



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

Investor Presentation

June 2013





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- 6: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE
- 7: DEBT MANAGEMENT
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- 9: CONTACT DETAILS



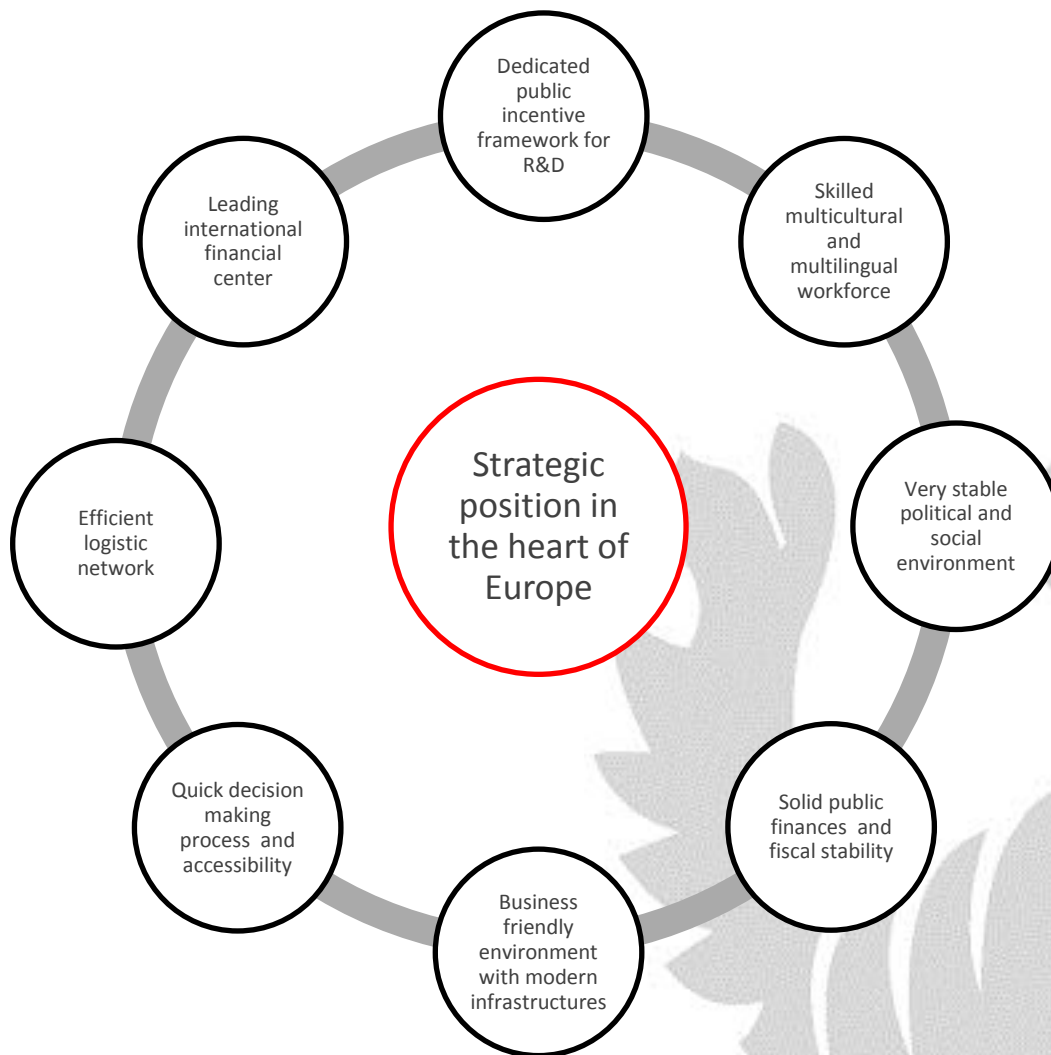
1: LUXEMBOURG IN A NUTSHELL



Official designation	Grand Duchy of Luxembourg
Area	2,586 km ²
Capital	Luxembourg
Population	524,900 inhabitants (comprising 56% Luxembourg nationals and 44% foreign residents)
Languages	<ul style="list-style-type: none">• Lëtzebuergesch (the national language)• French, German and Lëtzebuergesch (administrative and legal languages)• English (spoken by a large proportion of the population)
Currency	Euro
Political system	Parliamentary democracy within the system of a constitutional monarchy
Head of state	HRH Grand Duke Henri
Head of government	Jean-Claude Juncker, Prime Minister
Founding member of major international organisations	Benelux, United Nations (UN), Organization for Economic Co-operation and Development (OECD), Council of Europe and North Atlantic Organization (NATO), European Union (EU), European Financial Stability Facility (EFSF), European Stability Mechanism (ESM)
European Union Capital	European Court of Justice, European Investment Bank, European Investment Fund, European Commission Services (Translation, Publications, Statistics), European Court of Auditors, Secretariat of the European Parliament, EFSF, ESM



1: LUXEMBOURG IN A NUTSHELL





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2: KEY DATA

In %	Luxembourg				Euro-Zone		
Year	2003- 2007	2012	2013 (F)	2014 (F)	2012	2013 (F)	2014 (F)
Real GDP growth	+4.5	+0.3	+0.8	+1.6	-0.6	-0.4	+1.2
Inflation (HICP)	3.0	2.9	1.9	1.7	2.5	1.6	1.5
Unemployment	4.1	5.1	5.5	5.8	11.4	12.2	12.2
Current Account Balance	+10.4	+5.6	+6.3	+6.4	+1.8	+2.5	+2.7
Budgetary Balance	+0.8	-0.8	-0.2	-0.4	-3.7	-2.9	-2.8
Gross Public Debt	6.4	20.8	23.4	25.5	92.7	95.5	96

Source: European Economic Forecast, Spring 2013

	Luxembourg	Euro-Zone
Year	2012	2012
Nominal GDP	45 bn EUR	9,487 bn EUR
GDP per capita (at market prices)	84,000 EUR	29,000 EUR

Source: Statec / Eurostat

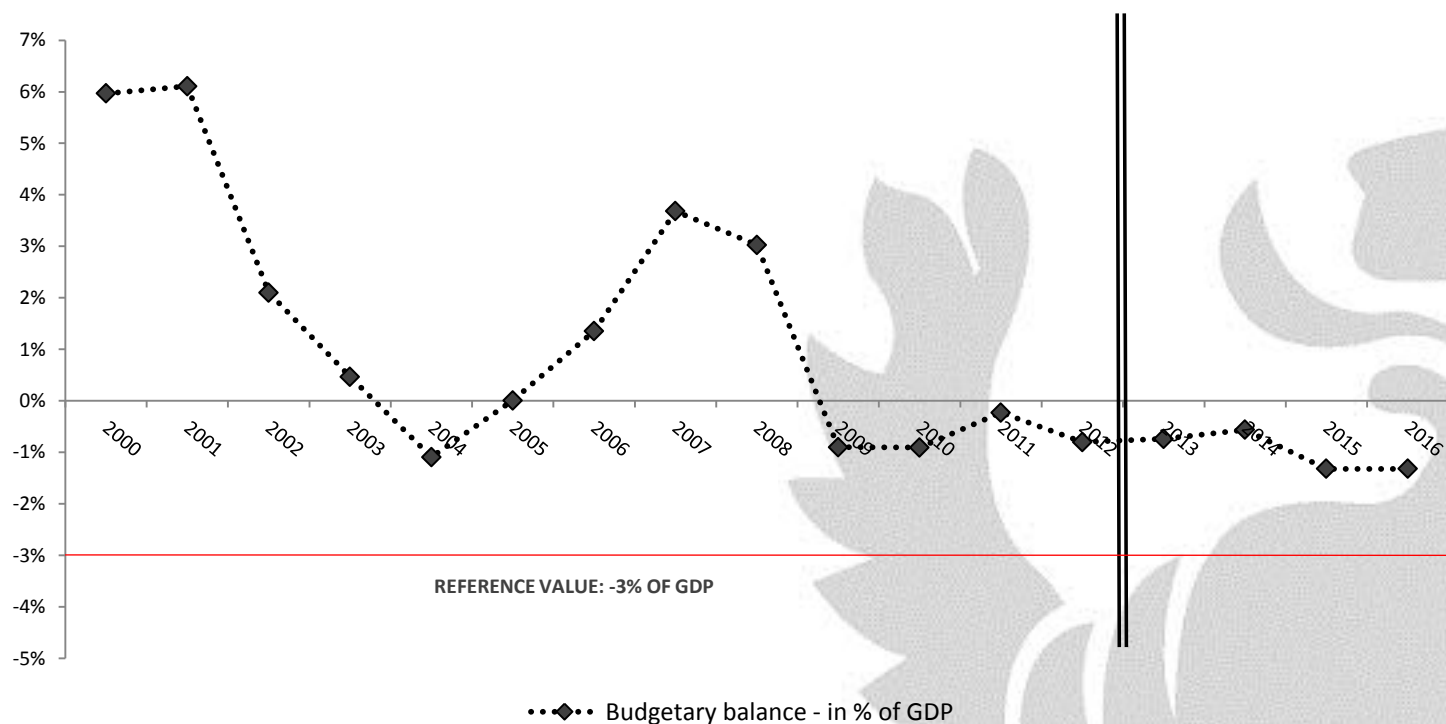


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Luxembourg is the only country that has consistently **respected the Maastricht criteria**

