European High Yield & Leveraged Loan Report
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European Leveraged Finance, First Quarter 2011

Highlights and Market Environment

Highlights

- European leveraged finance issuance (leveraged loans and high yield bonds) totalled €38.9 billion in the first quarter of 2011 (Q1 2011), an increase of 79.4% and 24.8% from Q4 2010 (€21.6 billion) and Q1 2010 (€31.2 billion). Proceeds were mostly used to refinance and/or restructure debt, although LBO/MBO activity, especially secondary buyouts, increased in the loan space.

- Market share of high yield bond issuance declined slightly to 54.1% in Q1 2011, down from a 68.3% share in Q4 2010. The use of senior secured structures continues to remain firmly in place.

Market and Economic Environment

- The European sovereign debt crisis continued in the first quarter of Q1 2011, as Ireland, Portugal, and Spain were all downgraded by the credit rating agencies in quick succession. Shortly after the end of Q1, Portugal requested aid from the EU. Moody’s noted that “weak sovereigns and constrained banking sectors will impair the prospects of all European corporates”; although the extent of impairment varied considerably across industries.

- According to the April European Central Bank (ECB) bank lending survey, banks reported, on net, a tightening of lending standards in Q1 2011. In particular, the vulnerability of regional banks to the sovereign debt crisis contributed to tighter lending. Notably, tightening of standards was more evident among large enterprises than for small and medium enterprises (SMEs). However, standards for short-term loans eased due to near-term default risk of the loans remaining low. The primary factors that affected bank lending standards were access to market financing and bank liquidity positions. Conversely, competition from banks and financing from markets contributed to easing of some of the standards.

- The April bank lending survey is the third consecutive survey in which the demand for loans has increased, primarily due to working capital needs, debt restructuring, and fixed investment.

Issuance

Issuance: Leveraged Loans

- Leveraged loan issuance, which includes first lien, second lien, and mezzanine financing, totalled €17.9 billion in Q1 2011. Q1 2011 issuance was more than double the amount in Q4 2010, but 13% below the amount in Q1 2010 (€20.5 billion). Notably, several deals were heavily oversubscribed. Some mezzanine and second liens emerged in first quarter; second lien loans have not been part of leveraged loan deals since 2008. According to S&P, the loan pipeline at the end of March was €0.5 billion, down from the €1.2 billion pipeline at the end of December.

- According to Dealogic data, the leading sector in leveraged loan issuance in Q1 2011 was the auto sector (€6.0 billion), followed by healthcare (€2.3 billion) and transportation (€2.1 billion). Auto issuance was up largely due to an amend-and-extend (“A&E”) transaction of Continental AG, consisting of €6.5 billion in loans and revolving facilities stemming from Continental AG’s acquisition of Siemens VDO Automotive AG in 2007.

- Due to the extension of Continental AG’s facilities, the share of A&E deals by dollar amount in Q1 2011 increased to 35.6% from 7.9% in Q4 2010. However, notably, the number of deals decreased.

- The share of deals aimed to refinance and/or repay debt was down slightly in Q1 2011 (45.2% by dollar amount) from Q4 2010 (86.7%). Conversely, LBO/MBO deals represented a 44.0% share of all deals in Q1 2011 by dollar amount. Out of the 22 LBO/MBO deals, however, 10 deals (26.7% by dollar amount) were in the form of secondary buyouts.

- The CLO market continued to remain quiet in Q1 2011. Outside of the SME space, only a single deal closed at the end of Q1 2011, a retained European leveraged loan CLO (€5.7 billion, Olimpo 2011-1) managed by Banco Santander. In the SME space, €15.7 billion SME CLOs were issued in Q1 2011, predominantly from Spain (€9.1 billion) and Portugal (€5.6 billion).

- Issuance in the U.S. CLO market showed signs of improvement; however, the implementation of the European CRD II Article 122a risk retention rules largely resulted in U.S. CLOs being marketed outside of Europe.

- CLO outstanding, including SME deals, in Europe increased slightly by the end of March, at €301.9 billion. In particular, SME outstanding decreased slightly (€165.8 billion from €166.2 billion end-December 2010), while non-SME CLOs increased slightly (€136.0 billion from €133.8 billion end-December 2010).

