
INVESTOR PRESENTATION



BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG

December 2021

SPUERKEESS.LU



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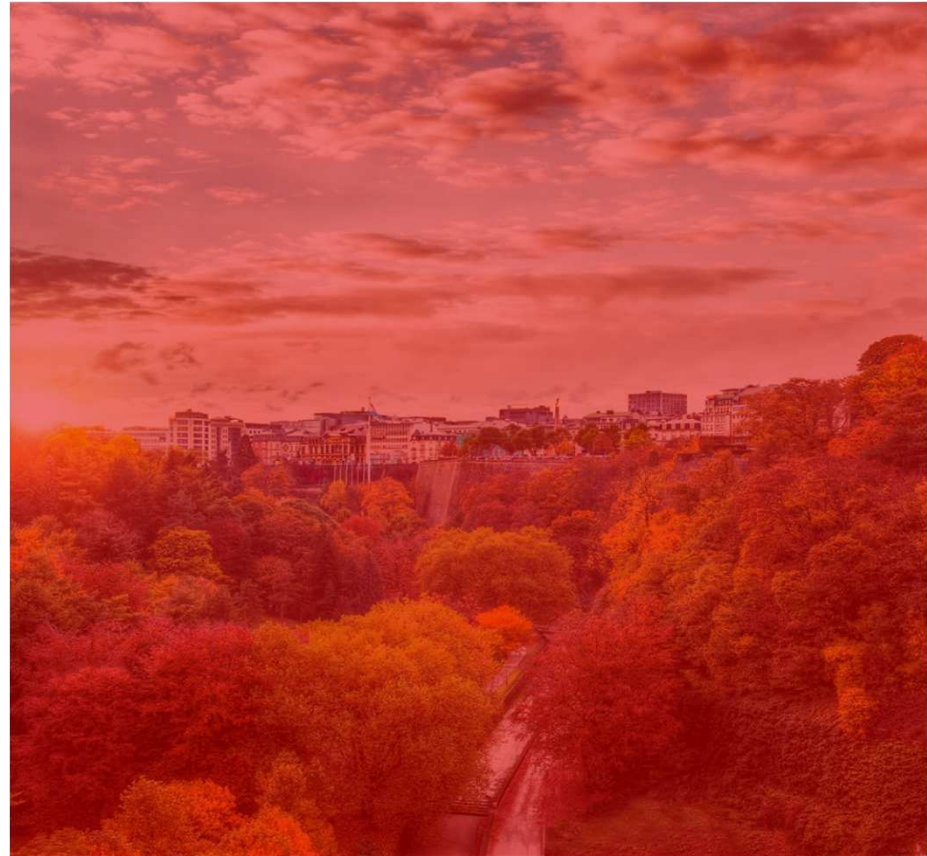


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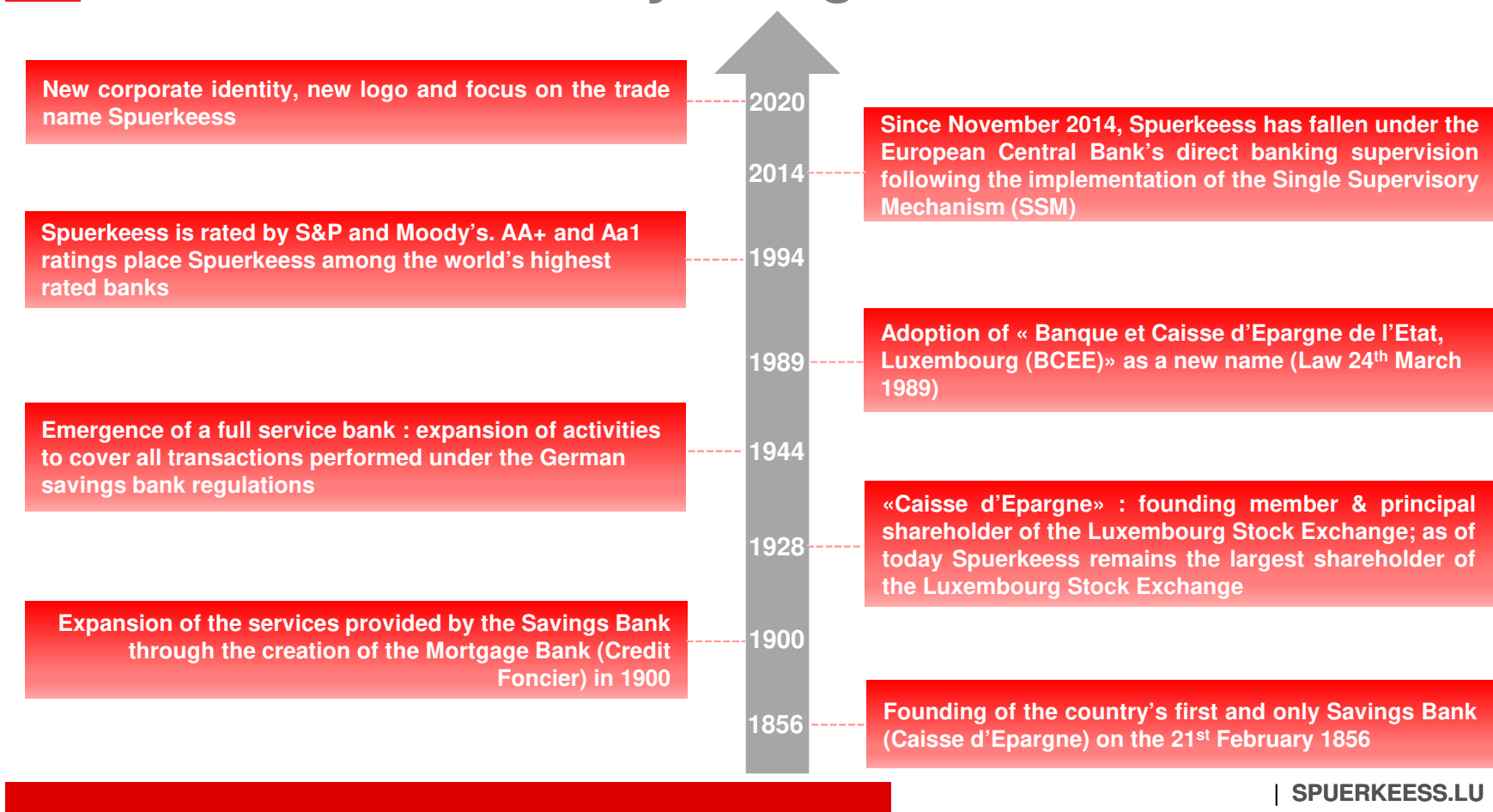


