

PRESS RELEASE

27 January, 2021

European Union EUR 14.0 billion dual tranche bond issue due 2nd June 2028 and 4th November 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), issued on 26th January 2021 a €14 billion dual tranche social bond split over two distinct tenors: €10bn new line due in June 2028 and €4bn reopening of the outstanding November 2050 line. This was the first 2021 trade and the fourth EU transaction under the Support to mitigate Unemployment Risk in an Emergency (SURE) programme.

The success of this transaction is amplified by the current market context, as it is the first SURE deal launched in a supply-heavy month and with the EU secondary curve trading at the tightest end of its range since the inception of SURE.

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 7-year bond was priced at 16 basis points below mid-swaps, which is equivalent to 20.0 basis points over the 0.500% Bund due 15-Feb-2028 and 1.0 basis point below the 0.750% OAT due 25-May-2028. The 30-year bond reopening was priced at 5 basis points over mid-swaps, which is equivalent to 25.2 basis points over the 0.000% Bund due 15-Aug-2050 and 23.1 basis points below the 1.500% OAT due 25-May-2050. The final new issue premiums have been estimated at c. 1bp for both tranches, representing a highly favourable result for the issuer in relation to the multi-billion sizes printed.

The Joint Lead Managers were Barclays, Commerzbank, Deutsche Bank, Goldman Sachs and LBBW.

Johannes Hahn, European Commissioner for Budget and Administration, said:

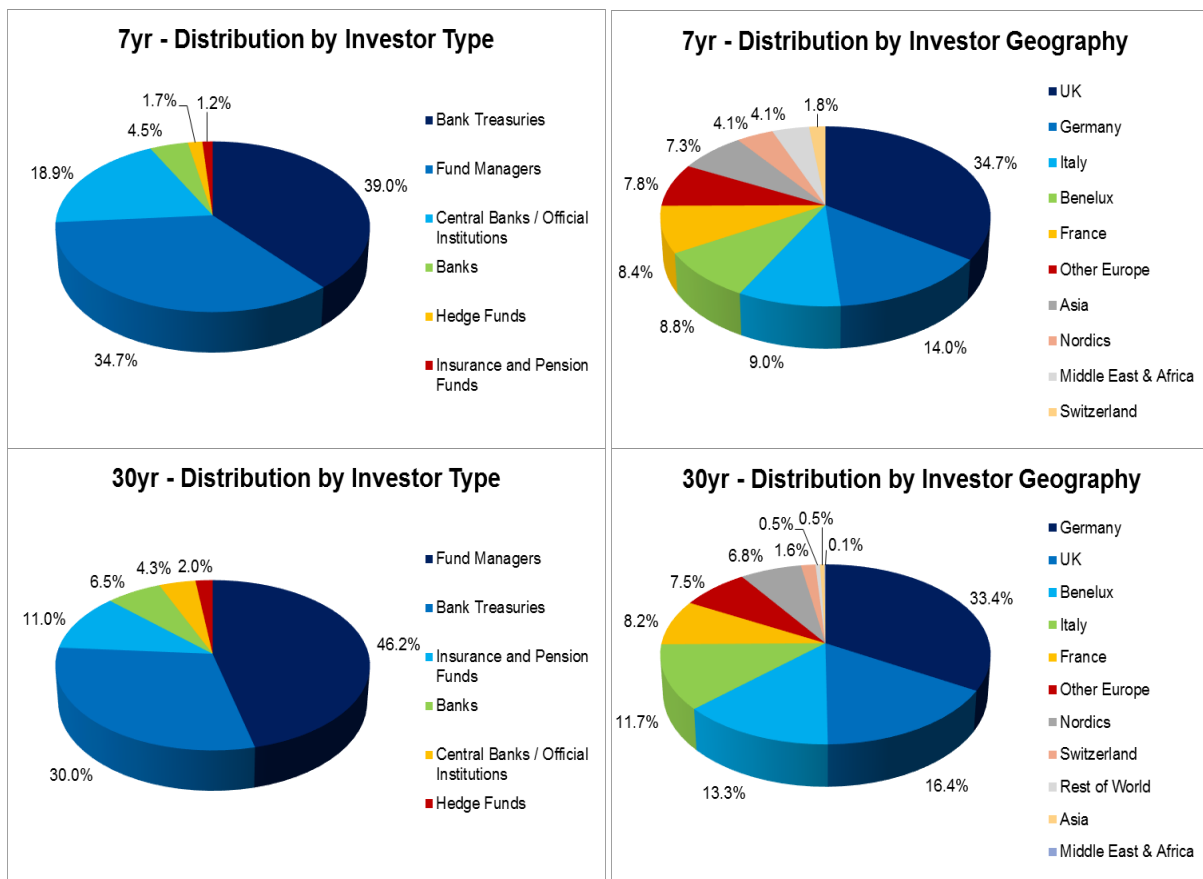
“Today’s issuance of SURE bonds is the continuation of a remarkable success story. This issuance has shown again the market’s great interest in EU bonds. This is great news for the EU as an issuer. It gives us confidence that we will successfully complete the SURE issuance and launch the NextGenerationEU borrowing and lending programme.”

