

Q4 2025

European High Yield, Leveraged Loan, and Private Credit Report

European Leveraged Finance

afme / Acknowledgements and data sources

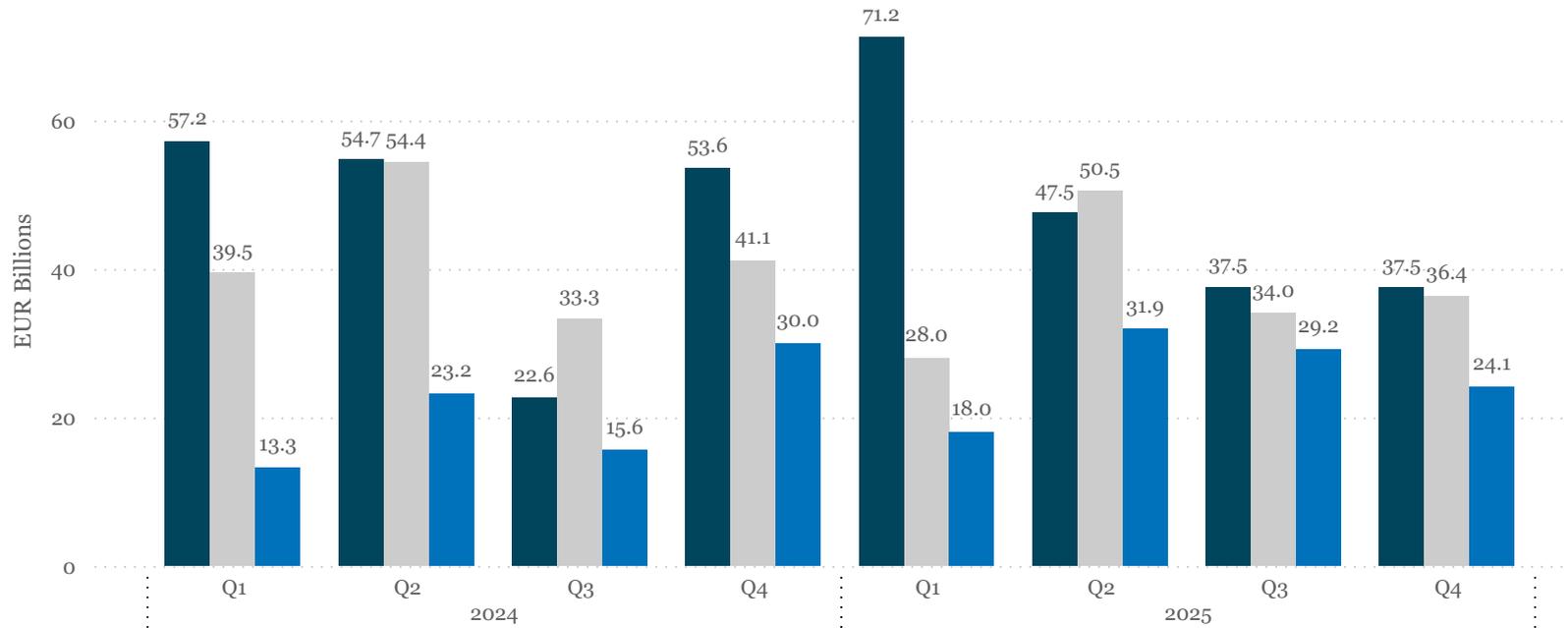


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1.1 European Issuance of High Yield Bonds, Leveraged Loans and Direct Lending

● Leveraged Loans ● High Yield Bonds ● Direct Lending



Direct lending volumes may not represent the full universe as they are derived from estimates based on disclosure. For definitions and criteria see page 49.

Note that all figures have been updated to reflect data available as of January 2026.

European Direct Lending rose 26% in 2025

European leveraged debt markets issuance (leveraged loans, direct lending, and high yield bonds) totalled €445.8bn in proceeds in 2025, an increase of 2% from €438.5bn in 2024. Of this, €98bn was issued in Q4 2025, representing a decrease of 2.7% from €100.7bn in Q3 2025 and of 21.4% from €124.7bn in Q4 2024.

Direct lending origination reached €103.2bn in 2025 (€82.1bn in 2024FY), of which €24.1bn was issued in Q4 2025. The contribution of private credit to total leveraged debt markets rose from 19% in 2024 to 23% in 2025.

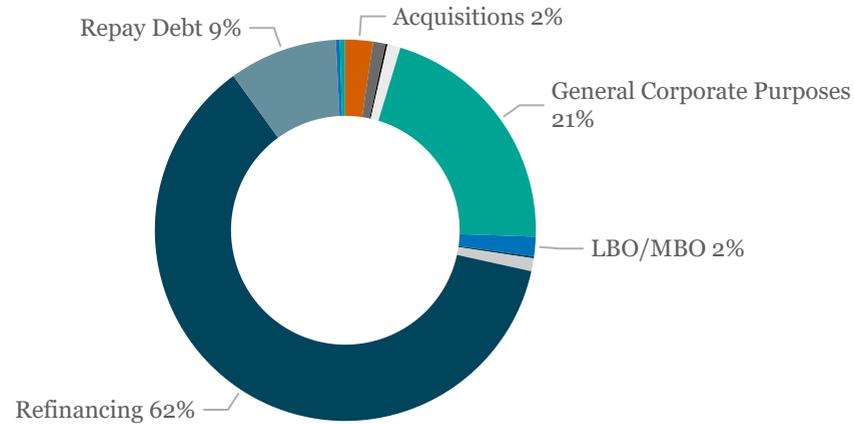
Direct lending includes primary origination only, excluding secondary sales, drawdowns from existing facilities and deals that are part of a wider bank-led syndicated lending (see Definitions on page 49).

Leveraged loan origination totalled €193.7bn in 2025 (€188.1bn in 2024FY), with €37.5bn issued in Q4. The Q4 2025 amount marked a 0.05% decline QoQ and a 30% drop YoY.

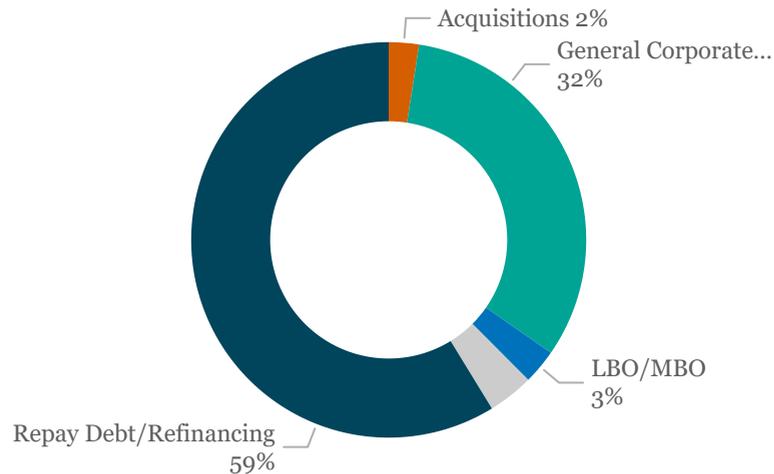
High yield bond issuance reached €36bn in Q4 2025, up 7% from the previous quarter and down 12% from Q4 2024. The total high yield issuance for 2025 was €148.9bn (€168.3bn in 2024 FY).

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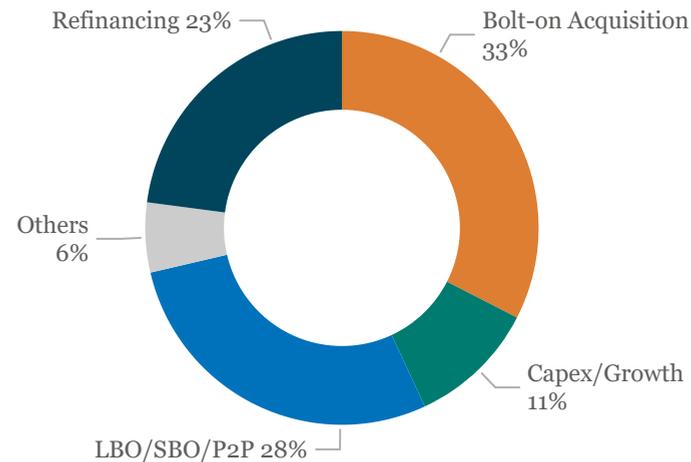
1.2 European Leverage Loans by Use of Proceeds



1.3 European High Yield Issuance by Use of Proceeds



1.4 European Direct Lending by Use of Proceeds



Direct Lending use of proceeds predominantly funds acquisitions and LBOs. High-Yield Bonds and Leveraged Loans focus on refinancing

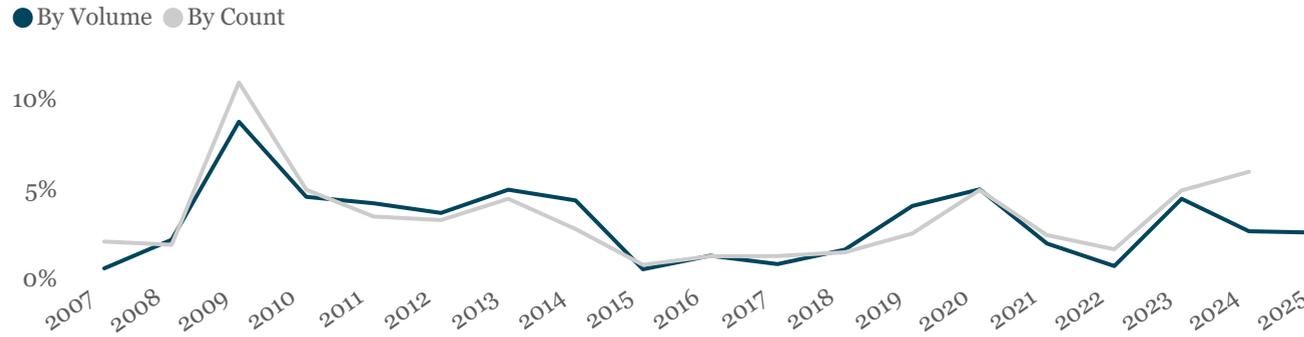
In 2025, 62% of leveraged loan issuance was used for refinancing, with an additional 9% for debt repayment. General corporate purposes accounted for 21%, while acquisitions and LBOs represented 4% of total proceeds.

Similarly, high-yield bond issuance was dominated by refinancing and debt repayment (59%), followed by general corporate purposes (32%) with only 3% used for LBOs.

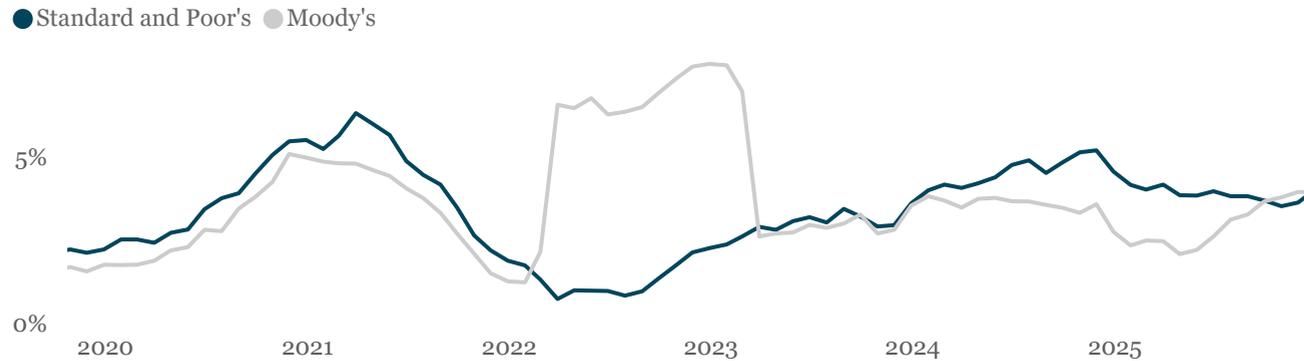
In contrast, direct lending showed a different distribution in the use of proceeds, focusing predominantly in acquisition activities. According to Octus, acquisitions (33%) and LBOs (28%) represented the largest share of proceeds, while refinancing accounted for 23% of the total.

afme / Key findings

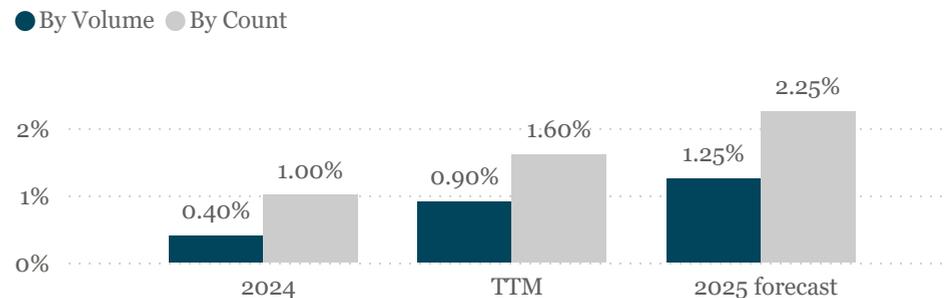
1.5 European Leveraged Loan Default Rates



1.6 European High Yield Bond Default Rates



1.7 European Direct Lending Default Rates



Source: Fitch [1.5], Moody's [1.6], KBRA DLD [1.7]. Direct lending default rates based on European direct lending deals held in US BDCs. December TTM rate is not final as some US BDCs have not reported default performance.

