



THE GOVERNMENT
OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance

Grand-Duchy of Luxembourg

Investor Presentation

March 2021





Executive Summary

Key Facts

- Real GDP contracted by -1.3% in 2020, less than initially projected and well below Euro Area decline, and expected to rebound in 2021 by +4.0%.
- Public debt moderately increased to ~25.0% of GDP in 2020, up from 22.0% in 2019, while public deficit likely to come in much lower than projected.
- Since the outbreak of COVID-19 pandemic, measures taken by Government to support economy amounted to 19% of GDP, of which 5% of GDP have a direct budgetary impact.
- Unemployment rate jumped from 5.6% end-2019 to 7.7% by mid-2020, but has since receded to 6.8%, while employment grew by +2.0% throughout 2020.

Focus on Contemplated Transaction

- Key Features of contemplated transaction:

Issuer	Grand Duchy of Luxembourg
Type	Luxembourg Government Bond RegS Bearer, Senior, Unsecured
Ratings	Aaa/AAA/AAA (all stable) (Moody's/S&P/Fitch)
Expected Size	EUR Benchmark
Maturity	Medium to long term
Documentation	Standalone LGB



1. Luxembourg at a Glance
2. Focus on Luxembourg's Public Finances
3. Focus on Luxembourg's Credit Rating and Debt Management



