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European Leveraged Finance, Second Quarter 2013

Highlights and Market Environment

Highlights

- European leveraged finance issuance (leveraged loans and high yield bonds) decreased in Q2’13, with €45.5 billion issued, a 23.4% decline quarter-over-quarter (q-o-q) but a 23.4% increase year-over-year (y-o-y). The decline q-o-q stems from a decline in the leveraged loan market, which fell 41.8% q-o-q. High yield share of the leveraged market increased slightly to 66.0%, up from 55.3% in Q1’13.

Market and Economic Environment

- According to Eurostat, the recession in Europe finally ended in the Q2’13, when GDP rose by 0.3% in both the euro area and the EU 27.
- According to the July 2013 European Central Bank lending survey, banks reported, on net, a continued tightening of lending standards in the second quarter, both in long- and short-term loans. The net tightening, however, occurred at a much lesser degree than in prior quarters. Industry outlooks and expectations regarding economic activity continue to contribute the most to net tightening, as they had in the prior quarter, while bank competition and bank liquidity contributed the most in easing lending standards.
- Loan demand, however, continued to fall during the second quarter, particularly for long-term loans. Debt restructuring and internal financing requirements continue to be the key drivers of continued loan demand, while fixed investment and debt issuance have contributed to reduced loan demand.

Issuance

Issuance: Leveraged Loans

- Leveraged loan issuance declined in the second quarter, although it remained largely in line with seasonal issuance last year in the second quarter of 2012 (€15.5 billion in Q2’13 compared to €18.2 billion in Q2’12). Issuance, which includes first lien, second lien, and mezzanine financing, totalled €15.5 billion, a decline of 41.8% q-o-q but an increase of 15.1% y-o-y. Amend-and-extend (“A&E”) transactions continue to take place with slightly more than a fifth of deals in the second quarter structured as such (22.9%), which reflects an increase from the first quarter (12.3%). However, fewer price amendment deals were structured in the second quarter to modify pricing on existing loans (2.4% by euro amount in Q2’13 compared to 21.5% in Q1’13). According to S&P, the loan pipeline at the end of June 2013 was €64 million.
- While no mezzanine loans were financed in the second quarter, €0.2 billion in second liens were issued. Spreads at pricing for institutional loans tightened by 23.3 basis points (bps), while spreads for pro rata loans tightened by 5.5 bps. Mezzanine loans figures were unchanged due to continued light supply. More notably, cov-lite loans began to appear again in the European space.
- According to Dealogic, the leading sector in leveraged loan issuance for the second quarter of 2013 was telecommunications (€4.4 billion), followed by professional services (€2.6 billion) and dining & lodging (€1.7 billion). The largest deal was a transaction from Ista International, a leveraged buyout by CVC Capital partners from Charterhouse, which is the largest German private equity deal since 2008.
- The share of deals aimed to refinance and/or repay debt increased slightly to 71.9% of all deals by euro amount in Q2’13, compared to 68.4% of all deals in the prior quarter and 67.4% in Q2’12.
- After the European primary CLO market came to life in the first quarter of 2013 (e.g., Cairn) for the first time since 2007, several deals were brought to market in the second quarter, reaching a total of seven: Pramerica (Dryden XXVII); GSO (Grand Harbour I, the largest CLO to date at €403.7 million with a Mediterranean bank holding the equity tranche), Apollo (a debut deal, ALME Loan Funding 2013-1) Alcentra (Jubilee 10), Carlyle (Carlyle Global Market Strategies Euro CLO), and Golden Tree (GoldenTree Credit Opportunities European CLO), whose equity tranche has
been reported to have been sold to a third party). The sector has taken a relatively long amount of time to bounce back compared to the U.S., hampered in part by CRD3 Article 122a’s “skin-in-the-game” rules that required the retention of an economic interest no less than 5 percent.

