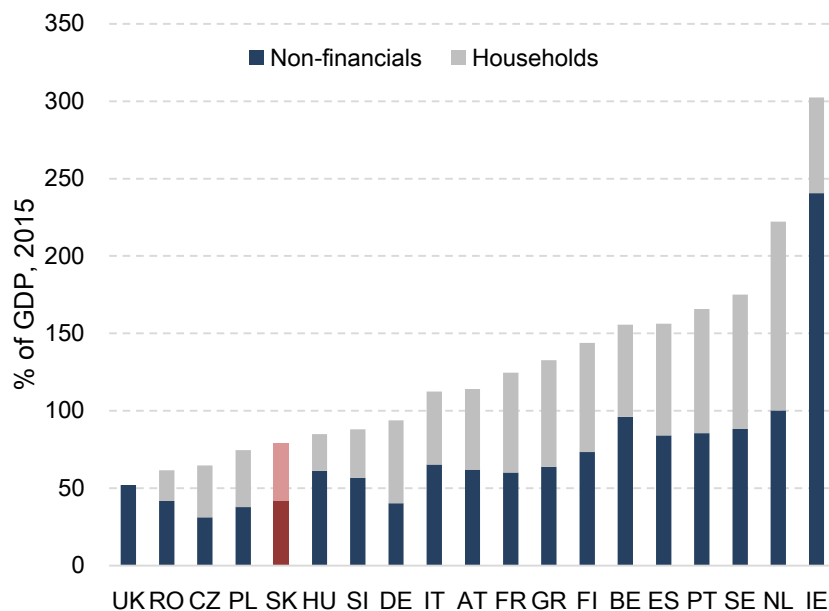
Source: Eurostat, EC Winter Forecast 2017, CBR

- ✓ Sufficient fiscal space with debt level below 53% of GDP
- ✓ Fiscal responsibility act target: debt reduction below 40% of GDP in 2028