Direct lending default rates increased in 2025

Default rates increased in 2025 compared to 2024, both when estimated by count and by volume. In 2024, the default rate by count was 1%, while the trailing twelve month (TTM) default rate as of December 2025 stood at 1.6%, while forecasts indicated a rise to 2.25% by the end of the year. In terms of volume, the default rate increased from 0.4% in 2024 to 0.9% (TTM), with forecasts expecting it to reach 1.25% at the end of 2025.

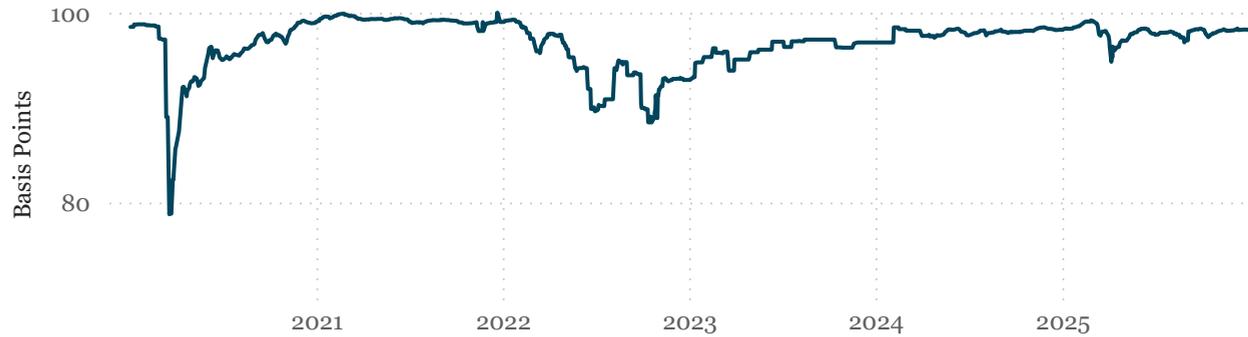
Leveraged loan and High Yield bond default rates fluctuated within historic averages during 2025

According to S&P, the trailing 12-month speculative-grade bond default rate stood at 4.0% at the end of December, showing relative stability throughout the year (4.14% in January of 2025). Moody's reported an increase in default rates, from 2.73% in December 2024 to 3.9% in December 2025.

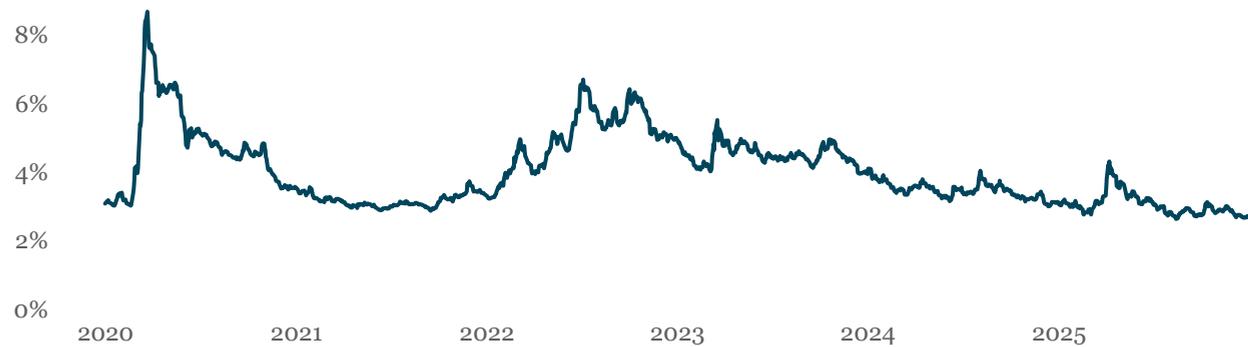
According to Fitch, the European leveraged loan trailing-12-month default rate by volume increased from 1.8% in 2024 to 2.5% in December 2025.

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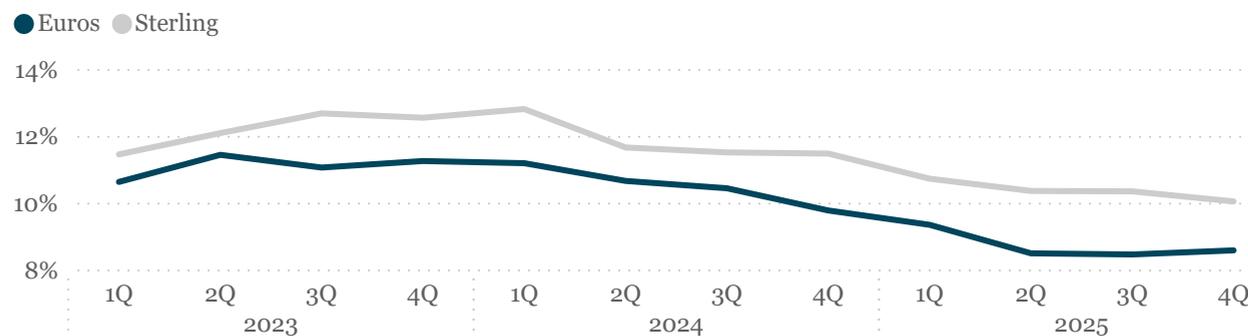
1.8 Relative value: European Leveraged Loans, Cash (EURO Lev40)



1.9 ICE BofA Euro High Yield Index Option-Adjusted Spread (%)



1.10 Yields of Private Credit Loan Origination



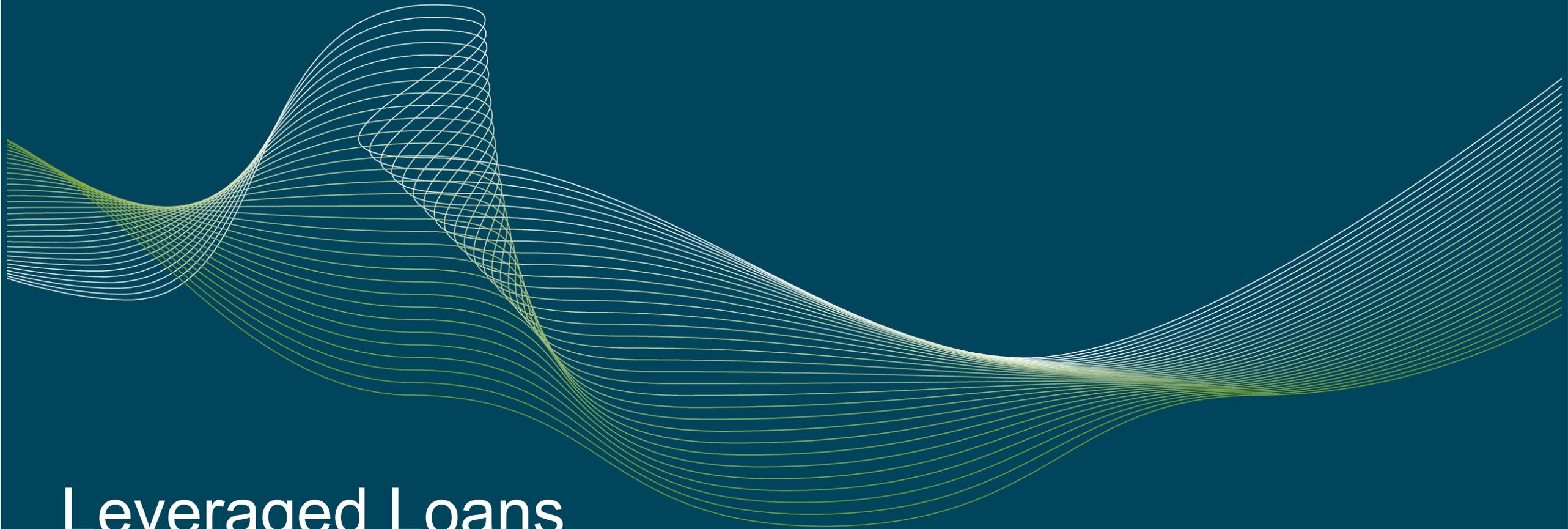
European high yield bond spreads continued tightening in 2025 after reaching their yearly peak in April

The European high yield option-adjusted spread peaked in April at 4.12%, the highest value since December 2023, before starting tightening. The spread closed the year at 2.7%, broadly unchanged from 2.72% at the end of September 2025.

The cash relative value in the leveraged loan market remained broadly stable during the year, except for a drop to 95.28 bps in April following the U.S. tariff announcements. In the final quarter of 2025, the Lev40 Index moved only marginally from 98.29 at the end of September to 98.2 by December 2025.

Yields of private credit loan origination have shown a declining trend since late 2023. Euro-denominated yields peaked at 11.4% in Q2 2023 and have consistently decreased quarter over quarter, reaching a low of 8.48% in Q2 2025. They closed the year at 8.57%.

Sterling-denominated yields have followed a similar trajectory, reaching a high of 12.8% in Q1 2024 before falling to 10.04% in Q4 2025.



Leveraged Loans

afme / Leveraged Loans

Issuance: Leveraged Loans

Leveraged loan origination reached €193.7bn in 2025, with an average deal size of €477.2mn, the highest level on record.

In Q4 2025, leveraged loan origination totalled €37.5bn, a slight 0.05% decrease compared to the previous quarter, and a 30% drop (-€16.05bn) from Q4 2024.

Since 2021, first-lien loans have accounted for 99.8% of the total volume of leveraged loans, with second-lien and mezzanine financing representing 0.17% and 0.03%, respectively.

In Q4 2025, institutional spreads, as measured by a 3-month rolling average, showed a decline from 461.42 basis points in September to 327.82 basis points in December. Pro-rata spreads surged to 750 basis points in September, up from 495 basis points in August, before decreasing to 274.17 basis point by the end of Q4. As a result, the gap between institutional and pro-rata spreads was relatively small by the end of the year.

The Professional Services sector emerged as the leading sector by loan origination amount in Q4 2025, reaching €7.1bn. It was followed by Retail and Metal & Steel, which originated €4.3bn and €2.9bn in loans, respectively.

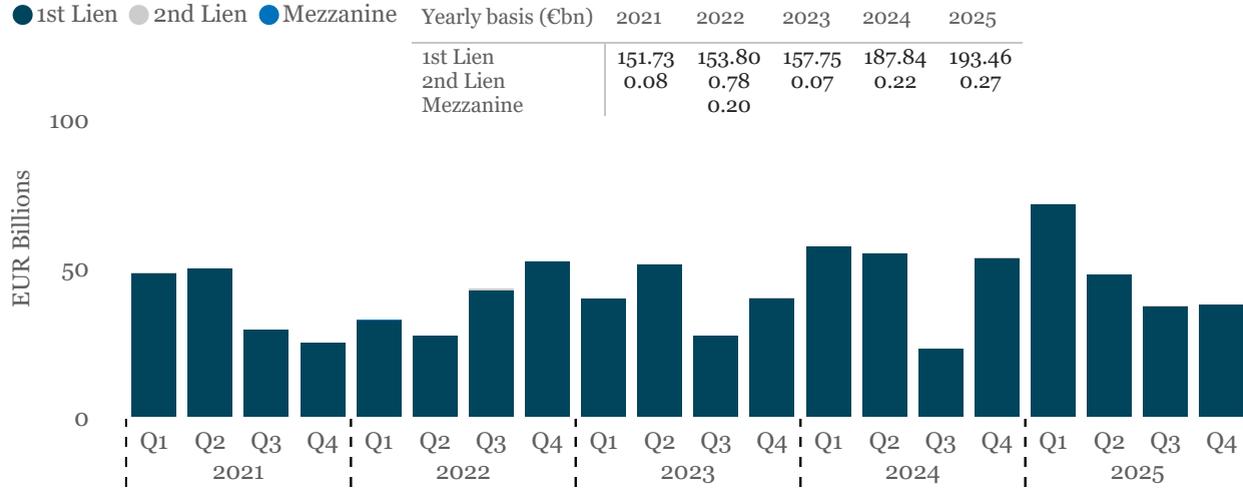
Credit Standards and Loan Demand

According to the European Central Bank lending survey, credit standards for loans to large firms eased only during Q2 2025, while credit standards for SMEs tightened throughout the whole year.

