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European Leveraged Finance, First Quarter 2014

Highlights and Market Environment

Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) rose in 1Q’14, with €44.89 billion issued, a 4.7% increase quarter-over-quarter (q-o-q) but a 28.7% decline year-over-year (y-o-y). The increase q-o-q stems from the increase in high yield bond issuance, which experienced a surge during the first quarter of 2014, despite turmoil in eastern Europe; the high yield share of the leveraged finance market rose to 57.6%, up from 53.1% in 4Q’13.

Market and Economic Environment

According to the April 2014 European Central Bank lending survey, banks reported, on net, continued but minimal tightening of lending standards in the first quarter. More notably, lending standards have actually eased for large enterprises for the first time since the July 2007 bank lending survey. Short-term loans also eased slightly, while long-term loan standards tightened slightly. Competition between banks was the strongest factor in easing lending standards, particularly for large enterprises, followed by economic activity expectations.

Loan demand also rose modestly in the first quarter on net, almost entirely from small- and medium enterprises (SMEs), while demand fell for large enterprises. Debt restructuring and inventory are the key drivers of loan demand, while internal financing and debt issuance were drivers for reduced loan demand, particularly for large enterprises.

Issuance

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, fell in the first quarter of 2014 to €19.0 billion, down 5.5% q-o-q (€20.1 billion) and 36.8% y-o-y. Amend-and-extend (“A&E”) transactions continue to take place, with slightly less than a third of deals in the first quarter structured as such (30.9% by euro amount), an increase from the fourth quarter of 2013 (26.7%). According to S&P, the loan pipeline at the end of March 2014 was €35 million.

In the first quarter of 2014, €20 million of mezzanine loans and €20 million in second liens were financed. Spreads at pricing for institutional loans tightened by 16.2 basis points (bps) while spreads for pro rata loans widened by 4.5 bps. Mezzanine loan spreads tightened by 162.2 bps.

According to Dealogic, the leading sector in leveraged loan issuance for the first quarter of 2014 was healthcare (€4.40 billion), followed by telecommunications (€4.38 billion) and chemicals (€3.07 billion). The largest deal was a Liberty Global plc €4.38 billion leveraged buyout and refinancing of existing debt of Ziggo BV.

The share of deals aimed to refinance and/or repay debt fell q-o-q and y-o-y, falling to 60.4% of all deals by euro amount in the first quarter of 2014, compared to 63.8% in 4Q’13 and 67.0% in 1Q’13.

After the European primary CLO market came to life in 2013, €2.5 billion in CLO deals were done in the first quarter of 2014: Jubilee 11 (Alcentra), Harvest CLO VIII (3i), Babson Euro CLO (Babson Capital Europe), Carlyle Global Market Strategies Euro CLO (Carlyle), CVC Cordatus Loan Fund (CVC Credit Partners), and St Paul’s IV (ICG).

Outside the primary CLO market, €1.56 billion in two SME deals were completed in the first quarter of 2014, €722.65 million retained: Atlantes SME and Quadrivio srl.

European CLO outstandings, including SME deals, declined by 20.4% on an annualized basis in the quarter ending March 2014 at €197.5 billion. Due in part to the revival of the European CLO market, non-SME CLOs shrank at a slower rate (24.5%, annualized) than SME CLOs (15.2%, annualized).
Primary issuance in 1Q’14 totalled €25.87 billion on 64 deals, an increase of 13.7% but a decrease of 21.4%, respectively, q-o-q and y-o-y. Issuance from developed market Europe rose in the first quarter of 2014 but, given the turmoil in eastern Europe, issuance from emerging market Europe fell.

According to Standard and Poor’s, some $4.1 trillion of European corporate debt (46% of global debt) to mature between 2014 and 2018. The rating agency noted that “geopolitical instability, both within and outside of Europe, could pose significant risk that may give investors pause.” Among sectors, the agency highlighted the headwinds facing banks as well.

Primary issuance in developed market Europe in the first quarter of 2014 was €24.79 billion on 61 deals, while in emerging market Europe primary issuance was €1.08 billion on 3 deals.