Comparatively Low Household and Corporate Debt

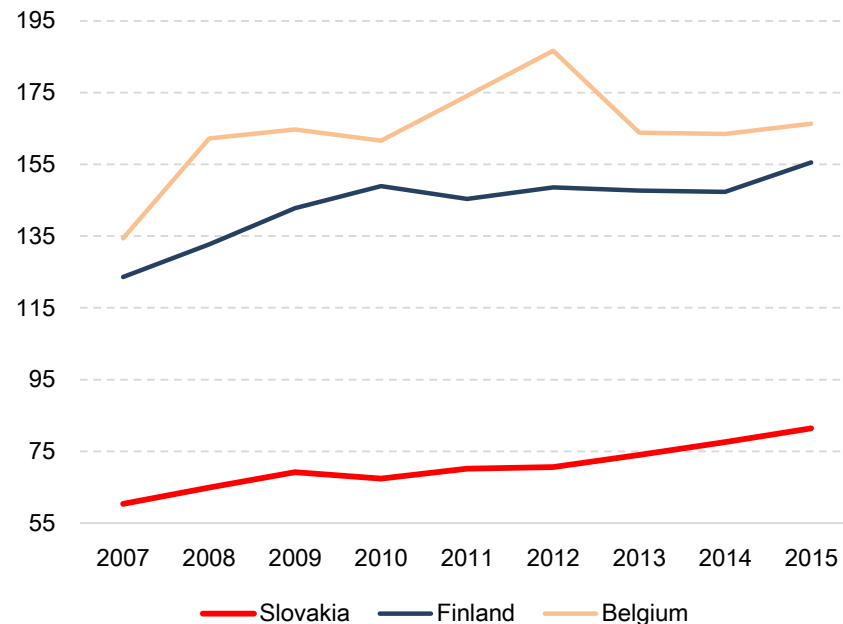
Household and Corporate debt



*Data for UK households unavailable

Source: Eurostat, data as end of 2015

Private debt - % of GDP



Source: Eurostat

✓ Low debt levels, dynamics reflecting high GDP growth



Funding and Debt Management

Debt Management Strategy

2017 Funding Outlook

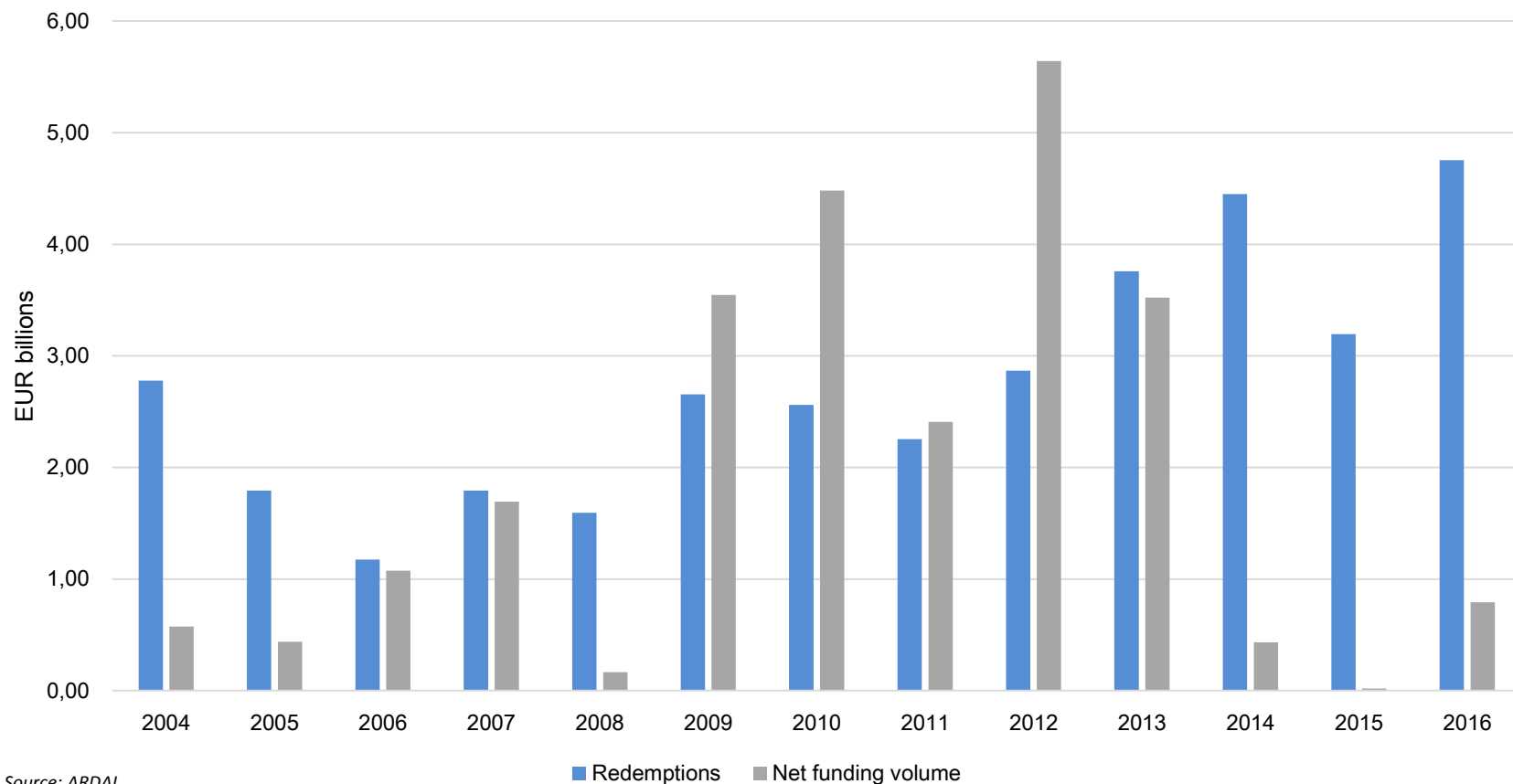
- ✓ Total funding needs at EUR 6.5bn of which up to EUR 3bn through syndicated issuance
- ✓ First syndicated transaction planed in first half 2017
- ✓ Possibility of EUR 1.5bn new issue of non-benchmark bond via auction

