

PRESS RELEASE

10 March, 2021

European Union EUR 9 billion single tranche bond issue due 4th June 2036.



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 9th March 2021 a EUR 9 billion single tranche social bond due in June 2036. This was the fifth EU transaction under the Support to mitigate Unemployment Risk in an Emergency (SURE) programme and the second capital markets funding operation in 2021.

Recent volatility in capital markets and rising global interest rates rendered this SURE transaction as one of the most important to date for its beneficiaries. The success of this new long 15-year bond reflects the depth of the diverse investor support for the EU as a borrower in capital markets.

The transaction was executed by the European Commission (Directorate General for the Budget under the responsibility of Budget and Administration Commissioner Johannes Hahn) on behalf of the EU. The 15-year bond was priced at 4bps below mid-swaps, which is equivalent to 33.4bps over the conventional 0.00% Bund due May 2035 and 2.6bps below the 1.25% OAT due May 2036. The final new issue premium has been estimated at 2bps, which is at the lower end of the range seen in recent primary market transactions and impressive considering the deal size of EUR 9 billion and recent market volatility.

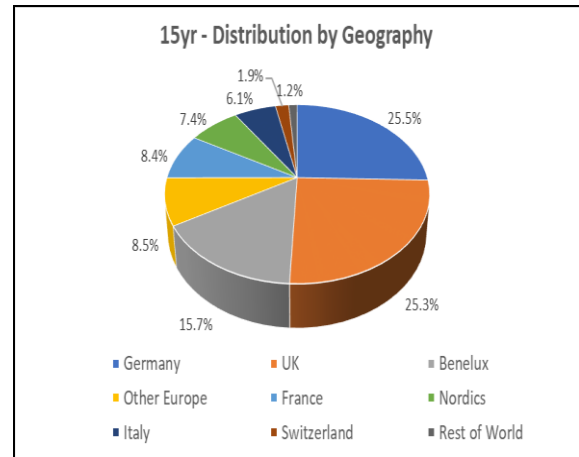
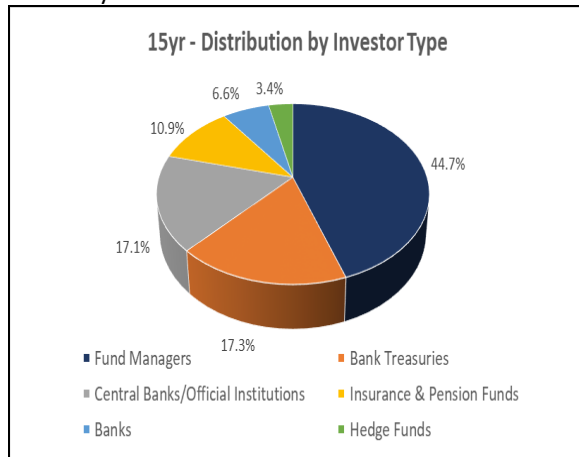
The Joint Lead Managers were DZ Bank, HSBC, NatWest Markets, TD Securities and UniCredit.

EU Commissioner Johannes Hahn, in charge of Budget and Administration, said: "The fifth EU SURE bond adds to the success story of the EU as a large-scale issuer and borrower. It is yet another sign of confidence that raising the funds for NextGenerationEU will also be successful. The issuance of safe and sustainable SURE as well as NextGenerationEU bonds is a central element of our efforts to support the EU's recovery and to continue to give a helping hand to our businesses and citizens."

Execution highlights:

- The EU sent a Request for Proposal (RfP) to banks on 24th February 2021 and also informed the market about the RfP.
- The mandate announcement for EU's new long 15yr SURE bond was made on 8th March at 14:05pm CET, allowing investors to provide "Indications of Interest" (IOIs).
- The orderbook was formally opened on the morning of 9th March at 08:50am CET, with spread guidance of mid-swaps minus 2bps area. Fair value for a new June 2036 bond was observed at mid-swaps minus 6bps by the joint lead manager group and the issuer.
- At 10:00am CET, only just over an hour after book opening, an update was released to the market that the spread of the transaction will be set at mid-swap minus 4bps and the size at EUR 9 billion, with demand in excess of EUR 61.5bn.
- The orderbook was formally closed at 10:30am CET, with orders totalling over EUR 86bn.
- The transaction was officially priced at 15:24 CET. This long 15yr transaction has a coupon of 0.20%, and was priced with a reoffer yield of 0.228%, and reoffer price of 99.582%. This reflects a spread over the May 2035 Bund of 33.4bps, and a spread below the May 2036 OAT of 2.6bps.
- The new 2036 EU bond is the first time that EU has returned to a maturity point on the curve, following the 2035 SURE benchmark in November 2020. The overwhelming response to the second SURE benchmark in the 15-year part of the curve demonstrates the scale of the investor demand that EU has cultivated for its borrowing activity.
- With more than 450 investors participating in the new SURE line, the success of this transaction reflects investor recognition of EU's agile execution strategy that has created long-term opportunities in EU for capital markets funding.

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	: 9 th March 2021
Settlement date	: 16 th March 2021
Maturity date	: 4 th June 2036
Size of bond	: EUR 9,000,000,000
Coupon	: 0.20%
Re-offer spread	: MS-4 bp (Germany + 33.4 bp)
Re-offer price	: 99.582%
Re-offer yield	: 0.228%
ISIN	: EU000A3KM903
Listing	: Luxembourg Stock Exchange
Denominations	: EUR 1,000.00
Bookrunners	: DZ Bank, HSBC, NatWest Markets, TD Securities and UniCredit

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).
- The bonds issued by the EU under SURE benefit from a social bond label.

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