



REVIEW 2022 AND OUTLOOK 2023

KEY INFORMATION

Gross Debt to GDP ratio is expected to decrease from 62.2% in 2021 to around 59.4% at the end of 2022. Net debt to GDP should decrease from 53% in 2021 to around 50% of GDP. During the 2022, ARDAL managed prudent liquidity buffer between 7-10% of GDP.

Total gross issuance in 2022 was originally planned at EUR 6 billion. Extraordinary inflation revenues to the State budget and State Treasury enabled to decrease the gross issuance to EUR 5.2 billion.

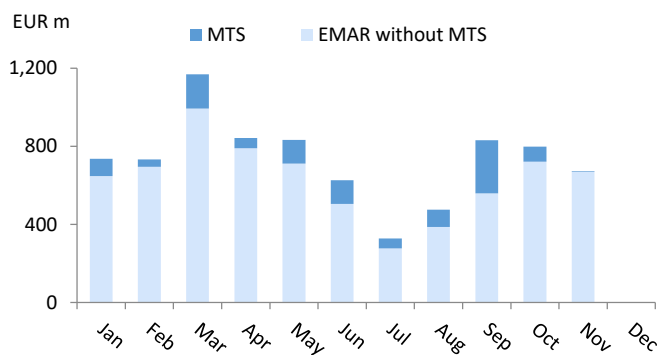
ARDAL held 9 multiple bond and 1 special auction with total demand of EUR 7 billion and average bid to cover ratio of 1.8. In the auctions, ARDAL sold bonds worth EUR 4.2 billion. Due to comfortable liquidity position and supportive increase of State Treasury balance sheet, no T-Bills auction was held. Aside of the

regular auctions, Slovakia also opened a new 10y benchmark through syndicated transaction in the size of EUR 1 billion.

The average yield of new bond issuance in 2022 increased to 2.43% p.a. (previous year 0.24% p.a.) with average maturity of 12.1 years. Lowest yield in 2022 (-0.59% p.a.) was achieved in January by selling a 2.4 year bond in auction, the highest yield was recorded in October at 4.20% p.a. in a 13.5 year bond auction.

Although the new issuance yields increased significantly, average yields on outstanding bonds are maintained at 1.66%, at the same levels as at the end of 2021. Total average costs, together with the State Treasury funds slightly increased from 1.29% to 1.31% p.a. Slovakia maintained its average maturity at the OECD and Euro area average levels reaching 8.2 years - similar to last year.

Chart 1: Slovak Primary Dealers Secondary Market (EMAR) in 2022



* EMAR for December 2022 is not available at time of publication

Table 1: Government Bond Auctions Results by Bond Line in 2022

	Total Bids (EUR million)	Accepted Bids (EUR million)
June 2024	735	453
May 2025	796	581
June 2027	88	71
June 2028	166	76
April 2030	707	374
October 2030	169	77
May 2032	394	246
October 2032	237	158
April 2036	2215	1240
October 2047	416	358
October 2051	579	406
June 2068	271	175

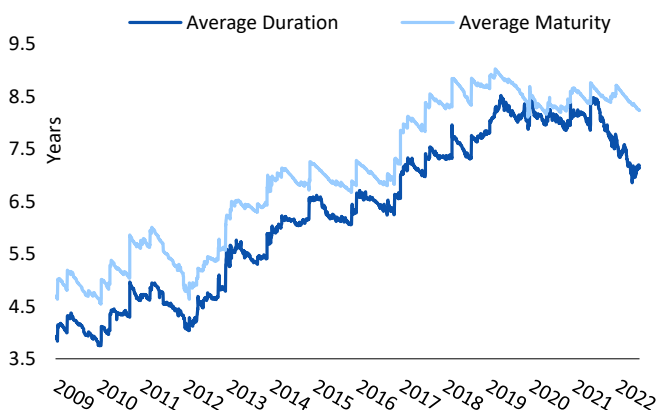
RISK MANAGEMENT

ARDAL manages the debt portfolio risks in accordance with the approved Government Debt Management Strategy. This includes the monitoring of key risk indicators such as average maturity and duration of state debt portfolio and both refinancing and refixing risks.

The weighted average maturity of the state debt portfolio reached the value of 8.2 years and the duration was 6.9 years at the end of 2022. These values are comparable to the debt portfolio characteristics of the Eurozone countries.

In regards to the refinancing risk, the values of 17.9 and 46 per cent of total liabilities were reached and thus maintained within the intended thresholds of 20 and 55 per cent for one and five years, respectively. Additionally, the goal to maintain the one/five years of refixing risk close to 25 and 55 per cent of total liabilities was accomplished at 17.9 and 46 per cent.

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+ negative outlook	A2 negative outlook	A negative outlook	AH negative outlook
Confirmation Date	November 2022	August 2022	August 2022	August 2022

GOVERNMENT DEBT SECURITIES ISSUES AND AUCTION CALENDAR FOR 2023

Gross issuance should reach EUR 8 billion in 2023. This amount is in line with the Act on the State Budget for 2023 and with the Act on State Debt and Guarantees. ARDAL intends to open 2 new lines of government bonds via syndicated sale and/or auction in 2023:

- new bond line with issue size of EUR 3 billion and with medium-term maturity.
- new bond line with issue size of EUR 3 or 5 billion and with medium or long-term maturity.

The total expected amount to be sold via syndicated sales is EUR 4 billion, regardless of the number of transactions. Other lines of bonds can be opened based on debt management requirements and investors' demand.

