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**PRELIMINARY REPORT
ON ARDAL'S ACTIVITIES
(2014 REVIEW AND 2015 OUTLOOK)**

Contens

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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, 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 time period by the Government of the Slovak Republic.

This preliminary report on the ARDAL's activities for 2014 has been prepared on the basis of preliminary data and information. After completing the approval process, the definitive data for the year 2014 will be provided in the form of Report on ARDAL's activities for the year 2014.

For the avoidance of doubt, we note that all data contained herein are for information only and may not be used for legal purposes. The submitted information does not recommend and do not persuade to investing in or selling of a government securities.

ARDAL is not responsible for any damages, losses, liabilities or expenses incurred as a result of investment decisions based on the data provided under this document.

Key information – Overview

1. Originally expected gross borrowing needs for 2014 in the amount of EUR 7.5 billion were, due to bigger pre-financing in 2013 and better cash results of the state budget in 2013, reduced to EUR 4.9 billion. The adjusted amount was conveniently reached in November. Overall, the Ministry of Finance of the Slovak Republic in 2014 received funding in the amount of EUR 5.1 billion.
2. The interest rates decline during the year was stronger than expected by the market and analysts. Interest rates development and active portfolio management were reflected in the decrease in weighted average interest rate of government liabilities from the level 3.60% p.a. in 2013 to the level of 3.35% p.a. at the end of the year 2014.
3. Favourable market conditions allowed the issuance of bonds with maturity of 10+ years to substitute short-term liabilities for the long-term ones at a reasonable interest costs. The weighted average maturity of the debt portfolio increased to 6.8 years and a weighted average duration to 6.2 years.
4. In 2014 buy backs of the bonds maturing in January 2015 in the amount of EUR 1.5 billion were carried out which resulted in smooth redemption of two bonds worth EUR 3.5 billion maturing on the same day in January 2015.
5. Meeting the criteria and requirements of the government debt management strategy, the results obtained in the debt portfolio parameters and the expected development in the upcoming years enabled to prepare portfolio in order to change the parameters of the new debt management strategy for the years 2015-2018 with the aim to provide a more rigorous assessment of the portfolio risks and the consequent slower costs decline.
6. Ensuring compliance of the reasonable government debt and liquidity management with the valid act on fiscal responsibility was a big challenge in operative management of the government debt and liquidity. The unpredictable environment of negative interest rates and the absence of a standard interbank money market with the generally applicable rules was the main challenge in the liquidity and cash reserves management of the state in 2014.
7. In 2014 a private placement of government bonds in the amount of EUR 500 million with 20-year maturity was carried out for the first time, addressing a specific group of investors from Germany and Austria. In addition, Slovakia has experienced debut in the Norwegian market where the government bonds in Norwegian Krone worth EUR 408 million were issued. This was the first Central and Eastern Europe country deal in the Norwegian market history.
8. In August 2014 the Standard & Poor's rating agency affirmed the Slovak Republic rating at the A level and also improved the outlook to positive from stable.

Macroeconomics Indicators of the Slovak Republic

	Unit	2008	2009	2010	2011	2012	2013	2014 ⁹⁾
Gross domestic product ^{1) 2) 5)}	bln. EUR*	65.3	64.1	65.6	67.9	70.5	71.8	73.5**
Gross domestic product ^{2) 5) 6)}	bln. EUR*	67.2	62.8	67.2	70.2	72.2	73.6	75.4**
Year-on-year changes in GDP ³⁾	%	6.4	-4.7	4.0	3.3	2.0	0.9	2.4**
Unemployment rate ^{4) 7)}	%	8.4	12.66	12.5	13.6	14.4	13.5	12.3
Average nominal monthly wages	EUR	669	744	769	786	805	824	837
Year-on-year rate of inflation ^{4) 8)}	%	4.6	0.5	1.0	4.4	3.6	1.4	0.0**
Balance of the public budget ^{4) 10)}	bln. EUR*	-0.7	-5.0	-5.0	-2.9	-3.1	-1.9	-2.2***
Balance of the public budget / GDP ^{4) 10)}	%	-1.0	-8.0	-7.5	-4.1	-4.2	-2.6	-2.9**
Public gross debt ⁴⁾	bln. EUR*	18.6	22.3	27.6	30.5	37.6	40.2	41.3**
Public gross debt / GDP ^{4) 10)}	%	27.7	35.6	41.1	43.5	52.1	54.9	53.7**
Gross external debt	bln. USD	48.6	65.3	65.8	68.5	70.9	82.3	85.4

Sources: National Bank of Slovakia, Statistical Office of the Slovak Republic, Ministry of Finance SR