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1. Luxembourg at a Glance



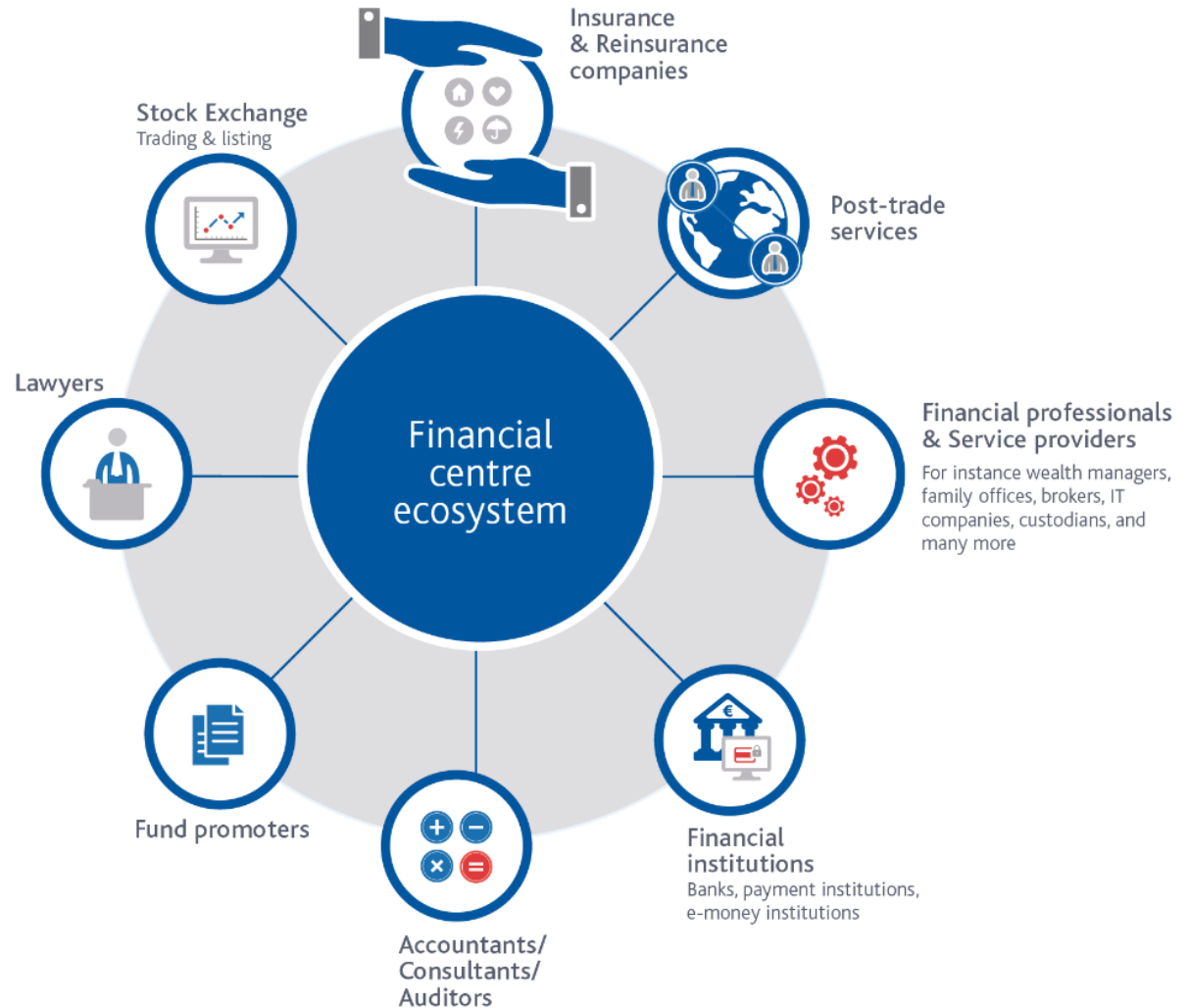
Luxembourg in a Nutshell





Luxembourg as International Financial Centre

- ✦ Luxembourg is a **cross-border hub** and centre of excellence facilitating multi-jurisdictional and international financial services.
- ✦ Luxembourg hosts the **world's 2nd largest investment fund centre**.
- ✦ Total net fund assets under management exceeded EUR 5000bn in 2021.





Open and Diversified Economy

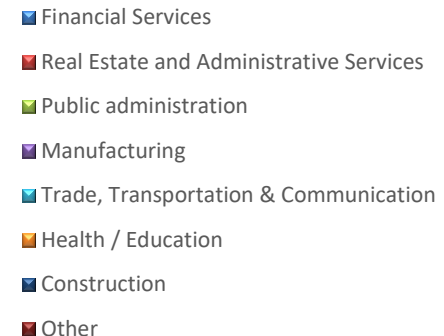
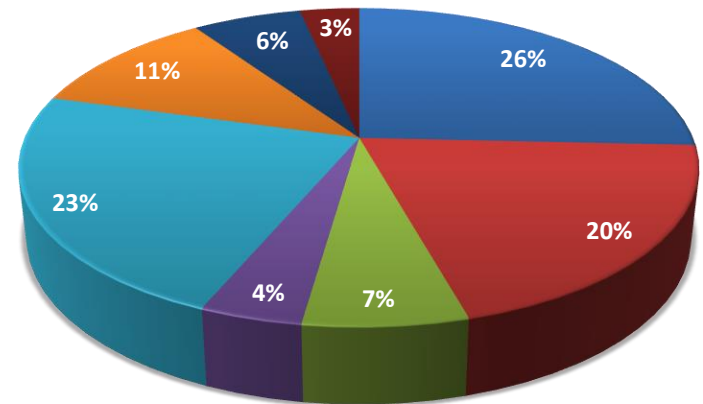
Luxembourg: snapshot of an open...

- ✦ **Total exports exceeded 200% of GDP** in 2020, of which EUR 17bn in goods and EUR 120bn in services.
- ✦ Luxembourg ranked **3rd most open economy** in the world.

...and growth-oriented economy, beyond the financial sector

- ✦ **European corporate headquarter** of global companies such as Amazon, Ferrero, Paypal, eBay, Skype, SES, ArcelorMittal and many others.
- ✦ Home **base of all-freight carrier Cargolux**, with Luxembourg Airport being 6th largest freight airport in Europe.
- ✦ **Strong focus on innovation**, in sectors such as FinTech, Space Resources, CleanTech, Health- & BioTech or Cybersecurity.

Sectoral Share of Gross Value Added in 2020



Source : National Statistical Office.