Issuance: High Yield Bonds

- Primary issuance in Q1 2011, excluding emerging market issuance, totalled €17.0 billion, with a total of 26 deals. Issuance was led by telecommunications (€4.5 billion), healthcare (€2.8 billion), and finance (€2.4 billion). From the European emerging market, high yield issuance totalled €4.0 billion, with a total of 11 deals, led by telecommunications (€1.2 billion) and finance (€1.1 billion).

- High yield issuance for refinancing and/or repayment of debt represented a share of 44.1% of all deals in Q1 2011, a slight decrease from Q4 2010 at 75.1%. Issuance for acquisition increased in Q1 2011 to a 24.6% share.

- Use of senior secured debt structures continues to remain firmly entrenched, particularly in developed Europe. Approximately 40% of all issuance was senior secured (46.4% in developed Europe, 11.0% in emerging Europe). As noted previously, ranking pari passu to senior secured bank debt should aid in recoveries, and ultimately returns, but senior secured bonds “did not imply equality.” Banks continued to remain in a relatively advantageous position, particularly through control in enforcement processes (e.g. bond standstill periods, intercreditor voting mechanics).^2

Returns & Credit Quality

- European high yield and leveraged loans returned, on an absolute basis, 4.0% and 1.4% in Q1 2011. European high yield outperformed leveraged loans in Q1 2011, as well as U.S. high yield (3.9%).

- According to Standard and Poor’s (S&P), leveraged finance downgrades exceeded upgrades in both developed and emerging market Europe in Q1 2011.

- In non-emerging Europe, the bulk of downgrades stemmed from the downgrade of 21 banks, which in turn were caused by the downgrades of 5 sovereign nations. Like banks, utilities are also industries vulnerable to sovereign rating changes and were downgraded. The few upgrades were in the media & entertainment (four upgrades) and capital goods (three upgrades) sectors.

- Emerging market Europe, again, as in prior quarters, enjoyed a relatively quiet quarter, with three upgrades and four downgrades. A sovereign was upgraded (Belarus).

- High yield bond default rates continued to either decrease or remain unchanged, Moody’s and S&P had HY trailing 12-month default rates of 2.2% and 1.0% at the end of March, down from 2.3% and 1% end-December 2010. On the loan side, according to Moody’s, no European loan defaults were reported in Q1 2011.

- A single corporate default was reported by S&P for Europe (SAZKA a.s, a media and entertainment company from the Czech Republic). According to Moody’s, three distressed exchanges were reported for Q1 2011 among three Irish banks and building societies (Allied Irish Banks, EBS Building Society, and Irish Nationwide Building Society), although defaults were for lower tier subordinated bonds.

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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

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<td>Fixed Investment</td>
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<td>Loans from Other Banks</td>
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<td>M&amp;A, Restructuring</td>
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<td>Loans from Non-Banks</td>
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<td>Internal Financing</td>
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Source: ECB

1.8. Global Comparison – High Yield Issuance

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<td>Europe</td>
<td>25.3</td>
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A positive net percentage signifies a factor that contributed to higher demand; a negative net percentage signifies a factor that contributed to lower demand.
2. Issuance – Leveraged Loans

2.1. European Leveraged Loan Issuance By Loan Type

2.2. European Leveraged Loan Issuance by Industry Sector

2.3. Forward Pipeline of Leveraged Loan Market

2.4. S&P ELLI Total Institutional Loans Outstanding

2.5. S&P ELLI Ratings Diversification

2.6. European Leveraged Loan Ratios

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Fitch data are as of 2010 Q1 and may be delayed.
2.7. Institutional and Pro Rata Spreads