Execution highlights:

- The EU sent a Request for Proposal (RfP) to banks on 15th January 2021 and informed the market about it. The formal mandate for a dual tranche issue was announced publicly on Monday 25th January at 12:30 CET.
- Books were opened in the morning of Tuesday 26th January 2021 at 08.49 CET with spread guidance of mid-swaps minus 13bp area for the 7-year tranche and plus 7bp area for the 30-year tranche. Fair value was agreed among the joint lead managers and the issuer at mid-swaps minus 17bp for the 7-year tranche and mid-swaps plus 4.3bp for the 30-year tranche.
- The announcement was met with immediate high-quality investor demand and at 10.13 CET the spread was set at mid-swaps -16bp on the 7-year line and mid-swaps +5bp on the 30-year line, confirming book size over €75bn (including 2.35bn JLM interest) on the 7-year tranche and over €40bn (including 1.45bn JLM interest) on the 30-year tranche. Transaction amounts were confirmed to be €10bn and €4bn (“will not grow”) for the shorter and longer tranches respectively, which meant that both lines have reached the maximum size of EUR 10 billion possible under the SURE programme.
- The momentum and market focus continued throughout the European morning and the orderbook closed at 10:30am CET in excess of €132bn, consisting of €83bn (including 2.35bn JLM interest) on the 7-year tranche and over €49bn (including 1.45bn JLM interest) on the 30-year tranche.

- The transaction was officially priced at 16.36 CET. The 0.000% 7-year bond has an issue price of 103.719%, providing a re-offer yield of -0.497% and a spread of 20.0bps over the 0.500% Bund due 15-Feb-2028. The 2050 TAP issue has an issue price of 104.839%, providing a re-offer yield of 0.134% and spread of 25.2bps over the 0.000% Bund due 15-Aug-2050.
- The new 2028 tranche is the first SURE transaction in the belly of the curve that priced through French OATs (by 1bp). The Nov-2050 TAP executed today priced at significantly lower spread as compared to French OAT (-23.1bps) than the original tranche (-9.9bps) launched in November 2020.
- It took the EU only little more than 3 months to complete its SURE curve with highly liquid references ranging from 5- to 30-years. This has enabled the EU to price today's 7-year tranche very successfully. Strong investor reception is reconfirmed by the 829 orders received across both tenors, with meaningful interest by ESG investors in both tranches.

Summary of the distribution:



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	: 26 th January 2021	
Settlement date	: 2 nd February 2021	
Tranche	7-years new line	30-years TAP
Maturity date	: 2 nd June 2028	4 th November 2050
Size of bond	: EUR 10,000,000,000	EUR 4,000,000,000
Coupon	: 0.000%; annual ACT/ACT	0.300%; annual ACT/ACT
Re-offer spread	: MS-16 bp (Germany +20.0 bp)	MS+5 bp (Germany +25.2 bp)

Re-offer price	: 103.719%	104.839%
Re-offer yield	: -0.497%	0.134%
ISIN	: EU000A287074	Immediately fungible with EU000A284469
Listing	: Luxembourg Stock Exchange	
Denominations	: EUR 1,000.00	
Bookrunners	: Barclays, Commerzbank, Deutsche Bank, Goldman Sachs and LBBW	

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 will benefit from a social bond label.

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