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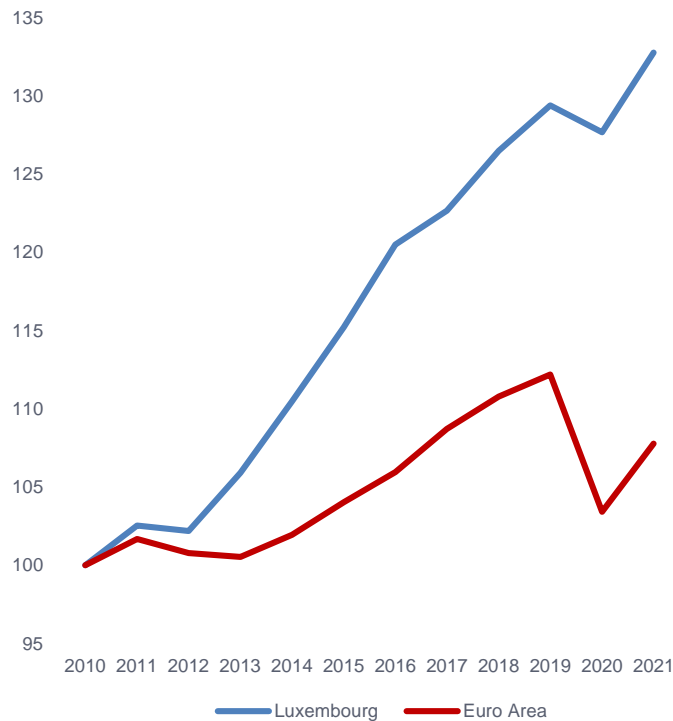
2. Focus on Luxembourg's Public Finances



Macroeconomic Context

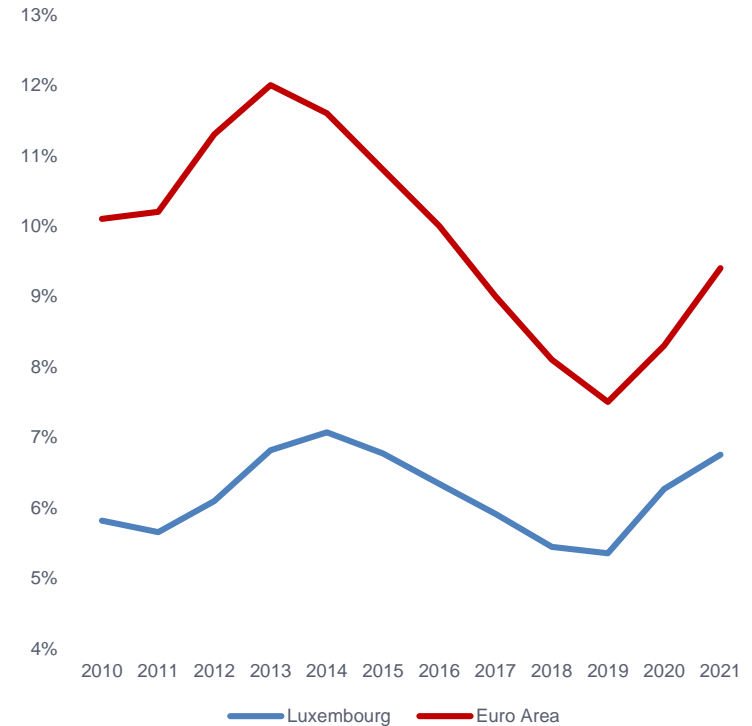
Real GDP (Index 100 = 2010)