- Outside the primary CLO market, €5.8 billion of SME deals were completed in the second quarter, nearly all retained (€5.2 billion), with the exception of a senior tranche from a Portuguese SME (Caravela 3, privately placed) and Spanish SME (FTPYME Im Cajamar Empresas) deal. More notably, the ECB recently expanded its collateral eligibility rules to reduce haircuts applicable to ABS in order to “catalyse recent initiatives by European institutions to improve funding conditions for Small and Medium-sized Enterprises.”

- European CLO outstandings, including SME deals, declined by 30.1% on an annualized basis in the second quarter, ending June 2013 at €240.2 billion. Due to the spate of recent European CLO deal issuance, non-SME CLOs outstandings declined slower than SMEs, declining 15.7% on an annualized basis, compared to a decline of 39.1% on an annualized basis for SMEs.

**Returns & Credit Quality**

- Speculation over an early withdrawal by the Fed in their quantitative easing program caused Treasury rates to soar and drove losses in US bonds. European high yield returned 0.63% in the second quarter, falling somewhere in the middle of the pack compared to other asset classes. European leveraged loans performed moderately better, returning 0.75% in Q2’13, while overall, equities led returns.

- High-yield bond default rates rose in the second quarter, with S&P reporting 2.6% (up from 2.4% end-March) and Moody’s reporting 3.4% (up from 0.9% end-March). Seven defaults were reported in the second quarter, three of them on subordinated debt only (three Spanish banks).

- According to S&P, downgrades exceeded upgrades in developed market Europe while the reverse held true in emerging market Europe. The rating agency downgraded 38 names and upgraded 16 names in developed market Europe, whereas in emerging market Europe 7 names were downgraded while 8 were upgraded.

- Bank downgrades drove a little more than a fifth of downgrades in developed market Europe (8 out of 38), followed by utilities (6 of 38). By dollar amount, bank and telecommunications led downgrade totals with $216.3 billion and $112.0 billion, respectively. Overall, British corporates received the bulk of the downgrades (8 of 38), trailed by the Netherlands and France (6 each). A quarter of upgrades were from German corporates; by dollar amount, the chemicals, packaging and environmental services sector led upgrades ($16.0 billion).
Emerging market Europe rating activity remained relatively quiet. Metals, mining & steel industries (3 of 7) drove the bulk of emerging market downgrades, while bank names (4 of 8) drove half of emerging market upgrades.
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

---

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

Factors Affecting Loan Demand
Jul. 2013

- Debt Restructuring
- Internal Financing
- Loans from Other Banks
- Inventories, Working Capital
- Loans from Non-Banks
- Equity Issuance
- M&A, Restructuring
- Debt Issuance
- Fixed Investment

Source: ECB

A positive net percentage signifies a factor that contributed to higher demand; a negative net percentage signifies a factor that contributed to lower demand.

1.8. Global Comparison – High Yield Issuance

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Prior 2011
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. Institutional and Pro Rata Spreads
2.7. Mezzanine Spread

![Graph showing the Mezzanine Spread from Jul. 2008 to Jun. 2013. The graph indicates a trend where the spread generally increases from July 2008 to January 2011, followed by a decline until January 2012, and then a sharp increase in April 2012. The graph is sourced from Dealogic, AFME, and SIFMA.](image)
3. Issuance – High Yield Bonds Overview