1. Overview





Overview – History at a glance





Overview – About us, your bridge to life

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- A trusted partner : tradition and banking innovation since 1856
- A partner of proximity: the largest network of agencies and self-banking spaces in Luxembourg
- Designated O-SII in Luxembourg
- 100% owned by the State of Luxembourg since its foundation
- Universal bank covering the whole range of banking activities
- Very strong credit ratings (AA+ S&P / Aa2 Moody's); “Safest Bank Award Luxembourg” & “Best Bank Award Luxembourg” (Global Finance Magazine 20)
- Focused on Luxembourg and its surrounding regions
- 1,800+ employees to meet and exceed expectations of our customers
- Constant digital innovation to enhance customer experience and serve customers' evolving expectations





Overview – Strategy

3 key cornerstones underlying the strategic plan “Spuerkeess 2025”:

Spuerkeess Board of directors approved the 5 year strategic plan «Spuerkeess 2025» as of end 2020. The strategy formulation was driven by placing the customer centricity at the centre of the activities by leveraging on solid value propositions in the interest of the customers.



An offer based on dedicated value propositions



A customer-centric strategy



A governance that includes monitoring of the strategic plan

The objective of the strategic plan is to :

- confirm and strengthen the position as a leader in the Luxembourgish banking sector and remain a partner of choice for customers in all business segments by 2025
- maintain and strengthen its brand and reputation
- develop new bundles of products and services to serve the client needs in a customer centric way
- expand and improve the digital offer and distribution channels (S-Net; Spuerkeess Direct; Branch network)
- continue the internal transformation / optimization in order to reduce operational costs and prepare the bank of tomorrow.



Overview – Business Model & Commercial activities

➤ Spuerkeess has always played an important role in the country's economic and social development. Its mission statement is defined by the Organic Law of the 24th March 1989 and invites Spuerkeess to i) contribute through its financing activities to the economic and social development of the country and ii) promote all forms of savings.

Retail Banking

- Spuerkeess is the leading player for retail banking services in Luxembourg (48,8% of market share);
- Socially responsible lender -> #1 Bank in the local retail mortgage market (49% of market share);
- Spuerkeess provides full range of daily banking services as well as tailor made investment and lending services for Retail and Private Banking clients
- Spuerkeess emphasizes a strong internal and external digital innovation culture to improve customer experience and simplify work processes
- Multi-channel points-of-entry (S-Net; Spuerkeess Direct; Branches; ATM's) - 100% online account opening

SME & Corporate Banking

- Highest market share in 2020 for SME banking services (29% of market share)²; key partner for the development of local business
- «One-stop shop» for SME & Corporates providing daily management, financing, investment and cash management services
- Tailor made advice and support throughout the company lifecycle
- Long-term reference partner for local and international SME's & Corporates offering customized and flexible financing solutions

Institutional & Public Sector Banking

- Long lasting relationships with international and local institutional customers and public-supranational institutions
- Extensive experience in servicing institutional clients, offering innovative and diversified solutions to a broad range of fund regimes, Asset and Wealth Managers as well as Financial Market Intermediaries (i.e. Insurance companies; Family Offices; Specialized investment vehicles)
- Strong local anchor among the Public Sector and Supranational institutions, while maintaining an international perspective
- Tailor made solutions such as Custody, Payment services and Brokerage

Global Markets

- Dedicated solutions for Financial Markets professionals
- Strong position of Spuerkeess as a trusted partner with value added services, stretching from traditional capital markets products to complex derivatives and structured products. Spuerkeess Global Markets is positioned as a one-stop-shop for clients encompassing execution, structuring-financing, clearing, custody and reporting

(1) TNS ILRES Banking Market Survey for retail clients 2020

(2) TNS ILRES Banking Survey 2020 for SME's and Corporate clients



Overview – Key Strategic Holdings

Aware of its mission statement to support the country’s economic and social development, Spuerkeess holds equity interests, directly or indirectly, in key sectors of Luxembourg’s economy. Spuerkeess also strives to support the start-up and development of businesses with an interest to the Luxembourgish economy.

Investment in Associates	Business	% of capital held as of 31/12/20
Société Nationale de Circulation Automobile S.à.r.l	Automotive services	20
Luxair S.A.	Air transport	21,81
Société de la Bourse de Luxembourg S.A.	Financial Services	22,75
Europay Luxembourg S.C.	Financial Services	30,10
European Fund Administration	Financial Services	31,67
Luxhub S.A.	Financial Services	32,50
Visalux S.C.	Financial Services	34,66
LaLux Group S.A.	Insurance	40
Subsidiaries	Business	% of voting rights as of 31/12/20
Lux-Fund Advisory S.A.	Investment advice	89,67
BCEE Asset Management S.A.	UCI Management company	90
Bourbon Immobilière S.A	Real estate	100
Luxembourg State & Savings Bank Trust Company S.A.	Acquisition of shareholdings	100
Spuerkeess Ré S.A.	Reinsurance	100

*Consolidated Balance sheet data as of 31/12/2020



Overview – 2020 Key figures



Total Balance sheet size

EUR billion
50,2

+4,9% compared with Dec 2019



Net Income⁽²⁾

EUR million after tax
172

-16,6% compared with Dec 2019



Core Equity Tier 1 Capital ratio %

21,2

+1,2% compared with Dec 2019



Client deposits

EUR billion
34,58

+3,6% compared with Dec 2019



Net Interest Margin

EUR million
389,75

+3,2% compared with Dec 2019



Spuerkeess⁽³⁾

- #1 Retail Bank in Luxembourg
- #1 Largest ATM & branch network
- #1-Safest Bank in Luxembourg
- #1-Best Bank Luxembourg 2020