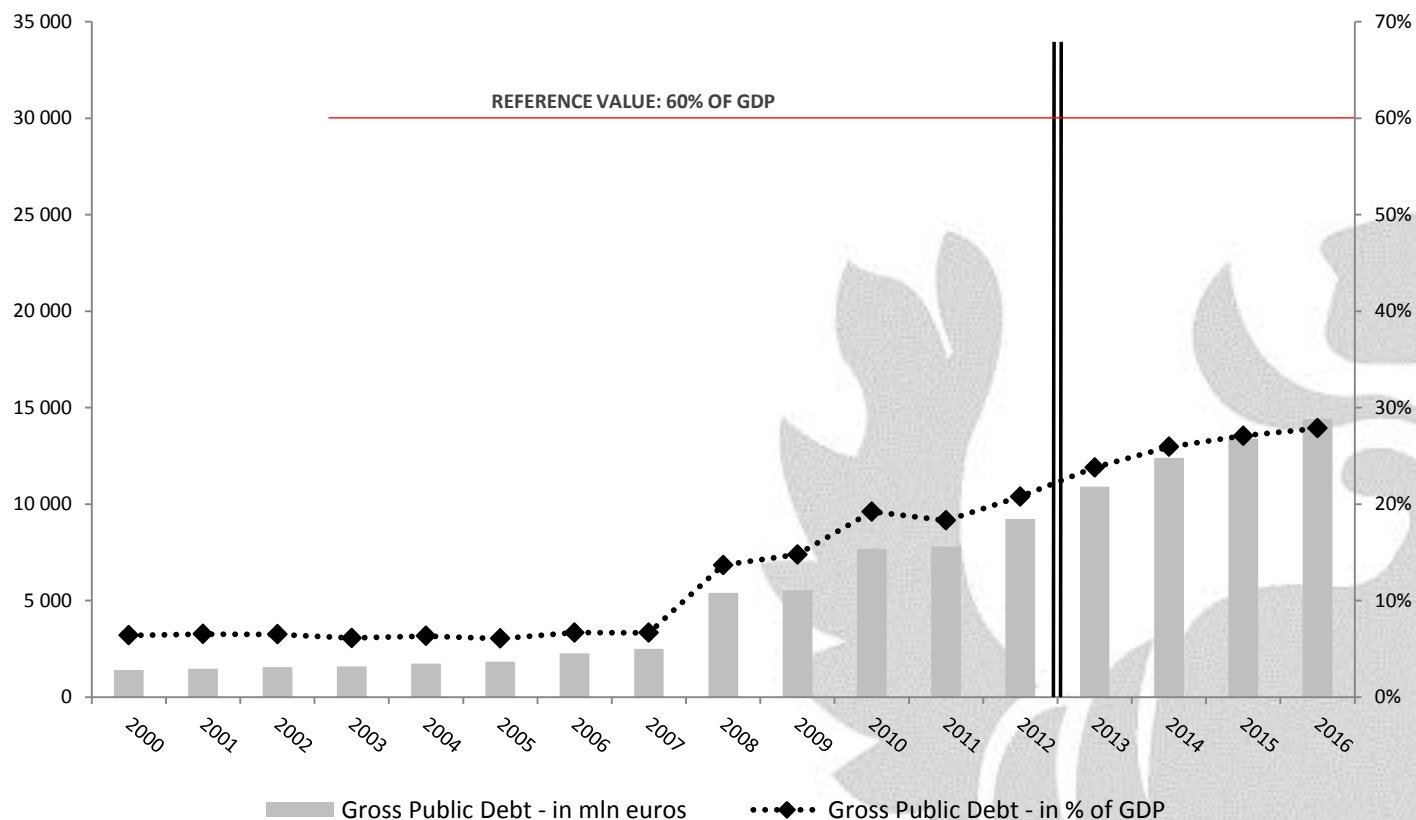
Budgetary Deficit < 3% of GDP



Source: 14th Update of the Luxembourg Stability and Growth Programme 2013-2016



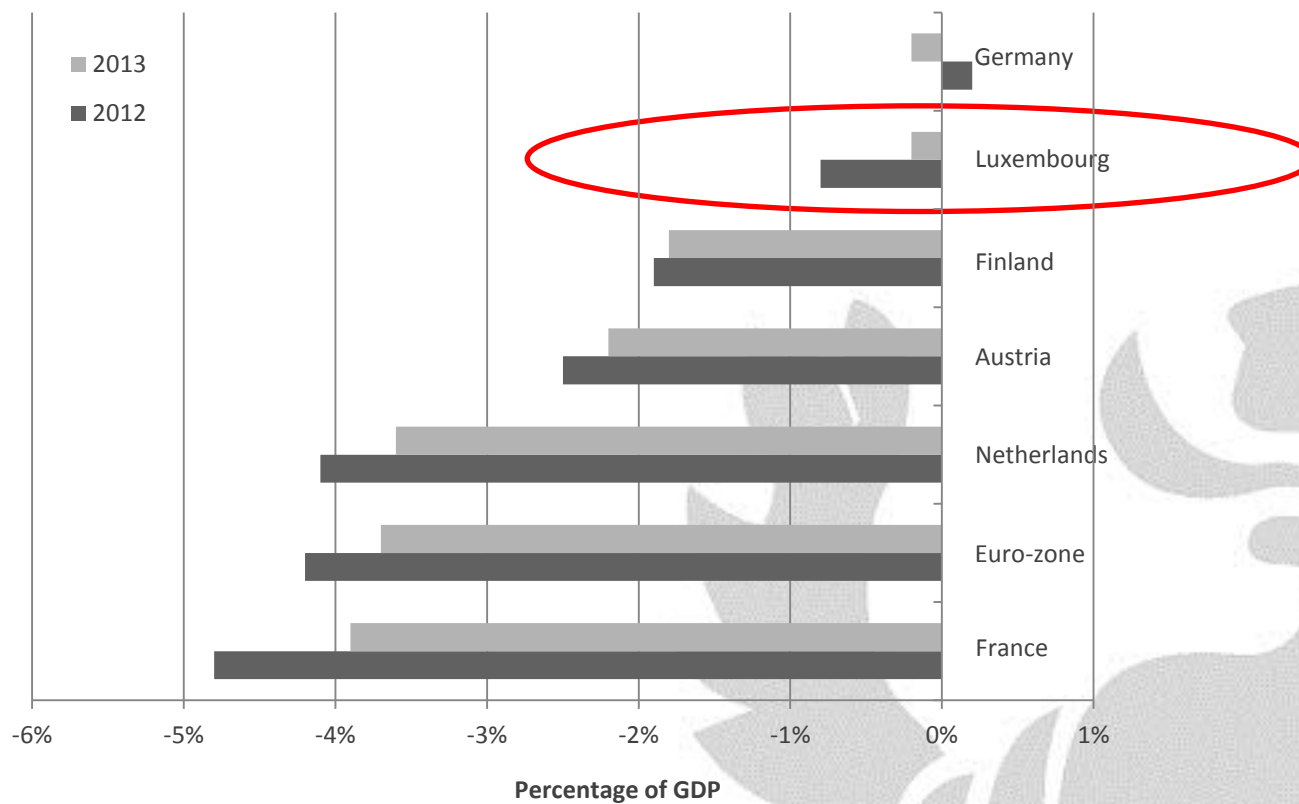
Gross Public Debt < 60% of GDP



Source: 14th Update of the Luxembourg Stability and Growth Programme 2013-2016



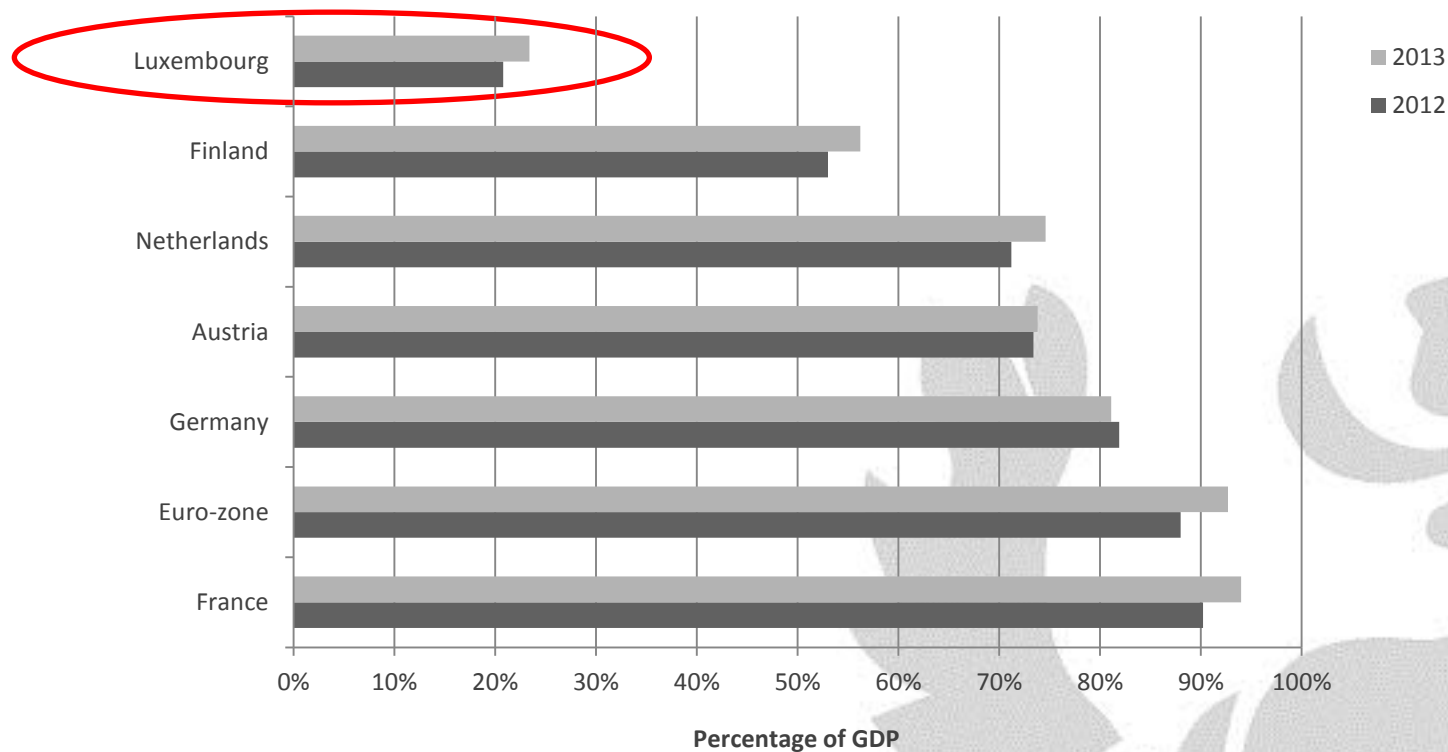
Budgetary Balance, general government (as a percentage of GDP)



Source: European Economic Forecast, Spring 2013



Gross Public Debt, general government (as a percentage of GDP)



Source: European Economic Forecast, Spring 2013



Luxembourg's public debt is mainly composed of central government debt and local government debt.

On the asset side, the Grand-Duchy of Luxembourg holds **assets worth > 37.5% of GDP**, i.e. higher than the level of gross public debt.

Assets include:

- A **pension reserve of 27.5% of GDP** – in which social security payments surpluses are transferred to secure future payment obligations
- **Stakes in listed and non-listed companies** worth more than **10% of GDP**



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4: CREDIT RATING

Standard&Poor's	AAA	Stable outlook
Moody's	Aaa	Negative outlook
Fitch	AAA	Stable outlook

The rationale behind this strong AAA rating is:

Standard&Poor's

- High wealth levels, GDP per capita likely to exceed a forecast €86,000 in 2013
- A stable, predictable, and transparent political environment
- **A strong government balance sheet**

Outlook: Luxembourg's strong government balance sheet, wealthy population, and stable political environment should be sufficient to outweigh risks to its economy.

Moody's

- Large net financial assets and low levels of public debt
- Political stability and historically robust economic performance