3.1. European HY Bond Issuance, Developed and Emerging Market

European HY Issuance, Developed and Emerging Markets 2006 - 2013 Q2

Sources: Dealogic, Thomson Reuters LPC

3.2. European HY Bond Issuance, Sponsored vs Corporate

European HY Issuance, Sponsored vs Corporate 2006 - 2013 Q2

Sources: Dealogic, Thomson Reuters LPC

3.3. European Corporate Bonds Outstanding

European Corporate Bonds Outstanding, Developed and Emerging Europe 2013 Q2

Sources: Bloomberg, AFME, SIFMA

3.4. European Corporate Bonds Maturity Wall

European HY Maturity Wall 2013 Q2

Sources: Bloomberg, AFME, SIFMA

3.5. European Corporate HY Bonds Outstanding By Sector

European HY Corporate Bonds Outstanding by Sector 2013 Q2

Sources: Bloomberg, AFME, SIFMA

3.6. European Corporate HY Bonds Outstanding by Current Rating

European HY Outstanding by Current Rating 2013 Q2

Sources: Bloomberg, AFME, SIFMA
3.7. European Corporate Bond Issuance by Rating

3.8. European Corporate Bond Issuance by Tenor

3.9. European HY Use of Proceeds

3.10. European HY Issuance, Secured Share

4. Issuance – European Developed Market High Yield Bonds

4.1. European Developed Market HY Bond Issuance

4.2. European Developed Market HY Issuance by Currency
4.3. European Developed Market HY Issuance by Industry

4.4. European Developed Market HY Issuance by Country of Risk

4.5. European Developed Market HY Issuance, Fixed vs. Floating

4.6. European Developed Market HY Issuance, Sponsored vs. Corporate

4.7. European Developed Market HY Rating Distribution at Issuance

4.8. European Developed Market Corporate Bonds Outstanding

Source: Dealogic, AFME/SIFMA
4.9. European Developed Market HY Bond Issuance

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Note:†PIK (Payment in Kind)

Source: Bloomberg, Dealogic
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†PIK (Payment in Kind) 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

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<td>B</td>
</tr>
<tr>
<td>Ukraine Railways - Ukrzaliznytsia</td>
<td>Transportation</td>
<td>14/05/2013</td>
<td>USD</td>
<td>500</td>
<td>9.500</td>
<td>B</td>
<td>B-</td>
<td>B</td>
</tr>
<tr>
<td>Far Eastern Shipping Co OAO - FESCO</td>
<td>Transportation</td>
<td>17/05/2013</td>
<td>USD</td>
<td>50</td>
<td>8.000</td>
<td>BB-</td>
<td>B+</td>
<td>B+</td>
</tr>
<tr>
<td>CB Renaissance Credit LLC</td>
<td>Finance</td>
<td>22/05/2013</td>
<td>USD</td>
<td>350</td>
<td>7.750</td>
<td>B2</td>
<td>B+</td>
<td>B</td>
</tr>
<tr>
<td>Mobile TeleSystems OAO - MTS</td>
<td>Telecommunications</td>
<td>23/05/2013</td>
<td>USD</td>
<td>500</td>
<td>5.000</td>
<td>Ba2</td>
<td>BB</td>
<td>BB+</td>
</tr>
<tr>
<td>Nomos-Bank OAO</td>
<td>Finance</td>
<td>04/06/2013</td>
<td>USD</td>
<td>300</td>
<td>10.000</td>
<td>B1</td>
<td>BB-</td>
<td></td>
</tr>
<tr>
<td>Khanty-Mansiysk Bank OAO</td>
<td>Finance</td>
<td>13/06/2013</td>
<td>USD</td>
<td>200</td>
<td>9.150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ukrlandfarming plc</td>
<td>Agribusiness</td>
<td>27/06/2013</td>
<td>USD</td>
<td>75</td>
<td>10.875</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

†PIK (Payment in Kind)

Source: Bloomberg, Dealogic, AFME/SIFMA
6. Credit Quality

6.1. European HY Default Rate

![European HY Default Rate (LTM) Jul. 2011 - Jun. 2013](Source: Standard & Poor's)

6.2. Developed Europe Issuer Rating Actions

![S&P Developed Europe Issuer Rating Actions 2008 - 2013:Q2](Source: Standard & Poor's)

6.3. Emerging Europe Issuer Rating Actions

![S&P Emerging Europe Issuer Rating Actions 2008 - 2013:Q2](Source: Standard & Poor's)