In first quarter of 2014, average deal sizes from developed market Europe rose from the fourth quarter of 2013, with an average of €406.4 million per deal in 1Q’14 (€322.2 million for 4Q’13). Average deal sizes for emerging market Europe also rose to €359.5 million in 1Q’14 from €204.2 million in 4Q’13.

High yield issuance for refinancing and/or repayment of debt in developed market Europe fell q-o-q and y-o-y, representing 27.7% of all issuance by euro amount in 1Q’14, compared to 35.8% in 4Q’13 and 37.8%, in 1Q’13. In emerging market Europe, refinancing and/or repayment of debt deals fell q-o-q but rose y-o-y, representing 26.5% of issuance by euro amount in 1Q’14, down from 34.6% in 4Q’13 and up from 22.4% in 1Q’13.

Senior secured structures returned to a minor extent in the first quarter 2014 in developed market Europe, although secured structures remain prevalent, representing 17.28% of deals by euro amount in 1Q’14. Senior secured structures were absent in emerging market Europe in 1Q’14.

The proportion of USD-denominated issuance continued to fall in 1Q’14, representing 17.2% of all issuance by euro amount, compared to 31.0% in 4Q’13 and 37.0% in 1Q’13. USD-denominated issuance in emerging market Europe fell to represent 27.4% by euro amount, compared to 41.1% in the previous quarter, while USD-denominated issuance in developed market Europe also fell to 16.7% of all issuance by euro amount from 29.8% in the prior quarter.

### Returns & Credit Quality

US municipals led returns in the first quarter of 2014, followed by European high yield (3.0%) and US high yield (3.0%). European leveraged loans, however, performed poorly, returning (0.15)%, second only to emerging market equities as the worst performing asset class.

High-yield bond default rates fell in the first quarter of 2014, with S&P reporting 1.8% (down from 3.7% end-December). Three defaults were reported in the first quarter, two bond-related, the third loan-related: Cognor S.A., Alliance Bank JSC, and Codere S.A. (loan).

According to S&P, upgrades exceeded downgrades in developed market Europe, with 21 upgrades and 17 downgrades. Upgrades were concentrated largely in the media and entertainment (4 upgrades), with the balance distributed across the sector spectrum. Downgrades were concentrated among metals, mining & steel (3 downgrades), while the remainder also distributed across sectors.

Conversely, downgrades exceeded upgrades in emerging market Europe, with one upgrade and 10 downgrades. Two sovereigns, four banks, and four consumer product companies were downgraded in the first quarter of 2014.

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1. Leveraged Finance Overview

1.1. European Leveraged Issuance by Type

1.2. European Leveraged Issuance by Percentage

1.3. European Leveraged Issuance Average Deal Size

1.4. Bank Credit Standards

1.5. Factors Affecting Bank Credit Standards

1.6. Loan Demand

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1 A positive net percentage number signifies tightening bank credit; a negative net percentage number signifies easing credit.

2 A positive net percentage signifies the factor contributed to tightening credit standards; a negative net percentage signifies the factor contributed to easing credit standards.

3 A positive net percentage signifies increased demand; a negative net percentage signifies decreased demand.
1.7. Factors Affecting Loan Demand\footnote{A positive net percentage signifies a factor that contributed to higher demand; a negative net percentage signifies a factor that contributed to lower demand.}

![Factors Affecting Loan Demand](chart.png)

Source: ECB

1.8. Global Comparison – High Yield Issuance

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2. Issuance – Leveraged Loans

2.1. European Leveraged Loan Issuance By Loan Type

![Graph showing European Leveraged Loan Issuance by Loan Type 2006 - 2014:Q1](source: Dealogic, Thomson Reuters LPC)

2.2. European Leveraged Loan Issuance by Industry Sector

![Graph showing European Leveraged Loan Issuance by Industry Sector 2014:Q1](source: Dealogic, Thomson Reuters LPC)

2.3. Forward Pipeline of Leveraged Loan Market

![Graph showing Forward Pipeline of Leveraged Loan Market Mar. 2012 - Mar. 2014](source: Standard & Poor's LCD)