- **Attractive business environment**

Outlook: negative outlook is part of a broader exercise reassessing the outlook on Aaa-rated member countries of the euro area in the context the sovereign crisis.

Fitch

- **Rich Economy, Strong Institutions**
- Strong Public Balance Sheet
- Large, Sound Financial Sector

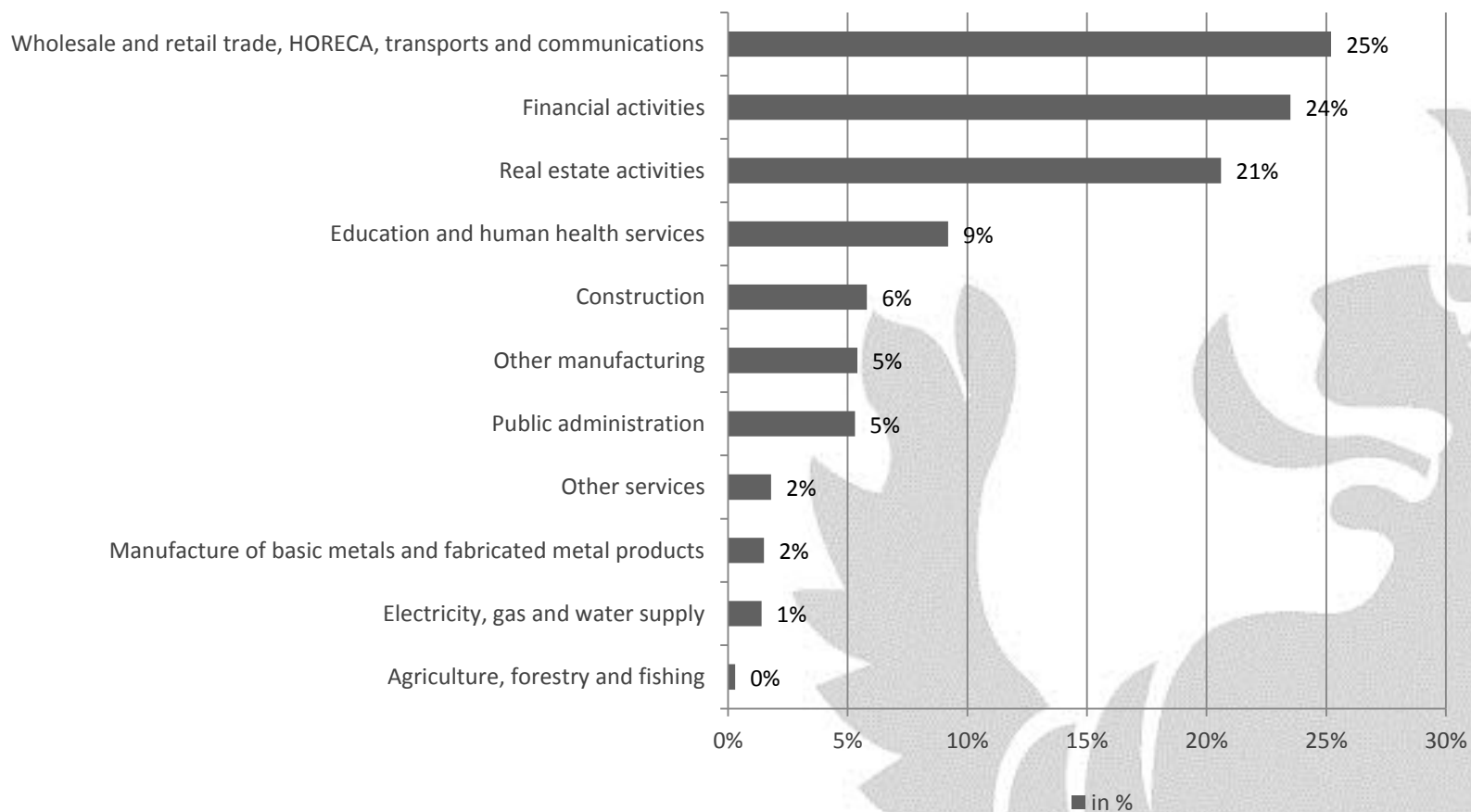
Outlook: strong and stable institutions foster confidence in the sovereign's ability and willingness to honour its public debt commitments.



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2012 Gross value added by activities (at basic prices)



Source: Statec



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- The Luxembourg financial services center is **highly specialised** with an international, **cross-border focus**
- Financial institutions based in Luxembourg **invest globally in over 30 countries** in Europe and beyond
- Activities revolved around :

Asset
Management &
Investment

Wealth
Management

Insurance &
reinsurance

Corporate
Finance

Structured
Finance



6: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

Luxembourg has **141 banks** from 26 countries,
of which:

- 106 subsidiaries
- 35 branches

Total balance sheet of **EUR 750 bn** (16x GDP)

Of the 141 banks, only a handful have a domestic focus and are systemically relevant for the Luxembourg economy. Assets related to such domestic operations constitute only approximately 3x GDP

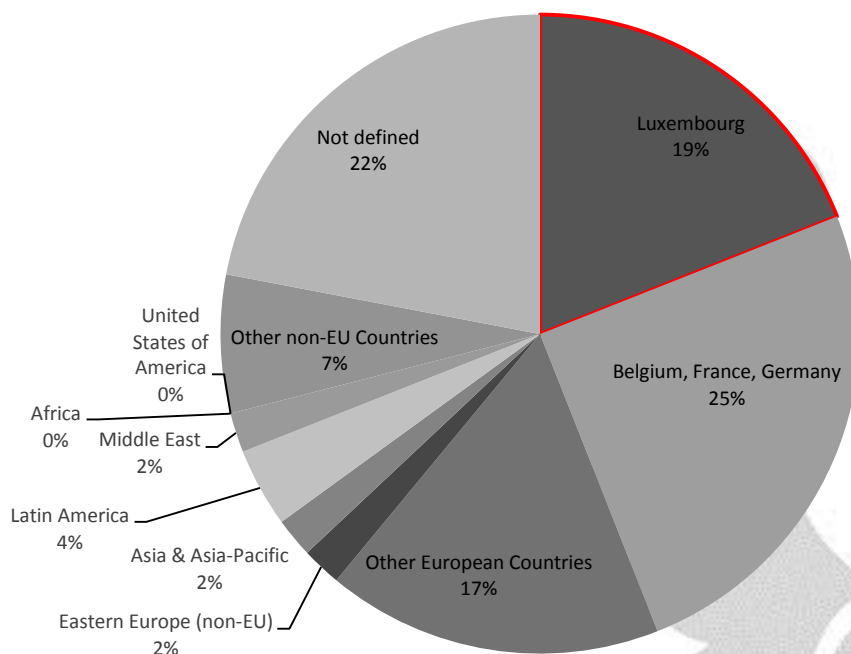
Country of origin	Number
Germany	37
France	13
Switzerland	11
Italy	9
Sweden	8
Belgium	7
United Kingdom	7
USA	6
Japan	5
Luxembourg	5
Brazil	4
China	4
Israel	3
Netherlands	3
Qatar	3
Andorra	2
Canada	2
Spain	2
Norway	2
Portugal	2
Denmark	1
Greece	1
Latvia	1
Liechtenstein	1
Russia	1
Turkey	1
TOTAL	141

