JANUARY 2025

AGENTÚRA PRE RIADENIE DLHU A LIKVIDITY

DEBT AND LIQUIDITY MANAGEMENT AGENCY

REVIEW 2024 AND OUTLOOK 2025

KEY INFORMATION

The year 2024 presented ongoing challenges. ARDAL faced uncertainty regarding the current year's deficit, as well as the cash inflows and outflows associated with the State Treasury funds. In March, market conditions became volatile due to delays in the government's consolidation package, which was later delivered in the autumn. As a result, Slovak bonds became the cheapest in the Eurozone for a moment. In response to these circumstances, ARDAL revised its previously announced gross issuance plan, increasing it from EUR 10 billion to EUR 13.4 billion. However, this new record issuance was met with a record total demand of EUR 31 billion.

ARDAL conducted 9 regular and 1 additional multiple bond auctions during the year, with demand reaching EUR 16 billion and an average bid-to-cover ratio of 2.4. Through these auctions, ARDAL sold bonds worth EUR 6.4 billion. Notably, in January, ARDAL recorded the highest demand ever in a regular auction, with nearly EUR 2.3 billion, as well as the highest demand for a specific bond line in a regular auction EUR 1.7 billion for a bond with 27 years of remaining maturity.

Due to a comfortable liquidity position and the supportive increase in the State Treasury balance sheet, no T-Bills auctions were held during the year.

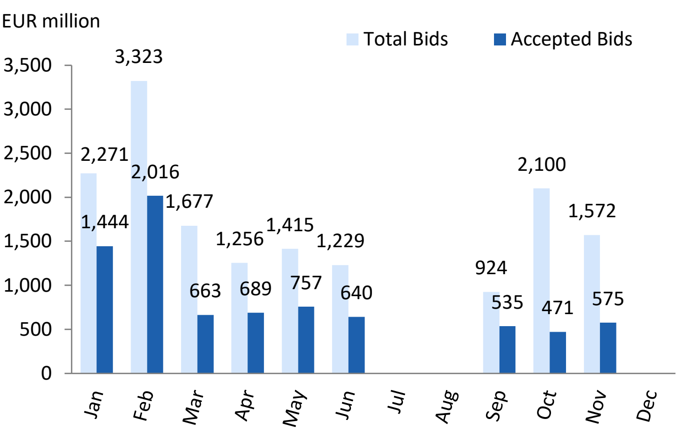
In addition to regular auctions, Slovakia issued new 7 and 10-year EUR benchmarks through two syndicated transactions, totaling EUR 5.0 billion. A third syndicated transaction marked a landmark return to the Swiss market, with CHF 635 million raised through a dual tranche of 4 and 10-year maturities.

The average yield on new bond issuances in 2024 decreased to 3.47% p.a. (from 3.74% p.a. in 2023), with an average maturity of 9.4 years. The average cost of outstanding bonds slightly increased to 2.32% p.a. When including State Treasury funds and other liabilities the total average cost reached 2.06% p.a.

Slovakia maintained its average maturity and other risk indicators at the same or better levels than the OECD and Eurozone averages. The average maturity of the outstanding bond portfolio stood at targeted 8.4 years.

The gross debt-to-GDP ratio is expected to rise from 56.1% in 2023 to around 59.0% by the end of 2024. Net debt-to-GDP is projected to remain around 52.0%. Throughout 2024, ARDAL effectively managed a prudent liquidity buffer, maintaining it between 7-10% of GDP.