Continued overperformance vs. Euro Area



Annual Unemployment Rate

Unemployment consistently below the Euro Area

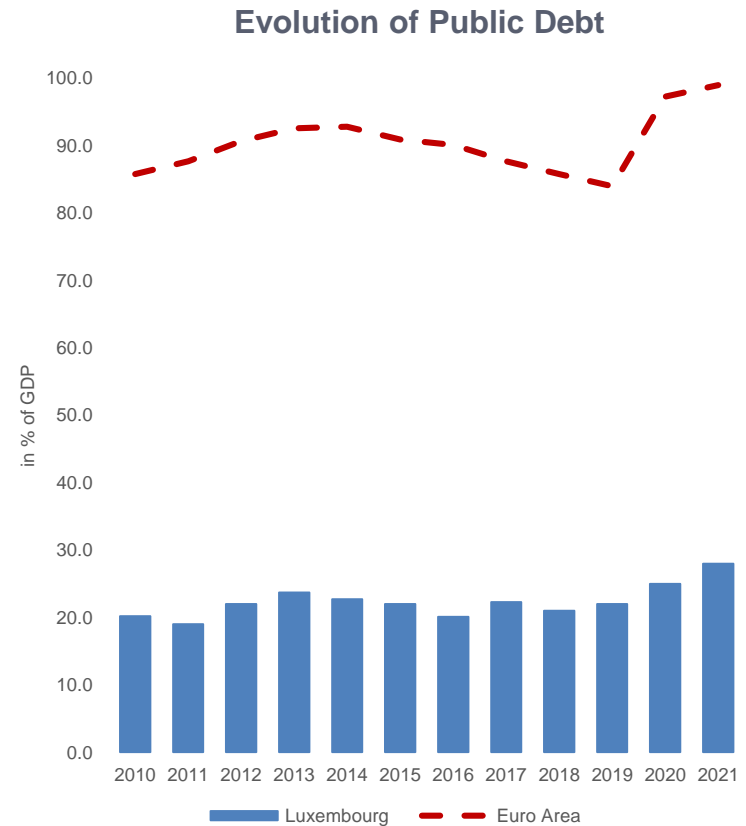


Sources: Luxembourg: National Statistical Office & Ministry of Finance; Euro Area: European Commission, AMECO.



- ✦ Despite COVID-19 and wide range of government support measures, continued **low level of public debt** of ~25% of GDP as of end-2020.
- ✦ **Government committed to support economy**, especially the most affected sectors, through timely and well-targeted aid regimes.
- ✦ **Continued adherence to sound public finances**, as evidenced by 2021 Budget, with deficit forecast to come in below 3% as of 2021 already.
- ✦ Despite COVID-19, **debt ratio forecast to remain below self-set ceiling of 30% of GDP.**
- ✦ **Luxembourg also holds financial assets worth 45% of GDP**, of which 33% of GDP are invested through the pension reserve fund.
- ✦ **Net financial position of public sector is in fact positive.**

Public Finances (1/2)



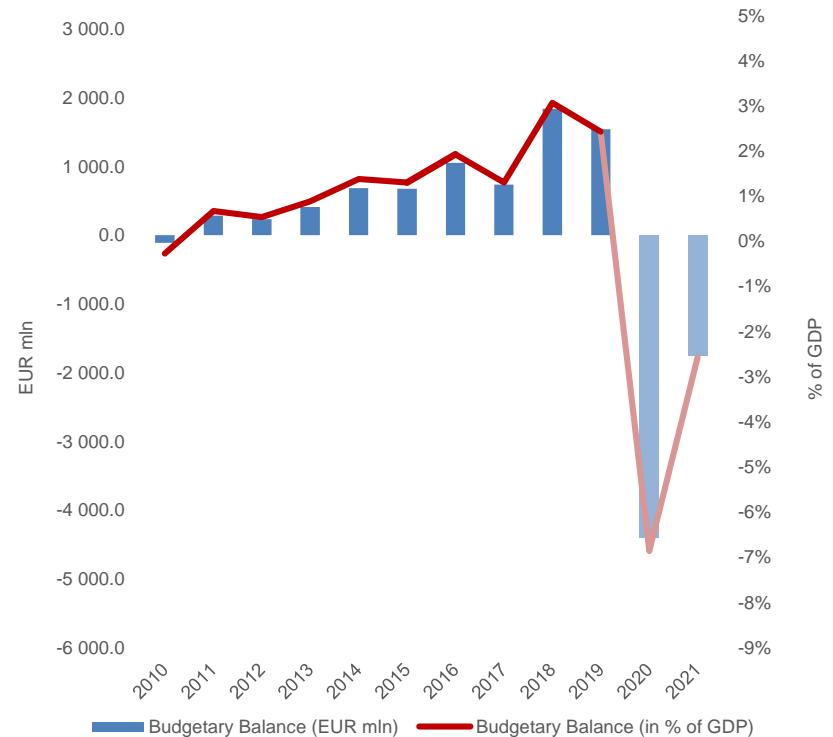
Sources :
Luxembourg: Ministry Finance.
Euro Area : 2021 Commission Winter Forecast.



Public Finances (2/2)

- ✦ Luxembourg has **long track record of budget surpluses**, being the only EU Member State to have complied consistently with Stability and Growth Pact rules since their inception.
- ✦ Prior to COVID-19, budget surplus amounted to +2.4% of GDP in **2020 deficit is estimated to have finished well-below budget forecasts** (~-4% of GDP).
- ✦ **Government is making use of accumulated fiscal space** to mitigate economic and social consequences of COVID-19 breakout.
- ✦ **Total COVID-19 response of the Luxembourg government amounts to 19% of GDP**, of which :
 - ✦ 5% of GDP in direct fiscal transfers,
 - ✦ 8% of GDP in tax and social contribution payment deferrals, and
 - ✦ 6% in public guarantees, including a new public guarantee system.