Source: CSSF



Private Banking sector: 19% are local clients, 25% of clients are from Belgium, France and Germany, 56% from other countries

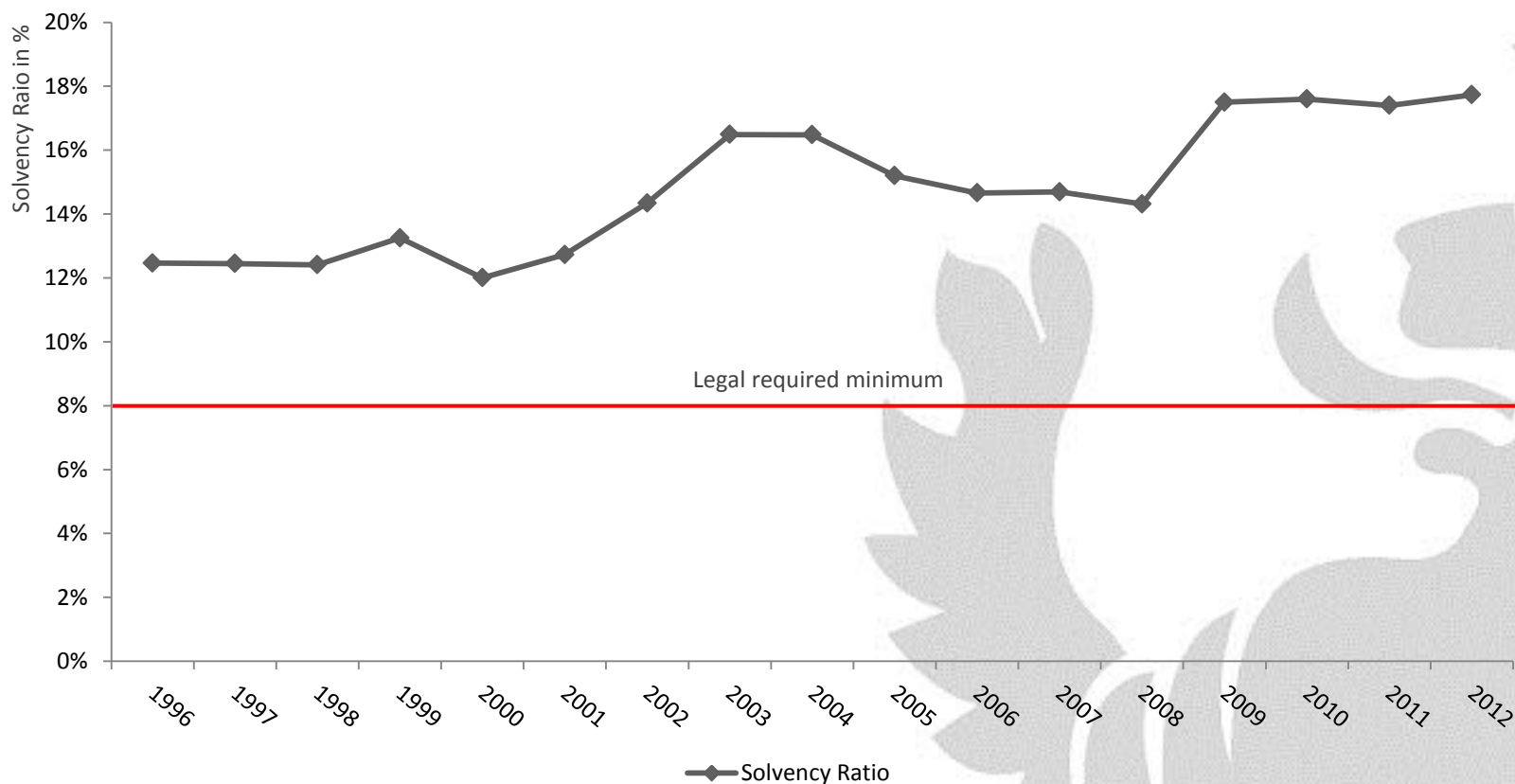
Geographic Origin of Private Banking Clients





6: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

- Strong capitalization of Luxembourg-based banks
- Overall **solvency ratio of over 17% in 2012**, more than twice the legally required minimum of 8%.

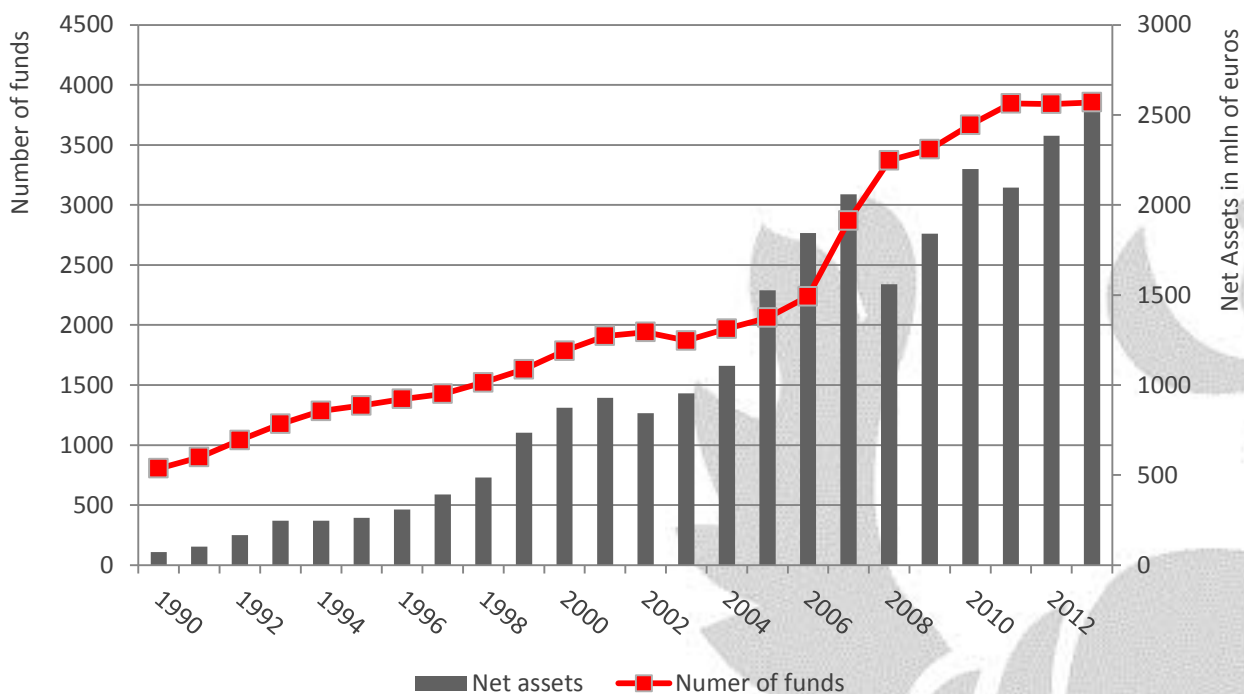


Source: CSSF



6: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

- Luxembourg was the **first EU Member State to transpose the UCITS Directive in 1985**
- It has since developed into the number 1 investment fund centre in Europe by assets under management