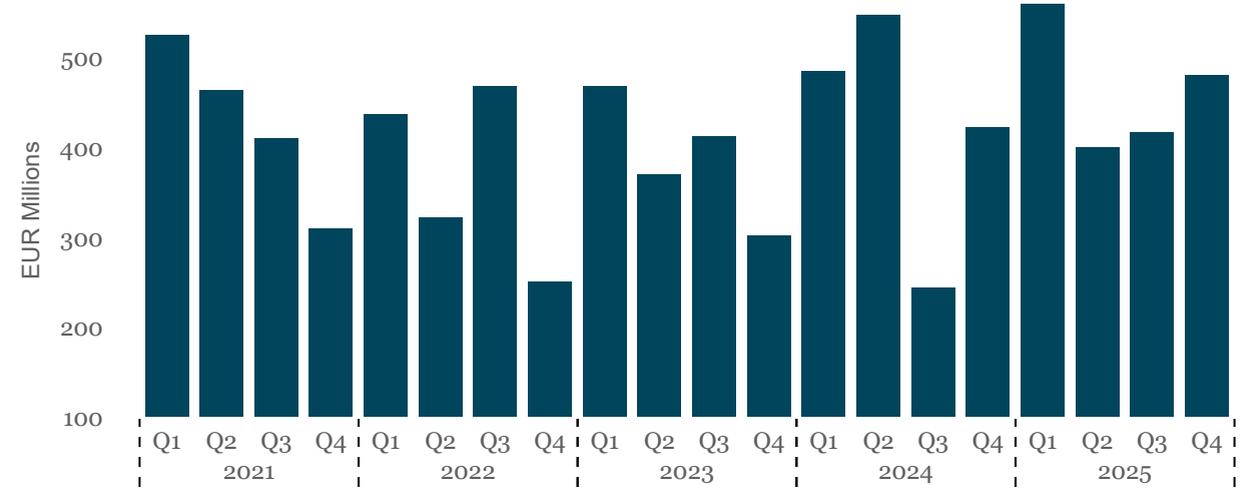
Overall loan demand fell in the first quarter of 2025, but began to recover afterward, increasing throughout the second half of the year.

afme / Leveraged Loans

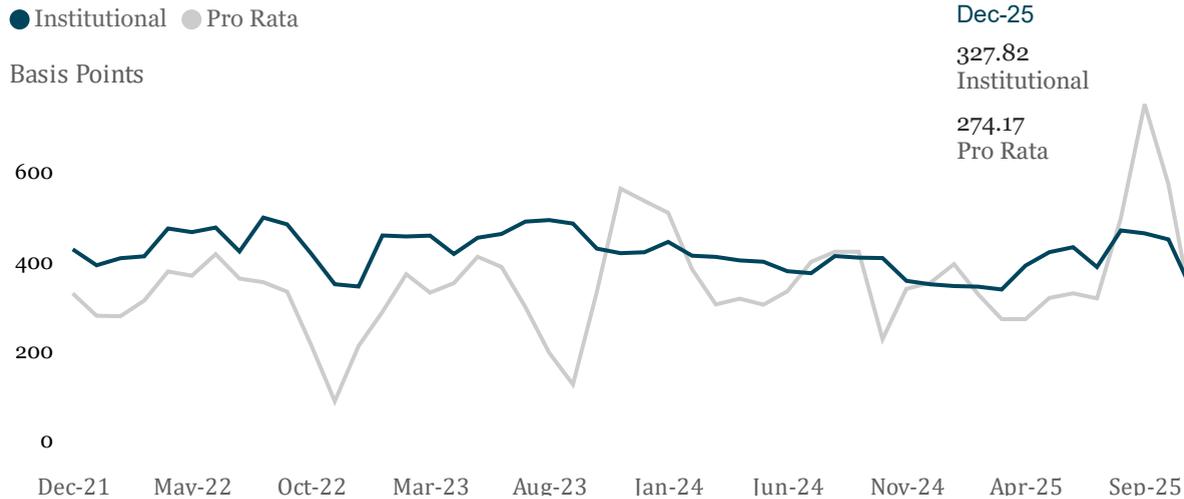
3.1 European Leveraged Loan Issuance by Type



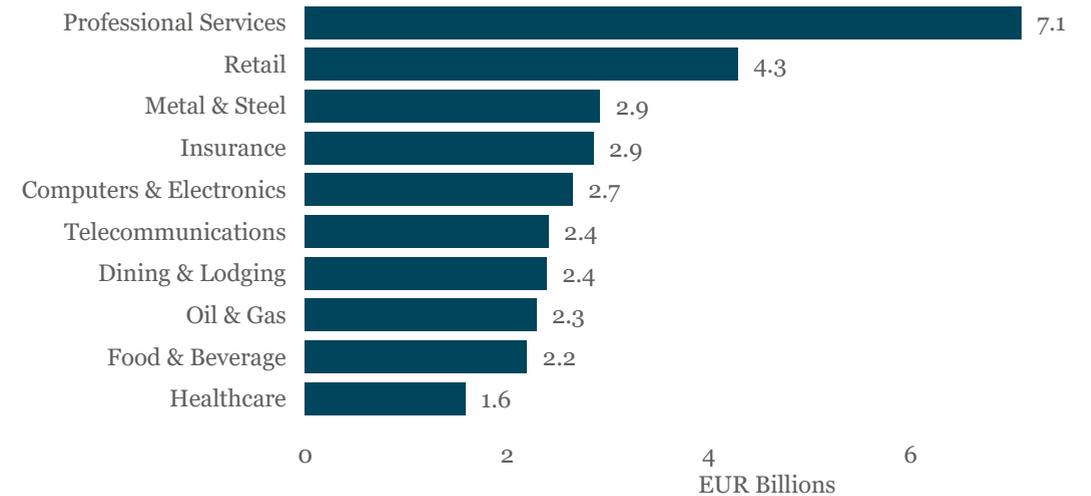
3.2 European Leveraged Loans Average Deal Size



3.3 Institutional and Pro Rata Spreads (3-month rolling average)



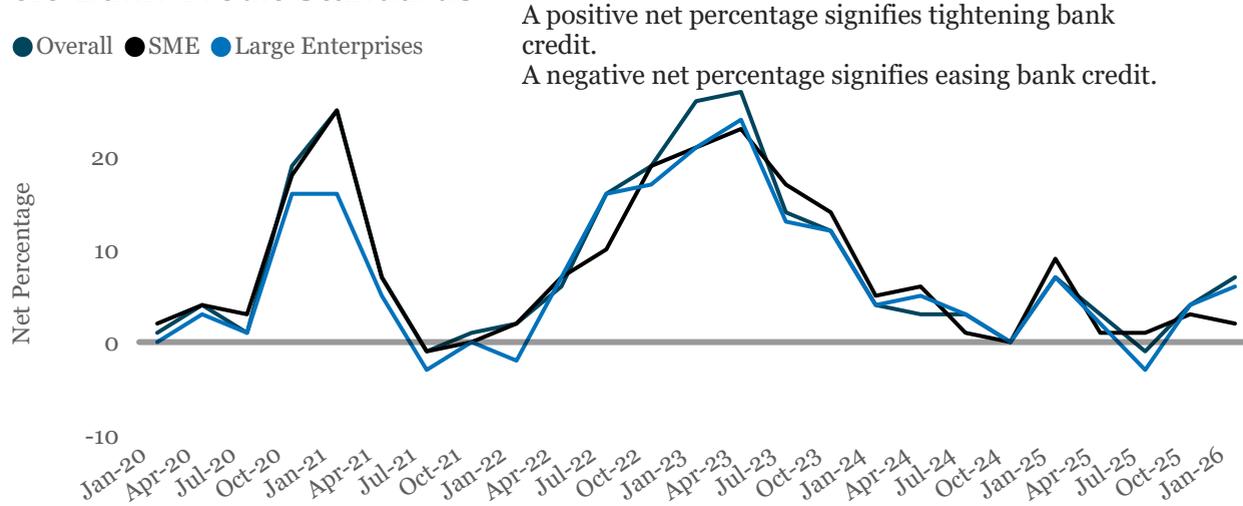
3.4 European Leveraged Loan Issuance by Industry: Q4 2025 (Top 10)



afme / Credit Standards and Loan Demand

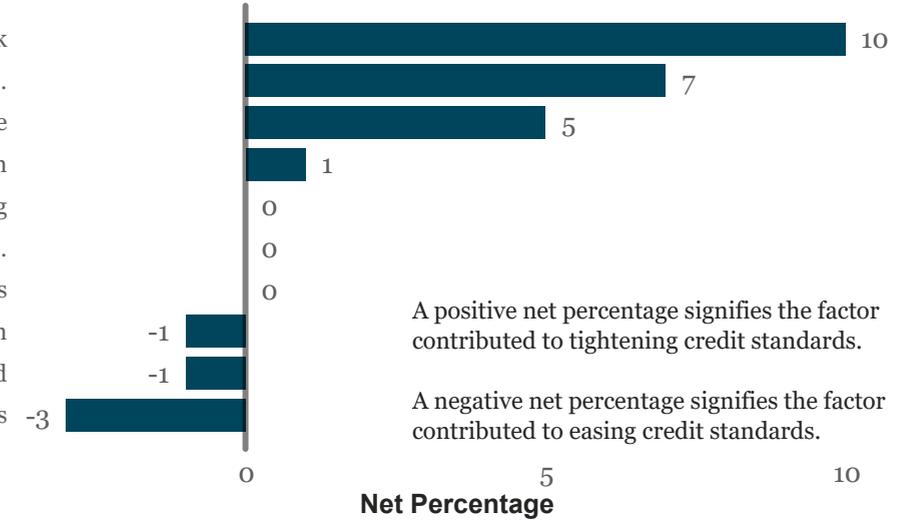
3.5 Bank Credit Standards

● Overall ● SME ● Large Enterprises



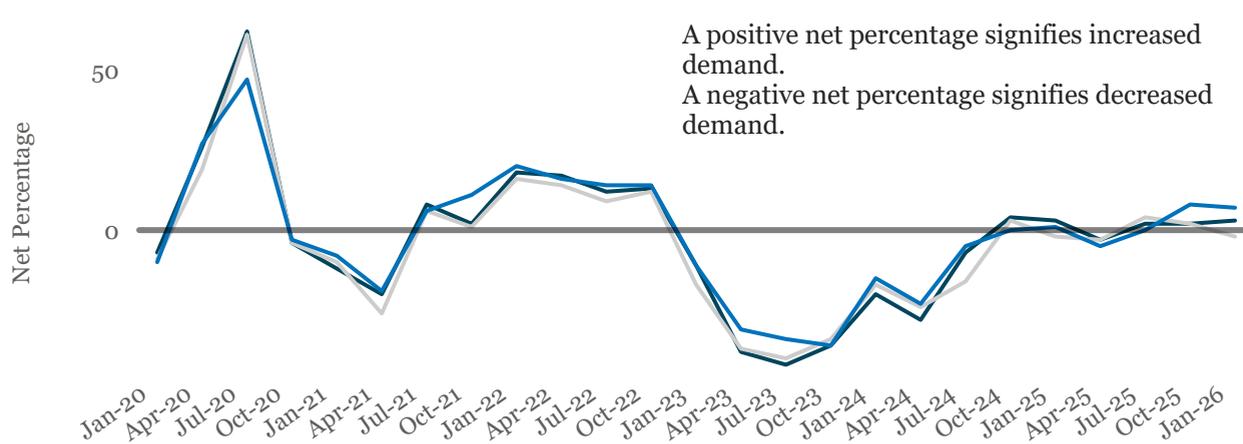
3.6 Factors Affecting Bank Credit Standards: December 2025

Industry or Firm-Specific Outlook
General Economic Situation and...
Bank's Risk Tolerance
Costs to Bank Capital Position
Bank Access to Market Financing
Competition from Market Finan...
Competition from Non-Banks
Bank's Liquidity Position
Risk on Collateral Demanded
Competition from Banks