1) Constant prices according to the previous year

2) Cumulative figures since the beginning of the year

3) Change compared with the same period of the previous year

4) At the end of the period

5) Conversion is based on the method of ESA 95

* Used conversion rate 1 EUR = 30,1260 SKK

*** Government budgetary deficit

6) Current prices

7) Registered Unemployment Rate

8) Measured by Consumer Price Index

9) Preliminary data

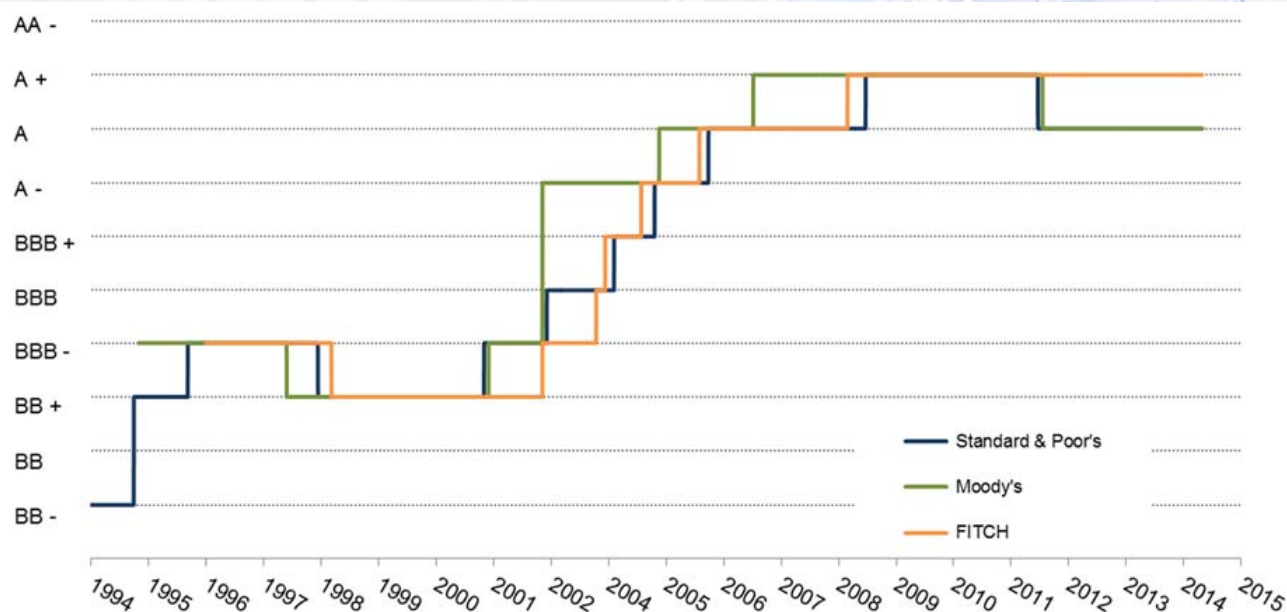
10) According to Eurostat

** Forecast

Rating as of 31 January 2015

Rating of the Slovak Republic			
Assignment Date	Agency	Level	Outlook
January 2015	Standard & Poor's	A	positive
November 2014	Moody's	A2	stable
August 2014	Fitch	A+	stable

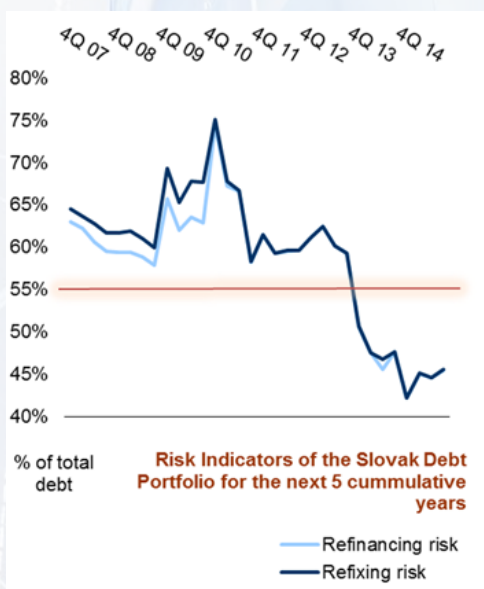
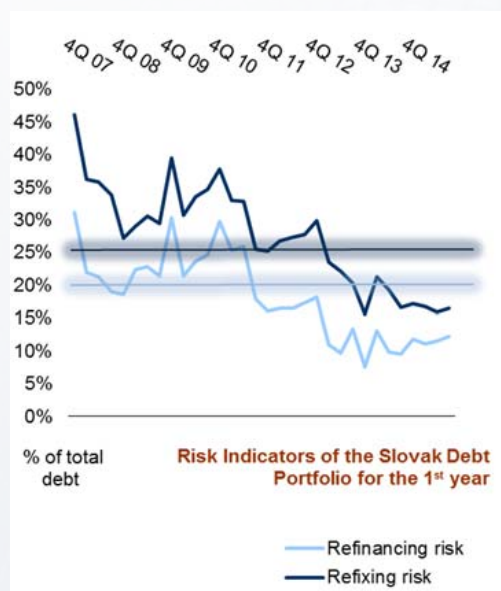
Rating History of the Slovak Republic