Source: CSSF

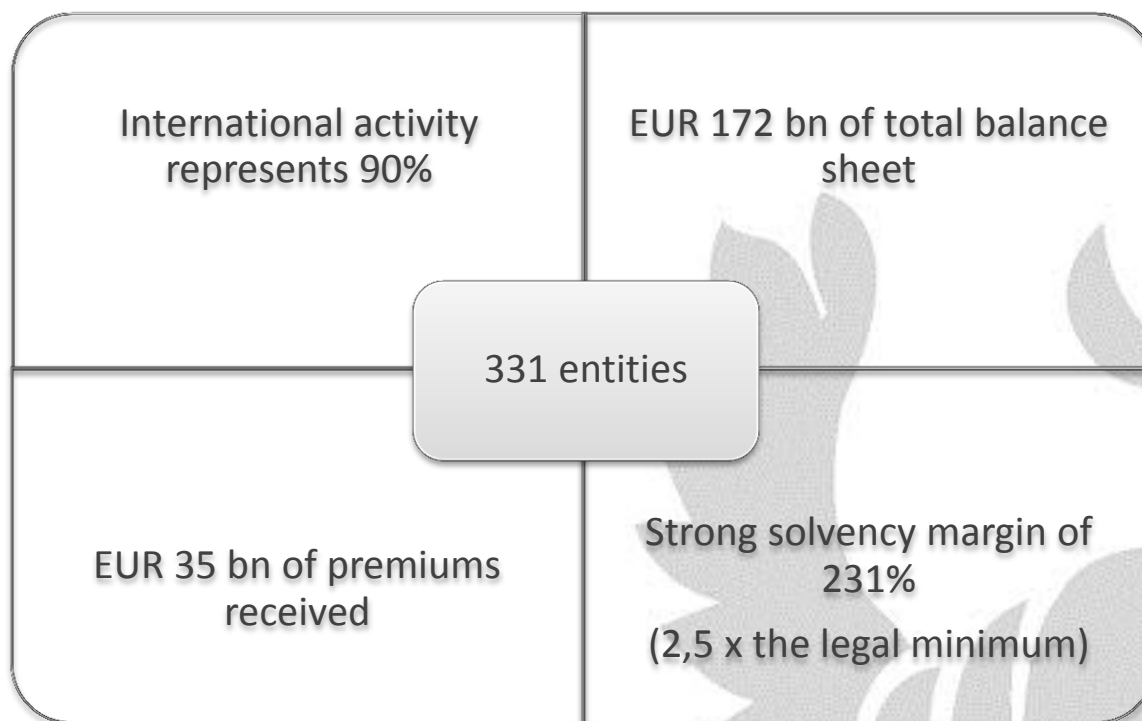


International and diversified fund industry

- Nearly 4000 investment funds sold in over 70 countries
- Over 700 promoters of funds(i.e. institutions having launched funds, or initiators) originating from 60 countries
- 66 depositary banks and 139 (regulated) central administrations safeguarding respectively administering the assets in the funds



Luxembourg is furthermore one of the EU's major centres in the **Insurance and Reinsurance** industry



Source: CAA



- Prudential supervision of the financial sector by the Commission de Surveillance du Secteur Financier (CSSF)
- Participation in the prudential supervision of the financial sector and the exercise of the oversight of payment and settlement systems by the Banque centrale du Luxembourg (BcL)
- Insurance and Reinsurance industry supervised by the Commissariat Aux Assurances (CAA)
- **Internationally recognized financial supervision**
- Foreign banks based in Luxembourg are controlled not only by the Luxembourgish regulator but also by the banking supervisor of the home country of the mother company
- **Regular reviews of standards & practices at European and international level**



Highly regulated market



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Outstanding Luxembourg Government Bonds (LGB)

	Launch date	Amount issued	Maturity	Maturity date	Coupon	Yield*	Currency
LGB 3.75% 2013	07/11/2008	2,000,000,000	5 years	04/12/2013	3.750%	MS-30 bps	EUR
LGB 3.375% 2020	11/05/2010	2,000,000,000	10 years	18/05/2020	3.375%	MS-6 bps	EUR
LGB 2.25% 2022	12/03/2012	1,000,000,000	10 years	21/03/2022	2.250%	MS-2 bps	EUR
LGB 2.25% 2028	12/03/2013	750,000,000	15 years	19/03/2028	2.250%	MS+14bps	EUR

* June 6, 2013

Source: State Treasury

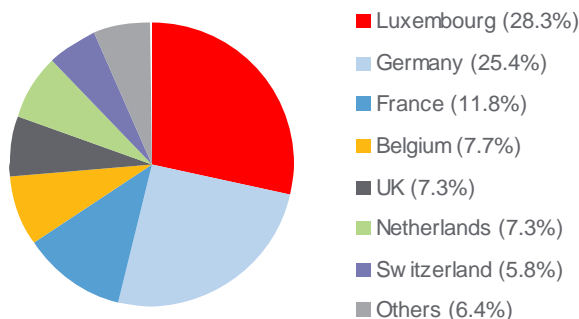


7: DEBT MANAGEMENT

LGB €0.75bn 15-year 2.25% 03/2028

Issuer:	The Grand Duchy of Luxembourg
Issue ratings:	AAA / Aaa (S&P / Moody's)
Size:	€ 750 million
Launch date:	12 March 2013
Maturity:	19 March 2028
Coupon:	2.250%, annual, ACT/ACT
Reoffer yield:	2.285%
Reoffer spread:	MS +8bp (DBR 5.625% 1/28 +29.8bp)
Governing Law:	Luxembourg Law
Listing:	Luxembourg Stock Exchange
Denominations:	€1,000
Joint Lead Managers:	BCEE, BGL BNP PARIBAS, BIL, SG

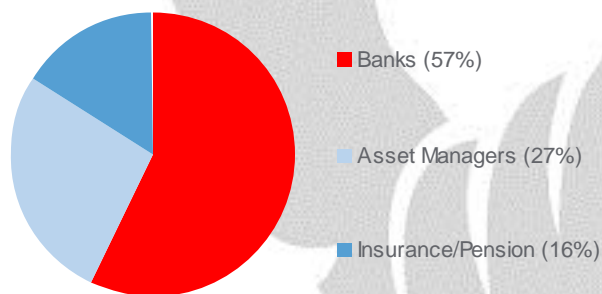
Distribution by geography



Deal summary

- After closely monitoring the market reaction to the downgrade by Fitch of Italy on Friday 8 March, the syndicate banks assessed investor sentiment as constructive and recommended that the Grand Duchy of Luxembourg go ahead with the transaction. The mandate for a new 15 year EUR benchmark bond was announced on Monday, 11 March.
- At the start of the next day, and after rapidly assessing market conditions, books officially opened at 10:45 CET with a price guidance set at “Mid Swaps + 8bps area”.
- Books steadily grew during the next hours and when final spread was set at “Mid Swaps + 8bps”, total demand grew above EUR 800m and this despite some intraday volatility in the EUR government bond market. In light of the contemplated issue amount of EUR 750m the books were closed at 2.30pm CET. The pricing level of this longer-dated transaction is a further testimony that fixed income investors value the intrinsic quality and stability an issuer such as the Grand Duchy of Luxembourg offers – enabling it to price its longest EUR government bond ever at a spread of only 29.8bp over Germany.
- In total, 73 investors participated in the transaction, highlighting the granularity of the investor demand. Investor demand was spread over 8 countries with a very strong support from Luxembourg domestic accounts who picked up 28% of the transaction, followed by Germany with 25%, France and Belgium respectively took up 11% and 8%.

Distribution by investor type



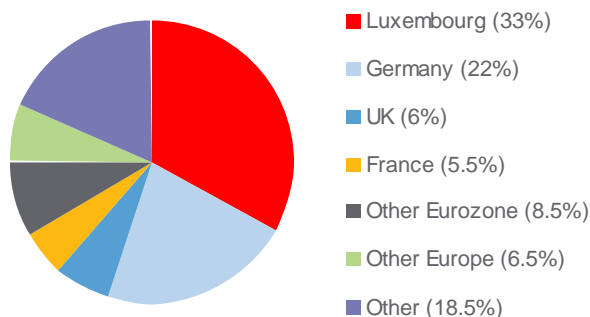


7: DEBT MANAGEMENT

LGB €1.0bn 10-year 2.25% 03/2022

Issuer:	The Grand Duchy of Luxembourg
Issue ratings:	AAA / Aaa (S&P / Moody's)
Size:	€ 1.0 billion
Launch date:	12 March 2012
Maturity:	21 March 2022
Coupon:	2.250%, annual, ACT/ACT
Reoffer yield:	2.292%
Reoffer spread:	MS +6bp (DBR 2.00% 1/22 +53.8bp)
Governing Law:	Luxembourg Law
Listing:	Luxembourg Stock Exchange
Denominations:	€1,000
Joint Lead Managers:	BCEE, BGL BNP PARIBAS, BIL, SG

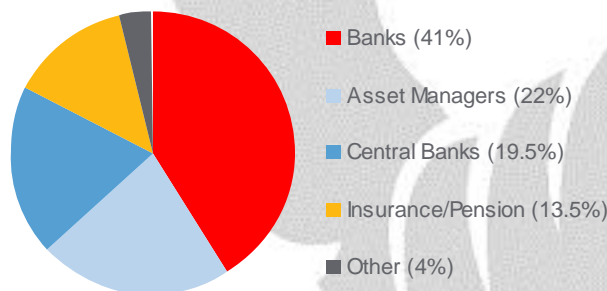
Distribution by geography



Deal summary

- The mandated banks gauged investor sentiment for such a transaction and scouted likely timing and guidance at the open. Given the supportive market environment, it was decided to go ahead on this very day. Investor response was very brisk as soon as the mandate announcement hit the screens on Thursday March 8, 2012.
- After rapidly assessing market conditions, books were officially opened at 10:10 CET with an initial price thoughts of “Mid Swaps + 8 to 10bps”. The official price guidance was set a Mid Swaps +7bps area at 11:00 CET following the strong investor response. Books closed at 12:30 CET with a final orderbook size of EUR 2.6bn and 113 high quality accounts involved, allowing thus to set final terms for a EUR 1bn issue at MS + 6 bps, below the initial guidance, while giving care for potential after-market performance.
- The final spread and transaction size testify of the popularity of Luxembourg’s signature. The two previous transactions’ high performance undeniably helped to build a strong momentum enabling the Grand Duchy to successfully launch its third bond issue in an historically low absolute yield environment.
- In total, 113 investors participated in the transaction coming from 18 jurisdictions – illustrating the granular placement and broad appeal of this rare issuer. Luxembourg domestic accounts also strongly supported the deal accounting for 33% of the transaction.