Client loans

EUR billion
24,1

+5,4% compared with Dec 2019



Net Fees & Commissions

EUR million
171,5

+10,6% compared with Dec 2019



* (1) 2020 Consolidated Balance sheet data

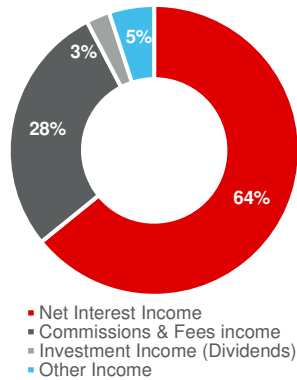
* (2) Net income after minority interest

* (3) TNS ILRES Banking survey 2020 / Global Finance Magazine 2020

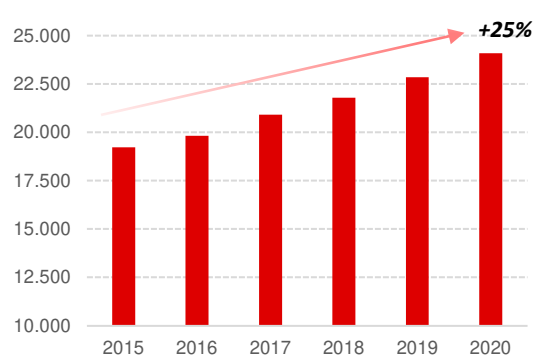


Overview – 2020 Commercial activities

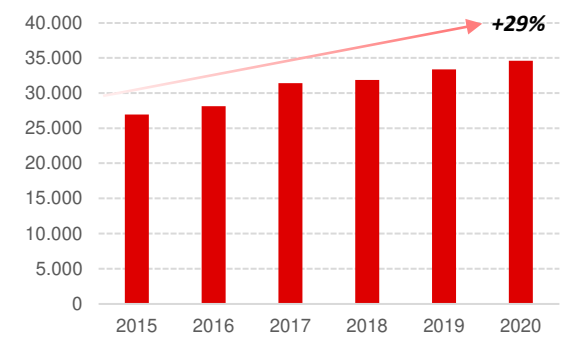
Spuerkeess - Revenues 2020



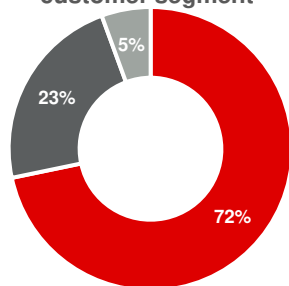
Loans – Customers (in EUR million)



Deposits – Customers (in EUR million)

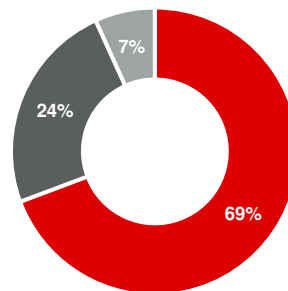


Spuerkeess - Revenues 2020 by customer segment



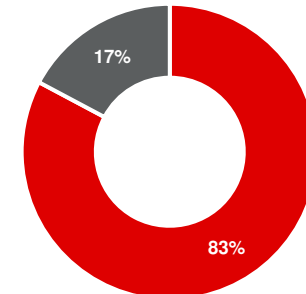
- Retail, Professional, Corporate and Public Sector Banking
- Financial Markets and Institutional Banking
- Others

2020 - Loans by customer segment



- Retail
- Corporates
- Public Sector

2020 - Deposits by customer segment



- Private sector (inc. Retail; Corporates; Institutionals)
- Public sector

*Loans & Deposits at amortised cost – Customers as of 31/12/2020
 *Consolidated Balance-sheet data



2. Financial Performance





Financial Performance – Income Statement

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Consolidated Income Statement - in EUR million	Dec-19	Dec-20	Jun-20	Jun-21
Interest income	378	390	196	196
Income from securities	31	16	15	23
Fees and commission income	155	171	86	94
Income from interest, dividends and commissions	564	577	296	313
Other Income (i.e. Income from financial instruments & Exchange Gains/Loss)	43	18	4	16
Other Operating Income - Expenditures	10	13	7	3
Bank Margin	616	608	307	332
Operating Expenses (Staff ; General & Admin; DGS; Allowances)	(389)	(401)	(199)	(236)
Income after General Expenses	227	207	110	97
Net allowances for impairment & Provisions	9	(47)	(22)	22
Profit from equity-accounted associates	14	46	28	52
Income before Taxes and Non-Current Assets	250	205	115	171
Taxes, Non-Current Assets & Minority Interests	(44)	(33)	(20)	(28)
Net Income for the Year (after minority int).	206	172	95	144
Cost-income ratio	63%	66%	65%	71%

*Consolidated Balance sheet data 31/12/2020 & 30/06/2021

*Totals may differ slightly due to rounding

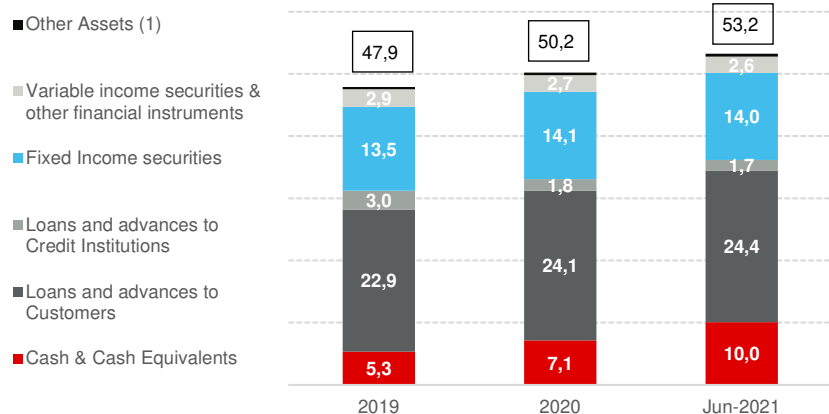
As of December 2020, the Group's Bank Margin, at EUR 607,7 million, was down 8,8 million (-1,4%) compared with 2019 financial year