- ✓ Secondary market improvements
 - Implementation of eBOND (Bloomberg) or MTS platform
 - ARDAL as “Last Resort Lending Facility“
 - Adjustments in primary dealers evaluation
 - Create an active market for REPO operations
- ✓ T2S connection February 2017 (completed)
- ✓ Diversification of investor base

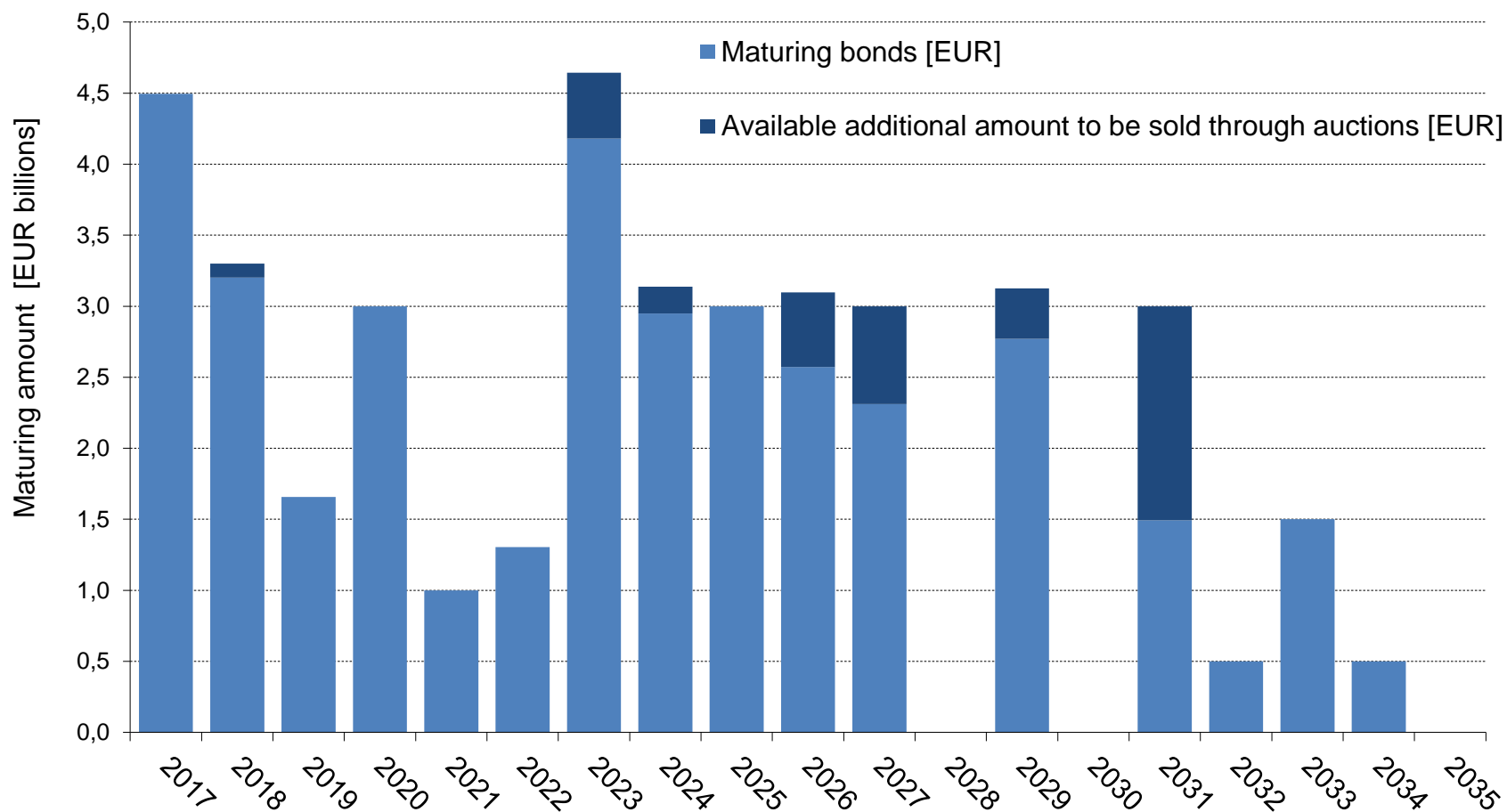


Total Gross Funding 2004-2017

Redemptions - net funding volume



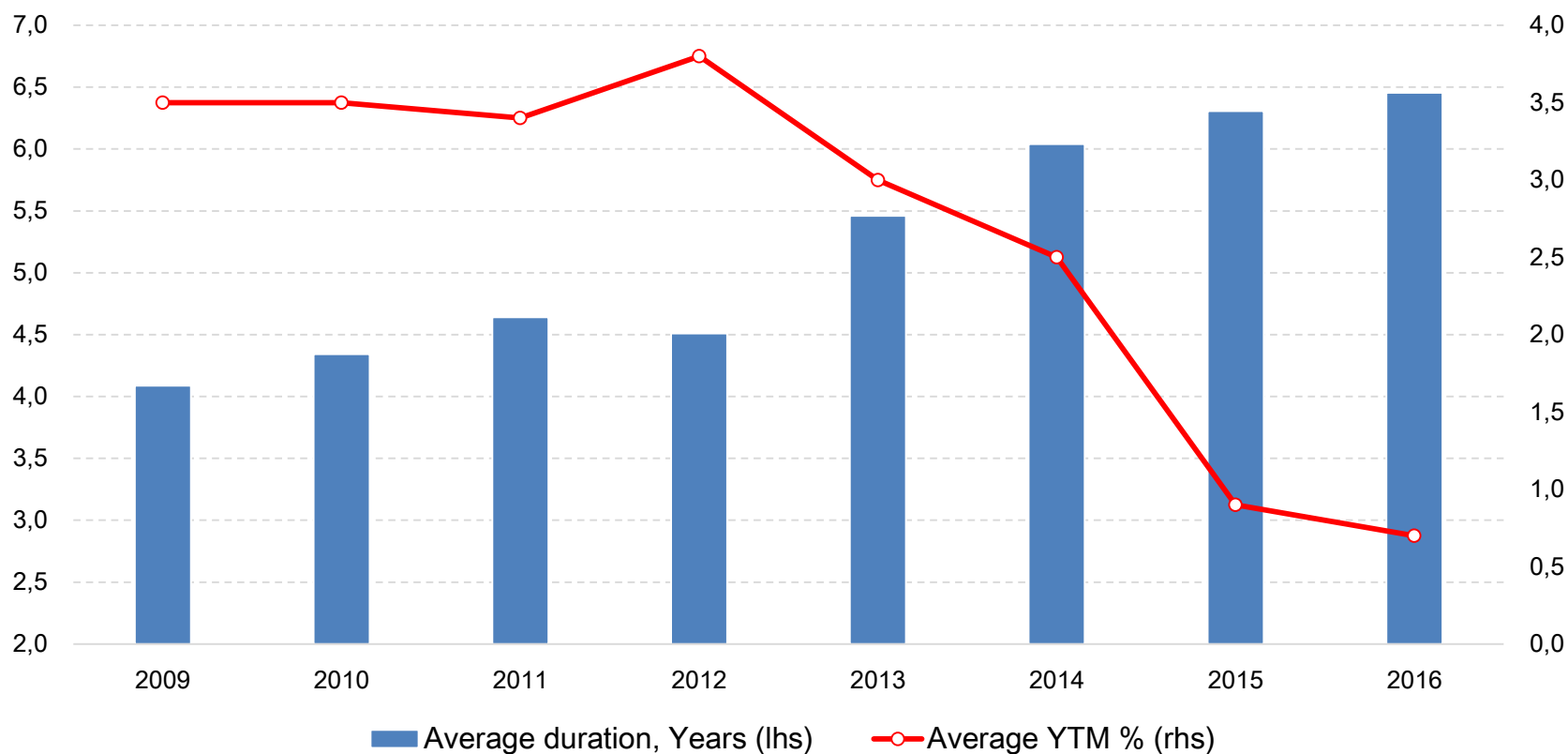