Table 2: Principal Liabilities Structure as of 31.12.2022

Liabilities	EUR (million)	Average Costs
Issued Bonds	54,811	1.66% p.a.
Issued T-Bills	0	0.00% p.a.
Loans	4,013	1.54% p.a.
Total	58,824	1.65% p.a.

KEY CHALLENGES

Political development will have stronger influence in 2023. The early elections are expected in 2Q 2023. Despite combination of many crises (war, energy prices and inflation) Parliament and temporarily Government are functional. No changes in general geopolitical direction are expected as Slovakia is very well incorporated in EU structures and the new Government will continue in a strong pro EU orientation. The planned structural changes and reforms could sustain economic growth and lead to a better credibility of Slovakia as well.

After 10 years of existence of prudent Act on Fiscal Responsibility (so called Debt Brake) there is a political debate and also will to improve this act. The Act was originally prepared for good and stable times, but the unpredictable environment of multiple crisis revealed weaknesses. Moving to net debt from gross debt formula could bring back flexibility and standard approach in debt management.

Risk parameters of Slovakia debt portfolio, even after the COVID-19 experience, war experience and highly inflationary circumstances are in the best shape. Smoother and feasible redemption profile, average debt maturity at OECD level, combined with sufficient liquidity position worked well as an absorber of market distortions. Based on the past successful fulfillment of the previous Debt Management Strategies, the new Government should approve very similar risk goals in the new Debt Management Strategy for the years 2023 – 2026.

Higher yields have brought back a normal market conditions, although in a very quick manner. In medium to long term, the ECB QT will have to be replaced by real money investors, which will mean broadening of the existing investor's base and being regularly present in other markets outside the Eurozone.

Table 3: Open Lines of Bonds (Available for Tapping) as of 31.12.2022

ISIN	Issue Date	Maturity	Coupon (% p.a.)	Available (EUR million)
SK4000017158	14.5.2020	14.5.2025	0.250	300.3
SK4000017380	17.6.2020	17.6.2027	0.125	1,501.0
SK4000021986	19.10.2022	19.10.2032	4.000	1,842.0
SK4000018958	21.4.2021	21.4.2036	0.375	1,917.2
SK4120013400	17.10.2017	17.10.2047	2.000	1,864.6
SK4000019857	13.10.2021	13.10.2051	1.000	3,594.5
SK4120014184	12.6.2018	12.6.2068	2.250	4,324.7
Total Amount				15,344.3

Government Bond Auctions in 2023

16.1.2023	17.4.2023	* 17.7.2023	16.10.2023
20.2.2023	15.5.2023	* 21.8.2023	20.11.2023
20.3.2023	19.6.2023	18.9.2023	* 18.12.2023

*July, August and December auctions are not planned but can be carried out if needed.

Chart 3: Public Debt to GDP

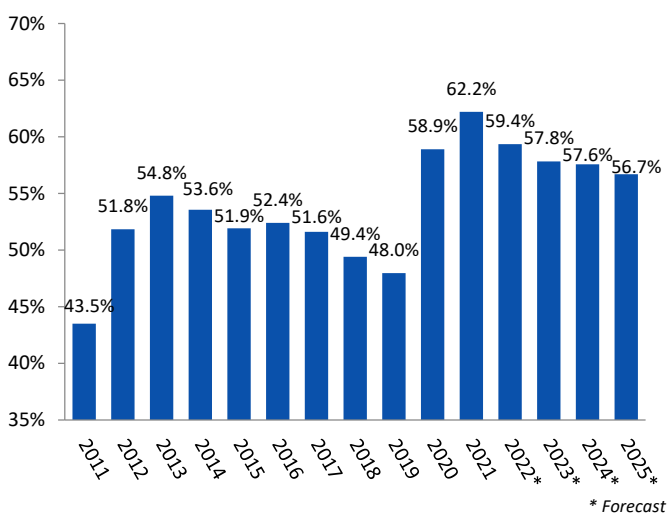
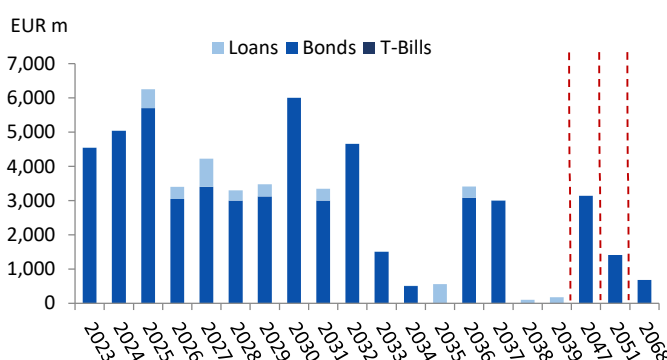


Chart 4: Maturity of the Securities and Loans



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Agentúra pre riadenie dlhu a likvidity (hereinafter referred to as the „ARDAL“), with its registered seat at Radlinského 32, Bratislava, Identification No.: 30792053 acting on behalf of the Ministry of Finance. ARDAL manages the state debt according to the Act. No. 291/2002 Coll. on State Treasury, as amended, in line with the Debt Management Strategy approved for the given period by the Government of the Slovak Republic. For the avoidance of doubt, ARDAL notes that all the data contained herein are informational only and should not be used for legal purposes. The submitted information has no influence on investments or sales of the government securities. ARDAL is not responsible for any claims, losses, liabilities or expenses incurred as a result of decisions of these investments based on the data provided in this document.