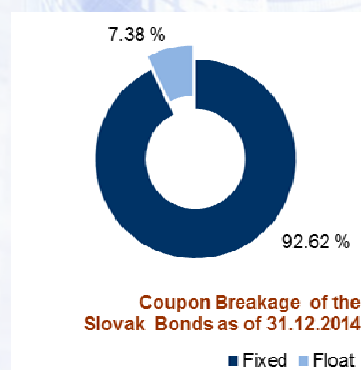
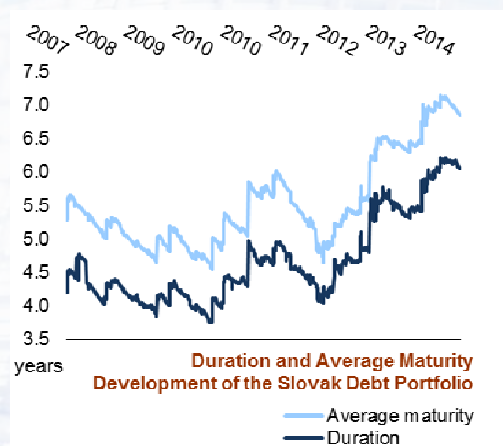
Risk Management

Last year the Government Debt Management Strategy for the years 2015 to 2018 was approved. The new strategy is based on the strategy valid until 2014 and continues in monitoring of refinancing and interest rate risks. In the period of years 2015-2018 the goal is a close approximation to the target values or maintaining the parameters as closely as possible to the target values.

The experience of the past crisis years and recommendations of investors, banks and rating companies has resulted in a slight modification (tightening) of the target parameter values of the redeemed / re-fixed government liabilities. As regards the refinancing risk, there is a strategic intent to maintain the value of the redeemed liabilities within one year close to 20% of total liabilities (compared to 25% in the previous strategy). As for the refixing risk, there is a goal to maintain the value of the re-fixed liabilities within one year close to 25% of total liabilities (no change compared to the previous strategy). The value of refinancing risk and interest rate risks within five years should be near to 55% of redeemed / re-fixed liabilities within five years to total included liabilities (compared to 65% in the previous strategy). Compared to the previous period, compliance with the above mentioned objectives will bring less refinancing and refixing risk for Slovakia from the perspective of the government debt. This way, the gradual decline of the relative debt costs will slow down.



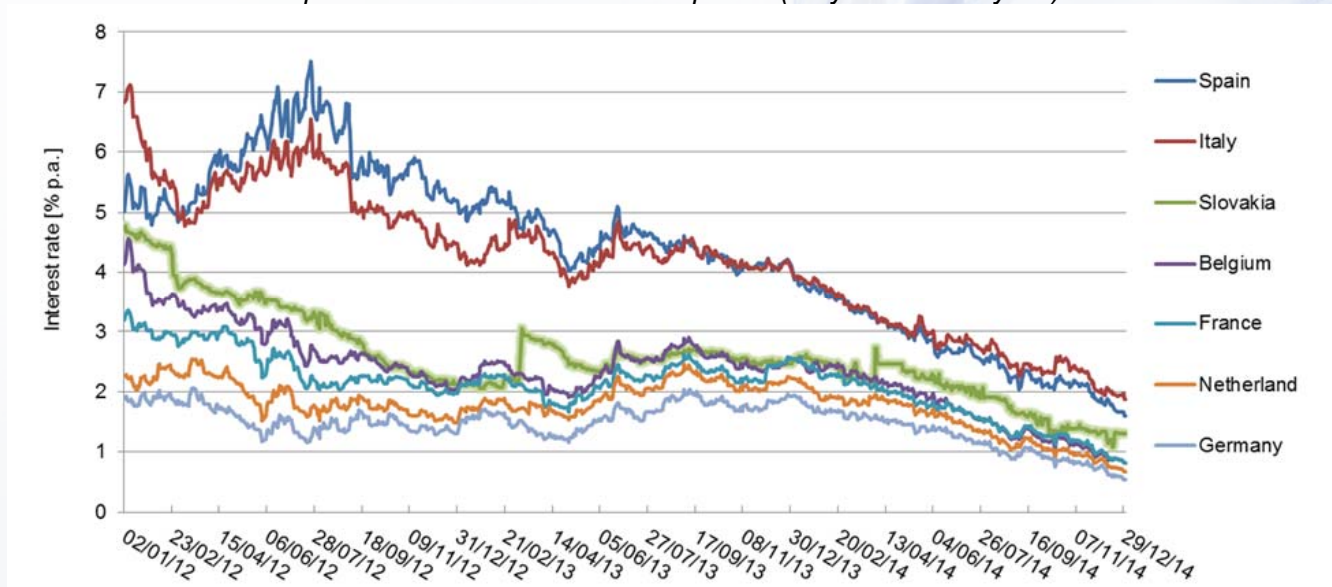
At the end of the year 2014 the weighted average maturity of the bond and government loans portfolio reached the value 6.8 years and the weighted average maturity was 6.2 years. These are the best values in the history of monitoring the Slovak government debt. The reached values are comparable to the debt portfolio of the Eurozone core countries and EFSF.