Institutional and Pro Rata Spreads

2.8. Mezzanine Spread

Mezzanine Spread

Source: Dealogic, AFME, SIFMA
3. Issuance – High Yield Bonds Overview

3.1. European HY Bond Issuance, Developed and Emerging Market

3.2. European HY Bond Issuance, Sponsored vs. Corporate

3.3. European Corporate Bonds ex Banks and Financials, Outstanding

3.4. European Corporate Bonds ex Banks and Financials, Outstanding (EUR-Denominated Securities Only)

3.5. European Corporate Bonds ex Banks and Financials, Average Deal Size

3.6. European Corporate Bonds ex Banks and Financials, Average Deal Size
3.7. European HY Use of Proceeds

European HY Issuance By Use of Proceeds
2003 - 2011 Q1

Source: Dealogic, AFME/SIFMA

- Restructuring
- Repay Debt/Refinancing
- LBO/MBO
- General Corporate Purposes
- Acquisitions

3.8. European HY Issuance, Senior Secured Share

European HY Issuance, Senior Secured and Unsecured
2006 - 2011 Q1

Source: Bloomberg, Dealogic

4. Issuance – European Developed Market High Yield Bonds

4.1. European Developed Market HY Bond Issuance

European Developed Market HY Bond Issuance
2003 - 2011 Q1

Source: Dealogic

4.2. European Developed Market HY Issuance by Currency

European Developed Market HY Issuance by Currency
2003 - 2011 Q1

Source: Dealogic

4.3. European Developed Market HY Issuance by Industry

European Developed Market HY Issuance by Industry
2011 Q1

Source: Dealogic

4.4. European Developed Market HY Issuance by Country of Risk

European Developed Market HY Issuance by Country of Risk
2011 Q1

Source: Dealogic
4.5. European Developed Market HY Issuance, Fixed vs. Floating

European Developed Market HY Bond Issuance, Fixed vs Floating 2003 - 2011:Q1

- Fixed
- Floating

2003 2004 2005 2006 2007 2008 2009 2010 2011

Source: Dealogic

4.6. European Developed Market HY Issuance, Sponsored vs Corporate

European Developed Market HY Bond Issuance, Sponsored vs Corporate 2003 - 2011:Q1

Europe LBO Europe Corporate

2003 2004 2005 2006 2007 2008 2009 2010 2011

Source: Dealogic

4.7. European Developed Market HY Bond Issuance

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<th>Issuer</th>
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Source: Bloomberg, Dealogic
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<th>Currency</th>
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<th>Moodys</th>
<th>S&amp;P</th>
<th>Fitch</th>
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<td>13/09/2010</td>
<td>EUR</td>
<td>250</td>
<td>5.625</td>
<td>Ba1</td>
<td>BB</td>
<td>BB</td>
</tr>
<tr>
<td>Picard Bondco SA</td>
<td>Food &amp; Beverage</td>
<td>22/09/2010</td>
<td>EUR</td>
<td>300</td>
<td>9.000</td>
<td>B3</td>
<td>B-</td>
<td>B-</td>
</tr>
<tr>
<td>Rhodia SA</td>
<td>Chemicals</td>
<td>22/09/2010</td>
<td>USD</td>
<td>400</td>
<td>6.875</td>
<td>B1</td>
<td></td>
<td>BB</td>
</tr>
<tr>
<td>Conti-Gummi Finance BV</td>
<td>Auto/Truck</td>
<td>28/09/2010</td>
<td>EUR</td>
<td>625</td>
<td>6.500</td>
<td>B1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ardagh Glass Group plc</td>
<td>Consumer Products</td>
<td>30/09/2010</td>
<td>EUR</td>
<td>825</td>
<td>7.375</td>
<td>Ba3</td>
<td>BB-</td>
<td></td>
</tr>
<tr>
<td>Renault SA</td>
<td>Auto/Truck</td>
<td>13/09/2010</td>
<td>EUR</td>
<td>250</td>
<td>5.625</td>
<td>Ba1</td>
<td>BB</td>
<td>BB</td>
</tr>
<tr>
<td>Picard Bondco SA</td>
<td>Food &amp; Beverage</td>
<td>22/09/2010</td>
<td>EUR</td>
<td>300</td>
<td>9.000</td>
<td>B3</td>
<td>B-</td>
<td>B-</td>
</tr>
<tr>
<td>Rhodia SA</td>
<td>Chemicals</td>
<td>22/09/2010</td>
<td>USD</td>
<td>400</td>
<td>6.875</td>
<td>B1</td>
<td></td>
<td>BB</td>
</tr>
<tr>
<td>Conti-Gummi Finance BV</td>
<td>Auto/Truck</td>
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<td>6.500</td>
<td>B1</td>
<td></td>
<td></td>
</tr>
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<td>Food &amp; Beverage</td>
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<td>300</td>
<td>9.000</td>
<td>B3</td>
<td>B-</td>
<td>B-</td>
</tr>
<tr>
<td>Rhodia SA</td>
<td>Chemicals</td>
<td>22/09/2010</td>
<td>USD</td>
<td>400</td>
<td>6.875</td>
<td>B1</td>
<td></td>
<td>BB</td>
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</tbody>
</table>

