

PRESS RELEASE

3 June 2020

European Union EUR 500 million bond issue due 10 June 2035



The European Union (“EU”), rated AAA/AAA/Aaa/AA/AAA by DBRS, Fitch, Moody’s, S&P and SCOPE (all rating outlooks stable), today issued a EUR 500 million June 2035 bond. This was the EU’s first transaction under the new Debt Issuance Programme governed by Luxembourg law, which was established in December 2019. The transaction served to finance a loan disbursement under the Macro-Financial Assistance programme for Ukraine.

The transaction was executed by the European Commission (Directorate General for the Budget – Luxembourg) on behalf of the EU. The bond priced at +8 basis points above mid-swaps, which is equivalent to +32.4 basis points over the 0% DBR due May 2035 and 12.9 basis points through the interpolated French (OAT) curve.

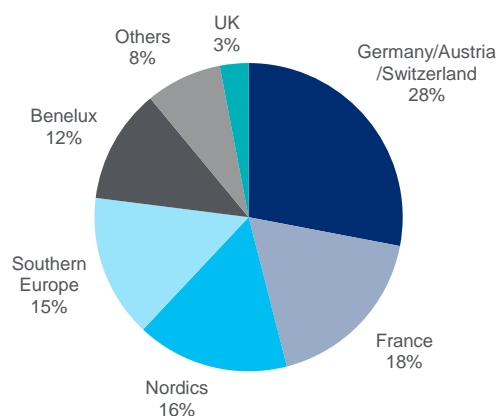
The Joint bookrunners were Citi, Credit Agricole and DZ BANK.

Execution highlights

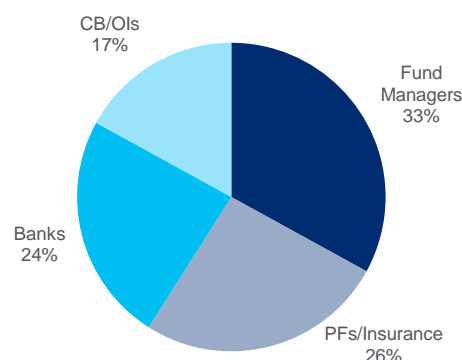
- The EU sent an RfP to banks on 26 May 2020 and informed the market of its intention to be in the market with a EUR 500mn issue.
- The formal mandate for a new EUR 500mn “no-grow” June 2035 issue was announced on Tuesday 2 June at 16:10 CET.
- Books opened on Wednesday 3 June 2020 in the morning at 08:57 CET with spread guidance of mid-swaps plus 11 bps area. The fair value agreed among the joint lead managers and the issuer was at mid-swaps plus 8 bps, equivalent to a new issue premium of 3 bps.
- The transaction benefitted from strong investor momentum from the outset. By 09:40 CET, orderbooks were in excess of EUR 4bn (pre-reconciliation and excluding joint-lead manager interest). The spread guidance was revised to mid-swaps +9bps area (+/- 1 bp Will Price In Range) at this time.
- Books closed shortly after at 10:15 CET. The size and quality of the orderbook allowed the transaction to launch with a final spread of mid-swaps +8bps, flat to fair value spotted at books open. The pre-reconciliation book after close stood in excess of EUR 6.75bn (excluding joint-lead manager interest).
- Final books were over EUR 7.1bn (including joint-lead manager interest) with over 150 investors participating. The high level of oversubscription is a testament to the exceptional support the investor community has for the EU as an issuer. It also shows confidence in the future trajectory of the EU further to the adoption of the SURE programme.
- The transaction saw a high degree of granularity across European accounts. In terms of investor type, there was good interest across a variety of account types, with fund managers taking the greatest share (33%), followed by pension funds & insurance (26%), banks (24%) and central banks & official institutions (17%).

Summary of the distribution

Distribution by investor geography:



Distribution by investor type:



Summary of terms and conditions

Issuer	: European Union (EU)
Issue ratings	: AAA/AAA/Aaa/AA/AAA (DBRS/Fitch/Moody's/S&P/SCOPE) (benefitting from the unconditional support of all EU Member States)
Pricing date	: 3 rd June 2020
Settlement date	: 10 th June 2020 (T+5)
Maturity date	: 10 th June 2035
Size of bond	: EUR 500,000,000
Coupon	: 0.125% annual ACT/ACT
Re-offer spread	: MS+8 bps (DBR May 2035 +32.4 bps)
Re-offer price	: 99.467%
Re-offer yield	: 0.161%
ISIN	: EU000A28X702
Listing	: Luxembourg Stock exchange
Denominations	: EUR 1,000.00
Bookrunners	: Citi, Credit Agricole, DZ BANK (B&D)

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 three loan programmes: The European Financial Stabilisation Mechanism ("EFSM"), the Balance of Payments facility ("BoP") and Macro-Financial Assistance ("MFA").
- In the context of the Covid-19 crisis, the Commission has proposed the new lending instrument SURE (Support to mitigate Unemployment Risks in an Emergency). The Council adopted the SURE Regulation on 19 May 2020. Accordingly, the EU funding volumes in the coming years are subject to significant upside revisions. SURE loans can be approved until the end of 2022.
(https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance/loan-programmes/sure_en)

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