Debt and Liquidity Management

The development of Eurozone countries' 10-year bonds interest rates on the capital market had a favourable trend in 2014 from the issuers' perspective. The only exception was Greece where since September the rates began to grow under the influence of local economic and political development (early elections). During the year the interest rates fluctuated in line with a standard volatility and in general it can be stated that year on year the interest rates of all other countries declined.

Comparison of interest rates development (10-year-Bond's yield)

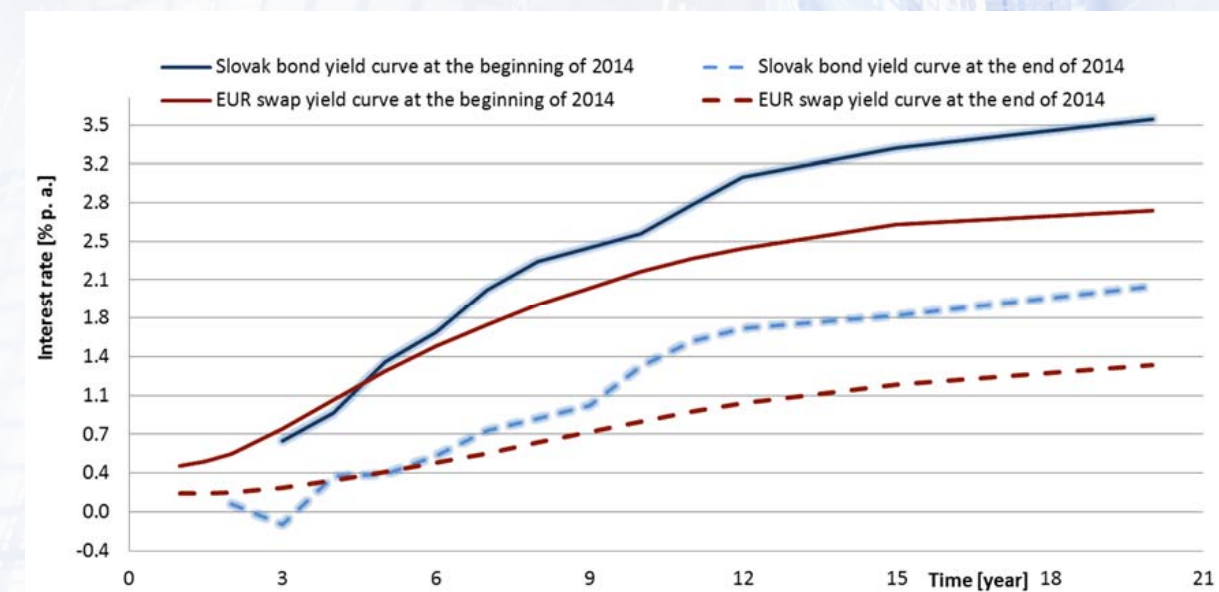


Source: Bloomberg

For all core countries the improvement in shorter maturities was not as significant as in maturities over 10 years, which means less steep yield curve up to 10 years. Approximately the same improvement in the maturities over 10 years means keeping the slope of the yield curve.

Slovakia has maintained a position closer to the core countries of the euro area and sufficiently distant from the peripheral countries, however, in over 10-year-maturities it did not reach such a significant improvement as other core countries. For Slovakia this means greater steepness of the yield curve relative to the other core countries and the expression of weaker confidence in the healthy development of Slovakia in the long term.

Slovak yield curves compared to EUR swap yields at the beginning and at the end of 2014



Source: Bloomberg

During the year 2014 ARDAL managed to sell 19 government bonds via competitive auctions, three bond sales through a syndicate of banks and one private placement issuance. Total demand in auctions and syndications reached EUR 10,969.3 billion. The bids were accepted at a face value of EUR 4,880.8 billion.

Due to significant demand for government securities with longer maturity, ARDAL did not open any new issue of T-Bills in 2014 and had no auction.

Overview of the Government Bond Sell Auctions in 2014 (sorted by bonds)

