

Luxembourg, 23 April 2021

Business momentum and crisis management

2020 was a year of challenges on numerous fronts.

At the start of the year, we launched our new brand-image campaign, “Your bridge to life”, to underscore the bank’s role as a facilitator of the life projects of its clients. Close local presence was strengthened in communication through the use of the company name, “Spuerkeess”.

We planned and implemented this work in step with the development of our new strategic plan, “Spuerkeess 2025”, the result of a collaborative approach involving numerous colleagues throughout the year.

Our digital transformation project, “CONNECT”, responded to the challenge of remaining on the cutting edge of new technologies with a view to bringing our clients and colleagues a flawless user experience.

In governance and risk management, as a systemically important bank we continued to adapt our organisation chart, internal risk models and IT security to comply with regulations and best meet the stringent requirements of the European supervisory authority.

We paid special care to business relations with our clients by supporting them in their projects through bespoke financing and investment solutions as part of a long-term relationship of trust.

From one day to the next, the health crisis changed our internal operating methods and our way of communicating with our clients, but without hindering the progress of our projects.

The initial priority was to ensure the safety of our colleagues. We did so by swiftly introducing teleworking for almost all our personnel and adapting our offices to ensure social distancing and compliance with protective measures.

Next, we had to do everything in our power to support our clients. And we reacted fast. During the first lockdown, the teams in our branch network worked unflinchingly to address the questions and concerns of our clients. Our new Spuerkeess Direct branch enabled us to work remotely so as to continue to serve our clients via digital tools or telephone. To that end, we increased the Spuerkeess workforce from 20 to 80 people in a single week.

Similarly, right from the start of the first lockdown, Spuerkeess granted requesting local businesses a suspension of payments on their financing to bolster their cash flow. Spuerkeess authorised a total of 4,400 moratoriums in 2020, over 2,000 of them for its professional clients.

Through its support for the wide-ranging aid plan introduced by the government and its participation in the initiatives rolled out by other players such as professional mutual insurers, Spuerkeess confirmed its role as a responsible financial partner that contributes to the Luxembourg economy. The Bank’s management and supervisory bodies closely monitored the situation to constantly ensure that relevant measures were in place with respect to the COVID-19 pandemic.

The real estate loans business was impacted by the crisis on a temporary basis only, and even during the first lockdown we continued to make it possible for clients to carry out their real estate projects

and sign housing loan contracts. As the Luxembourg financial centre's leader in housing loans, with volumes up 7.9%, we continued to adapt to ongoing market developments while creating synergies with the various real estate sector professionals.

We continued to support young people with a 6.5% increase in student loans.

Regarding professional clients, the financing approved by Spuerkeess to Luxembourg businesses in 2020 remained at a high level to respond to specific needs amid unprecedented economic circumstances.

With institutional clients (banks, investment funds and financial sector professionals), Spuerkeess's total assets stood at EUR 74.5 billion, including EUR 50.4 billion in third-party assets in the form of securities and EUR 12.5 billion in liquid funds. Institutional client assets rose EUR 4.8 billion year on year, for an increase of 6.8%.

We have committed to contributing to the sustainable development of the Luxembourg economy and playing a part in the ecological transition consistent with the Paris Agreement. Consequently, environmental, social and governance (ESG) principles play a pivotal role in the implementation of our strategic plan, "Spuerkeess 2025".

Our range of environmentally responsible products and services has been strengthened by the launch of an EcoPrêt campaign to support clients in their efforts to build and renovate in line with energy performance requirements. We have introduced the "One-Stop-Shop" concept, whose purpose is to advise our clients on the energy transition by making them more aware of the state and private grants available for energy renovations, and to assist them financially with the execution of their renovation projects.

Spuerkeess stepped up its digital transformation in 2020. S-Net was enhanced with new functionalities to make it even more user-friendly for clients. Highlights in 2020 included the aggregation of accounts, online product sales, and the possibility of becoming a client via a 100% online process.

For many years, *Global Finance* has ranked Spuerkeess as one of the world's safest banks and presented us with the "Safest Bank Award – Luxembourg". We are delighted that *The Banker* and *Global Finance* named Spuerkeess "Bank of the Year 2020 - Luxembourg" and "Best Bank 2020 - Luxembourg", respectively, and that we won the "Top Brand Luxembourg 2020" prize in the "Favourite Bank" category. These distinctions are a testimony both to our financial solidity and international reputation.

We would like to thank all the colleagues, whose flexibility and resilience served to ensure service continuity throughout the unprecedented year.

Banking income stable in 2020

The Bank's banking income stood at EUR 595.5 million at 31 December 2020, down a slight 1.3% on 2019.

Net interest margin trended favourably, driven by strong momentum in the production of loans and credit to retail and business clients, the measures of the European Central Bank (ECB) to counteract in part the impact of negative interest rates on bank deposits with the ECB, and the adjustment of our interest rates on client deposits consistent with the trend in market rates, the alignment being more pronounced for the deposits of professional clients.

Fee income also rose substantially, reflecting our clients' strong activity on the financial markets, new loan and credit production, and the increase in our institutional client base.

These positive trends were offset by a decrease in the dividends received by the Bank from its holdings and in the income generated by the sale and assessment of certain categories of financial instruments.

Total general expenses grew by a limited 2.6%, attributable to a structural rise in personnel expenses and an increase in allowances for the impairment of tangible and intangible assets stemming from substantial investments in IT. Work on optimising processes and digitalisation served to boost productivity and limit the increase in general expenses.

The deterioration in the economic environment spurred Spuerkeess's vigilance on credit risk and led to the recognition of value corrections and provisions for a total net amount, allocations and reversals included, of EUR 66.8 million, compared with EUR 26.0 million in 2019. This result reflects the conservative approach used in the impairment calculation models and includes a flat-rate provision for credit risk of EUR 20 million. Allocations exceeding regulatory requirements have strengthened Spuerkeess's resilience to the potential economic consequences of the health crisis beyond 2020.

In this respect, the cost of risk had a considerable influence on the trend in Spuerkeess income in 2020.

Spuerkeess posted a net profit of EUR 135.4 million for the 2020 financial year, down EUR 48.5 million (26.4%) from EUR 183.9 million in 2019.

This income enabled the Bank to reinforce its own funds and distribute EUR 40 million in profit to the State owner in respect of FY 2020. The distribution of an additional EUR 40 million, currently suspended, is planned for fourth-quarter 2021, once the European supervisory body has lifted its restrictions on the payment of dividends by systemically important European banks.

Equity rose 5.9%, from EUR 4,085.0 million at 31 December 2019 to EUR 4,324.4 million at 31 December 2020. Spuerkeess's capital ratio stood at 21.4% at 31 December 2020, compared with 21.1% at 31 December 2019, reflecting its high level of solvency.

Key figures at 31 December 2020

Key figures from the company financial statements (in millions of euros)

Balance sheet	31.12.2019	31.12.2020	Change
Total assets	48,063.2	50,435.8	+4.9%
Customer deposits	33,484.9	34,694.8	+3.6%
Issuance of debt securities	3,981.2	3,131.4	-21.3%
Loans and advances to customers	22,857.1	24,098.9	+5.4%
Equity	4,085.0	4,353.4	+9.1%
Capital ratio	21.1%	21.4%	
Income statement	31.12.2019	31.12.2020	
Bank margin	603.6	595.5	-1.3%
General expenses	356.8	366.0	+2.6%
Net income	183.9	135.4	-26.4%

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