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. 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>Agrokor dd</td>
<td>Food &amp; Beverage</td>
<td>17/01/2011</td>
<td>EUR</td>
<td>150</td>
<td>10.000</td>
<td>B2</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>Halyk Savings Bank of Kazakhstan - HSBK</td>
<td>Finance</td>
<td>20/01/2011</td>
<td>USD</td>
<td>379</td>
<td>7.250</td>
<td>Ba3</td>
<td>B+</td>
<td>B+</td>
</tr>
<tr>
<td>TMK OAO - Pipe Metallurgical Works OAO</td>
<td>Metal &amp; Steel</td>
<td>21/01/2011</td>
<td>USD</td>
<td>384</td>
<td>7.750</td>
<td>B1</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>Vimpel-Communications OAO - VimpelCom</td>
<td>Telecommunications</td>
<td>26/01/2011</td>
<td>USD</td>
<td>367</td>
<td>6.493</td>
<td>Ba3</td>
<td>BB+</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>USD</td>
<td>735</td>
<td>7.748</td>
<td>Ba3</td>
<td>B+</td>
<td></td>
</tr>
<tr>
<td>Metinvest BV</td>
<td>Metal &amp; Steel</td>
<td>08/02/2011</td>
<td>USD</td>
<td>557</td>
<td>8.750</td>
<td>B2</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>Azerbaijan State Railway</td>
<td>Transportaion</td>
<td>09/02/2011</td>
<td>USD</td>
<td>92</td>
<td>8.250</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Savings Banks of Ukraine - OSCHADBANK VAT</td>
<td>Finance</td>
<td>02/03/2011</td>
<td>USD</td>
<td>369</td>
<td>8.250</td>
<td>B2</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>Home Credit &amp; Finance Bank OOO - HCFB</td>
<td>Finance</td>
<td>11/03/2011</td>
<td>USD</td>
<td>359</td>
<td>7.000</td>
<td>Ba3</td>
<td>B+</td>
<td></td>
</tr>
<tr>
<td>Mriya Agro Holding plc</td>
<td>Agribusiness</td>
<td>25/03/2011</td>
<td>USD</td>
<td>179</td>
<td>10.950</td>
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<td>B-</td>
<td>B-</td>
</tr>
<tr>
<td>Ferrexpo Finance plc</td>
<td>Mining</td>
<td>31/03/2011</td>
<td>USD</td>
<td>353</td>
<td>7.875</td>
<td>B3</td>
<td>B-</td>
<td>B-</td>
</tr>
</tbody>
</table>

Source: Bloomberg, Dealogic
6. Credit Quality

6.1. European HY Default Rate

European HY Default Rate (LTM)
Source: Standard & Poor’s

6.2. European Loan Default Rate\(^1\)

European Loan Default Rate (LTM)
2005:Q1 - 2010:Q3
Source: Fitch Ratings

6.3. Developed Europe Issuer Rating Actions\(^2\)

S&P Developed Europe Issuer Rating Actions
2008 - 2011:Q1
Source: Standard & Poor’s

6.4. Emerging Europe Issuer Rating Actions\(^3\)

S&P Emerging Europe Issuer Rating Actions
2008 - 2011:Q1
Source: Standard & Poor’s

6.5. Developed European Industry Rating Actions by $ Amount

S&P Developed Europe Issuer Rating Actions by $ Amount ex Sovereign & Banks
2011:Q1
Source: Standard & Poor’s