Distribution by investor type



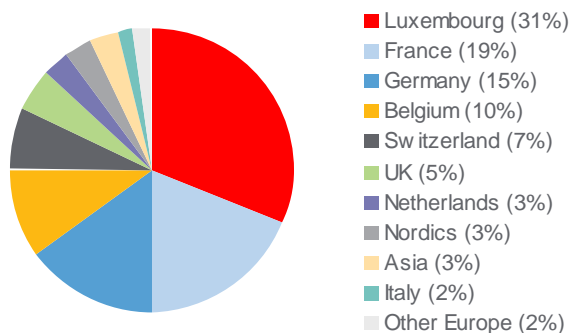


7: DEBT MANAGEMENT

LGB €2.0bn 10-year 3.375% 05/2020

Issuer:	The Grand Duchy of Luxembourg
Issue ratings:	AAA / AAA (S&P / Fitch)
Size:	€ 2.0 billion
Launch date:	11 May 2010
Maturity:	18 May 2020
Coupon:	3.375%, annual, ACT/ACT
Reoffer yield:	3.390%
Reoffer spread:	MS +18bp (DBR 3.25% 1/20 +51.6bp)
Governing Law:	Luxembourg Law
Listing:	Luxembourg Stock Exchange
Denominations:	€1,000
Joint Lead Managers:	BCEE, BGL BNPP, BNPP, DEXIA CM

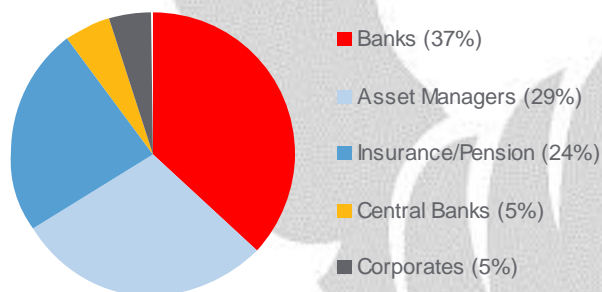
Distribution by geography



Deal summary

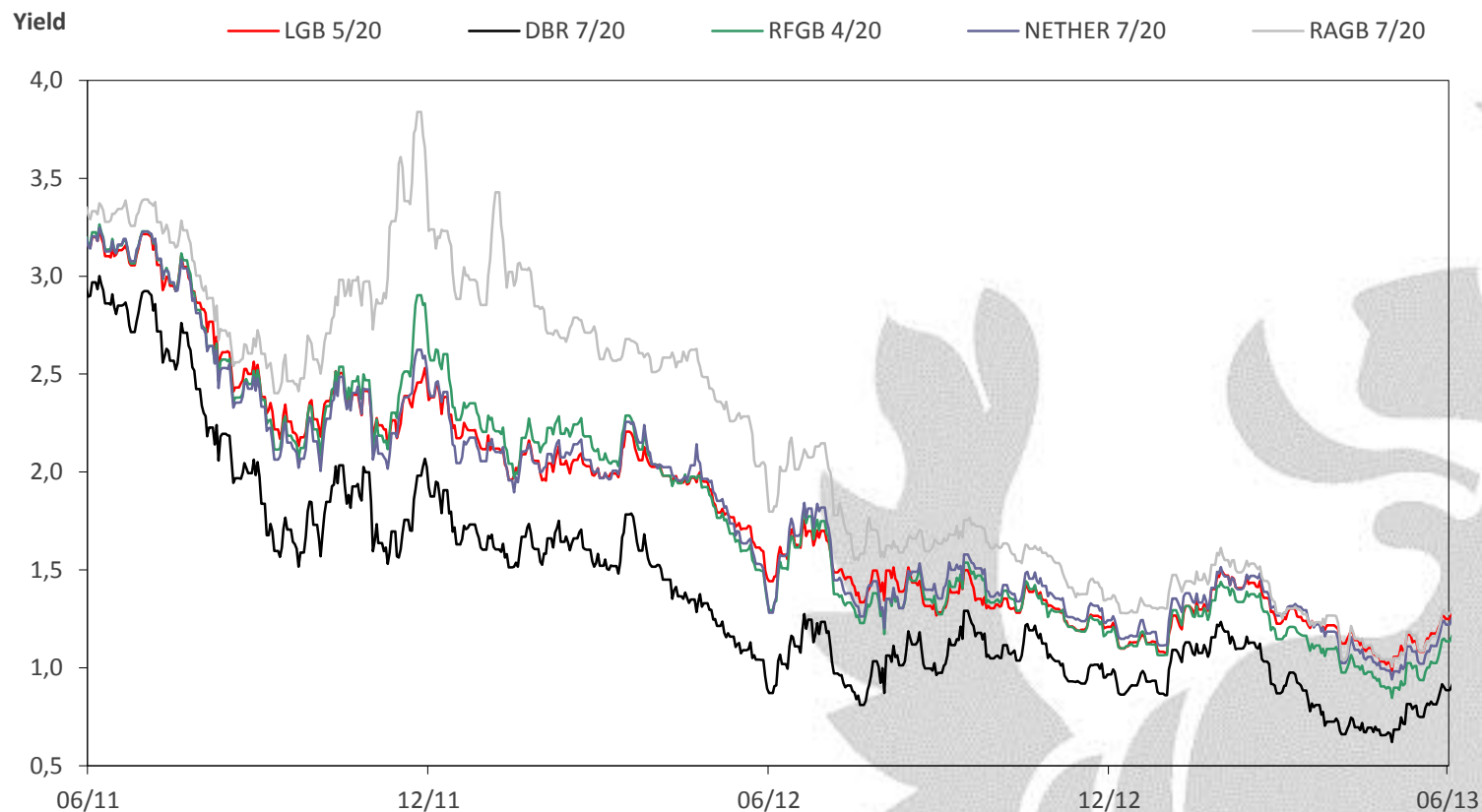
- The mandated banks, sensing a turn in sentiment in the credit markets, gauged investor sentiment for such a transaction and scouted likely timing and guidance at the open. Investor response was very brisk as soon as the mandate announcement hit the screens at 11 AM CET, confirming the right choice of product to reopen a market, which while more balanced than in previous weeks, remains rather risk-wary, given ongoing uncertainties.
- After rapidly assessing market conditions, books were officially opened at 13:00 CET with a price guidance set at “Mid Swaps +20 area”. Over EUR 1.5 bn in orders were garnered by 14:30, breaching the EUR 2bn mark at 15:00 CET. Books closed at 15:30 with a final orderbook size of EUR 2.75bn and next to 120 high quality accounts involved, allowing thus to set final terms for a EUR 2bn issue at MS +18 bps, inside the initial guidance, while giving care for potential aftermarket performance.
- The final spread and transaction size testify to the huge popularity of Luxembourg’s signature, a rare credit that finally triggered renewed investor appetite for bestrated transactions and thus reopened the EUR market.
- In total, 115 investors participated in the transaction. Investor demand was spread over 15 countries with a very strong support from Luxembourg domestic accounts picking up 32% of the transaction.