6.4. Developed European Industry Rating Actions by $ Amount

![S&P Developed Europe Issuer Rating Actions by $ Amount ex Sovereign & Banks 2013:Q2](Source: Standard & Poor's)

6.5. Emerging European Industry Rating Actions by $ Amount

![S&P Emerging Europe Issuer Rating Actions by $ Amount ex Sovereign & Banks 2013:Q2](Source: Standard & Poor's)

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1 Numbers include both corporate and sovereigns.
2 Rating data are a quarter behind.
3 Numbers include both corporate and sovereigns.
4 Rating data are a quarter behind.
5 Rating data are a quarter behind.
6 Rating data are a quarter behind.
### 6.6. European Defaults

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Industry Group</th>
<th>Country</th>
<th>Date</th>
<th>Reported By</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEVA Group PLC</td>
<td>Transportation</td>
<td>Netherlands</td>
<td>April 2013</td>
<td>S&amp;P, Moodys</td>
<td>Missed Interest Payment/Distressed Exchange</td>
</tr>
<tr>
<td>Confidential</td>
<td>Transportation</td>
<td>Greece</td>
<td>May 2013</td>
<td>S&amp;P</td>
<td>Missed Principal Payment</td>
</tr>
<tr>
<td>Banco CEISS Bank</td>
<td>Bank</td>
<td>Spain</td>
<td>May 2013</td>
<td>Moodys</td>
<td>Distressed Exchange (subordinated debt only)</td>
</tr>
<tr>
<td>Banco Financiero y de Ahorros</td>
<td>Bank</td>
<td>Spain</td>
<td>May 2013</td>
<td>Moodys</td>
<td>Distressed Exchange (subordinated debt only)</td>
</tr>
<tr>
<td>Liberbank</td>
<td>Bank</td>
<td>Spain</td>
<td>May 2013</td>
<td>Moodys</td>
<td>Distressed Exchange (subordinated debt only)</td>
</tr>
<tr>
<td>Codere S.A.</td>
<td>Media and Entertainment</td>
<td>Spain</td>
<td>June 2013</td>
<td>S&amp;P</td>
<td>Missed Interest Payment</td>
</tr>
<tr>
<td>Magyar Telecom BV</td>
<td>Telecommunications</td>
<td>Netherlands</td>
<td>June 2013</td>
<td>S&amp;P</td>
<td>Missed Interest Payment</td>
</tr>
</tbody>
</table>

Source: Moody's, Standard & Poor's
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
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. – 2.7. 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. – 3.6. European Corporate Bonds Outstanding
Data for European corporate outstanding are sourced from Bloomberg and AFME/SIFMA estimates. Criteria for Euro-
pean corporate bonds are: bonds must be placed in the do-
mestic, 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, re-
cceipts, and certificates of deposit. All currencies are included
and have been converted to EUR at time of pricing and/or is-
sue.

High-yield ratings are sourced from Bloomberg’s composite
erating, 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 fi-
nance securities; while all effort is made to exclude the latter,
the former will be counted toward the corporate bonds out-
standing 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 rat-
ing 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.
“Other” includes perpetuals.

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 inclu-
sion.

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 King-
dom, 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 method-
ology.

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 Tur-
key, the Russian Federation, Kazakhstan, Turkmenistan, Uz-
bekistan, 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 method-
ology.

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 Aus-
tria, Belgium, Bulgaria, Channel Islands, Cyprus, Czech Re-
public, Denmark, Estonia, Finland, France, Germany, Greece,
Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxem-
bourg, 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 Eu-
ropo are from AFME’s definition of developed and emerging
markets and would be, under S&P’s guidelines, a combina-
tion of both European and EMEA rating actions. Multiple
downsizes of a single issuer are counted separately. Rating
actions are inclusive of both corporate (both credit and mer-
ger-related) as well as sovereign ratings.

6.4. – 6.5. 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 de-
veloped 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 loans markets, when avail-
able.
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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