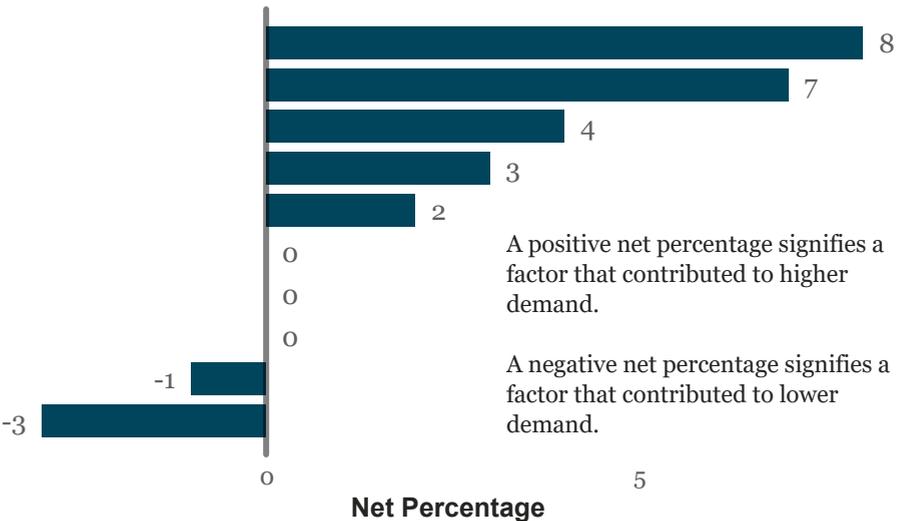
3.7 Loan Demand

● Overall ● SME ● Large Enterprises



3.8 Factors Affecting Loan Demand: December 2025

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



Direct Lending

afme / Direct Lending

Issuance: Direct Lending

European direct lending origination reached €103.2bn in 2025, of which €24.1bn was issued in Q4 2025. This represents a decrease by value of 17.5% compared to the third quarter of 2025 and of 19.7% from €30bn in Q4 2024. By volume, the number of deals rose from 291 in Q3 2025 to 325 in Q4 2025.

In the US, deal activity has consistently been higher, at times more than double the European origination amount. In Q4 2025, the number of the US deals stood at 642, up from the 579 in the previous quarter and 560 in Q4 2024.

In 2025, the primary use of proceeds was Acquisition, accounting for 32.5% of total issuance, followed by LBO/SBO/P2P at 28.3% and Refinancing at 23%. Capex represented only 10.5% of the total share.

The most active sectors over the year were Software & Services (20.6%), Business Services-related (16.7%) and Healthcare & Life Sciences (14.9%).

In Q4 2025, UK and Ireland originated the largest share of direct lending, representing 31.7% of the total European origination. This was followed by France at 20% and Southern Europe at 16%.

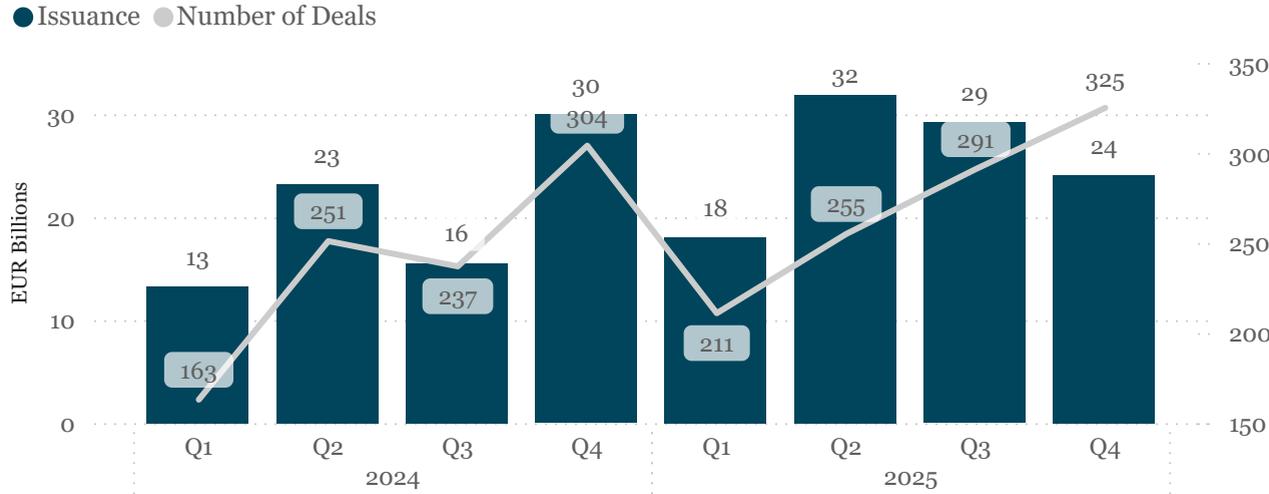
During the same period, 30.5% of the total deals were ESG-compliant, an increase of 21.5% from the previous quarter and of 5.2% YoY.

UK firms conducted the highest number of ESG-compliant deals in both 2024 and 2025. In 2025, there were 86 ESG deals, with France and Germany following.

The leverage and margin levels on 2025 deals show that the market is dispersed, and lenders are willing to add two or more turns of leverage or reduce pricing below 450 bps to close larger deals.

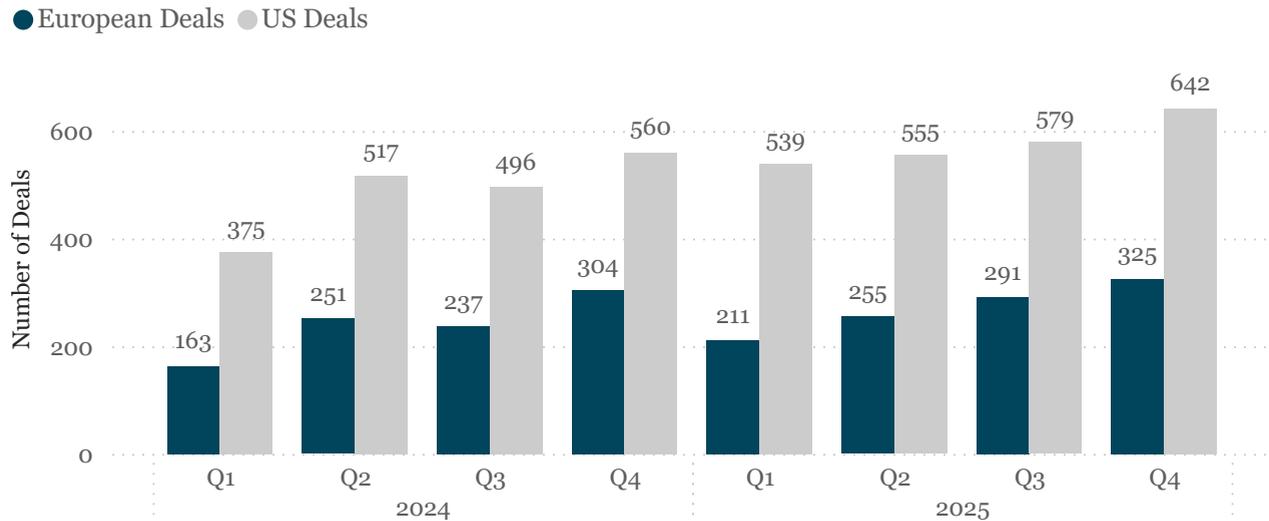
afme / Direct Lending

4.1 European Direct Lending Issuance



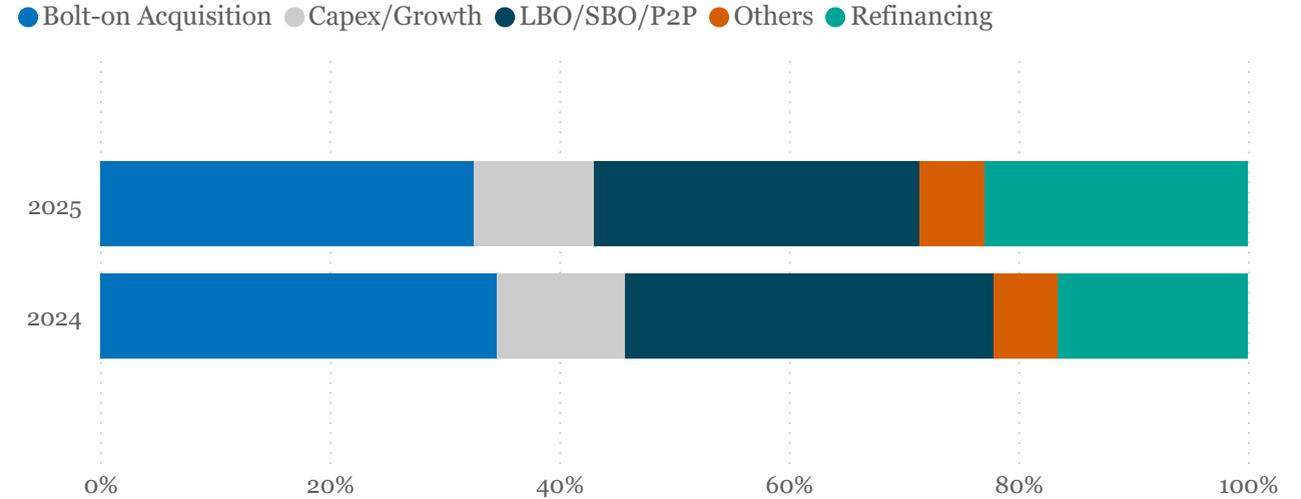
* Direct Lending volumes are derived from estimates based on disclosure