Budgetary Balances



Source: National Statistical Office, 2021 Budget.



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LUXEMBOURG
LET'S MAKE IT HAPPEN

3. Focus on Luxembourg's Credit Rating and Debt Management



Credit Ratings

S&P	AAA	Stable
Moody's	Aaa	Stable
Fitch	AAA	Stable
DBRS	AAA	Stable

Rationale behind the AAA rating :

- ✓ *“Luxembourg has significant capacity to face the shock from the global Coronavirus Disease (COVID-19) pandemic and to support the recovery of the economy”*
- ✓ *“Public finances are a key strength for Luxembourg's rating”*
- ✓ *“Luxembourg has a history of budget surpluses, which supports its low level of debt”*
- ✓ *“Flexible economic policies, very high wealth levels provide shock absorption capacity”*

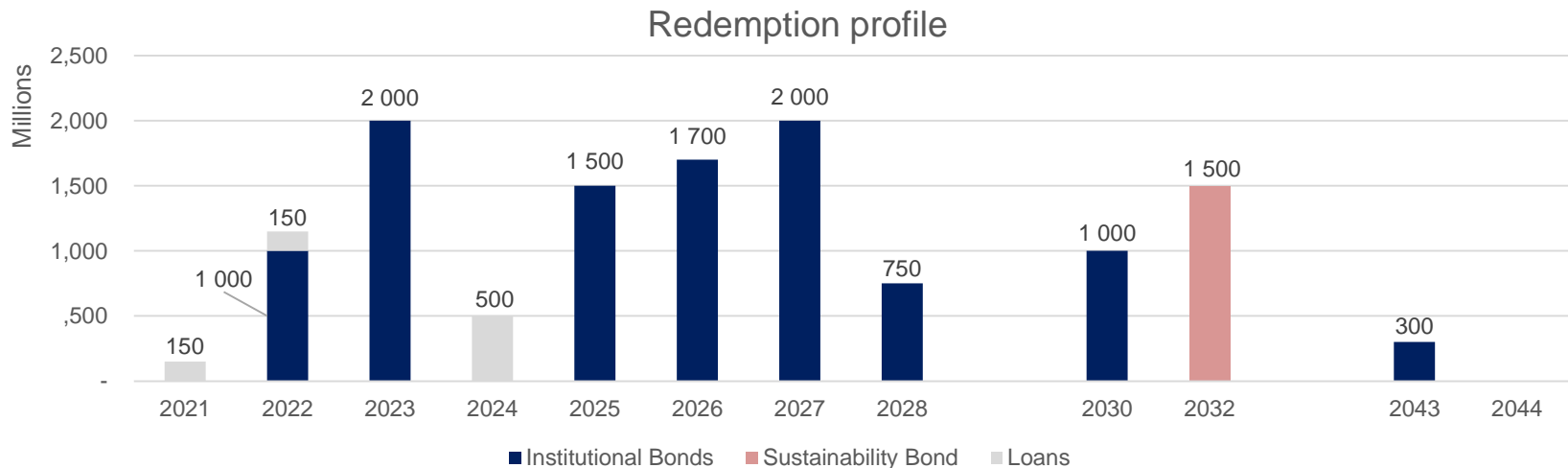


Syndicated Luxembourg Government Bonds (LGB) are the cornerstone of the Treasury's long-term funding strategy.

- ✦ Short-term liquidity needs are met via bank loans or Treasury Notes (*Certificats de trésorerie*).
- ✦ Luxembourg has 9 LGBs outstanding for a total amount of EUR 11.75bn.

Optimizing refinancing and interest rate risk, zero FX exposure.

- ✦ Outstanding LGBs (fixed-rate and issued in EUR only) have an average maturity of 6.14 y with the next redemption scheduled for 2022.