Debt Portfolio Redemption Profile



Source: Bloomberg, Ardal



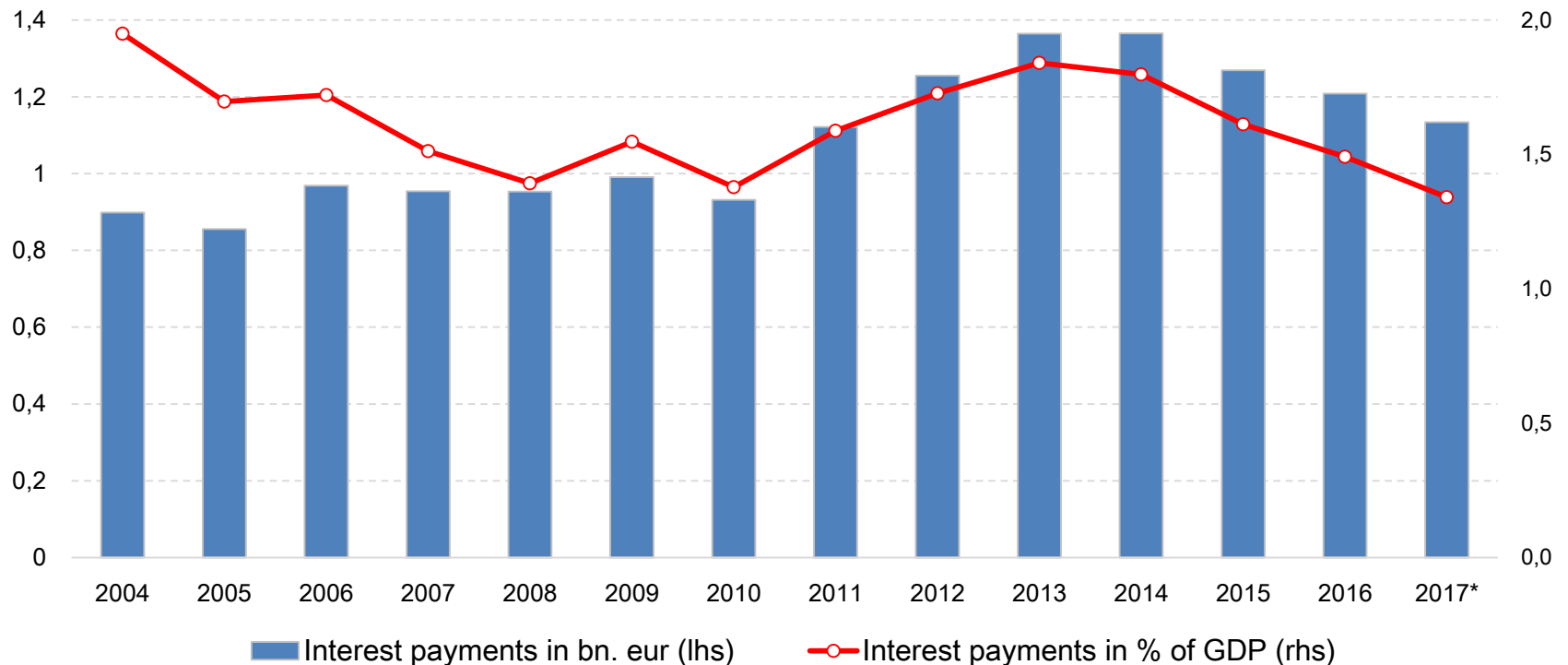
Government Portfolio Metrics



Source: ARDAL



Government – Interest Payments 2004 – 2017



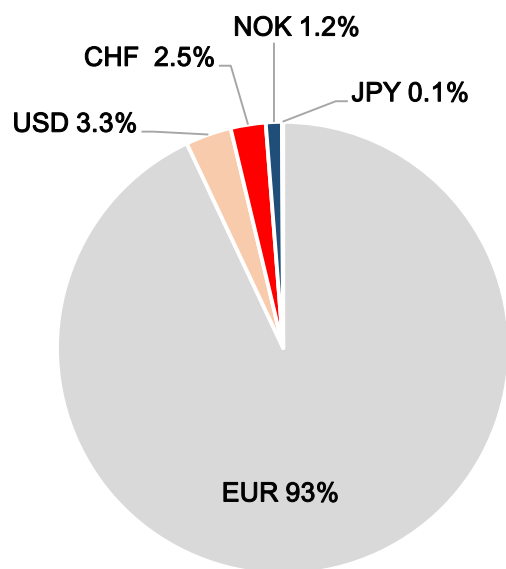
