

PRESS RELEASE
P R E S S R E L E A S E
10th November, 2020

European Union EUR 14 billion dual tranche bond issue due 4th November, 2025 and 2050



The European Union (“EU”), rated AAA/AAA/Aaa/AA/AAA by DBRS, Fitch, Moody’s, S&P and SCOPE (positive outlook for S&P, stable for the other rating agencies), today issued a €14 billion dual tranche social bond split over two distinct tenors: €8bn due in November 2025 and €6bn due in November 2050. This was the second EU transaction under the Support to mitigate Unemployment Risk in an Emergency (SURE) programme.

The deal has received an overwhelming response in the capital markets and represents one of the largest Supranational transaction ever launched.

The transaction was executed by the European Commission (Directorate General for the Budget under the responsibility of Budget Commissioner Johannes Hahn) on behalf of the EU. The 5-year bond was priced at 9 basis points inside mid-swaps, which is equivalent to 18.5bps basis points over the conventional 0% Bund due 10-Oct. 2025 and 7.7 basis points above the 1% OAT due 25-Nov. 2025. The 30-year bond was priced at 21 basis points above mid-swaps, which is equivalent to 36.4 basis points over the 0% Bund due 15-Aug. 2050 and 9.9bps below the 1.5% OAT due 25-May 2050. The final new issue premiums have been estimated a 1.5 bp and 2.5 bps for the 5-year and 30-year tranches respectively. Clearly, this is excellent achievement in terms of pricing given the size of the transaction.

The Joint Lead Managers were BofA Securities, Commerzbank, Crédit Agricole CIB, DZ BANK and TD Securities.

Johannes Hahn, European Commissioner for Budget and Administration, said: **“Today, the European Commission has gone to the markets for a second time to borrow money for its SURE short-term unemployment scheme. And the market has once again given us its vote of confidence, with strong investor interest and favourable conditions. This is great news for the European Union as issuer and borrower, for the social bond market and above all for the EU citizens who will get the much necessary financial support to go through these difficult times”.**

Execution highlights:

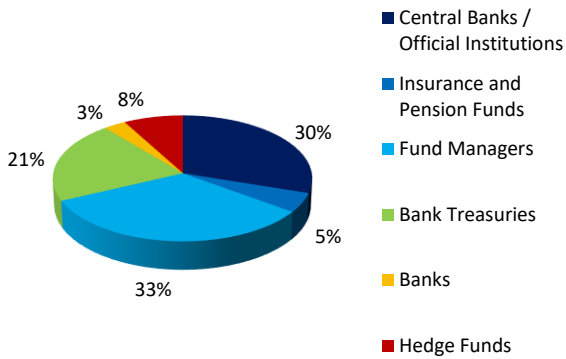
- The EU sent a Request for Proposal (RfP) to banks on 2nd November 2020 and informed the market about the RfP.
- The formal mandate for a dual tranche issue was announced on 9th November 2020 at 1:15pm CET.
- Books were opened in the morning of 10th of November at 9:00am CET with spread guidance of mid-swaps minus 7 bps area for the 5-year tranche and plus 24 bps for the 30-year tranche. The Fair value was agreed among the joint lead managers and the issuer at mid-swaps minus 10.5bps for the 5-year tranche and mid-swaps plus 18.5bps for the 30-year tranche.
- At 10:00am CET, a first update was released confirming book size over €85bn (including 3.15bn JLM interest) on the 5-year tranche and over €55bn (including 2.15bn JLM interest) on the 30-year tranche. The spread was set at mid-swaps minus 9 bps on the 5-year line and mid-swaps plus 21 bps on the 30-year line, given the impressive book size. The sizes were set at €8bn and €6bn on the 5-year and 30-year lines respectively.
- The orderbook closed at 10:30am CET in excess of €175bn, consisting of €105bn (including 3.15bn JLM interest) on the 5-year tranche and over €70bn (including 2.15bn JLM interest) on the 30-year tranche.
- The transaction was officially priced at 17:14pm CET for the 30-year tranche and at 17:15pm CET for the 5-year tranche. The 0.000% 5-year bond has an issue price of 102.566%, providing a re-offer yield of minus 0.509% and a spread of 18.5bps over the conventional 0% Bund due 10 October 2025. The

30-year bond pays an annual coupon of 0.300% and has an issue price of 99.515%, providing a re-offer yield of plus 0.317% and spread of 36.4bps over the 0% Bund due 15 August 2050.