4.3 Comparison of Number of Deals: EU vs US



Source: Octus

4.2 Direct Lending Origination by Use of Proceeds



4.4 European Deals by Debt Quantum: Number and Share

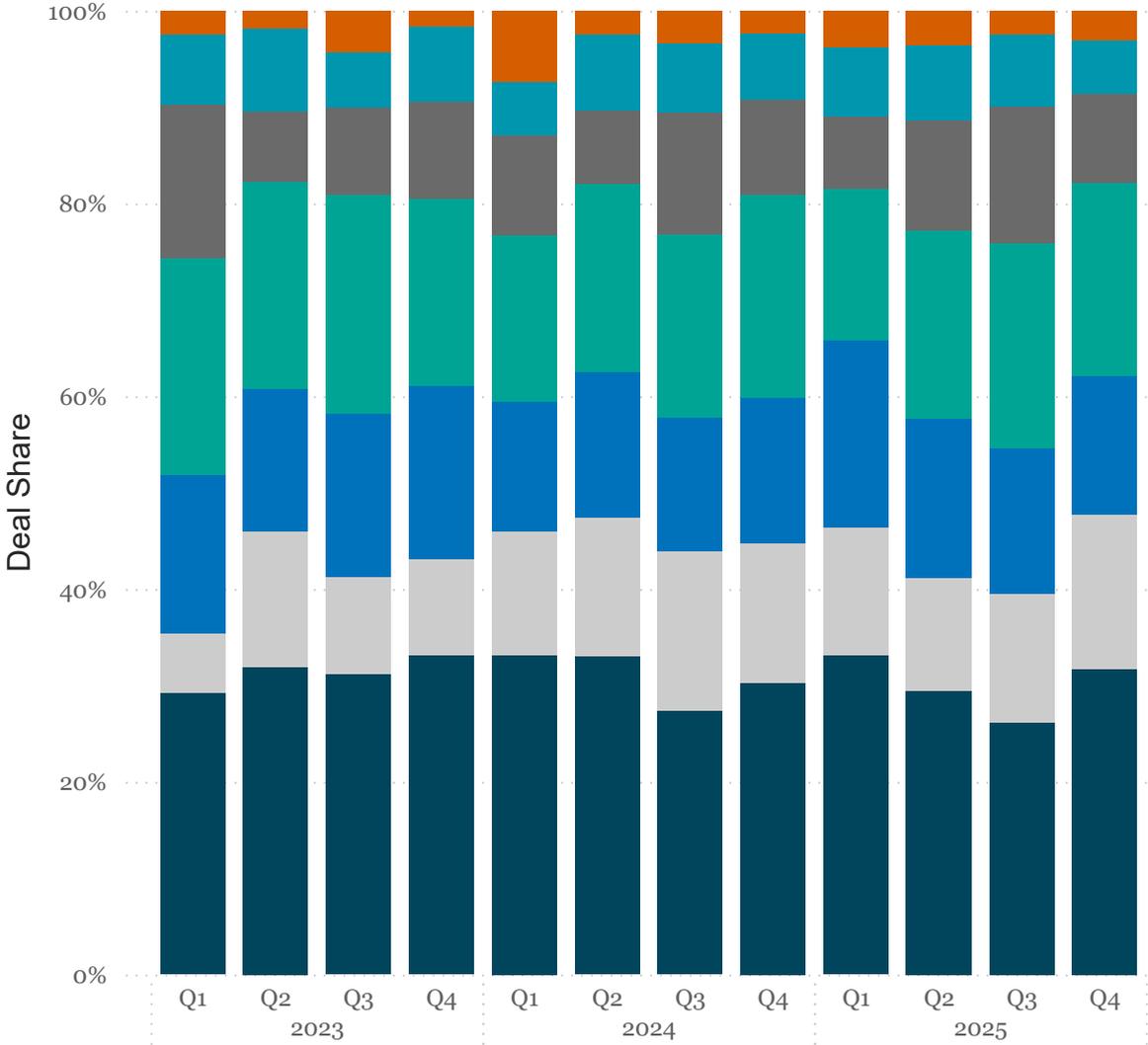
2025



afme / Direct Lending

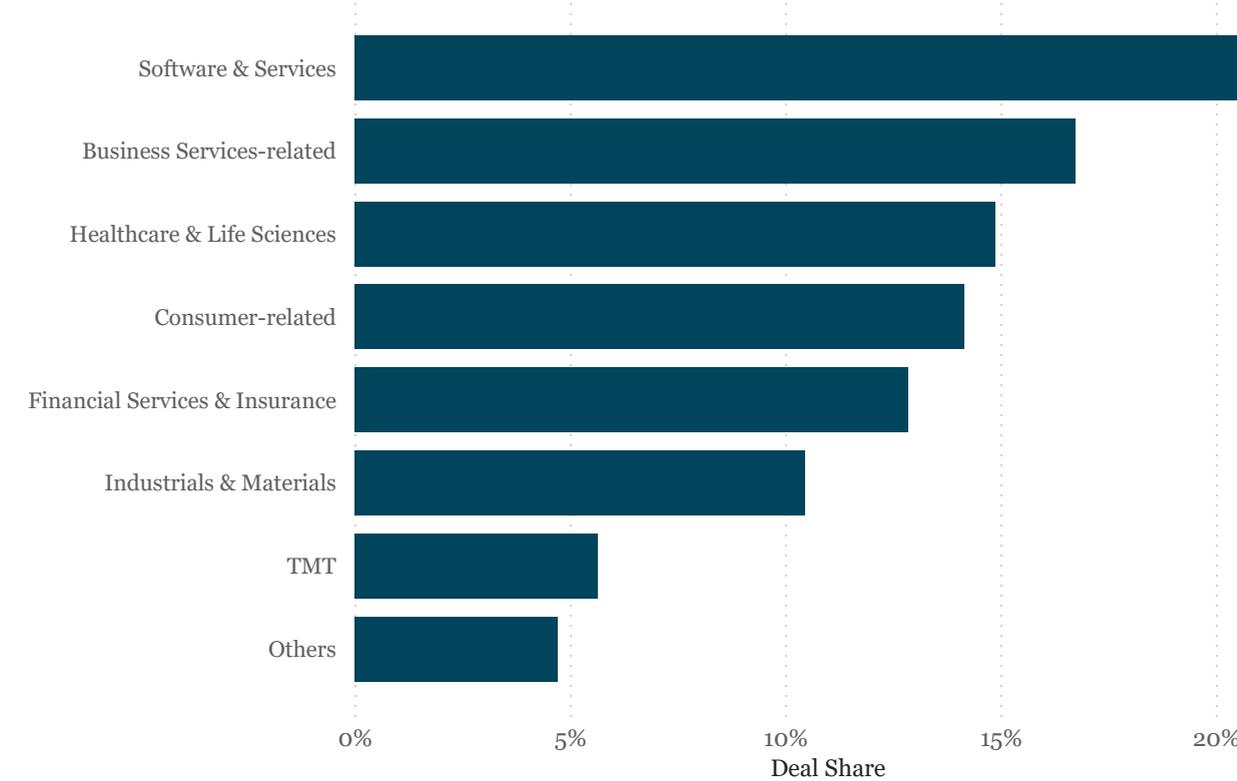
4.5 European Direct Lending Origination by Country

● UK & Ireland ● Southern Europe ● DACH ● France ● Benelux ● Nordics ● Eastern Europe

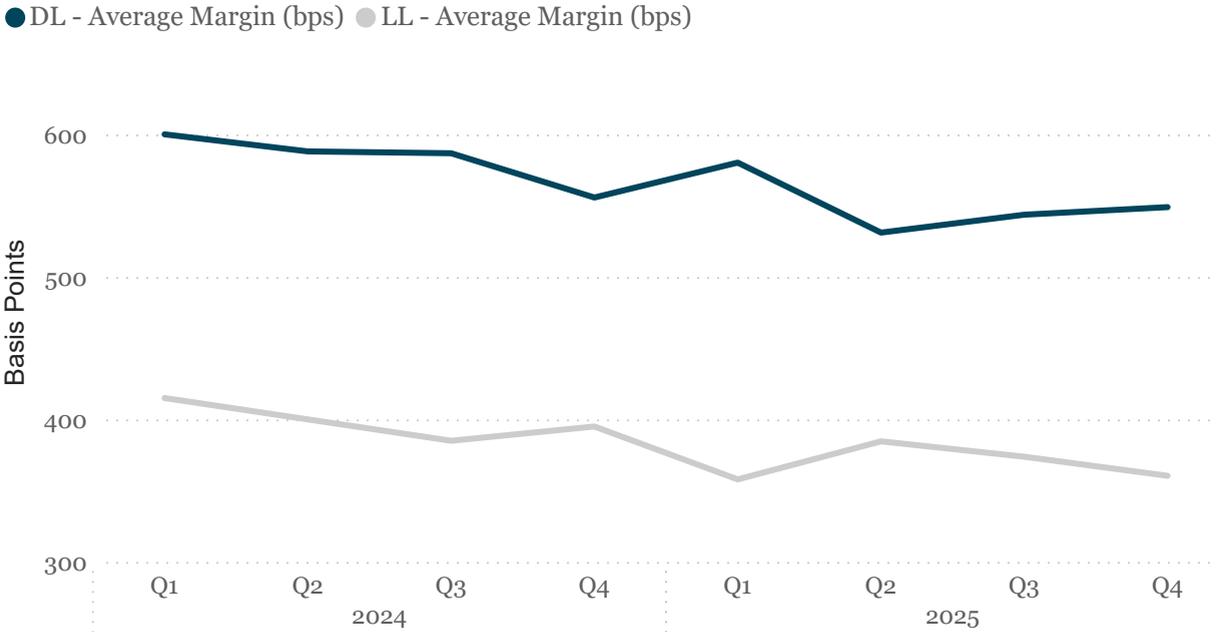


4.6 European Direct Lending Origination by Sector

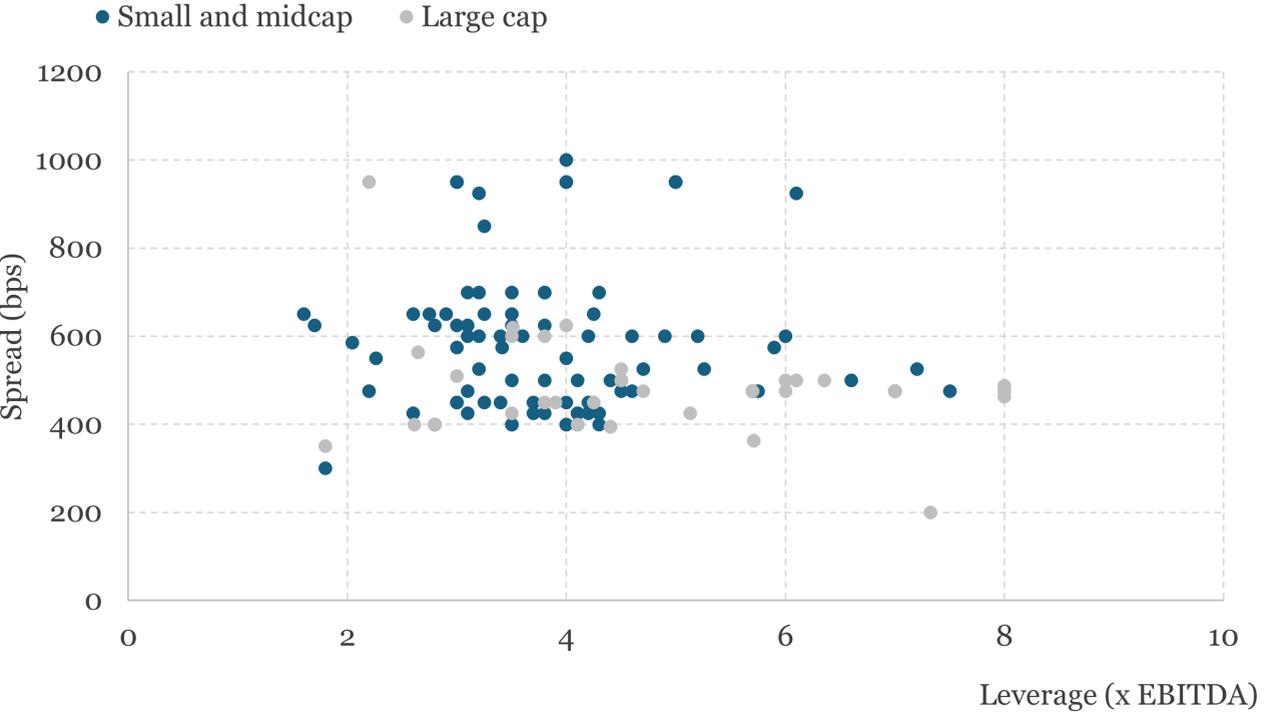
2025



4.7 Pricing Trends in Europe: Leveraged Loans vs Direct Lending



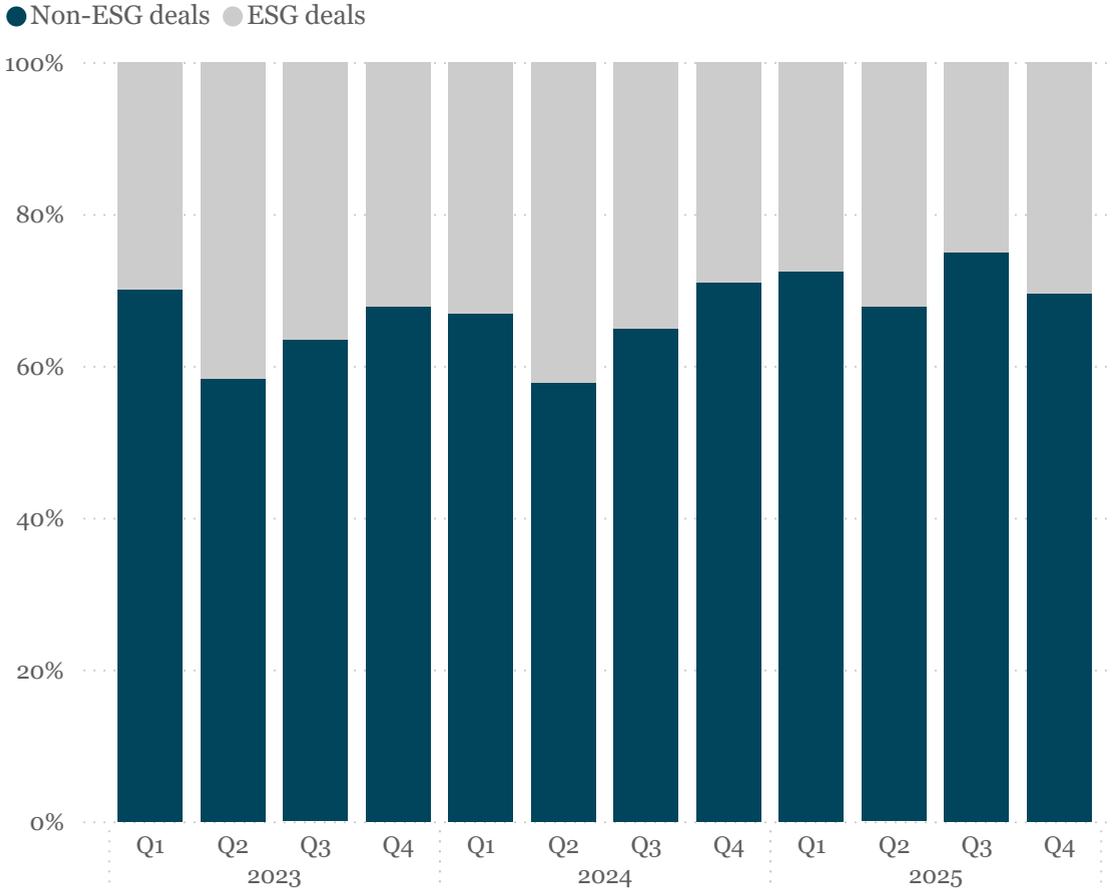
4.8 European Spread vs Leverage on 2025 deals