Source: Ardal, *estimate

- ✓ Interest payments are at historical lows as a percentage of GDP
- ✓ ECB's PSPP helped create additional fiscal space



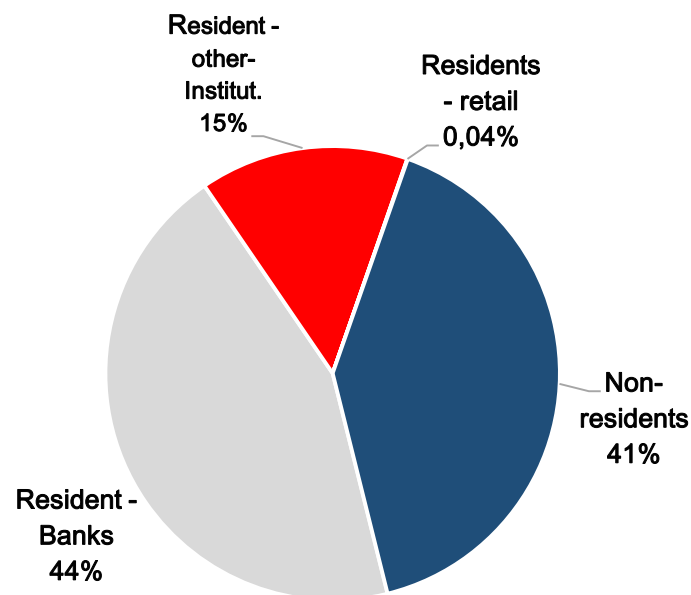
Low Currency Risk and Diversified Investor Base