- Core business revenues remained solid in 2020. The Banks Net interest margin rose by 3,2% in a year marked by the Covid crisis and monetary policy countermeasures. Net fee & commission income was up 10,6% thanks to an increase in fees collected from loan origination and asset management services (execution and custody)
- Bank Margin was mostly impacted by a decline from Spuerkeess shareholdings (EUR -15,6 million / -49,5%), as dividends from strategic holdings declined compared to the previous year. Revenues from financial instruments also weighed on the trend, down from EUR 42,7 to 17,9 million year-on-year (sale of equity related positions)
- While Operating expenses remained under control (+3,1%), the deterioration of the economic environment due to the Covid crisis led the Bank to preemptively protect from credit risk by recording value adjustments and provisions for a total net amount of EUR 47,2 million versus EUR 8,8 million in 2019
- The Group posted a net profit of EUR 172 million (after minority interests) in 2020, down 16,6% from a profit of 206,3 in the prior year.
- As of 30/06/2021, core business revenues trended upwards. While the Net interest margin was stable (+0,40%), Net fee & commission income rose by 9,4% in H1 2021 vs H1 2020



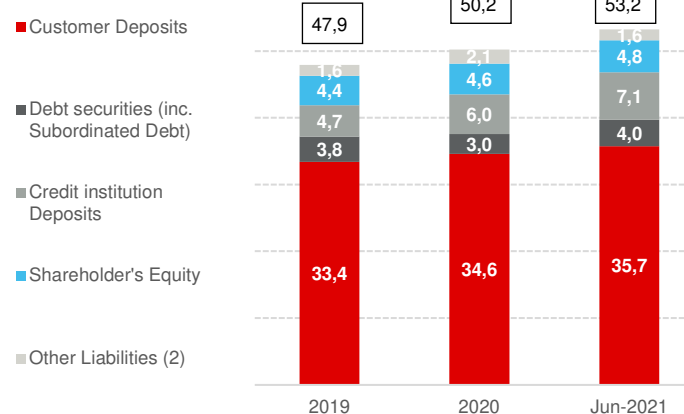
Financial Performance – Balance-sheet

Asset Mix in EUR billion



(1) -Other Assets; Tangible & Intangible Assets, Taxes

Liability Mix in EUR billion



(2) -Other Liabilities; Pension Fund Liabilities; Taxes; FVPL Fin.Liabilities, Derivatives, Provisions

- Loans & advances to customers increased by EUR 1,25 billion (+5,4%) in 2020; growth is linked to dynamic loan origination and favourable evolution of lending activities among all non-wholesale customer segments
- Financial Assets continued to grow, reflecting Spuerkeess prudent but active investment strategy. Fixed Income instruments valued at amortised cost increased by EUR 550 million (+4,1%)
- Loans to financial institutions decreased by EUR 1,2 billion, in a market environment impacted by ultra-loose monetary policy and limited interest from market counterparties
- Cash & Cash Equivalent increased by EUR 1,8 billion in line with the customer deposit growth on the liability side

- Amounts due to customers increased by EUR 1,2 billion, largely due to the uncertainty linked to the Covid crisis and limited spending; Growth was driven by deposits from corporates and individuals, while Public sector deposits declined
- Amounts due to credit institutions increased by EUR 1,3 billion. Growth is explained by TLTRO III participation to strengthen the Bank's liquidity position during the crisis
- Debt issuance declined by EUR 850 million linked to a reduction in Commercial Paper funding needs
- Shareholder Equity continued to grow (+191 million / +4,3%)

*Consolidated Balance sheet data 31/12/2020 & 30/06/2021

*Totals may differ slightly due to rounding



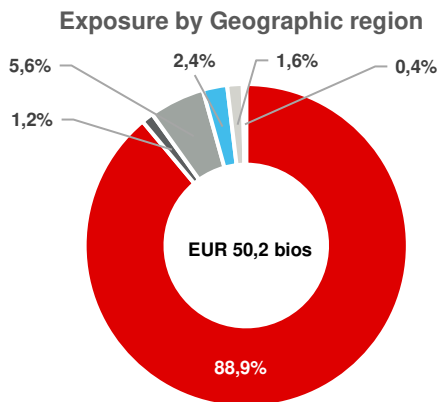
3. Asset Quality



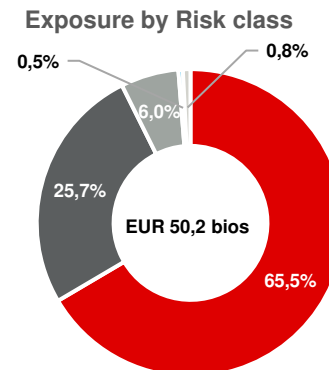


Asset Quality – 2020 Exposures⁽¹⁾

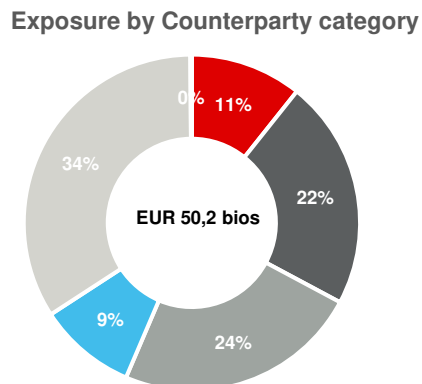
- European Union & Switzerland
- Europe - Others
- North America
- Asia - Pacific
- Supra-nationals
- Others



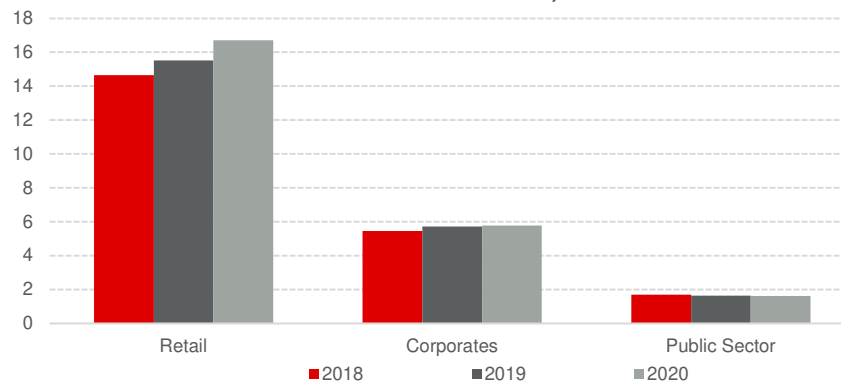
- High Grade (AAA to A+)
- Standard Grade (A to BBB-)
- Sub-Standard Grade (BB+ to BB-)
- Default
- Not rated