Distribution by investor type





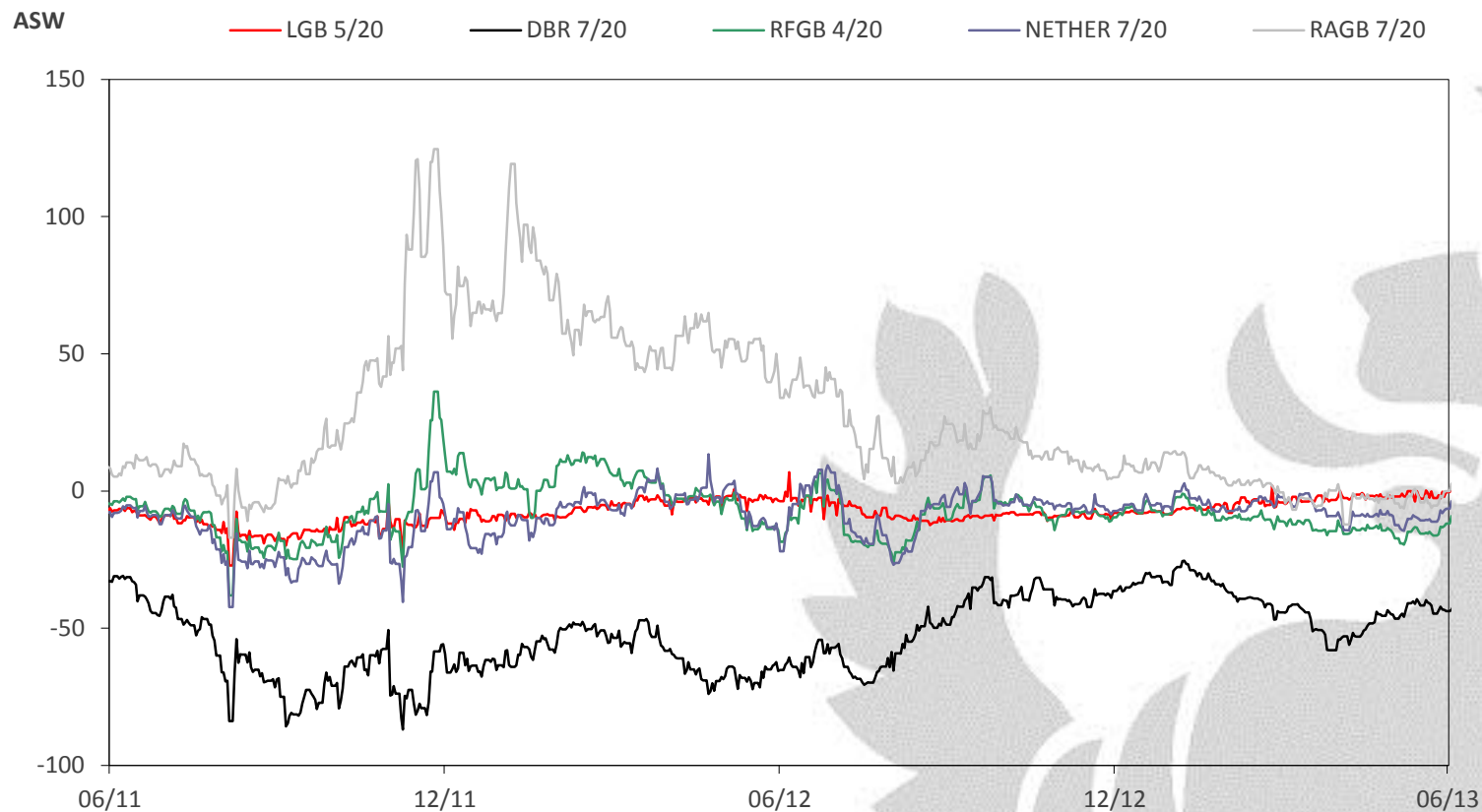
LGB 3,375% 2020 Yield compared to other euro-zone sovereign issuers



Source: Bloomberg



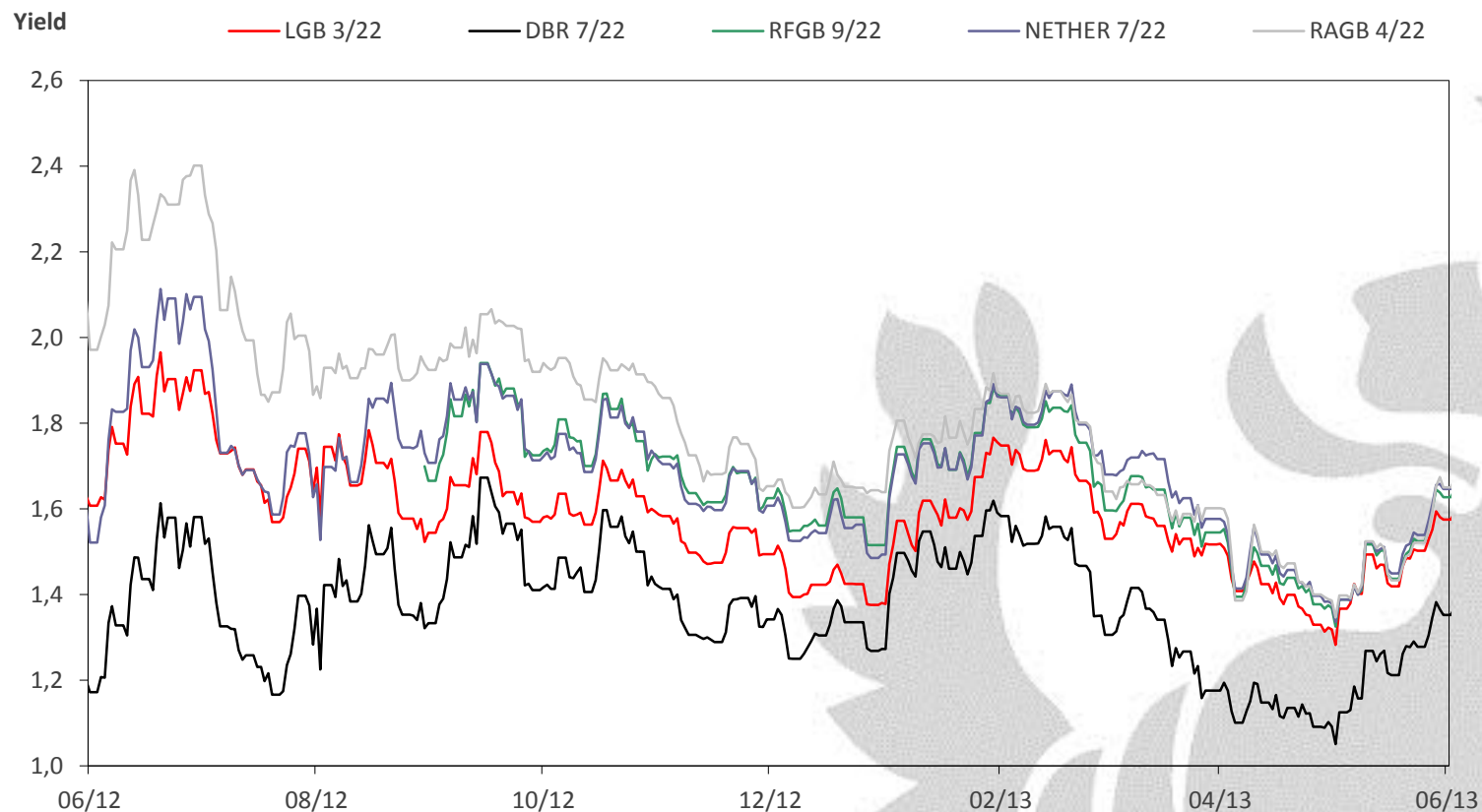
LGB 3,375% 2020 ASW compared to other euro-zone sovereign issuers



Source: Bloomberg



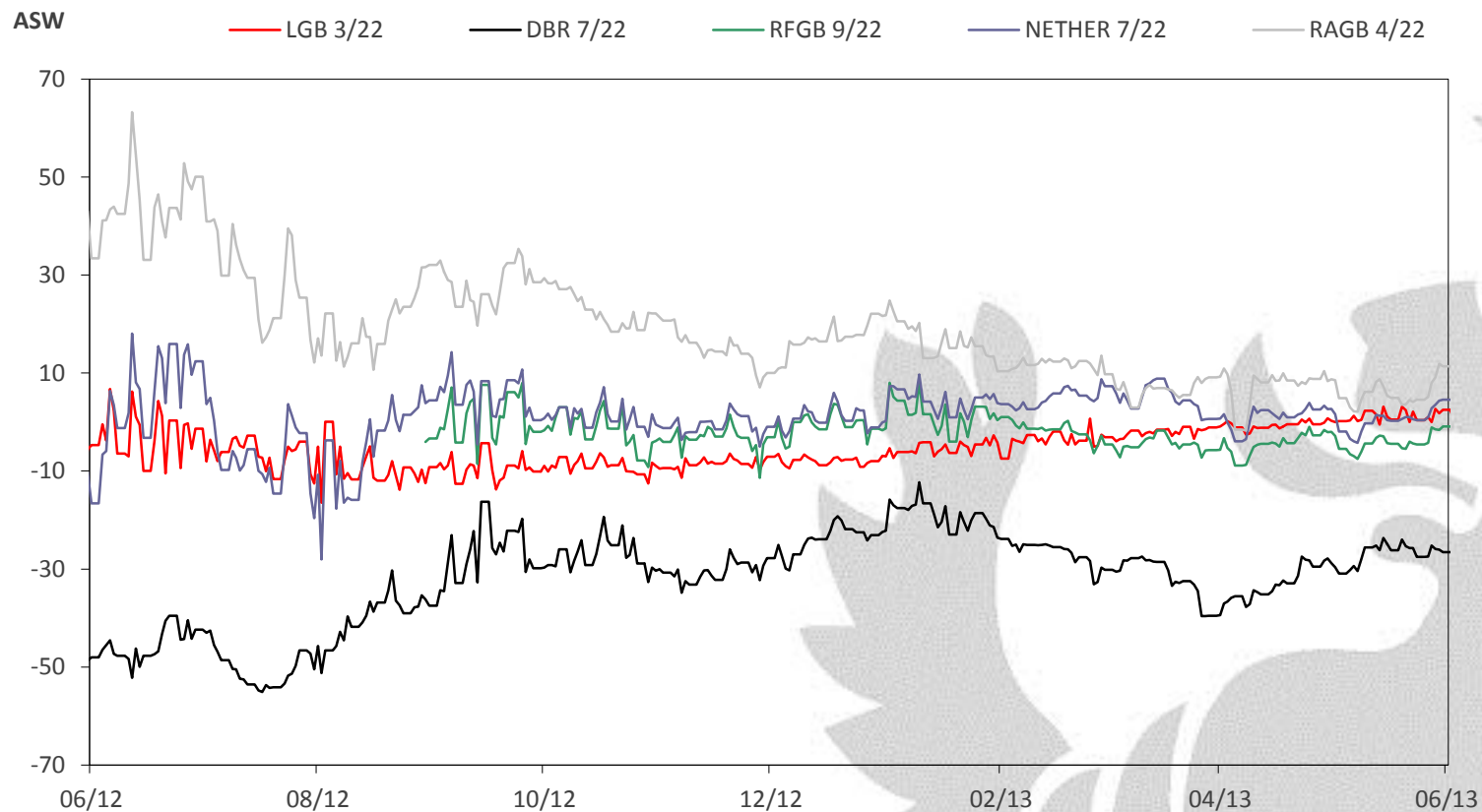
LGB 2,25% 2022 Yield compared to other euro-zone sovereign issuers