Currency Profile in %



Source: ARDAL

Investor Base in %

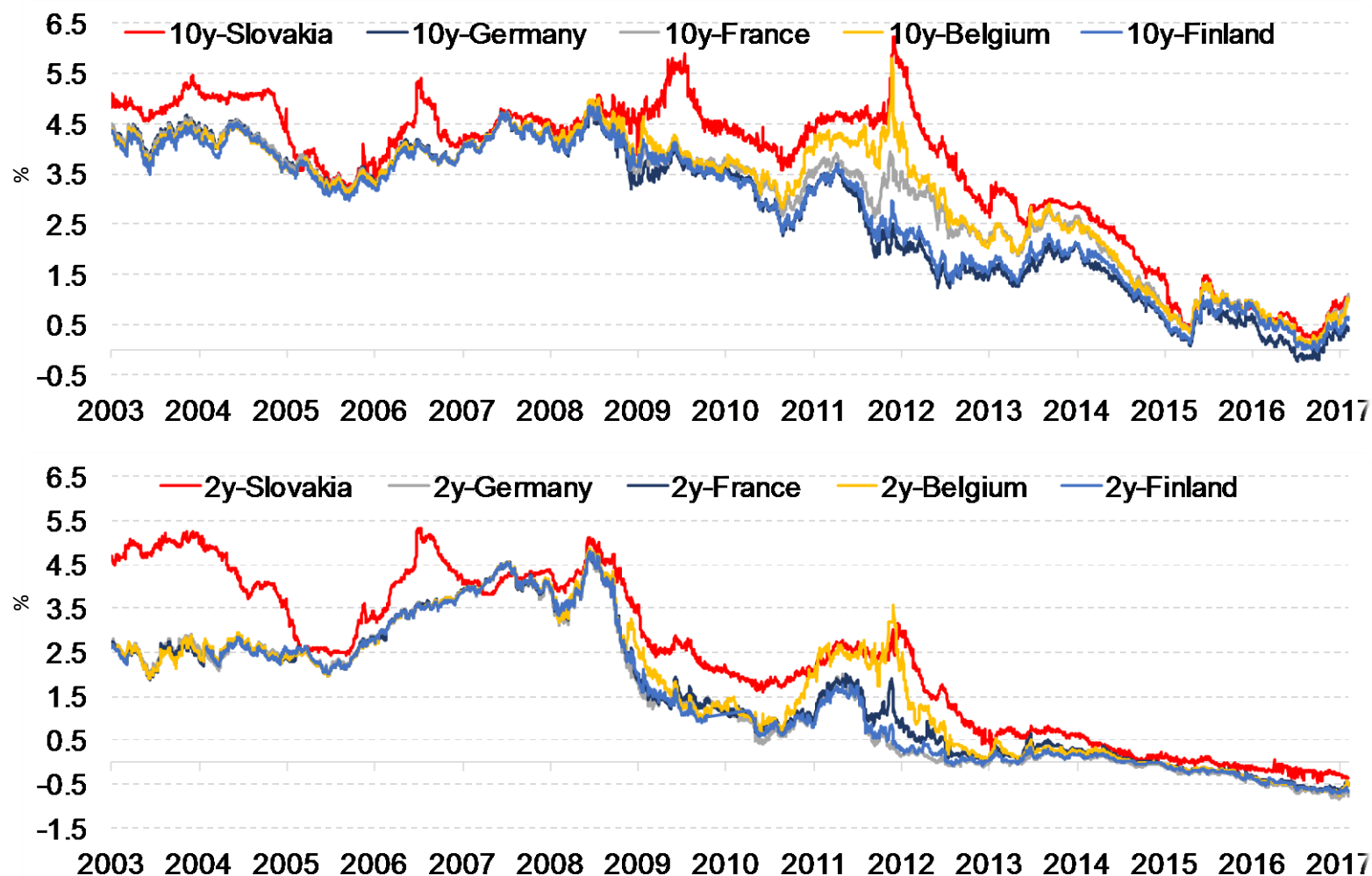


✓ Debt hedged against FX risk

✓ Increasing portfolio holdings of residents due to ECB PSPP



Government Bond Yields



Source: Bloomberg, IFP, Deutsche Bundesbank



Debt Rollover Ratio – Very Low Refinancing Risk

| EU 19 | 2012 | 2013 | 2014 | 2015 | 2016e |
|-----------------|----------|------------|----------|------------|------------|
| Portugal | 18.3 | 16.5 | 22 | 15.8 | 20.1 |
| Greece | N/A | 17.2 | 22 | 17.4 | 18.3 |
| Italy | 21.6 | 19.6 | 21 | 20.2 | 18 |
| France | 13.3 | 13.2 | 13 | 13.5 | 17.1 |
| Belgium | 22.5 | 18.2 | 15 | 16.3 | 15.9 |
| Spain | 11 | 6.9 | 15 | 15.7 | 14.9 |
| Cyprus | 15.2 | 17.8 | 24 | 11.4 | 13.2 |
| Slovenia | 3.4 | 5.2 | 10 | 6.1 | 9 |
| Malta | 9.4 | 7.4 | 8 | 6.1 | 7.9 |
| Finland | 7.6 | 6.1 | 5 | 5.6 | 6.9 |
| Austria | 5.9 | 6.5 | 8 | 5.4 | 6.2 |
| Germany | 8 | 7.9 | 7 | 6.2 | 6.1 |
| Netherlands | 14.6 | 12.8 | 13 | 9.3 | 6 |
| Ireland | 7.7 | 13.9 | 10 | 6.9 | 4.9 |
| Slovakia | 5 | 9.1 | 4 | 3.3 | 4.9 |
| Lithuania | N/A | N/A | N/A | 4.5 | 4.3 |
| Latvia | 3.7 | 1.8 | 12 | 7.6 | 2.6 |
| Estonia | 0 | 0.1 | 0 | 0.1 | 0.1 |
| Luxembourg | 0 | 4.4 | 0 | 0 | 0 |