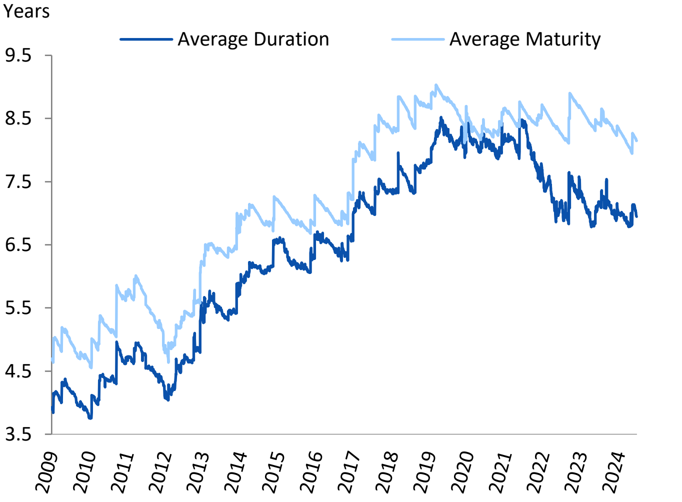
Chart 1: Government Bonds Sold in the Auctions in 2024



RISK MANAGEMENT

In 2024, the Slovak Debt Portfolio has continued to be managed with a focus on minimizing risks and ensuring financial stability. Compared to the previous year, the key metrics have shown some adjustments, partly influenced by the European Central Bank's (ECB) policy changes and other market development. The ARDAL oversees the monitoring and evaluation of risk indicators such as the average maturity and duration of the state debt portfolio, as well as refinancing and refixing risks. The weighted average maturity of the debt portfolio has remained relatively stable at planned 8.1 years in 2024, compared to 8.4 years in 2023. This was primarily achieved through the issuance of bonds with an average maturity of 9.3 years during 2024. The duration stands at 6.9 years, slightly lower (7.2 years in 2023) due to the rise in yields, which have shortened the duration by cutting down the present value of future cash flows. Both refinancing and refixing risks have been pulled back to 17.3% of total liabilities within one year, and to 40.1% within five years. This alignment of both results from the portfolio's composition of predominantly fixed-rate instruments.

Chart 2: Average Maturity and Duration of the Slovak Debt Portfolio



Current Ratings of the Slovak Republic				
Agency	Standard&Poor's	Moody's	FITCH	DBRS Morningstar
Grade	A+ stable outlook	A3 stable outlook	A- stable outlook	A negative outlook
Confirmation Date	October 2024	December 2024	December 2024	August 2024

GOVERNMENT DEBT SECURITIES ISSUES AND AUCTION CALENDAR FOR 2025

Gross issuance should reach around EUR 12.0 billion in 2025. This amount is in line with the Act on the State Budget for 2025 and with the Act on State Debt and Guarantees. ARDAL intends to open 3 new lines of government bonds via syndicated sale and/or auction in 2025 and 2 retail bond lines:

- *new bond line with issue size of EUR 3 billion with fixed coupon and time to maturity of 4 years;*
- *new bond line with issue size of EUR 5 billion with fixed coupon and time to maturity of 12 years;*
- *new bond line with issue size of EUR 5 billion with fixed coupon and time to maturity of 15 years or longer;*
- *2 new retail bond lines with maturities up to 5 years opened in the first half of the year.*

Government Bond Auctions in 2025

20.1.2025	22.4.2025*	21.7.2025	20.10.2025
17.2.2025	19.5.2025	18.8.2025	18.11.2025*
17.3.2025	16.6.2025	16.9.2025*	15.12.2025

**Due to public holiday on Monday, the auction will take place on Tuesday, with settlement on Thursday.*
July, August and December auctions are not planned but can be carried out if needed.

Table 1: Selected Principal Liabilities as of 31.12.2024

Liabilities	EUR (million)	Average Costs
Issued Bonds	68,932	2.32% p.a.
Issued T-Bills	0	0.00% p.a.
Loans	4,090	1.56% p.a.
Total	73,022	2.28% p.a.