2.4. S&P ELLI Total Institutional Loans Outstanding

![Graph showing S&P ELLI Total Institutional Loans Outstanding 2007 - 2014:Q1](source: Standard & Poor's LCD)

2.5. S&P ELLI Ratings Diversification

![Graph showing S&P ELLI Ratings Diversification 2007 - 2014:Q1](source: Standard & Poor's LCD)

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4.7. European Developed Market HY Rating Distribution at Issuance

4.8. European Developed Market Corporate Bonds Outstanding
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†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic
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<td>EUR</td>
<td>250</td>
<td>5.875</td>
<td>BB</td>
<td>B-</td>
<td></td>
</tr>
<tr>
<td>ThyssenKrupp AG</td>
<td>Metal &amp; Steel</td>
<td>19/02/2014</td>
<td>EUR</td>
<td>1,250</td>
<td>3.125</td>
<td>Ba1</td>
<td>BB+</td>
<td></td>
</tr>
<tr>
<td>Veneto Banca ScpA</td>
<td>Finance</td>
<td>19/02/2014</td>
<td>EUR</td>
<td>150</td>
<td>4.000</td>
<td>BB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renault SA</td>
<td>Auto/Truck</td>
<td>25/02/2014</td>
<td>EUR</td>
<td>500</td>
<td>3.125</td>
<td>Ba1</td>
<td>BB+</td>
<td></td>
</tr>
<tr>
<td>Unipol Gruppo Finanziario SpA</td>
<td>Insurance</td>
<td>26/02/2014</td>
<td>EUR</td>
<td>119</td>
<td>4.375</td>
<td>Ba2</td>
<td>BB+</td>
<td></td>
</tr>
<tr>
<td>Kerneos SA</td>
<td>Chemicals</td>
<td>27/02/2014</td>
<td>EUR</td>
<td>150</td>
<td>3M EURIBOR + 475</td>
<td>B+</td>
<td></td>
<td></td>
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<tr>
<td>Lowell Group Financing plc</td>
<td>Finance</td>
<td>04/03/2014</td>
<td>GBP</td>
<td>115</td>
<td>5.875</td>
<td>B1</td>
<td>BB</td>
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<td>Healthcare</td>
<td>05/03/2014</td>
<td>USD</td>
<td>1,000</td>
<td>5.250</td>
<td>B1</td>
<td>B+</td>
<td></td>
</tr>
<tr>
<td>HeidelbergCement Finance Luxembourg SA</td>
<td>Construction/Building</td>
<td>05/03/2014</td>
<td>EUR</td>
<td>500</td>
<td>2.250</td>
<td>Ba1</td>
<td>BB+</td>
<td></td>
</tr>
<tr>
<td>Labeyrie Fine Foods</td>
<td>Food &amp; Beverage</td>
<td>05/03/2014</td>
<td>EUR</td>
<td>275</td>
<td>5.625</td>
<td>B</td>
<td>B+</td>
<td></td>
</tr>
<tr>
<td>Obrascon Huarte Lain SA - OHL</td>
<td>Construction/Building</td>
<td>05/03/2014</td>
<td>EUR</td>
<td>400</td>
<td>4.750</td>
<td>Ba3</td>
<td>BB-</td>
<td></td>
</tr>
<tr>
<td>Premier Foods Finance plc</td>
<td>Food &amp; Beverage</td>
<td>06/03/2014</td>
<td>GBP</td>
<td>175</td>
<td>3M LIBOR + 500 B2</td>
<td>B</td>
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<td></td>
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<td>Global Ship Lease Inc</td>
<td>Transportation</td>
<td>11/03/2014</td>
<td>USD</td>
<td>420</td>
<td>10.000</td>
<td>B3</td>
<td>B</td>
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<tr>
<td>CNH Industrial Finance Europe SA</td>
<td>Machinery</td>
<td>13/03/2014</td>
<td>EUR</td>
<td>1,000</td>
<td>2.750</td>
<td>Ba2</td>
<td>BB+</td>
<td></td>
</tr>
<tr>
<td>Grupo Antonl Dutch BV</td>
<td>Auto/Truck</td>