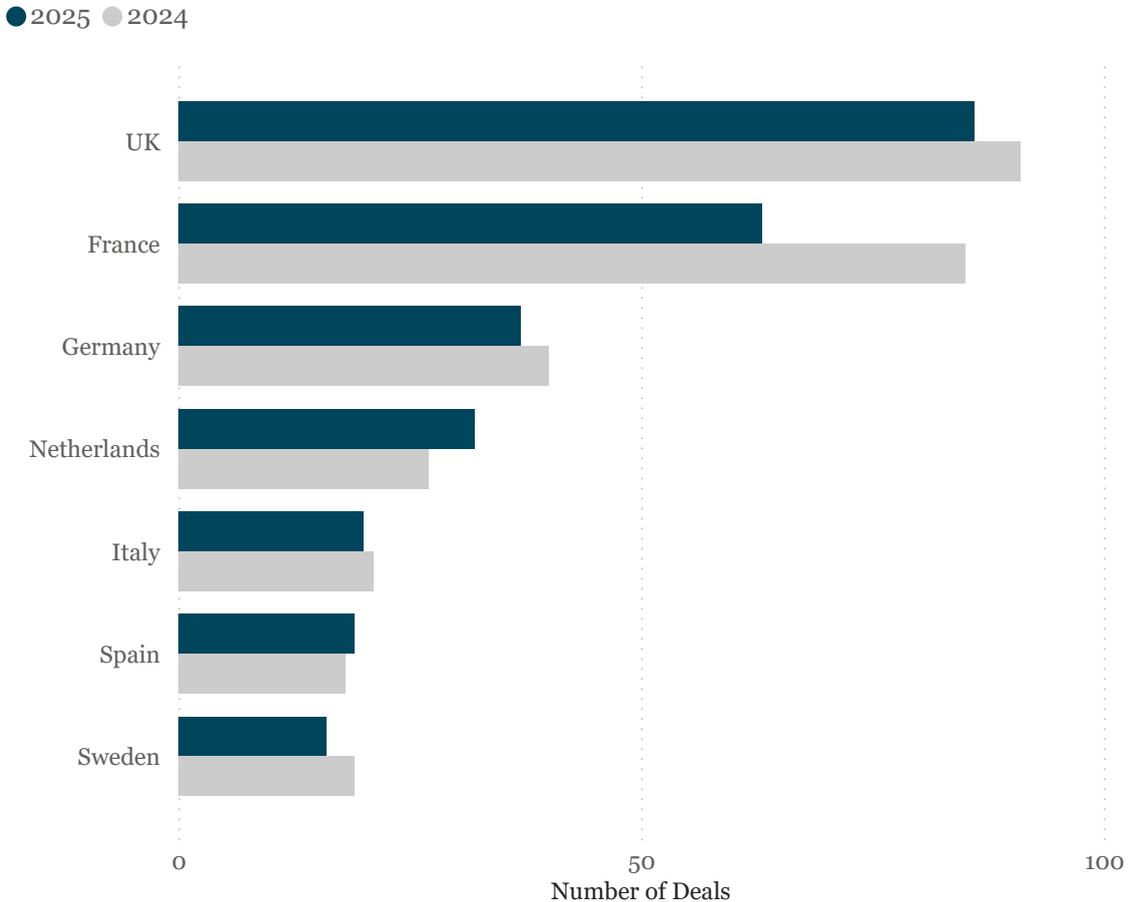
Source: Octus [4.7], 9fin [4.8]

afme / Direct Lending - Focus on ESG Deals

4.9 Share of European ESG-Compliant Deals



4.10 Number of ESG-Compliant Deals by Country



CLOs

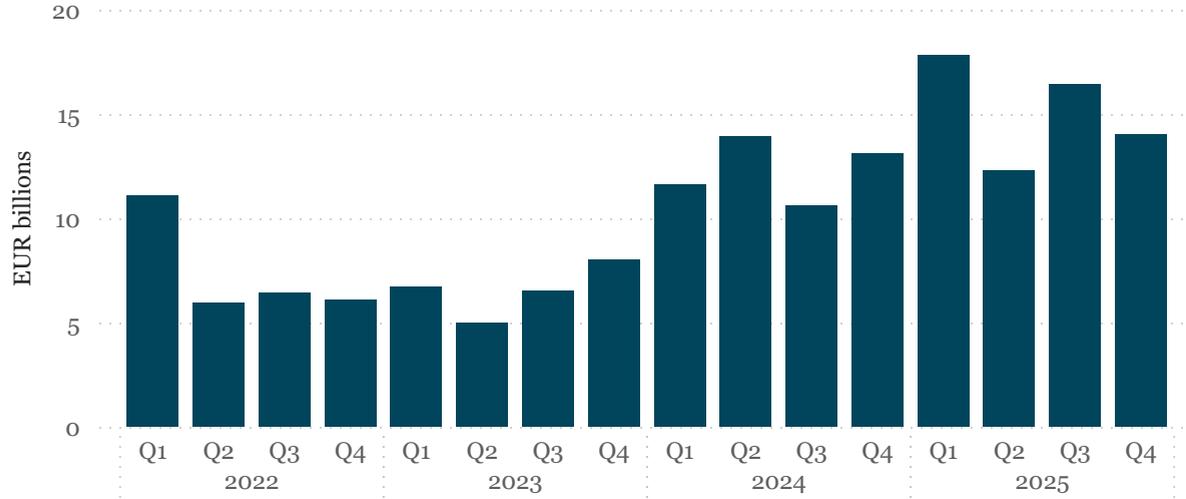
afme / CLOs

European Collateralised Loan Obligation (CLO) issuance reached €60.5bn in 2025, the highest level since 2008. In Q4 2025, €14bn of CLOs were issued in Europe, a 14.6% decline QoQ but a 6.9% increase YoY.

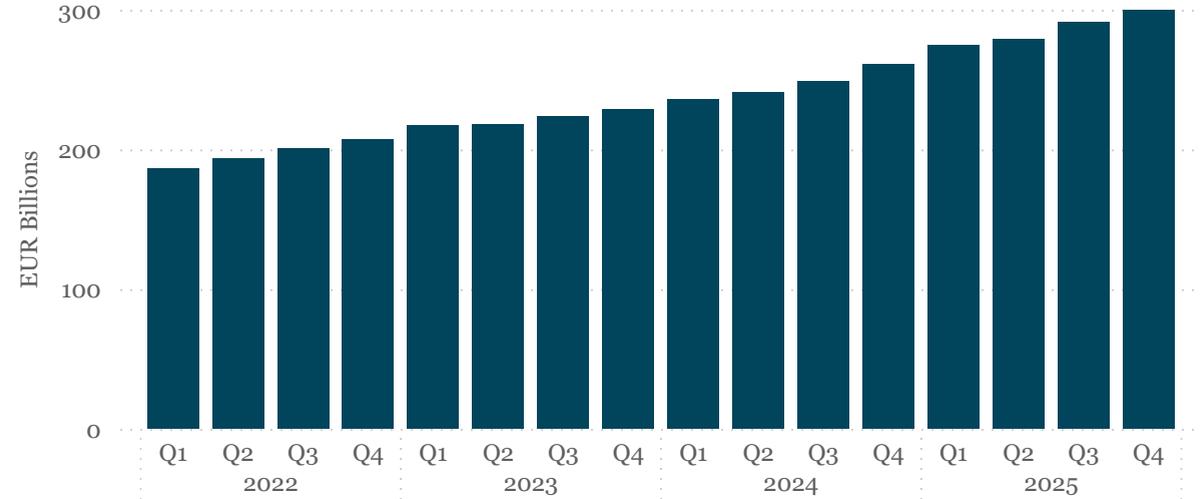
In Q4 2025, CLO Outstanding amount reached €303bn, accounting for a 4.1% increase from Q3 2025 and a 16.2% increase from Q4 2024.

Since 2024, US CLO issuance has consistently exceeded European CLO issuance. In Q4 2025, US issuance reached €29.6bn, while European CLO issuance totalled €14bn, accounting for 32% of the combined US and European issuance.

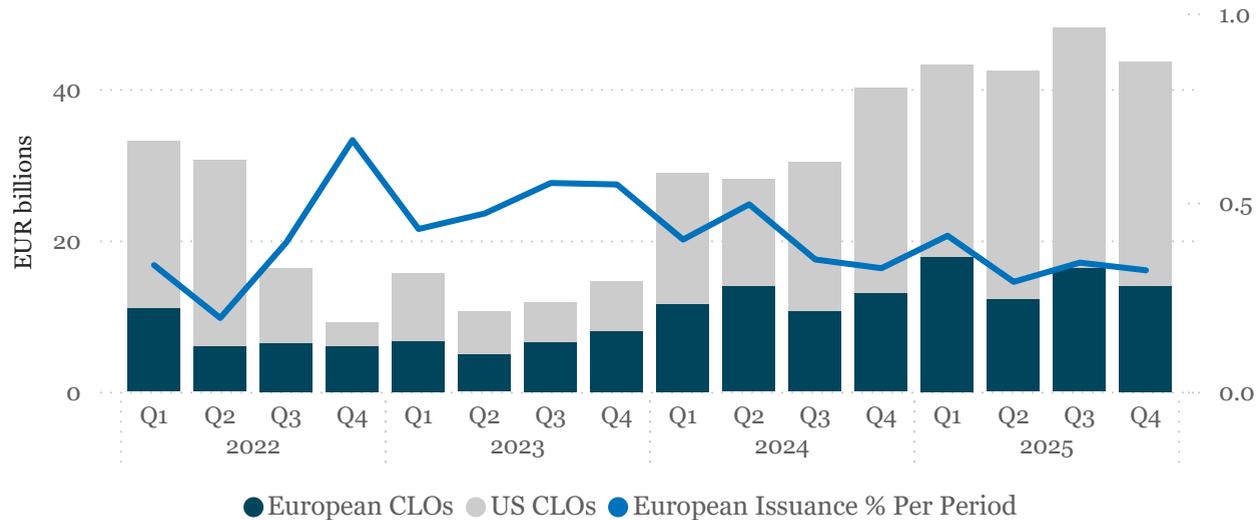
5.1 European CLO Issuance



5.2 European CLO Outstanding



5.3 CLO Issuance Comparison: Europe vs US



High Yield Bonds Overview

afme / High Yield Bonds Overview

Issuance: High Yield Bonds

Primary high yield bond issuance reached €148.8bn in 2025. It totalled €36.4bn (on 90 deals) in Q4 2025, a 9% increase from €33.4bn (on 89 deals) in Q3 2025.

In 2025, issuance by firms located in European developed markets represented approximately 81.7% of the total (€121.2bn), while firms in European emerging markets represented the remaining 18.3%(€27.1bn).

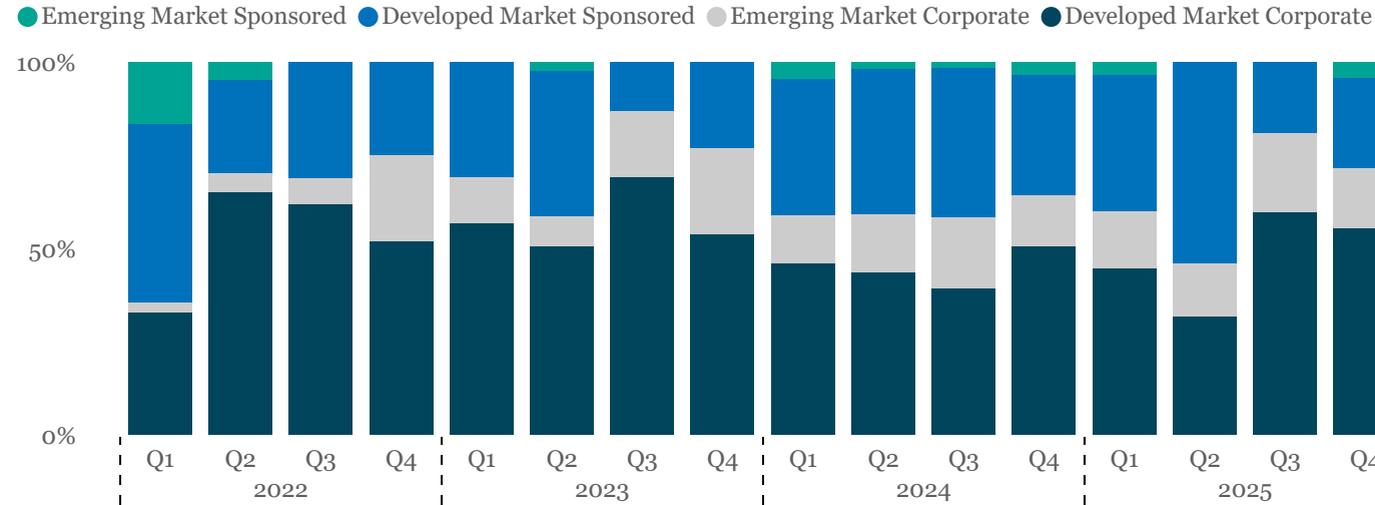
In Q4 2025, the primary use of proceeds was refinancing, which accounted for 59.8% of total issuance, followed by general corporate purposes at 29%. The share of refinancing-related issuance has remained strong, after reaching the highest value in recent years during Q2 2025. Notably, there have been no restructuring-related deals in 2025.