Auction Date	Settlement Date	Maturity Date	Auction Type	Accepted Bids [EUR million]	Bid/ Cover Ratio	Average YTM [% p.a.]	ASW Spread [% p.a.]
ŠD 218 (SLOVGB Float 11/16/16, ISIN SK4120008202), Coupon Rate 6M EURIBOR, Original Maturity 5 Years							
20.01.2014	23.01.2014	16.11.2016	Competitive	205.6	3.5	n/a	0.15**
17.04.2014	24.04.2014	16.11.2016	competitive*	122.0	4.6	n/a	0.01**
ŠD 219 (SLOVGB 4 % 01/19/17, ISIN SK4120008301), Coupon Rate 4.625% p.a., Original Maturity 5 Years							
17.03.2014	20.03.2014	19.01.2017	Competitive	129.4	1.3	0.606	0.21
18.11.2014	20.11.2014	19.01.2017	Competitive	115.0	1.6	0.173	0.20
ŠD 223 (SLOVGB 3 % 11/15/24, ISIN SK4120008871), Coupon Rate 3.375% p.a., Original Maturity 12 Years							
17.03.2014	20.03.2014	15.11.2024	Competitive	132.0	1.8	2.557	0.69
16.06.2014	19.06.2014	15.11.2024	Competitive	154.0	2.4	2.045	0.50
20.10.2014	22.10.2014	15.11.2024	Competitive	99.0	2.4	1.334	0.25
ŠD 225 (SLOVGB 3 02/28/23, ISIN SK4120009044), Coupon Rate 3.0% p.a., Original Maturity 10 Years							
17.02.2014	20.02.2014	28.02.2023	Competitive	139.0	2.9	2.418	0.66
19.05.2014	22.05.2014	28.02.2023	Competitive	137.6	3.7	1.896	0.59
16.09.2014	19.09.2014	28.02.2023	Competitive	121.5	2.5	1.210	0.13
18.11.2014	20.11.2014	28.02.2023	Competitive	232.4	1.5	1.095	0.33
ŠD 226 (SLOVGB 1 ½ 11/28/18, ISIN SK4120009234), Coupon Rate 1.5% p.a., Original Maturity 5.5 Years							
20.01.2014	23.01.2014	28.11.2018	Competitive	300.0	1.4	1.310	0.21
17.02.2014	20.02.2014	28.11.2018	Competitive	142.0	2.7	1.191	0.22
19.05.2014	22.05.2014	28.11.2018	Competitive	64.0	5.8	0.837	0.14
16.06.2014	19.06.2014	28.11.2018	Competitive	37.0	5.2	0.691	0.09
16.09.2014	19.09.2014	28.11.2018	Competitive	86.0	2.4	0.222	0.12
ŠD 227 (SLOVGB 3 % 01/16/29, ISIN SK4120009762), Coupon Rate 3.625% p.a., Original Maturity 15 Years							
17.04.2014	24.04.2014	16.01.2029	Competitive	152.0	2.9	2.936	0.82
20.10.2014	22.10.2014	16.01.2029	Competitive	104.3	1.9	1.914	0.41

* Sale from the own portfolio of Ministry of Finance

** Discount margin

In the first quarter 2014 ARDAL made sales of three bonds through a syndicate and one bond sale through a private placement. In January, ARDAL managed to sell standard Slovak bonds (local legislation) with a term to maturity of 15 years in a nominal value of EUR 1.5 billion through a syndicate of three selected primary dealers.

In 2014, considering the limited capacity of the domestic financial market, ARDAL continued addressing foreign investors as it was in the previous years. There were 2 government bonds denominated in Norwegian Krone sold in March (EUR 407.97 million equivalent) – a bond with maturity of 10 years (EUR 137.9 million equivalent) and a bond with maturity of 12 years (EUR 269.98 million equivalent).

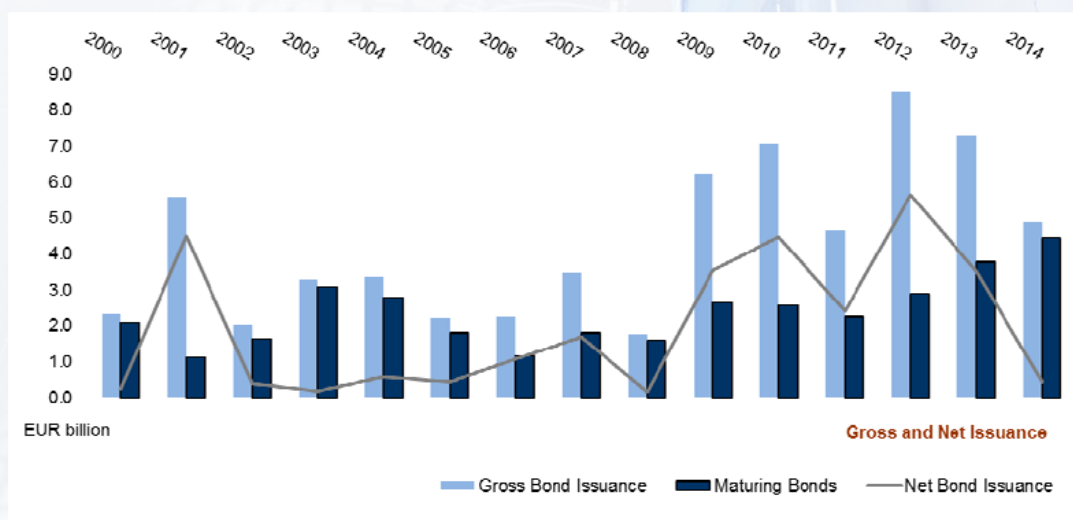
Following the foreign currency issues, ARDAL entered into cross currency interest rate swaps with the same maturity as the underlying bonds. These transactions hedged positions against any foreign exchange and interest rate risk and effectively created the synthetic bonds denominated in EUR.