<td>13/03/2014</td>
<td>EUR</td>
<td>400</td>
<td>4.750</td>
<td>Ba3</td>
<td>BB-</td>
<td></td>
</tr>
<tr>
<td>Grupo Isolux Corsan Finance BV</td>
<td>Construction/Building</td>
<td>13/03/2014</td>
<td>EUR</td>
<td>600</td>
<td>6.625</td>
<td>B</td>
<td>B+</td>
<td></td>
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<tr>
<td>Virgin Media Secured Finance plc</td>
<td>Telecommunications</td>
<td>14/03/2014</td>
<td>GBP</td>
<td>225</td>
<td>6.250</td>
<td>Ba3</td>
<td>BB-</td>
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<tr>
<td>Navios Maritime Acquisition Corp</td>
<td>Transportation</td>
<td>17/03/2014</td>
<td>USD</td>
<td>60</td>
<td>8.125</td>
<td>B3</td>
<td>B</td>
<td></td>
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<tr>
<td>ArcelorMittal SA</td>
<td>Metal &amp; Steel</td>
<td>18/03/2014</td>
<td>EUR</td>
<td>750</td>
<td>3.000</td>
<td>Ba1</td>
<td>BB+</td>
<td></td>
</tr>
<tr>
<td>Fiat Finance &amp; Trade Ltd SA</td>
<td>Auto/Truck</td>
<td>18/03/2014</td>
<td>EUR</td>
<td>1,000</td>
<td>4.750</td>
<td>B2</td>
<td>BB-</td>
<td></td>
</tr>
<tr>
<td>Piraeus Group Finance plc</td>
<td>Finance</td>
<td>18/03/2014</td>
<td>EUR</td>
<td>500</td>
<td>5.000</td>
<td>Caa1</td>
<td>CCC</td>
<td>CCC</td>
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<td>Almirall SA</td>
<td>Healthcare</td>
<td>19/03/2014</td>
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<td>325</td>
<td>4.625</td>
<td>Ba3</td>
<td>BB-</td>
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<tr>
<td>Ocean Rig UDW Inc</td>
<td>Oil &amp; Gas</td>
<td>20/03/2014</td>
<td>USD</td>
<td>500</td>
<td>7.250</td>
<td>Caa1</td>
<td>CCC</td>
<td>CCC+</td>
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<tr>
<td>Abengoa Finance SAU</td>
<td>Construction/Building</td>
<td>21/03/2014</td>
<td>EUR</td>
<td>500</td>
<td>6.000</td>
<td>B2</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>Cabot Financial (Luxembourg) SA</td>
<td>Finance</td>
<td>21/03/2014</td>
<td>GBP</td>
<td>175</td>
<td>6.500</td>
<td>B2</td>
<td>B+</td>
<td></td>
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<tr>
<td>Banca Popolare di Vicenza Searl</td>
<td>Finance</td>
<td>24/03/2014</td>
<td>EUR</td>
<td>200</td>
<td>3.745</td>
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<td>BB+</td>
<td></td>
</tr>
<tr>
<td>Beni Stabili SpA</td>
<td>Real Estate/Property</td>
<td>24/03/2014</td>
<td>EUR</td>
<td>250</td>
<td>3.500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IVS group SA</td>
<td>Retail</td>
<td>25/03/2014</td>
<td>EUR</td>
<td>50</td>
<td>7.125</td>
<td>Ba</td>
<td>B-</td>
<td></td>
</tr>
<tr>
<td>Financiere Galion 8 SA</td>
<td>Real Estate/Property</td>
<td>26/03/2014</td>
<td>EUR</td>
<td>370</td>
<td>7.000</td>
<td>B</td>
<td>B-</td>
<td></td>
</tr>
<tr>
<td>Aldesa Construcciones SA</td>
<td>Construction/Building</td>
<td>27/03/2014</td>
<td>EUR</td>
<td>250</td>
<td>7.250</td>
<td>B2</td>
<td>B</td>
<td></td>
</tr>
</tbody>
</table>

†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic
5. Issuance – European Emerging Market High Yield Bonds