✓ Defined as a short-term debt stock (< 1yr original maturity) of the previous year plus maturing medium- and long-term debt in % of GDP

✓ Conservative strategy

Source: S&P Global Sovereign Debt Report 2016. February 2016



Auction calendar & Issuance 2017

| Government Bonds | | |
|------------------|--------------|-----------------|
| Month | Auction date | Settlement date |
| 1 | 16 | 18 |
| 2 | 20 | 22 |
| 3 | 20 | 22 |
| 4 | 18 | 20 |
| 5 | 15 | 17 |
| 6 | 19 | 21 |
| 7 | 17 | 19 |
| 8 | 21 | 23 |
| 9 | 18 | 20 |
| 10 | 16 | 18 |
| 11 | 20 | 22 |
| 12 | 18 | 20 |
| Treasury Bills | | |
| 1 | 9 | 11 |
| 2 | 13 | 15 |
| 3 | 13 | 15 |

Source: ARDAL



Financing Instruments

Government Bonds

| ISIN | Maturity | Coupon (%) | Amount available (EUR mil.) |
|--------------|------------|------------|-----------------------------|
| SK4120011636 | 13.11.2023 | 0 | 462.9 |
| SK4120008871 | 15.11.2024 | 3.375 | 88.6 |
| SK4120012220 | 22.5.2026 | 0.625 | 525.5 |
| SK4120010430 | 21.1.2027 | 1.375 | 687.8 |
| SK4120009762 | 16.1.2029 | 3.625 | 355.2 |
| SK4120011420 | 21.1.2031 | 1.625 | 1.507 |

Treasury Bills

| | | | |
|--------------|------------|---|-----|
| SK6120000154 | 27.11.2017 | 0 | 300 |
|--------------|------------|---|-----|

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)**
- ✓ **UniCredit bank Czech Republic and Slovakia. a.s.**
- ✓ **Všeobecná úverová banka. a.s.. (Intesa Sanpaolo Group)**



Summary

Summing Up

- ✓ Robust and sustainable economic growth
- ✓ Flexible and resilient economy
- ✓ Leader of the converging club
- ✓ Low and stable level of public debt
- ✓ Strict budgetary rules
- ✓ Regular spending reviews
- ✓ Low geopolitical risk
- ✓ Improving secondary market

Slovakia's credit profile offers investors a unique mix of stability and upside potential related to the country's accelerated convergence toward eurozone's core



Indicative Transaction Terms

Indicative Term Sheet

| | |
|------------------------|--|
| Issuer | <ul style="list-style-type: none">• The Slovak Republic acting through the Ministry of Finance of the Slovak Republic and the Debt and Liquidity Management Agency (ARDAL) |
| Issuer Ratings | <ul style="list-style-type: none">• A2 by Moody's /A+ by S&P /A+ by Fitch - all Stable |
| Currency | <ul style="list-style-type: none">• EUR |
| Issue size | <ul style="list-style-type: none">• Benchmark |
| Denominations | <ul style="list-style-type: none">• €1x €1 |
| Repayment | <ul style="list-style-type: none">• [X]years bullet |
| Format / Form of Notes | <ul style="list-style-type: none">• Regulation S only / Bearer |
| Documentation | <ul style="list-style-type: none">• Standalone |
| Governing Law | <ul style="list-style-type: none">• Slovak Law |
| Listing | <ul style="list-style-type: none">• Bratislava Stock Exchange |
| Joint Lead Managers | <ul style="list-style-type: none">• Deutsche Bank, HSBC, Tatra Banka (RBI Group), Société Générale |



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