- Central Banks
- Financial Institutions
- Corporates & SME's
- Sovereigns & Central Governments
- Retail
- Securitisation



Loans & advances at amortised cost – Customers (EUR billion)



(1) Asset Exposure breakdown – Consolidated balance sheet data as of 31/12/2020
 (2) Loans and advances to customers - Amortised cost – Consolidated balance sheet data 31/12/2020



Asset Quality – Performance

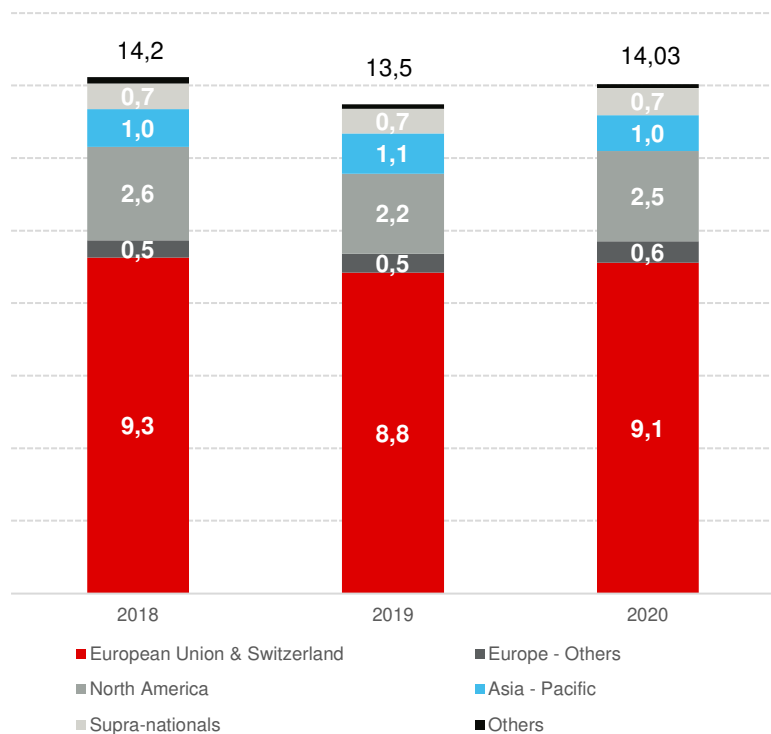
IFRS Stage	Impairment of Loans and Advances - Customers (in EUR million)	2019	2020	06/21
Stage 1	Retail	2,9	2,9	4,7
	Corporate	15,6	35,9	26,5
	Public Sector	0,05	0,14	0,07
Stage 2	Retail	16,2	12,5	19,5
	Corporate	9,8	22,2	17,1
	Public Sector	0	0	0
Stage 3	Retail	12,2	11,3	11,8
	Corporate	55,9	38,9	39,9
	Public Sector	0	0	0
	Total Impairment	<u>112.5</u>	<u>123.6</u>	<u>119.8</u>
	Outstanding's amounts covered by provisions	<u>25.100</u>	<u>24.210</u>	<u>24.508</u>

- Given the deterioration in the economic environment due to the Covid crisis, the Bank anticipated a rise in credit risk by recording value adjustments and provisions for a total net amount of EUR 47,2 million for the 2020 financial year, versus EUR 8,8 million in 2019.



Asset Quality – 2020 Investment Portfolio

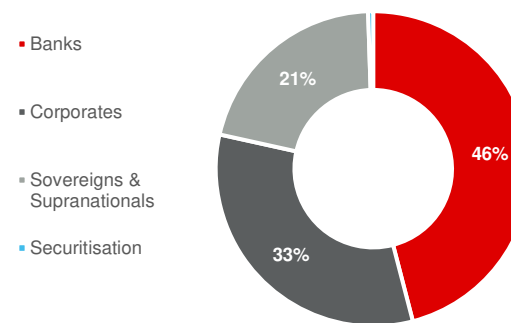
Exposure by Geographical region - Investment Portfolio in EUR billion



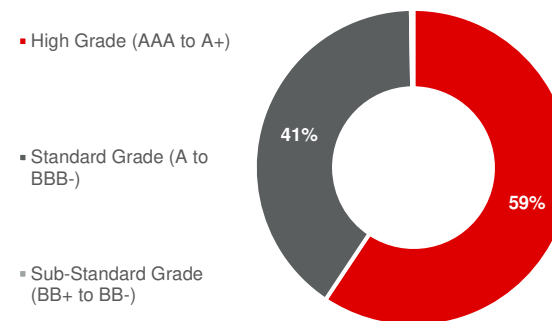
*Fixed Income sec. valued at amortised costs

- Outstanding Fixed Income securities recognised at amortised cost amount to EUR 14.03 billion as of 31/12/2020 (EUR + 550 million compared to 2019). Financial instruments recognized at amortised cost represent 93,2% of total Financial instruments, while the other 6,8% are measured at fair value (OCI/P&L).
- Strong Credit Quality of the Fixed Income portfolio remained a priority in 2020 (minimum Investment Grade or equivalent)