5.1. European Emerging Market HY Bond Issuance

5.2. European Emerging Market HY Bond Issuance by Currency

5.3. European Emerging Market HY Issuance by Industry

5.4. European Emerging Market HY Issuance by Country of Risk

5.5. European Emerging Market HY Issuance, Fixed vs. Floating

5.6. European Emerging Market HY Issuance, Sponsored vs. Corporate
5.7. European Emerging Market HY Rating Distribution at Issuance

5.8. European Emerging Market Corporate Bonds Outstanding

5.9. Emerging Market HY Bond Issuance

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Industry Group</th>
<th>Date</th>
<th>Currency</th>
<th>Amount (Millions)</th>
<th>Coupon</th>
<th>Moodys</th>
<th>S&amp;P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gazprombank OAO</td>
<td>Finance</td>
<td>16/01/2014</td>
<td>CHF</td>
<td>350</td>
<td>5.125</td>
<td>NA</td>
<td>NA</td>
<td>BB-</td>
</tr>
<tr>
<td>CE Energy as</td>
<td>Utility &amp; Energy</td>
<td>31/01/2014</td>
<td>EUR</td>
<td>500</td>
<td>7.000</td>
<td>B1</td>
<td>NA</td>
<td>B+</td>
</tr>
<tr>
<td>Nostrum Oil &amp; Gas Finance BV</td>
<td>Oil &amp; Gas</td>
<td>10/02/2014</td>
<td>USD</td>
<td>400</td>
<td>6.375</td>
<td>B2</td>
<td>B+</td>
<td>NA</td>
</tr>
</tbody>
</table>

†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic
6. Credit Quality

6.1. European HY Default Rate

6.2. Developed Europe Issuer Rating Actions

6.3. Emerging Europe Issuer Rating Actions

6.4. Developed European Industry Rating Actions by # of Ratings

6.5. Emerging European Industry Rating Actions by $ Amount

6.6. European Defaults

1 Numbers include both corporate and sovereigns.

2 Numbers include both corporate and sovereigns.
7. Relative Value

7.1. European HY Bonds, Cash vs. Synthetic

7.2. European Leveraged Loans, Cash vs. Synthetic

8. Total Return

8.1. European HY Bond Total Return

8.2. European Leveraged Loan Total Return

8.3. Asset Class Total Return, Quarter
Summary of the Methodologies Adopted for this Report

1. Leveraged Issuance – Overview
1.1. – 1.3. Leveraged Loans and High Yield Bonds
Leveraged loan data are sourced from Thomson Reuters LPC and Dealogic.

Leveraged loan data from Thomson Reuters LPC are defined primarily as having sub-investment grade ratings and/or a margin spread minimum of 200 basis points (spread minimums will vary from year to year to make Thomson LPC's cutoff). Leveraged loan aggregates will include first lien, second lien, and mezzanine financing. Discrepancies in Thomson Reuters LPC data are due to rounding and/or currency rate of exchange.

Leveraged loan data from Dealogic are defined primarily as coming from a leveraged or highly leveraged European deal; loan tranches must have sub-investment grade ratings, or, if unrated, a margin spread minimum of 125 basis points over a benchmark (e.g., Euribor, LIBOR). Under these guidelines, sub-investment grade-rated loans with a margin spread of less than 125 basis points are included. Deals must be European and are inclusive of both developed and emerging market Europe as defined in high yield criteria in Section 3. Deals must also be marketed either in Europe or in the United States. Loans not EUR-denominated are converted to EUR as of credit date for purposes of aggregation. Aggregates include new money as well as non-new money deals.

Criteria for high yield bond transactions can be found in Section 3, 4, and 5.

1.4. – 1.7. Bank Lending Surveys
Data for loan demand and credit standards are sourced from the ECB’s bank lending survey. Graph numbers are net percentages of reporting banks.

1.8. Global Comparison – High Yield Issuance
Data for global high yield issuance are sourced from Dealogic. Asian deals are inclusive of Japan and Australia.

2. Issuance – Leveraged Loans
2.1. – 2.2.
Leveraged loan issuance data are sourced primarily from Dealogic and Thomson Reuters LPC. For more details on qualifying criteria, please refer to section 1.