Source: Bloomberg



LGB 2,25% 2022 ASW compared to other euro-zone sovereign issuers

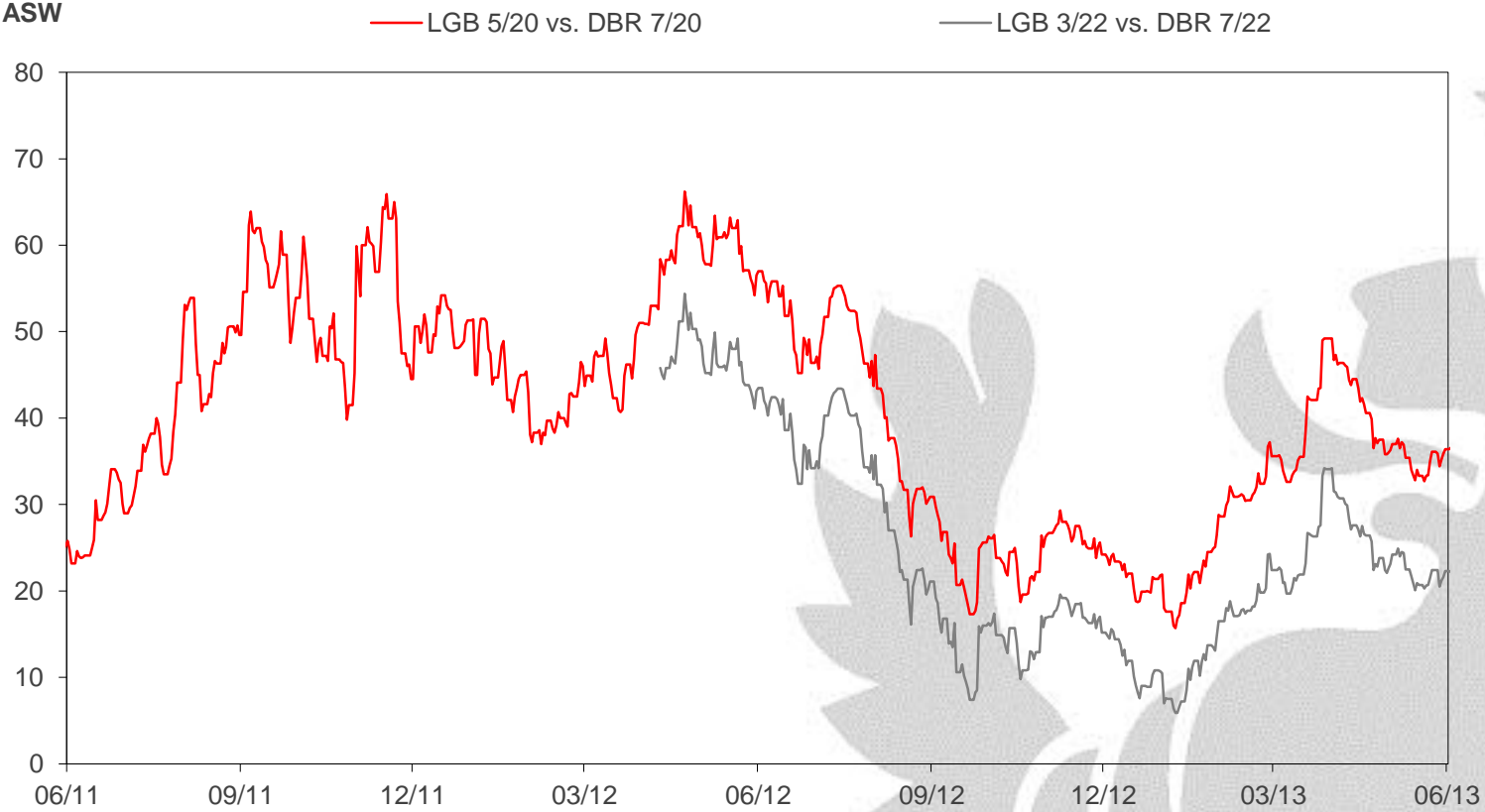


Source: Bloomberg



Spread LGB vs DBR

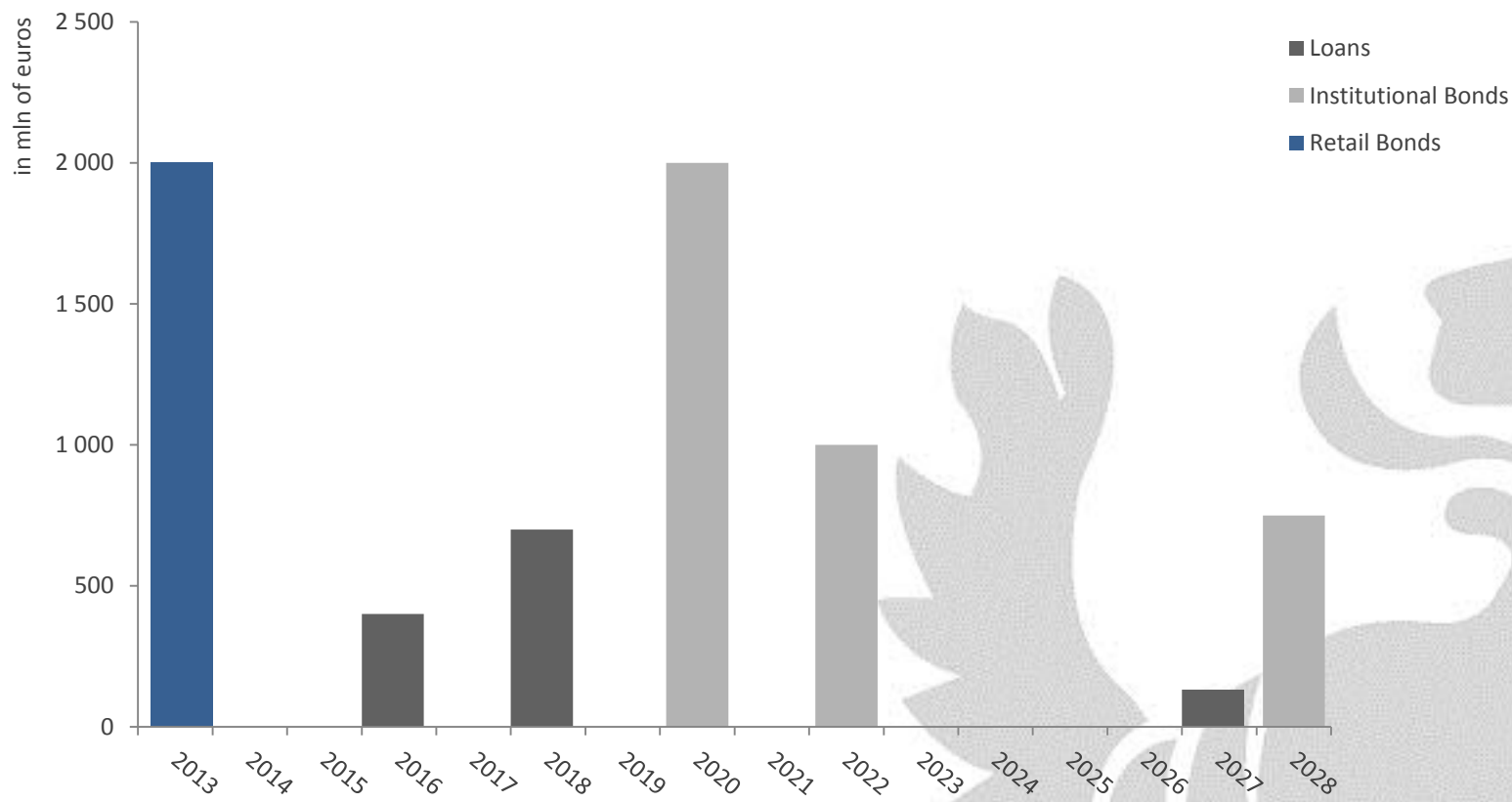
ASW



Source: Bloomberg



Luxembourg has a **well-spread debt maturity profile** and limited refinancing needs



Source: Trésorerie de l'Etat



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Indicative terms and conditions:

Issuer:	The Grand Duchy of Luxembourg
Issuer Rating:	AAA(S&P) / Aaa (Moody's) / AAA (Fitch)
Currency:	EUR
Size:	Benchmark size
Tenor:	[]
Timing:	[June]
Clearing:	LuxCSD
Governing Law:	Luxembourg Law
Listing:	Luxembourg Stock Exchange
Denominations:	€1,000
Documentation:	Standalone (RegS,CAC)
Joint Lead Managers:	BCEE, BGL BNP PARIBAS, BIL, DB, HSBC



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