In February ARDAL executed issuance of 20-year maturity government bonds with a nominal value of 500 million in the foreign market through the private placement.

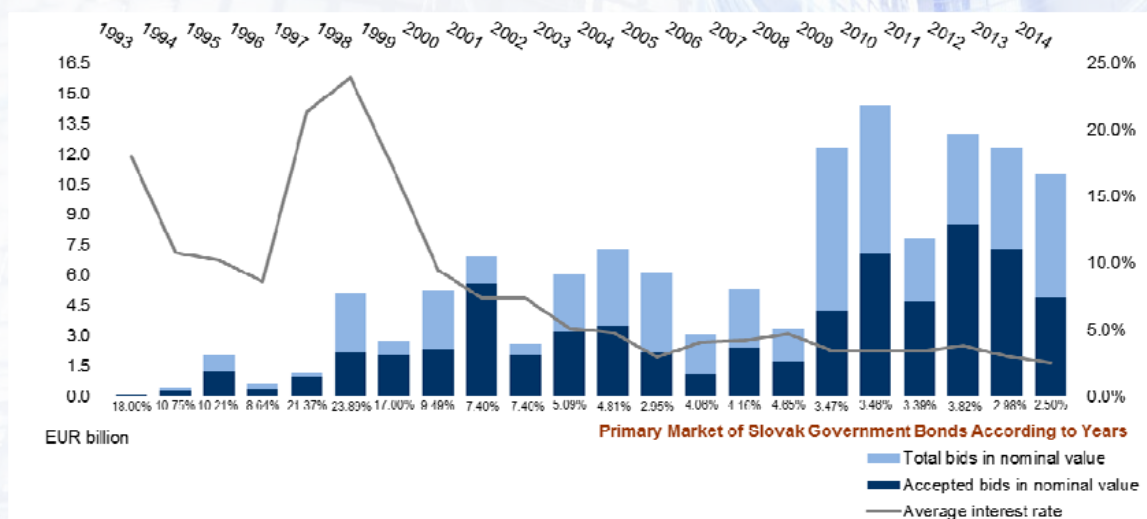
Overview of Government Bonds Syndication Sales and Private Placements in 2014

Issue Date	Maturity Date	Type of Sale	Accepted Bids [million]	YTM [% p.a.]	ASW Spread [% p.a.]	Lead Managers
ŠD 227 (SLOVGB 3 % 01/16/29, ISIN SK4120009762), Coupon Rate 3.625% p.a., Maturity 15 Years						
16.01.2014	16.01.2029	syndication	EUR 1,500.0	3.671	+1.05	Natixis, UniCredit, SLSP
EUR 2034 (SLOVAK 3.6 02/21/34, identification XF000445003), Coupon Rate 3.6% p.a., Maturity 20 Years						
21.02.2014	21.02.2034	private placement	EUR 500.0	3.600	+1.05	Berenberg
NOK 2024 (SLOVAK 4 03/27/23, ISIN XS1047498107), Coupon Rate 4.0% p.a., Maturity 10 Years						
27.03.2014	27.03.2024	syndication	NOK 1,150.0	4.000	+0.80	HSBC, Deutsche Bank
NOK 2026 (SLOVAK 4.2 03/27/26, ISIN XS1047498792), Coupon Rate 4.2% p.a., Maturity 12 Years						
27.03.2014	27.03.2026	syndication	NOK 2,250.0	4.200	+0.87	HSBC, Deutsche Bank

In addition to standard money market interbank transactions, ARDAL in 2014 continued carrying out buy-back of government securities maturing in 2014 and 2015. The overall amount (in a nominal value) of bought back bonds was EUR 1.511 million. There were buy backs of the following bonds - ŠD 202 (SLOVGB 4.9 11/02/14), Euro 2009 (SLOVAK 4½ 05/20/14), ŠD 210 (SLOVGB Float 21/01/15) and Euro 2004 (SLOVAK 4¾ 01/21/15). Buy backs were executed through the direct purchases or auctions.



Source: ARDAL



Source: ARDAL

Syndication sale of the 15-year benchmark Government Bonds

Joint Book-runners:	Natixis, UniCredit Bank, Slovenská sporiteľňa (Erste Group)
Nominal Amount:	EUR 1.5 billion
Maturity Date:	16 th January 2029
Coupon:	3.625 % p. a., annually
Re-offer Spread vs. Mid-swaps:	1.050 % p. a.
Re-offer Price:	99.658 %
Re-offer Yield:	3.655 % p. a.