2.3. Forward Pipeline of Leveraged Loan Market
Forward leveraged loan pipeline data are sourced from S&P LCD.

2.4. S&P ELLI Total Institutional Loans Outstanding
Total institutional loan outstanding data are sourced from S&P LCD and are outstanding loans in the S&P ELLI index.

2.5. S&P ELLI Ratings Diversification
S&P ELLI ratings diversification are the percentages of currently outstanding loans in S&P’s ELLI index that are rated accordingly. Data are provided by S&P LCD.

2.6. Leveraged Loan Secondary Market Bids
European leveraged trading volumes are sourced from Thomson Reuters LPC and are percentage of volume by bid price.

2.7. – 2.8. Loan Spreads
Loan spread data are sourced from Dealogic under our criteria for leveraged loans (see Section 1). For purposes of loan spread calculations, deals marketed in the US are excluded. Spreads are a weighted average of spread margin on new leveraged issuance on a rolling twelve months basis, and are typically benchmarked to LIBOR or EURIBOR. Institutional loan spread data are inclusive of 2nd lien; pro rata spreads include all revolvers and term loan A (Tla).

3. Issuance – High Yield Bonds Overview
High yield bond transactions are sourced primarily from Dealogic, with supplemental information sourced from Bloomberg. High yield transactions are defined as transactions with a Dealogic “effective” rating of equal or less than BB+, and may include unrated transactions based on issuer and desk notes. Split-junk rated transactions are generally excluded.

European issuance, inclusive of both emerging market Europe and developed market Europe, are defined as an issue having a Dealogic “deal nationality” as well as “nationality of risk” within Europe issued in the euro, foreign, and global markets; deals marketed locally are excluded. Sovereign, sub-sovereign, and supranational parent issuers are excluded from issuance, as well as ABS/MBS issuers.

Emerging market Europe and developed market European issuance are defined by nationality of risk, rather than nationality of deal, and although primarily sourced from Dealogic, are ultimately subject to AFME’s discretion. Emerging and developed market issuance are mutually exclusive and will contain no overlap unless otherwise mentioned.

European emerging market bonds are further defined with having a minimum deal size of €75.0 million; deals on the same day from the same issuer are aggregated for the purpose of meeting this minimum. Russian ruble (RUB)-denominated issuance are excluded due to differences in
3.2. European HY Issuance by Sponsor
Data for high yield issuance by sponsor are sourced from Dealogic. LBO deals are defined as all high yield transactions whose issuer parent is a public or private finance entity (i.e., a financial sponsor), regardless of use of proceeds.

3.3. – 3.6. European Corporate Bonds Outstanding
Data for European corporate outstanding are sourced from Bloomberg and AFME/SIFMA estimates. Criteria for European corporate bonds are: bonds must be placed in the domestic, euro, foreign, and global markets with nationality of incorporation from a European developed or emerging market country as defined by AFME. Corporate bonds exclude all structured notes, covered bonds, warrants, deposit notes, receipts, and certificates of deposit. All currencies are included and have been converted to EUR at time of pricing and/or issue.

High-yield ratings are sourced from Bloomberg's composite rating, which is an average of all available ratings from four rating agencies: Moody's, Standard and Poor's, Fitch Ratings, or DBRS. Split-rated securities may be included in high yield numbers due to this.

Corporate bonds outstanding include certain securities that may be considered corporate securitisations or structured finance securities; while all effort is made to exclude the latter, the former will be counted toward the corporate bonds outstanding total, and will subsequently overlap to some extent to AFME structured finance outstanding numbers.

3.7. European Corporate Bond Issuance by Rating
Data for HY issuance by rating are sourced from Dealogic, Bloomberg, and the three rating agencies. The composite rating is determined by the lowest rating assigned by either Moody's, Standard and Poor's, or Fitch Ratings.

3.8. European Corporate Bond Issuance by Tenor
Data for HY issuance by tenor are sourced from Dealogic and Bloomberg. “Other” includes perperts.

3.9. European HY Issuance By Use of Proceeds
Data for HY issuance by use of proceeds are sourced from Dealogic and aggregated for the purposes of this calculation. Please refer to Section 3 for criteria on high yield issue inclusion.