Exposure by sector – Investment portfolio



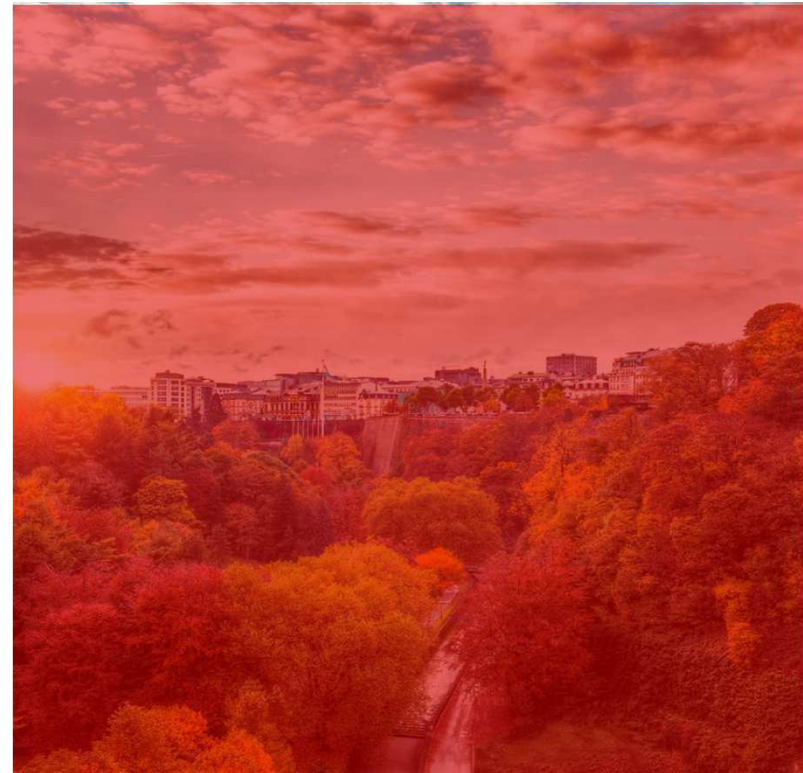
Exposure by Risk class – Investment portfolio



*Fixed Income sec. valued at amortised costs



4. Solvency & Liquidity





Solvency & Liquidity – Capital position

*Solvency & Liquidity information based on non-consolidated balance-sheet data

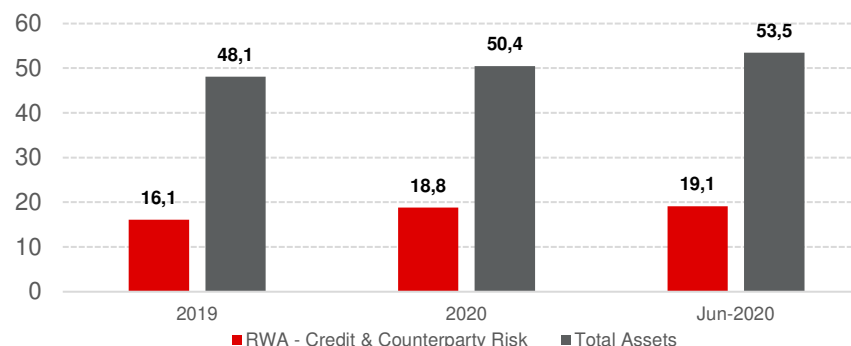
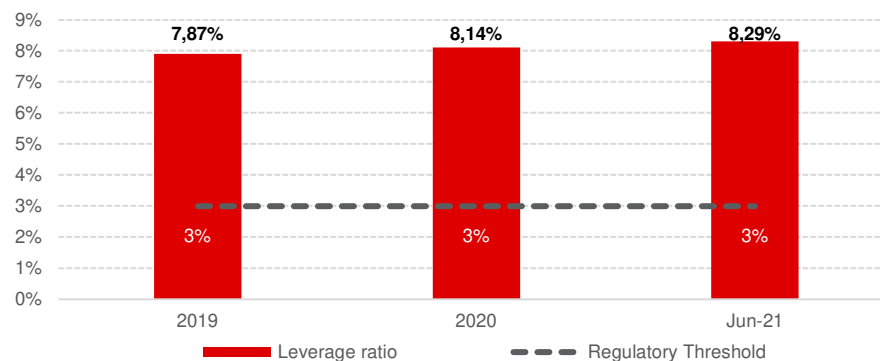
Figures in EUR billion	2019	2020	Jun-21
Total Capital ⁽¹⁾	4,030	4,398	4,660
Core Equity Tier 1	3,992	4,353	4,646
Total Capital as % of Total Assets	8,4%	8,8%	8,7%
Risk Exposure ⁽²⁾			
Total Weighted Risk Exposure	19,06	20,55	20,90
Solvency ratios			
CET 1 ratio	20,94%	21,19%	22,23%
Total capital ratio	21,15%	21,41%	22,29%

(1) Non consolidated data Pillar III disclosures

(2) Non consolidated data Pillar III Disclosures
Totals may differ due to rounding

Total Regulatory capital increased by EUR 362 million in 2020. The increase mainly consists of :

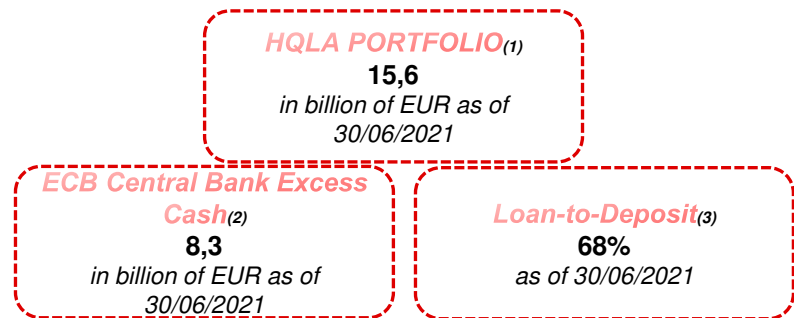
- +144,5 million increase in previous years retained earnings
- +181,1 million increase in OCI – revaluation reserve
- +72,8 million provisioning excess (+25,3 million included in Tier 2 capital in 2020) and no shortfall (47,5 million deducted from CET1 in 2019)



- Increase in Credit-Counterparty Risk RWA Outstandings (2020 vs 2019) is linked to organic growth of the loan book and impacts from IRB Equity positions