In the last quarter of 2025, three sectors accounted for 57.5% of the high yield market by outstanding amount: Financials, Consumer Discretionary, and Communications with €161.7bn, €129.3bn, and €114.8bn of the total outstanding value respectively.

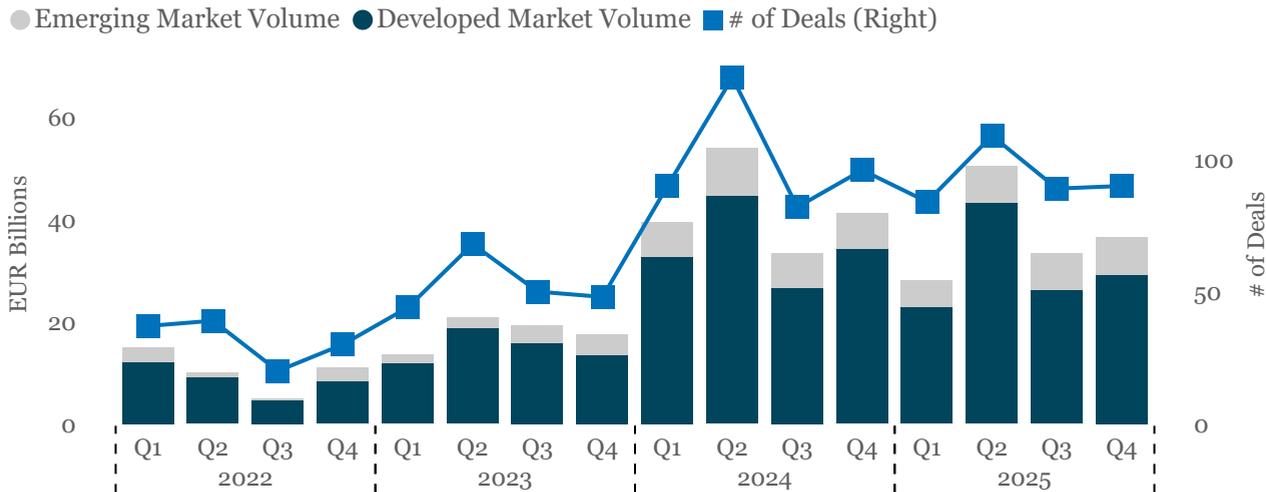
The outstanding amount of European corporate high yield bonds continued its declining trend, decreasing from €768bn in Q3 2025 to €735bn in Q4 2025.

afme / High Yield Bonds Overview

6.1 European High Yield Issuance, Sponsored vs Corporate



6.2 European High Yield Issuance, Developed and Emerging Markets



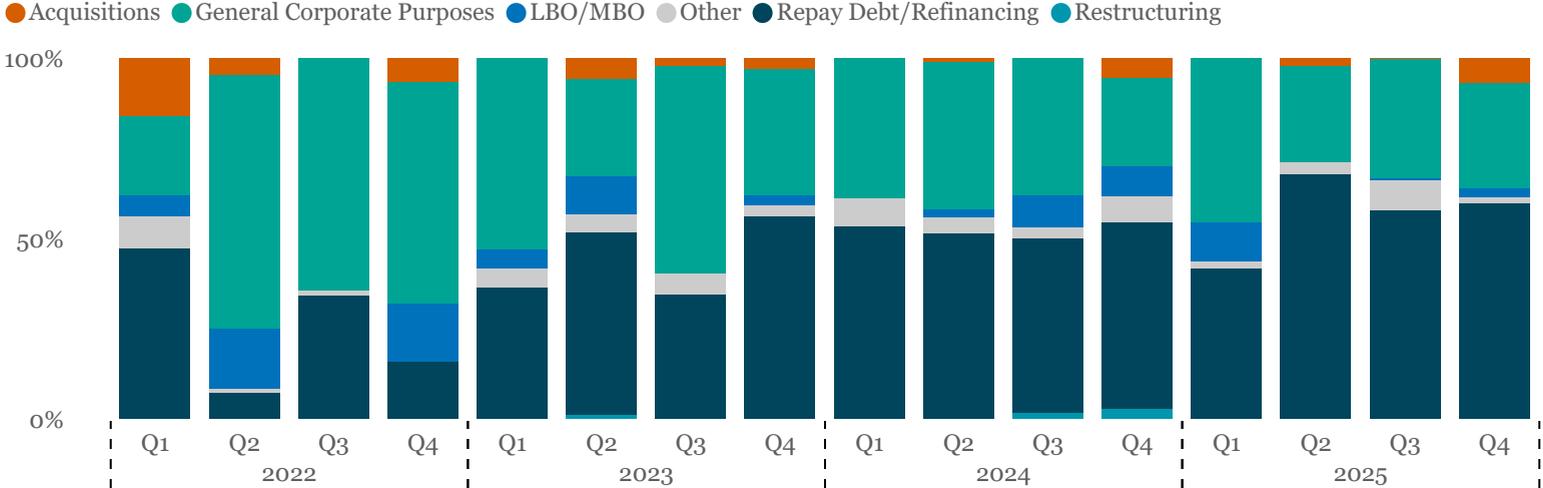
6.3 Global Comparison High Yield Issuance (EUR Billions)

Year Region	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Americas	67.8	57.0	68.2	43.1	59.8	64.9	90.2	50.6
Asia	13.9	16.1	16.6	15.1	17.2	9.4	24.1	8.6
Europe	39.5	54.4	33.3	41.1	28.0	50.5	34.0	36.4
Total	121.2	127.5	118.1	99.3	105.0	124.8	148.4	95.6

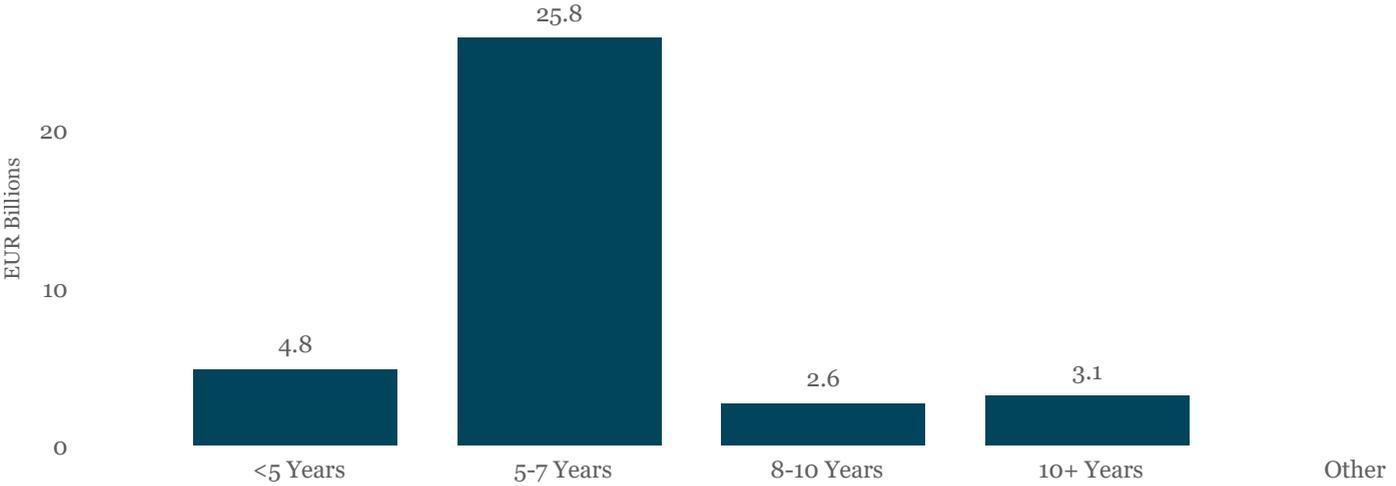
Region	2022	2023	2024	2025
Americas	96.5	153.7	236.1	265.5
Asia	24.0	47.8	61.8	59.4
Europe	40.6	71.1	168.3	148.8
Total	161.1	272.6	466.1	473.7