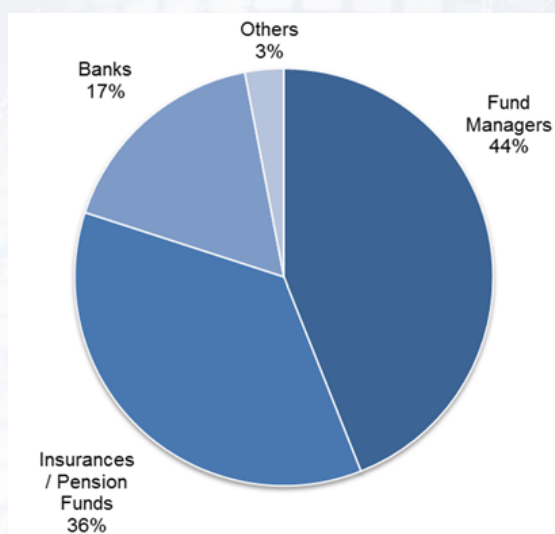
Taking advantage of favourable primary market conditions during the first days of the new year, the Slovak Republic announced their new 15-year EUR benchmark transaction on Wednesday, 8th January at 15:00 CET. With initial price thoughts of MS +115bps area the orderbook grew quickly and reached EUR 1.7 billion at the end of the day, confirming the very strong investor appetite for long dated Sovereign Issues out of the CEE area.

Based on the high quality orderbook mainly driven by buy and hold accounts, such as Insurance Companies and Asset Managers, the book was officially opened on Thursday, 9th January at 09:00 CET with an official guidance of MS + 110 bps area, revised down five basis points from the earlier price thoughts. In the light of the ongoing strong response from investors, the guidance was adjusted to MS +105/110 bps at 10:15 CET.

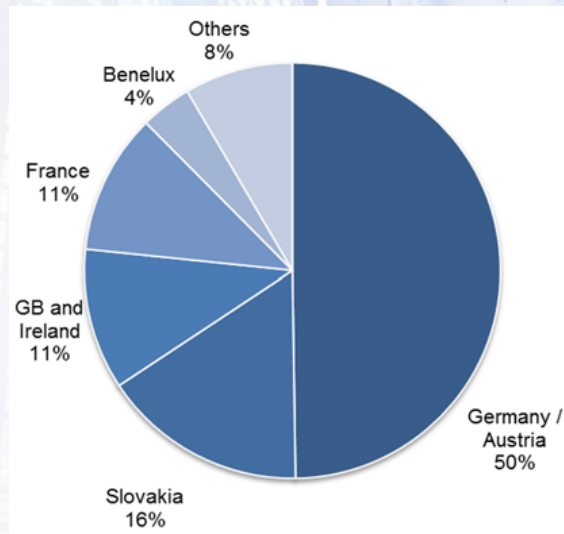
The orderbook was finally closed at 11:35 CET with more than 170 single investors forming the book of EUR 4 billion. Due to the lack of spread sensitivity in the book, the final spread was set at Mid Swaps + 105 bps, at the very tight end of the revised spread guidance. The issuer was able to place its new 15-year issue with a minor new issue premium to its existing secondary curve, the fair value for a new 15-year being seen at MS + 100 bps based on the SLOVGB 05/2026 secondary level trading at MS+ 94 bps on Wednesday afternoon.

The well distributed and impressive investor participation in this 15-year transaction has once again confirmed the strong recognition, high credit quality and attractiveness of the Slovak Republic. It represents the first 15-year deal of a CEE country during the last 3 years.

Investors type distribution



Geographical distribution



Plans for the year 2015

In 2015, the Ministry of Finance debt issuance is budgeted at a total value of approximately EUR 5.8 billion. The final value will depend on the development of the budget deficit and the market situation. The majority of the funding will be reached by the government bonds sold via auctions and syndicates. Presumably, the small amount of refinancing will be in a form of T-Bills and government loans.

In the year 2015 ARDAL plans to open two lines of government bonds. The following lines will be opened depending on the market conditions and the investors demand:

- Government bond with tenor 12 years, targeted size EUR 3.0 billion, fixed coupon rate (the bond was already opened in January 2015 via syndication sale in the total amount of EUR 1.5 billion)
- Government bond with tenor 5 to 7 years, targeted size EUR 3.0 billion, fixed / float coupon interest rate, alternatively with longer tenor (depending on the situation in the financial markets).

Other lines of bonds can be opened pursuing requirements of debt management and investors' demand. In 2015 the bond sale auctions will be held once per month – usually on the third Monday in a month. Based on needs of liquidity and debt coverage management and on investors' demand, more different bonds can be auctioned on one auction day. All auctions will be “for decision”; decisions will be taken upon communication with primary dealers. Settlement day of trades resulting from an auction is D+2. Auctions in July, August and December are not presumed to be held, however, following the PD request and agreement with ARDAL, the auctions are possible to be held.