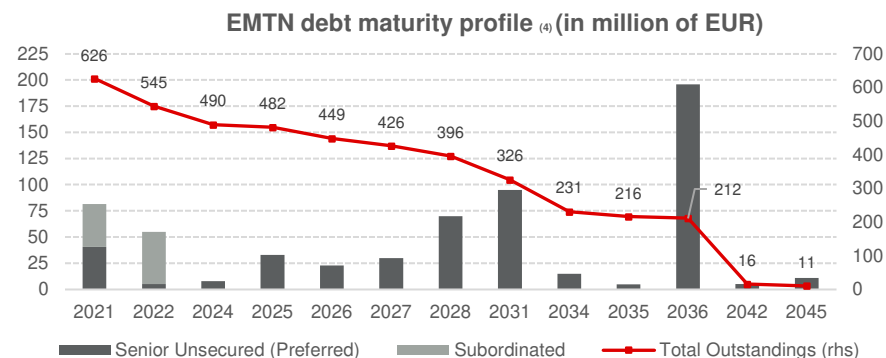
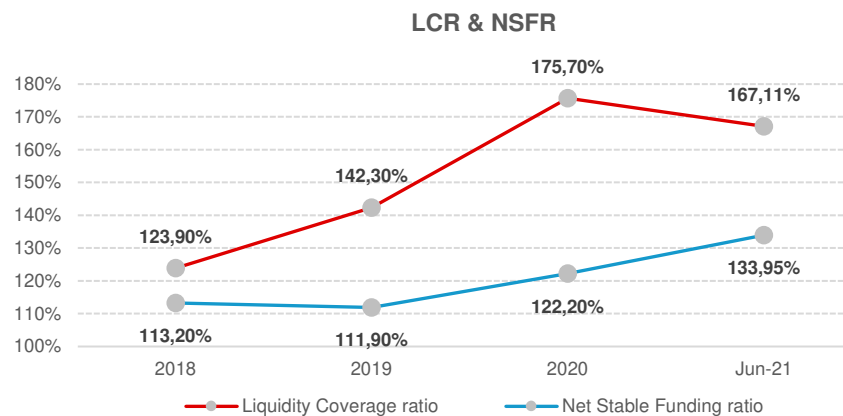
Solvency & Liquidity – Liquidity position



(1) HQLA after haircut, inc. cash at the central bank – Pillar III 30/06/2021 disclosure
 (2) Excess cash deposited as Overnight deposit at the ECB
 (3) Customer Loans to Customer deposits as of 30/06/2021

Spurkeess Group has a stable and diversified liability base, notably in the form of a :

1. Solid customer deposit base (Retail; Corporate-SME; Public-sector); non wholesale funding represents 67% of the liability base as of 30/06/2021
2. Wholesale customer deposit base (Institutional and Interbank funding)
3. Commercial Paper Programme – Maximum outstanding of USD 8 billion
 - Euro Commercial Paper (ECP) – USD 5 billion - rating P-1/A-1+
 - US Commercial Paper (USCP) – USD 3 billion - rating P-1/A-1+
4. EMTN Programme – Maximum outstanding of USD 8 billion⁽⁴⁾
 - Senior Preferred Debt (AA+/Aa3)
 - Senior Non Preferred Debt
 - Subordinated Debt (A3)



Figures as of 31/12/2020

(4) As of 30 September, Spurkeess issued more than EUR 100 millions of Senior Notes in 2021. Further issuance will focus on Senior Preferred Notes.



Solvency & Liquidity – Credit Ratings

S&P Global Ratings

<i>Long Term Issuer Credit</i>	AA+
<i>Short Term Issuer Credit</i>	A-1+
<i>Outlook</i>	Stable

MOODY'S INVESTORS SERVICE

<i>Long Term Deposit rating</i>	Aa2
<i>Short Term Deposit rating</i>	P-1
<i>Outlook</i>	Stable