Outstanding Luxembourg Government Bonds (LGB)

	Issue Date	Notional	Maturity	Maturity date	Coupon	Currency
LGB 2.25% 2022	21/03/2012	1,000,000,000	10y	21/03/2022	2.250%	EUR
LGB 2.125% 2023	10/07/2013	2,000,000,000	10y	10/07/2023	2.125%	EUR
LGB 0.00% 2025	28/04/2020	1,500,000,000	5y	28/04/2025	0.000%	EUR
LGB 0.00% 2026	13/11/2019	1,700,000,000	7y	13/11/2026	0.000%	EUR
LGB 0,625% 2027	01/02/2017	2,000,000,000	10y	01/02/2027	0.625%	EUR
LGB 2.25% 2028	19/03/2013	750,000,000	15y	19/03/2028	2.250%	EUR
LGB 0.00% 2030	28/04/2020	1,000,000,000	10y	28/04/2030	0.000%	EUR
LGB 0.00% 2032	14/09/2020	1,500,000,000	10y	14/09/2032	0.000%	EUR
LGB 2.75% 2043 (PP)	20/08/2013	300,000,000	30y	20/08/2043	2.75%	EUR

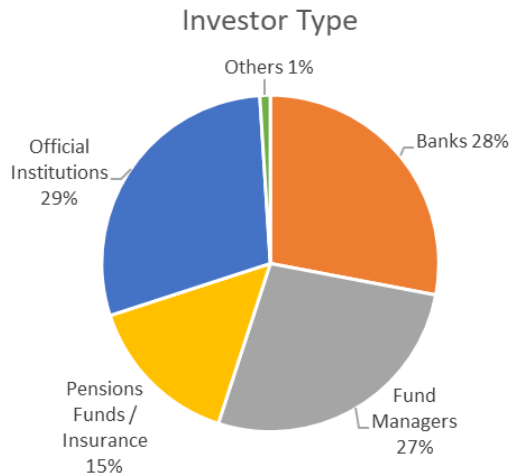
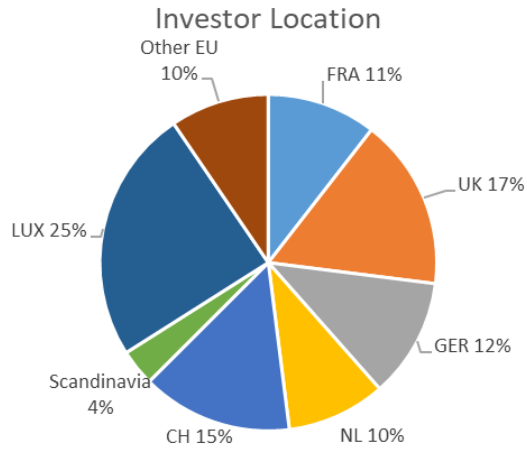
In addition, bank loans amounting to 850mn EUR are outstanding at the end-February 2021

Source: State Treasury

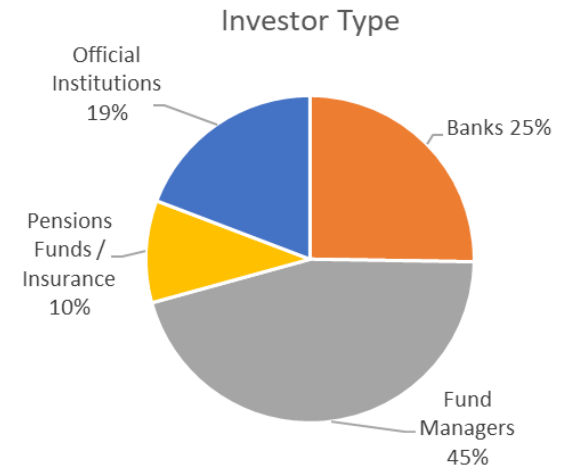
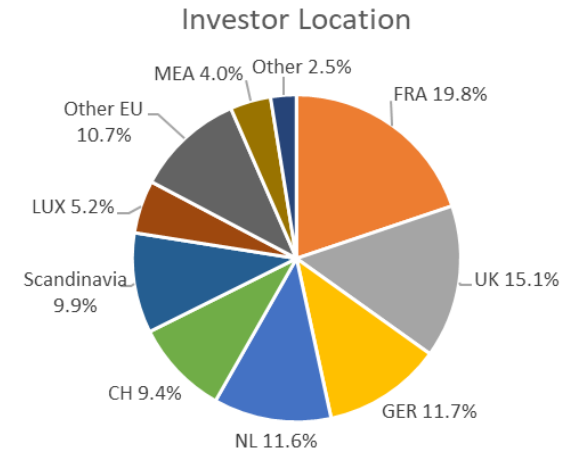


Varied Investor Base for LGBs

2.5 bn EUR Dual Tranche Benchmark April 2020



1.5 bn EUR Sustainability Bond September 2020





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