Government bonds auctions in 2015

Auction Date	Settlement Date	Bond Series	ISIN	Auction Type
19.01.2015	21.01.2015	ŠD 219, ŠD 226	SK4120008301, SK4120009234	competitive sale
16.02.2015	18.02.2015	ŠD 223, ŠD 227	SK4120008871, SK4120009762	competitive sale
16.03.2015	18.03.2015	for decision		competitive sale
20.04.2015	22.04.2015	for decision		competitive sale
18.05.2015	20.05.2015	for decision		competitive sale
15.06.2015	17.06.2015	for decision		competitive sale
20.07.2015	22.07.2015	for decision		competitive sale
17.08.2015	19.08.2015	for decision		competitive sale
21.09.2015	23.09.2015	for decision		competitive sale
19.10.2015	21.10.2015	for decision		competitive sale
16.11.2015	19.11.2015	for decision		competitive sale
14.12.2015	16.12.2015	for decision		competitive sale

Opened lines of bonds (available for auctions) as of 31 January 2015

Bond Series	ISIN	Bloomberg	Issue Date	Maturity Date	Outstanding [EUR million]	Available [EUR million]
ŠD 219	SK4120008301	SLOVGB 4 % 01/19/17	19.01.2012	19.01.2017	2 770.6	229.4
ŠD 223	SK4120008871	SLOVGB 3 % 11/15/24	15.11.2012	15.11.2024	1 932.0	1 068.0
ŠD 226	SK4120009234	SLOVGB 1 ½ 11/28/18	28.05.2013	28.11.2018	1 895.5	1 104.5
ŠD 227	SK4120009762	SLOVGB 3 % 01/16/29	16.01.2014	16.01.2029	1 756.3	1 243.7
ŠD 228	SK4120010430	SLOVGB 1 % 01/21/27	21.01.2015	21.01.2027	1 500.0	1 500.0

T-Bills issue in the year 2015

During the year 2015, ARDAL plans two issues of T-Bills with maturity of 9 and 12 months. First issue (9 months) was already opened in January 2015 and the second one is planned to be held in June 2015, each with a total value of EUR 1.0 billion. Based on the market needs and requirements, T-Bills with shorter maturity (3 month and 6 month) may be issued during the year. The first auction of new T-Bills usually takes place by issuance of T-Bills and the next auction is subsequently held on the basis of ARDAL's needs and investors' requirements. The T-Bills will be issued in the own Ministry of Finance portfolio and then will be sold at auctions on the secondary market.

Opened T-Bills line (available for the auctions) as of 31 January 2015

T-Bill	ISIN	Bloomberg	Issue Date	Maturity Date	Outstanding [EUR million]	MoF Own Portfolio [EUR million]	Total Value [EUR million]
ŠPP 13	SK6120000139	SLOVTB 0 10/14/15	14.01.2015	14.10.2015	440.0	560.0	1 000.0

Primary Dealers as of 31 January 2015

- Barclays Bank plc
- Citibank Europe plc
- Československá obchodná banka, a.s., (KBC Group)
- HSBC France
- Natixis
- Slovenská sporiteľňa, a.s., (Erste Group Bank)
- Société Générale
- Tatra banka, a.s., (RZB Group)
- UniCredit Bank Czech Republic and Slovakia, a.s.
- Všeobecná úverová banka, a.s., (Intesa Sanpaolo Group)

Recognized dealers as of 31 January 2015

- Crédit Agricole Corporate and Investment Bank
- ING Bank N.V. (ING Bratislava)

Conclusion and Outlook for 2015

The year 2015 will bring new challenges in terms of debt management arising from the persisting fragile economic recovery in Europe. Hardly predictable impact of the development in Greece, the ongoing turmoil in Ukraine and actions from the ECB will be the main development drivers in 2015. Consequently, it will be necessary to maintain a certain amount of flexibility regarding the issuance strategy and methods of bonds sale.

According to the current forecast of the EC, the Slovak Republic will be also in 2015 one of the fastest growing economies in the euro area (estimated GDP growth of 2.9%). Consolidation efforts of the government, confirmed by the development in the recent years makes a good prospect for further reduction of the structural budget deficit. Total gross debt should remain below 55% of GDP by the end of 2015.

In the following period ARDAL will strive for maximum transparency of issuance policy, improving the infrastructure of the government securities sales and raising the liquidity of the Slovak government securities in the secondary market. A new platform for trading in the secondary market, introduced during the year 2015 in cooperation with the primary dealers, will make support for this intention.

In order to promote transparency and improve the quality of communication with investors, an upgrade of ARDAL's website is planned this year, which will allow the users direct access to current data on government debt and its risk parameters on a real time basis.

Contacts

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Webpage: www.ardal.sk

Reuters Code: DLMA

Bloomberg Code: DLMA

Useful links

- www.finance.gov.sk (Ministry of Finance of the Slovak Republic)
- www.statistics.sk (Statistical Office of the Slovak Republic)
- www.nbs.sk (National Bank of Slovakia)
- www.ecb.europa.eu (European Central Bank)
- www.pokladnica.sk (State Treasury)
- www.cdcp.sk (Central Depository of Securities)
- www.bsse.sk (Bratislava Stock Exchange)
- ec.europa.eu/eurostat (Eurostat)