5. ESG Policy

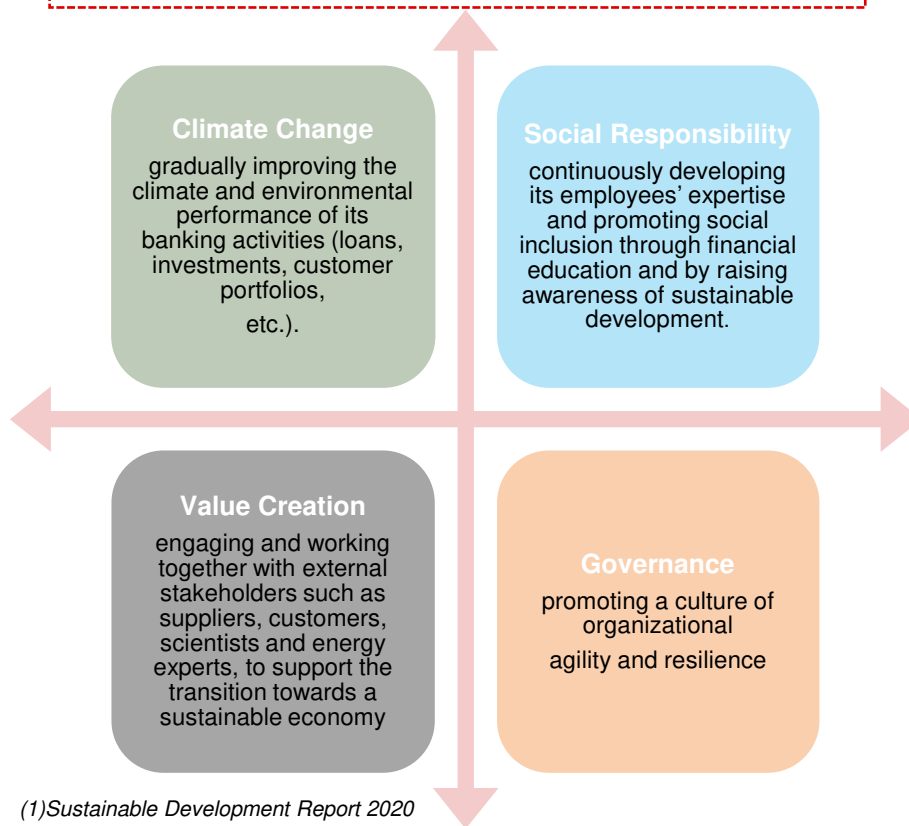




ESG Policy – Strategy⁽¹⁾

- Spuerkeess 2025 strategy will gradually support the objectives of the Paris Climate Agreement, UN SDGs, the EU& Luxembourg Action Plan (PNEC). The Bank decided to adopt a “Transition Enabler” strategy, whose purpose is to raise awareness , persuade and support economic players to move towards a sustainable economy, while acknowledging the sectoral and sociodemographic challenges involved.
- In order to enhance this strategic commitment, Spuerkeess was the first bank to sign **the “Principles for Responsible Banking” (PRB) of the UN** in Luxembourg. Spuerkeess also created a Scientific Advisory Board to reinforce collaboration with the scientific community and raise awareness among employees, suppliers and clients. In October 2021, Spuerkeess adhered to the “Net Zero Banking Alliance”.
- The Bank defined its priorities based on an analysis of the impact of its business on the environment and society. All efforts will therefore be focused on:
 - I. **the Climate change (by gradually aligning with the Paris Climate Agreement, the EU Action Plan for Sustainable Finance, and the Luxembourg Integrated Energy and Climate Plan)**
 - II. **the digitalisation of the Bank and its contribution to the digitalisation of the Luxembourg economy**
 - III. **the social inclusion through education and awareness-raising in all strands of society**

Our challenges, Impacts and Commitments



(1) Sustainable Development Report 2020



ESG Policy – Investment considerations

ESG factors in the investment operations

- Spuerkeess has created an exclusion policy which is based on the double materiality principle requiring to exclude all the sectors and activities:
 - I. which produce “Significant Harm” to the environment or serious “Adverse impacts”
 - II. which cause a high level of “Sustainability risks”, in particular transition risk
- For the last twenty years, Spuerkeess has applied some early ESG guidelines to its international investment portfolio, as exposure to tobacco and gaming was systematically avoided. In the past, companies with a negative ESG newsflow or footprint have seen their investment limits cut.
- In 2020, Spuerkeess focused on developing an internal methodology for the assessment and comparison of companies and sovereign issuers, the objective being to assess their positive and negative ESG impacts and derive an overall ESG rating by considering the characteristics of each issuer and the underlying investments (bonds; equities; UCI).
- Going forward, the ESG assessment will be defined further and implemented in both the “downstream” credit analysis and the “upstream” portfolio management procedures in line with the “Sustainable development goals” guidelines of the Bank. Portfolio risk characteristics will however remain broadly unchanged (“Investment Grade”) as the addition of the ESG criteria will not lead to a significant decline in the credit quality of the portfolio.



Climate sensitive sectors **42%** of our assets balance sheet



*Sustainable Development Report 2020 – As of 31/12/2020, construction remained the highest “climate sensitive” business sector exposure in the credit portfolio

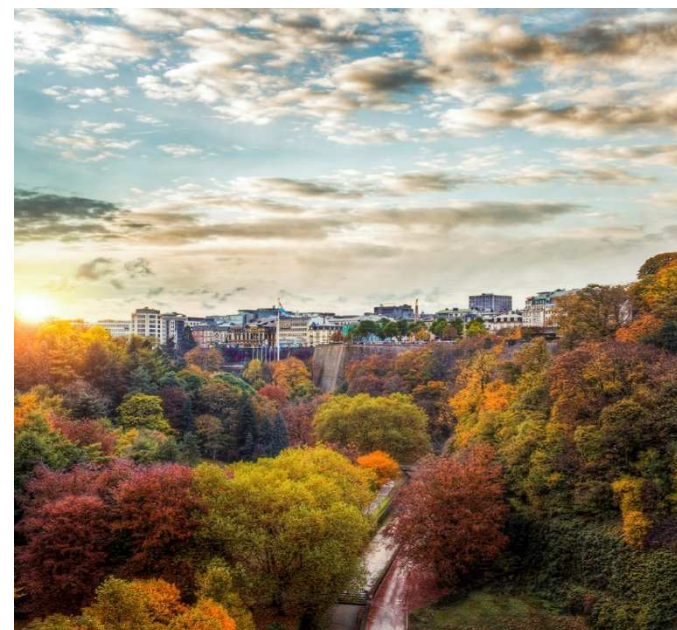


Key takeaways





- #1 Retail Bank in Luxembourg
- Strong capital position - 100% owned by the State of Luxembourg since its foundation
- Very strong credit ratings – AA+ rating by S&P and Aa2 rating by Moody's
- Safest Bank Award Luxembourg & Best Bank Award Luxembourg (Global Finance Magazine 20)
- Solid and stable non-wholesale customer deposit base representing up to 67% of total liabilities (as of 31/12/2020)
- Constant digital innovation





Appendix





Governance – Board of Directors (as of 31.12.2021)

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Chairperson

Camille Fohl

Vice-Chairperson

Elisabeth Mannes-Kieffer

Board Members

Nima Ahmadzadeh

Simone Delcourt

Marie-Paule Gillen-Snyers

Manuel Nicolas

Jean-Pierre Zigrand

Staff Representatives

Carmen Jaffke

Marilène Marques



Governance – Executive Committee (as of 31.12.2021)

30

Chief Executive Officer

Françoise Thoma

Deputy Chief Executive Officer

Guy Rosseljong

Executive Vice Presidents

Doris Engel

Aly Kohll

Romain Wehles



Glossary





Glossary – List of acronyms and specific terms

Acronym	Definition
CET 1	Core Equity Tier 1
ECP	European Commercial Paper
ECB	European Central Bank
EMTN	European Medium Term Notes
ESG	Environmental, Social and Governance
FV	Fair-Value
HQLA	High Quality Liquid Assets
IFRS	International Financial Reporting Standards
LGR	Liquidity Coverage Ratio
NSFR	Net Stable Funding Ratio

Acronym	Definition
OCI	Other Comprehensive Income
O-SII	Other-Systemically Important Institution
RWA	Risk Weighted Assets
SME	Small and Medium Enterprises
SNP	Senior Non Preferred
SP	Senior Preferred
TLTRO	Targeted Long Term Refinancing Operations
UCI	Undertaking for Collective Investments
UN	United Nations
USCP	United-States Commercial Paper

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Thank you



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