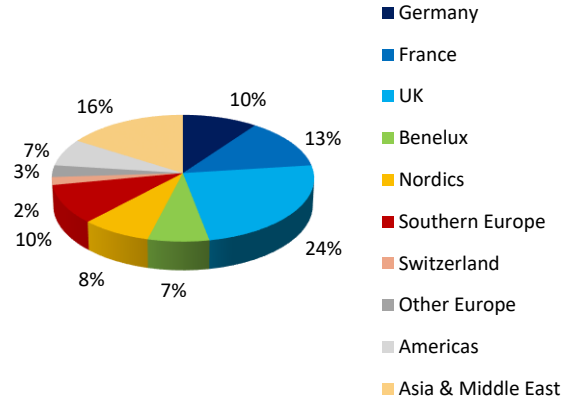
- With this second dual-tranche transaction within 3 weeks, the EU has continued to nicely build its curve, establishing new and highly liquid reference points in Nov. 2025 and Nov. 2050.
- With more than 1,000 orders in the final orderbooks and rather moderate new issue concessions of 1.5bps and 2.5bps for the respective tranches, this is a strong testimony to the excellent following the EU enjoys in the AAA investor community. Given the social nature of the EU's SURE bonds, there has been meaningful interest by ESG investors in both tranches.

Summary of the distribution:

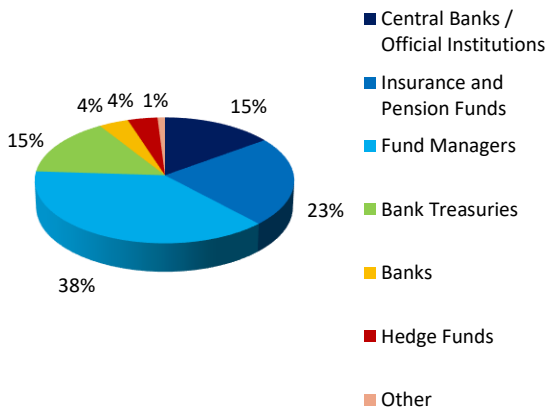
5yr - Distribution by Investor Type



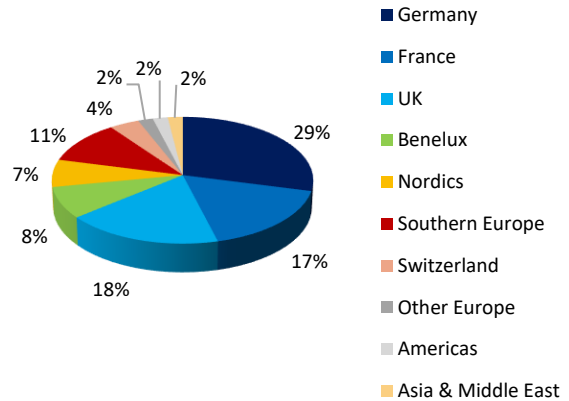
5yr - Distribution by Geography



30yr - Distribution by Investor Type



30yr - Distribution by Geography



Summary of terms and conditions:

Issuer	: European Union (EU)	
Issue ratings	: AAA/AAA/Aaa/AA/AAA (DBRS/Fitch/Moody's/S&P/SCOPE) (all stable) (benefitting from the unconditional support of all EU Member States)	
Pricing date	: 10 th November 2020	
Settlement date	: 17 th November 2020 (T+5)	
Tranche	5 year	30 year
Maturity date	: 4 th November 2025	4 th November 2050
Size of bond	: EUR 8,000,000,000	EUR 6,000,000,000
Coupon	: 0.000%; annual ACT/ACT	0.30%; annual ACT/ACT
Re-offer spread	: MS-9 bps (Germany + 18.5bps)	MS+21 bps (Germany +36.4bps)
Re-offer price	: 102.566%	99.515%
Re-offer yield	: -0.509%	0.317%
ISIN	: EU000A284451	EU000A284469
Listing	: Luxembourg Stock Exchange	
Denominations	: EUR 1,000.00	
Bookrunners	: BofA Securities, Commerzbank, Crédit Agricole CIB, DZ BANK and TD Securities	

Background information on the European Union

- The EU was established by the Treaty of Rome in 1957 and is 0% risk weighted as an issuer (Basel III). The EU's borrowings are direct and unconditional obligations of the EU, guaranteed by the EU Member States through the EU budget. The European Commission is empowered by the EU Treaty to borrow on the international capital markets, on behalf of the European Union.
- The EU borrows exclusively in Euros for on-lending in Euros to sovereign borrowers. The EU currently operates four loan programmes: The European Financial Stabilisation Mechanism ("EFSM"), the Balance of Payments facility ("BoP"), the Macro-Financial Assistance ("MFA") and the Support to mitigate Unemployment Risk in an Emergency (SURE), recently adopted by Council on 19 May 2020.
- The bonds issued by the EU under SURE benefit from a social bond label.

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