6.6. Emerging European Industry Rating Actions by $ Amount

S&P Emerging Europe Issuer Rating Actions by $ Amount ex Sovereign & Banks
2011:Q1
Source: Standard & Poor’s

---

1 Fitch data are as of 2010 Q3; data may be a quarter or two behind due to timing of publications.
2 Numbers include both corporate and sovereigns.
3 Numbers include both corporate and sovereigns.
7. Relative Value
7.1. European HY Bonds, Cash vs. Synthetic

Bonds, Cash vs. Synthetic
Apr. 2009 - Mar. 2011

<table>
<thead>
<tr>
<th>Basis Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr-09</td>
</tr>
<tr>
<td>Oct-09</td>
</tr>
<tr>
<td>Apr-10</td>
</tr>
<tr>
<td>Oct-10</td>
</tr>
</tbody>
</table>

Sources: Markit

7.2. European Leveraged Loans, Cash vs. Synthetic

Loans, Cash vs. Synthetic
Apr. 2009 - Mar. 2011

<table>
<thead>
<tr>
<th>Price/Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr-09</td>
</tr>
<tr>
<td>Oct-09</td>
</tr>
<tr>
<td>Apr-10</td>
</tr>
<tr>
<td>Oct-10</td>
</tr>
</tbody>
</table>

Sources: Thomson Reuters LPC, Markit

8. Total Return
8.1. European HY Bond Total Return

European High Yield Total Return
2003 - 2011:Q1

Source: Bank of America-Merrill Lynch

8.2. European Leveraged Loan Total Return

European Leveraged Loan Total Return
2003 - 2011:Q1

Source: Standard and Poor’s LCD

8.3. Asset Class Total Return

Asset Class Total Returns
2010:Q1 v 2011:Q1

Source: BofA-ML, Bloomberg
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. European Leveraged Loan Ratios
European leveraged loan ratios are sourced from Fitch Ratings and are a debt/EBITDA ratio across Fitch’s shadow rated universe. Transactions included in the ratio include new as well as existing transactions and ratings may be assigned at various points in time throughout the year.

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 terms and documentation; as of 4Q’10 this criteria no longer applies and may be included on a case by case basis.
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. – 3.7. 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 euro, foreign, and global markets (domestically placed issues are excluded) with a nationality of issue and risk from a European developed or emerging market country as defined by AFME. Corporate bonds exclude all issuance from banks and financials, and additionally excludes all covered bonds, warrants, deposit notes, receipts, and certificates of deposit. No currencies are excluded in this analysis and all non-EUR currencies are converted to EUR at end-quarter exchange rates.

To qualify as an investment grade corporate bond, a security must have a minimum of one investment grade rating from Moody’s, Standard and Poor’s, or Fitch Ratings. Split-rated securities are also included in investment-grade numbers. To qualify as a high yield corporate bond, a security must have a minimum of one sub-investment-grade rating from Moody’s, Standard and Poor’s, or Fitch Ratings; withdrawn ratings are not counted for purposes of determining high yield. Unless otherwise specified, high yield outstanding totals in discussion commentary will include non-rated securities, regardless of the credit quality of the debt or issuer.

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 / ESF structured finance outstanding numbers.

3.7. 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.

3.8. 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.
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.

5. Issuance – European Emerging Market High Yield Bonds
5.1. – 5.7.
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.

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. European Loan Default Rate
European loan default rates, both mezzanine and senior leveraged loans, are sourced from Fitch Ratings and are on a LTM basis.

Adjusted rates for both mezzanine and senior loans are inclusive of Fitch’s CC*/C* shadow-rated leveraged credits, whereas unadjusted rates are exclusive of these rated credits. Senior leveraged loan data is available only for 2009.

6.3. – 6.4. 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 guidelines, a combination of both European and EMEA rating actions. Multiple downgrades of a single issuer are counted separately. Rating actions are inclusive of both corporate (both credit and merger-related) as well as sovereign ratings.

6.5. – 6.6. European Issuer Rating Actions by $ Amount
Rating actions by US dollar amount, industry, and country 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.
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.

Disclaimer
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