

PRESS RELEASE
24th November, 2020

European Union EUR 8.5 billion single tranche bond issue due 4th July, 2035



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 €8.5 billion single tranche social bond due in July 2035. This was the third EU transaction under the Support to mitigate Unemployment Risk in an Emergency (SURE) programme.

The 15-year social bond was extremely well received in the capital markets, having amassed the largest-ever order book for any single tranche benchmark issuance, and printing the largest 15-year deal size in the Sovereigns, Supranationals and Agencies (SSA) space to date. The deal's success is a testament to the widespread support from the international investor community for the EU's SURE programme.

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 15-year bond was priced at -5 basis points versus mid-swaps, which is equivalent to 26.9 basis points over the conventional 0% Bund due May 2035 and 0.5 basis points above the interpolated OAT curve (interpolating between the 1.25% OAT due May 2034 and the 1.25% OAT due May 2036). The final new issue premium has been estimated at 1 bp.

The Joint Lead Managers were Citi, HSBC, J.P. Morgan, LBBW, and Société Générale.

European Commissioner Johannes Hahn in charge of Budget and Human Resources said: *"This is the third time the Commission has gone to the markets to borrow under SURE and the third time we have received a strong vote of confidence and support by investors. I am confident that we will continue in the same spirit in 2021, both under SURE and under NextGenerationEU, borrowing the funds and reusing it for a better Europe."*

Execution highlights:

- The EU sent a Request for Proposal (RfP) to banks on 2nd November 2020 and informed the market about the RfP. An update was requested on 12th November 2020.
- The formal mandate for a new 15-year benchmark was announced on Monday 23rd November at 13:05 CET.
- Books were opened in the morning of Tuesday 24th November at 08:55 CET with spread guidance of mid-swaps -2bps area. The Fair value was agreed among the joint lead managers and the issuer at mid-swaps -6bps.
- Within an hour, the order book swiftly grew to over EUR 90 billion (excluding Joint Lead Managers' interest) and the final terms were subsequently set at EUR 8.5 billion deal size, at a reoffer spread of mid-swaps -5bps.
- Books formally closed at 10:30 CET with orders exceeding EUR 114 billion.
- The transaction was priced at 17:04 CET at mid-swaps minus 5bps, which translates to a 0% coupon or minus 0.102% reoffer yield, 26.9bps over the conventional 0% Bund due May 2035. The final new issue premium was estimated at 1bp.
- The successful new 15-year line contributes a large, liquid reference point on the EU's curve, complimenting the previous 5-, 10-, 20- and 30-year SURE issuances and further cementing the EU's highly-regarded status among investors, paving the way for further SURE issuances as well as NextGenerationEU funding in the following year. The deal also makes another significant contribution to the development of the social bond market.



J.P.Morgan

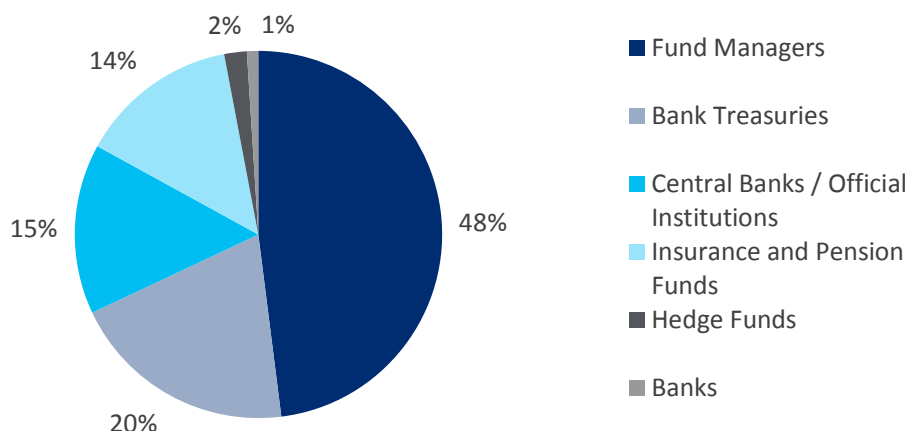
LBBW

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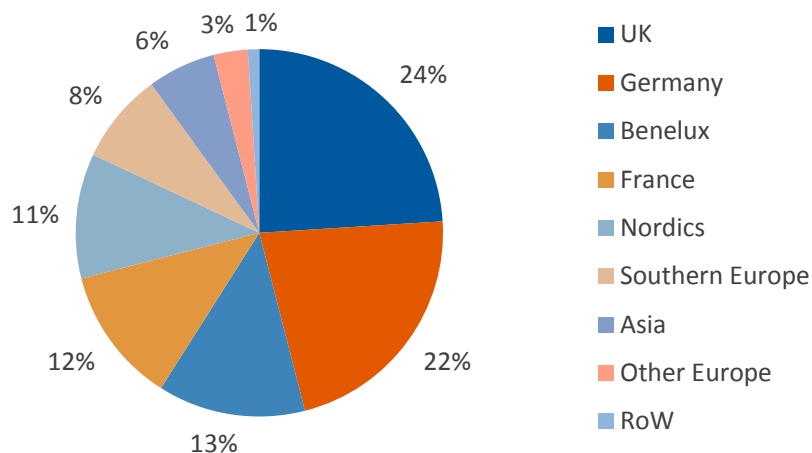
- The final book size at over EUR 114 billion (excluding Joint Lead Managers' interest) represents the largest-ever for any SSA issuer, and final deal size of EUR 8.5 billion also tops all SSA 15-year issuance today.
 - By investor type, the largest participant group were Fund Managers who were allocated just under half of the transaction (48%), followed by Bank Treasuries at 20%. Central Banks and Official Institutions accounted for 15%, while Insurance and Pension Funds took 14%.
 - The transaction is very well diversified by geography, with the UK (24%) and Germany (22%) accounting for the largest allocations. Benelux, France, and the Nordics follow with 13%, 12% and 11% respectively.
 - Over 70% of the deal have been placed with ESG-driven investors, underscoring the strong commitment of investors to support the mission of the EU SURE program.

Summary of the distribution:

By Investor Type



By Investor 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	: 24 th November 2020
Settlement date	: 1 st December 2020 (T+5)
Maturity date	: 4 th July 2035
Size of bond	: EUR 8.5 billion
Coupon	: 0%; annual ACT/ACT
Re-offer spread	: MS-5bps (Germany +26.9bps)
Re-offer price	: 101.50%
Re-offer yield	: -0.102%
ISIN	: EU000A285VM2
Listing	: Luxembourg Stock Exchange
Denominations	: EUR 1,000.00
Bookrunners	: Citi, HSBC, J.P. Morgan, LBBW, and Société Générale

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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LB= BW

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