

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

The Slovak Republic

<Affirmation>

Foreign Currency Long-term Issuer Rating:	A+
Outlook:	Stable
Local Currency Long-term Issuer Rating:	A+
Outlook:	Stable

Rationale

- (1) The ratings are primarily supported by the country's relatively advanced economic base, contained government debt level and various benefits it enjoys from its EU and euro-area membership. The judicial reforms, including the revision of the criminal code, implemented by the Fico administration have drawn criticism from the EU for weakening the rule of law, leading to delays in disbursement of the Recovery and Resilience Facility. However, the government has responded to this situation by revising the content of the criminal code revisions, and is generally seen as prioritizing cooperation with the EU. Given the importance of receiving EU funds, it is unlikely that the government will shift from its pro-EU policy stance. The government has recently stepped up efforts for fiscal consolidation, and JCR expects the fiscal deficit to be reduced in the medium term anchored by the EU's framework to ensure fiscal discipline. Based on the above, JCR has affirmed the ratings with "Stable" outlook.
- (2) Slovakia is a small economy in the euro-area with a per capita GDP in PPP terms higher than USD37,000 in 2023. As an EU member state, it has benefited from inflows of direct investment and subsidies, as well as the development of institutional frameworks in line with EU standards, and this has been contributing to the advancement of its economic base. It has a strong export-oriented economy centered on the automobile industry, and is strongly integrated with the EU economy. The economy has remained resilient even in an environment of high inflation due to the energy crisis and weaker external demand. In 2024, it registered a growth of 2.0% (1.4% in 2023) driven by private consumption and government consumption. Looking ahead, the promotion of fiscal consolidation will put downward pressure on domestic demand, but JCR views that a growth of around 2% is achievable supported by the growth in investment due to the accelerating inflows of EU funds. There is uncertainty in the external environment due to factors such as the sluggish economy of Germany, the largest trading partner, and the impact of Trump's tariffs, so JCR will monitor how future developments will impact the Slovak economy.
- (3) The current account deficit narrowed to 1.6% of GDP in 2023 when the impact of higher energy prices faded, but rose to 2.7% in 2024, mainly due to sluggish exports caused by weak external demand. The country's net external liabilities on an IIP basis is relatively large at 50% of GDP at the end of September 2024, but excluding foreign direct investment it remains at just 10%. JCR believes there are few concerns about resilience to external shocks. The stability of the financial system is also maintained, with the banking sector maintaining a sound financial position.
- (4) The general government balance has worsened in recent years. In 2023, the fiscal deficit widened to 5.3% of GDP from 1.6% in 2022 due to the cost of energy crisis measures as well as increases in social benefits and public sector wages. For 2024, the fiscal deficit is expected to be 5.8% in the 2025 draft budgetary plan as additional expenditure measures were implemented. Meanwhile, the general government debt-GDP ratio at the end of 2024 is expected to be 58.9% (based on the 2025 draft budgetary plan), remaining below the average for the countries rated in the A range by JCR. The direction of fiscal policy has become predictable. Under the EU fiscal rules reinstated in 2024 and in accordance with the excessive deficit procedure activated in July of the same year, the government plans to reduce the fiscal deficit/GDP ratio to below the EU threshold of 3% in 2027. The government's commitment to reducing the fiscal deficit is clear as indicated by the fact that in October it decided on the austerity measures of approximately 2% of GDP, centered on tax increases. JCR believes that prudent policy management based on the EU's fiscal discipline requirements is expected, leading to progress in fiscal consolidation.

Masato Hotta, Haruna Saeki

Rating

Issuer: The Slovak Republic

<Affirmation>

Foreign Currency Long-term Issuer Rating: A+ Outlook: Stable

Local Currency Long-term Issuer Rating : A+ Outlook: Stable

Rating Assignment Date: March 31, 2025

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "Sovereign and Public Sector Entities" (October 1, 2021) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The aforementioned credit ratings are unsolicited. Except in cases of a credit rating for a sovereign, JCR indicates affix "p" after a rating symbol to distinguish it from a rating with solicitation. The undisclosed information, which has material influence on the credit rating, was not obtained from the rating stakeholder.

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)