Table 2: Open Lines of Bonds (Available for Tapping) as of 31.12.2024

ISIN	Issue Date	Maturity	Coupon (% p.a.)	Available (EUR million)
SK4000024683	7.2.2024	7.2.2028	3.000	1,959.2
SK4000026241	6.11.2024	6.11.2031	3.000	1,000.0
SK4000023230	8.6.2023	8.6.2033	3.625	1,646.6
SK4000023230	6.3.2024	6.3.2034	3.750	808.1
SK4000022539	23.2.2023	23.2.2035	3.750	1,463.6
SK4000018958	21.4.2021	21.4.2036	0.375	998.2
SK4000022547	23.2.2023	23.2.2043	4.000	3,500.0
SK4120013400	17.10.2017	17.10.2047	2.000	1,494.1
SK4000019857	13.10.2021	13.10.2051	1.000	2,418.1
SK4120014184	12.6.2018	12.6.2068	2.250	4,324.7
Total Amount				**19,612.6**

KEY CHALLENGES

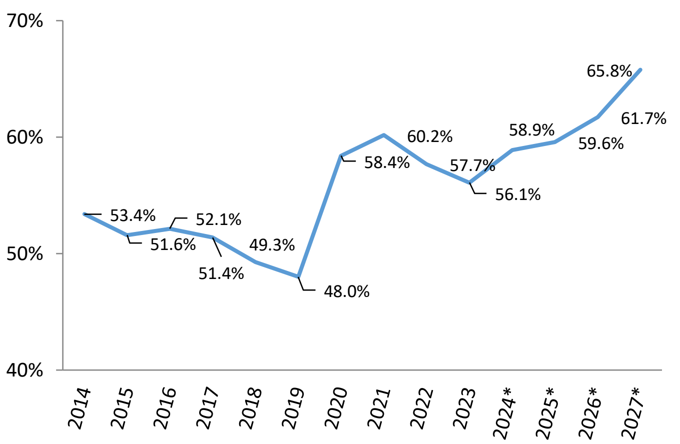
Despite facing challenges such as the COVID-19 pandemic, war, high inflation and energy crisis, the risk parameters of Slovakia's debt portfolio remain robust. The country boasts a smooth and manageable redemption profile, an average debt maturity consistent with OECD standards, and a sufficient liquidity position, all of which serve as buffers against potential market distortions.

Slovakia is firmly anchored in EU structures, and the new government is committed to maintaining its pro-EU orientation. The government in 2025 will face a fragile majority in Parliament, making each vote more challenging. The planned structural changes and comprehensive consolidation package could create tension among citizens and will inevitably attract the attention of the opposition. No regular elections are scheduled for 2025.

After a decade of the prudent Act on Fiscal Responsibility, also known as the Debt Brake, political debate regarding its improvement is ongoing. The Act was originally designed for stable times, but the unpredictable nature of various crises has revealed its weaknesses. Transitioning from a gross debt to a net debt formula could reintroduce flexibility and establish a standardized approach to debt management. Currently, the Debt Brake is suspended, and the new government is exempted until November 21, 2025. If the state budget is presented to Parliament after this trigger date, it will also require a vote of confidence for the government, as the gross debt will exceed its highest debt brake level.

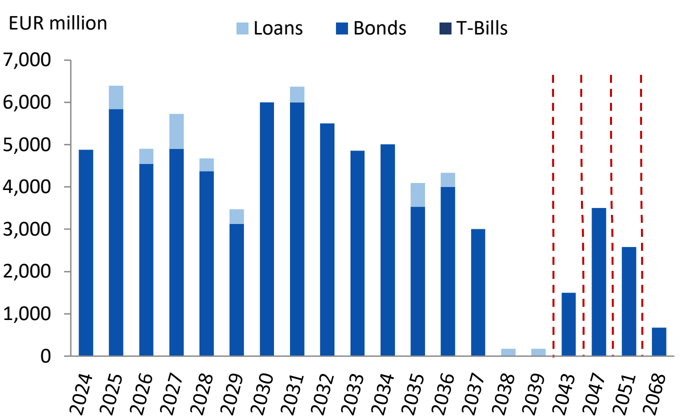
While higher yields have quickly restored normal market conditions, in the medium to long term, the European Central Bank's Quantitative Tightening needs to be replaced by real money investors. This shift requires broadening the existing investor base and maintaining a regular market presence beyond the Eurozone. For ARDAL, this means conducting more roadshows and engaging in direct communication with investors regarding ongoing fiscal consolidation efforts in Slovakia.

Chart 3: Public Debt to GDP



** Forecast*

Chart 4: Maturity of the Securities and Loans



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