3.10. European HY Issuance, Senior Secured Share
Data for HY issuance by seniority are sourced from Dealogic and Bloomberg. “Senior Unsecured” totals include all bonds that are senior but not senior secured.

4. Issuance – European Developed Market High Yield Bonds
4.1. – 4.7., 4.9
High yield bond issuance data are sourced from Dealogic. For further criteria on how high yield issuance are defined, please refer to section 3.

Developed European issuance are deals predominantly from western Europe and includes deals from Andorra, Austria, Belgium, Bulgaria, Cyprus, Switzerland, Germany, Denmark, Spain, Estonia, Finland, France, Faroe Islands, United Kingdom, Guernsey, Gibraltar, Greenland, Greece, Isle of Man, Ireland, Iceland, Italy, Jersey, Liechtenstein, Luxembourg, Monaco, Malta, Montenegro, Netherlands, Norway, Portugal, San Marino, and Sweden.

4.8. European Developed Market Corporate Bonds Outstanding
Data for corporate bonds outstanding are sourced from Bloomberg. Please refer to Section 3 for criteria and methodology.

5. Issuance – European Emerging Market High Yield Bonds
5.1. – 5.7., 5.9.
High yield bond issuance data are sourced from Dealogic. Criteria for all high yield issuance are found in section 3.

Emerging market European issuance deals are predominantly from eastern Europe but will also additionally include Turkey, the Russian Federation, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Azerbaijan, and Kyrgyzstan. Certain sub-investment grade countries are not included in the emerging market total, including, among others, Iceland and Greece.

5.8. European Emerging Market Corporate Bonds Outstanding
Data for corporate bonds outstanding are sourced from Bloomberg. Please refer to Section 3 for criteria and methodology.

6. Credit Quality
6.1. European HY Default Rate
European HY bond default rates are sourced from S&P and are on a trailing 12 month basis.

“Europe” for the S&P default rate is defined to include Austria, Belgium, Bulgaria, Channel Islands, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. Countries are subject to revision.

6.2. – 6.3. European Issuer Rating Actions
European issuer upgrades and downgrades are sourced from S&P. The breakdown by emerging market and developed Europe are from AFME’s definition of developed and emerging markets and would be, under S&P’s guide-
6.4. – 6.5. European Issuer Rating Actions by # of Rating Actions

Rating actions are sourced from S&P. Breakdown by emerging market and developed Europe are from AFME's definition of developed and emerging markets and would be, under S&P's guidelines, a combination of both European and EMEA rating actions.

6.6. European Defaults

Defaults reported by either Moody's or Standard and Poor's in the European bond markets and loan markets, when available.

7. Cash and Synthetic

7.1. – 7.2. Loans and Bonds, Cash and Synthetic

Data are sourced from Markit and Thomson Reuters LPC. High yield bond cash and synthetic spreads from Markit; European leveraged loan cash bid prices from Thomson Reuters LPC, and European leveraged loans synthetic prices from Markit.

8. Total Return

8.1. European HY Bond Total Return

European HY bond total return data are sourced from the Bank of America-Merrill Lynch's Euro High Yield Index (HE00). The index tracks the performance of EUR-denominated below-investment-grade corporate debt publicly issued in the euro domestic or Eurobond markets. Qualifying securities must have a below-investment-grade rating and an investment-grade rated country of risk. Qualifying securities must have at least one year remaining term to maturity, fixed coupon schedule and minimum amount outstanding of €100 million. Original issue zero coupon bonds, “global securities” (debt issued simultaneously in the Eurobond and euro domestic markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Defaulted, warrant-bearing and euro legacy currency securities are excluded from the index.

8.2. European Leveraged Loan Total Return

Total return data are provided by S&P LCD and are total returns from S&P’s ELLI index, both ELLI and EUR-denominated ELLI. Total returns for ELLI EUR-denominated data are unavailable for 2003 and 2004.

8.3. Asset Class Total Return (Cash Basis)

Total returns are sourced from respective index owners and Bank of America-Merrill Lynch's indices.
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