afme / High Yield Bonds Overview

6.4 European High Yield Issuance by Use of Proceeds



6.5 European High Yield Issuance by Tenor: Q4 2025

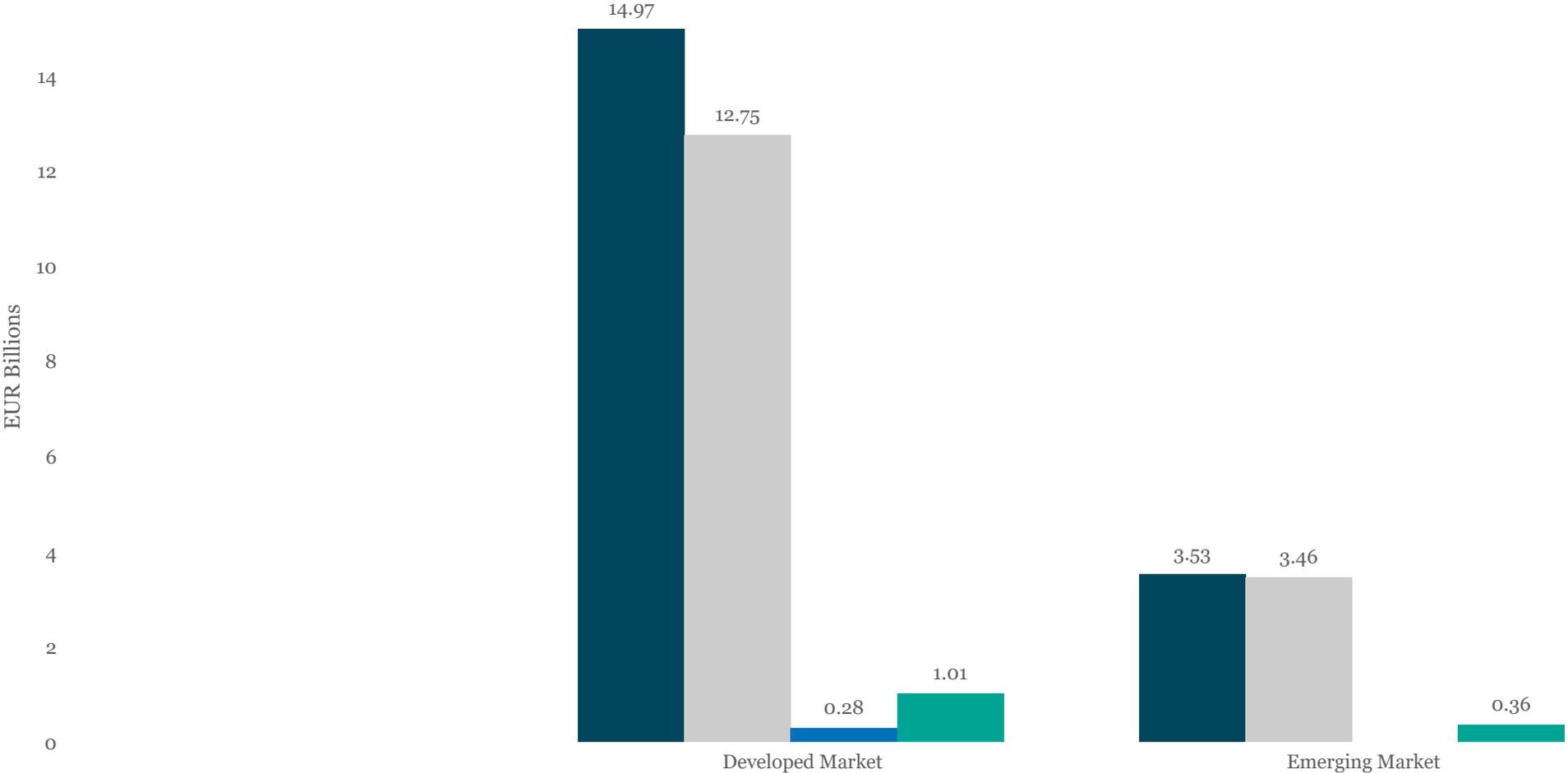


Source: Dealogic

afme / High Yield Bonds Overview

6.6 European High Yield Issuance by Rating: Q4 2025

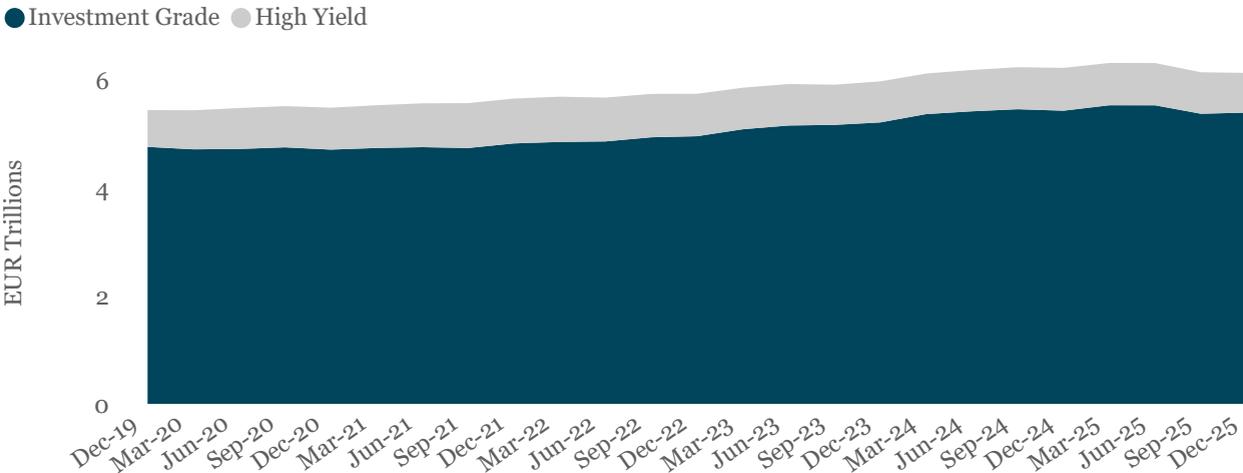
● BB ● B ● CCC ● Not rated



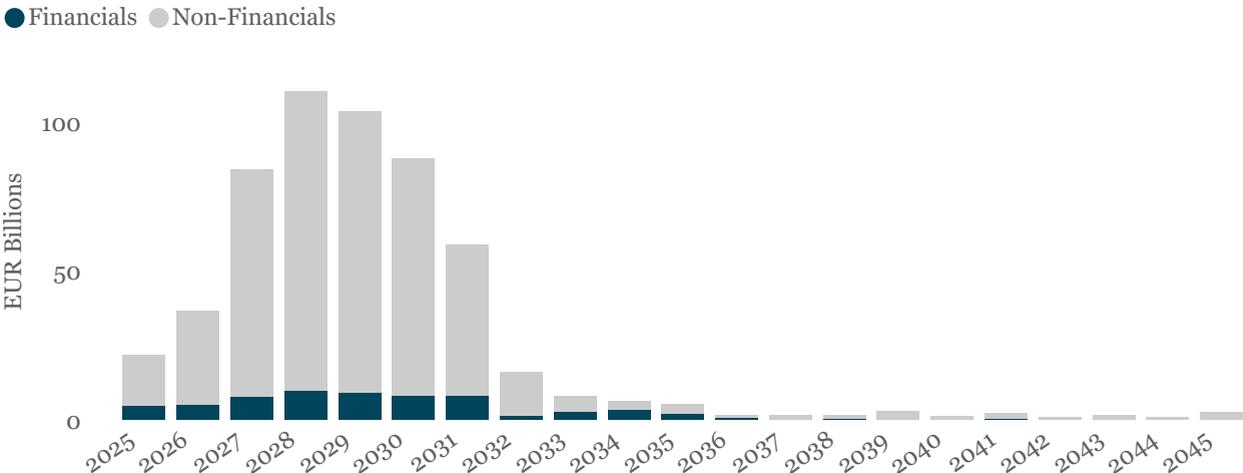
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

afme / High Yield Bonds Overview

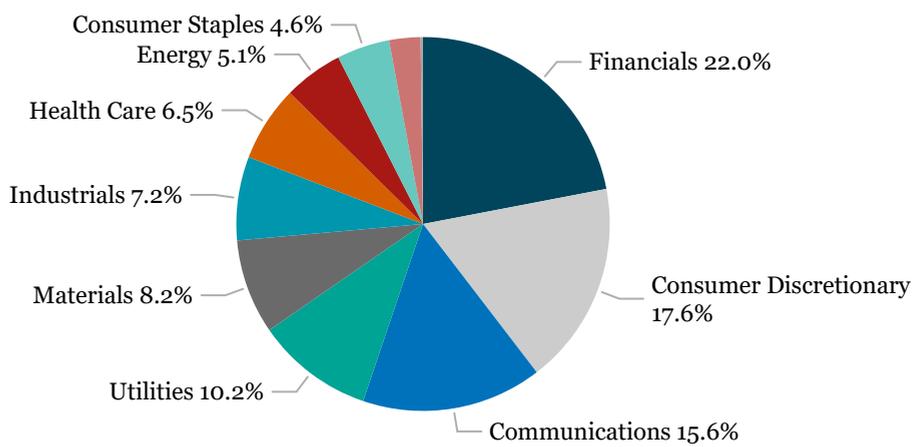
6.7 European Corporate Bonds Outstanding



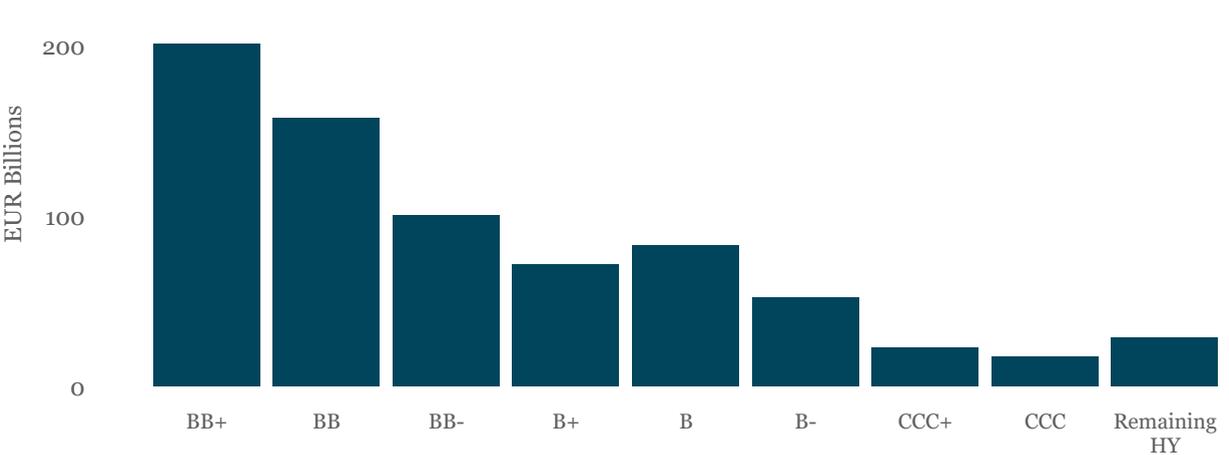
6.8 European Corporate High Yield Maturity Wall



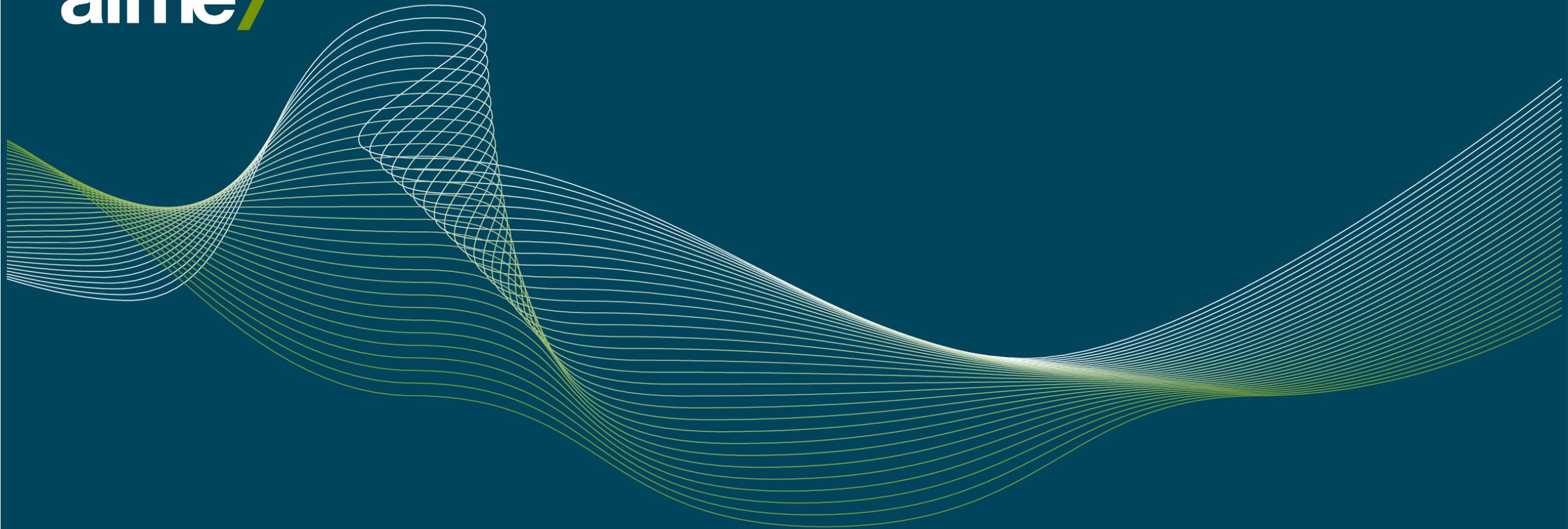
6.9 European Corporate High Yield Outstanding by Sector: December 2025



6.10 European Corporate High Yield Outstanding by Current Rating: December 2025



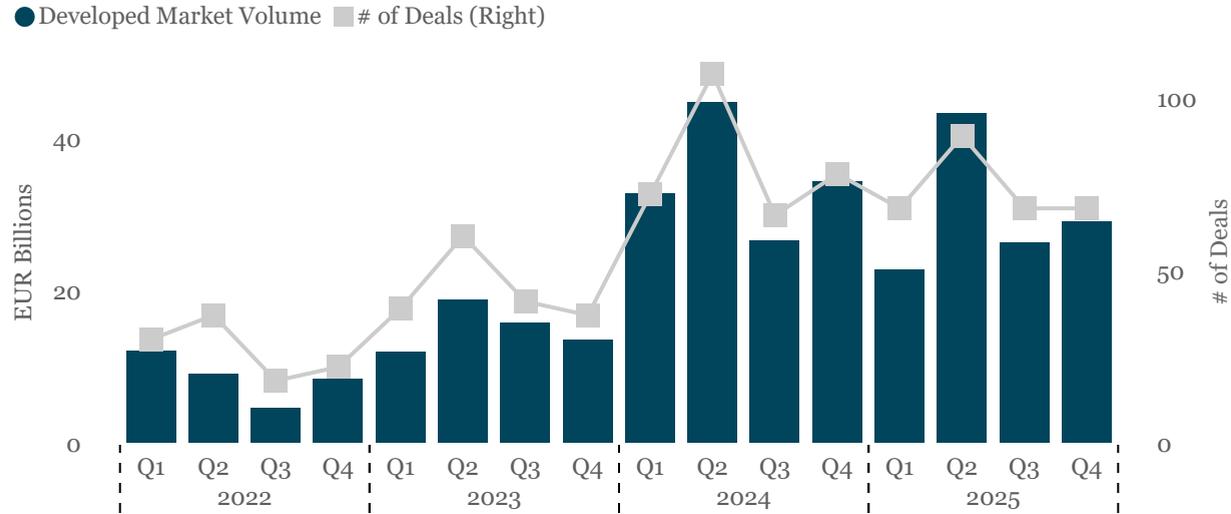
Source: SIFMA



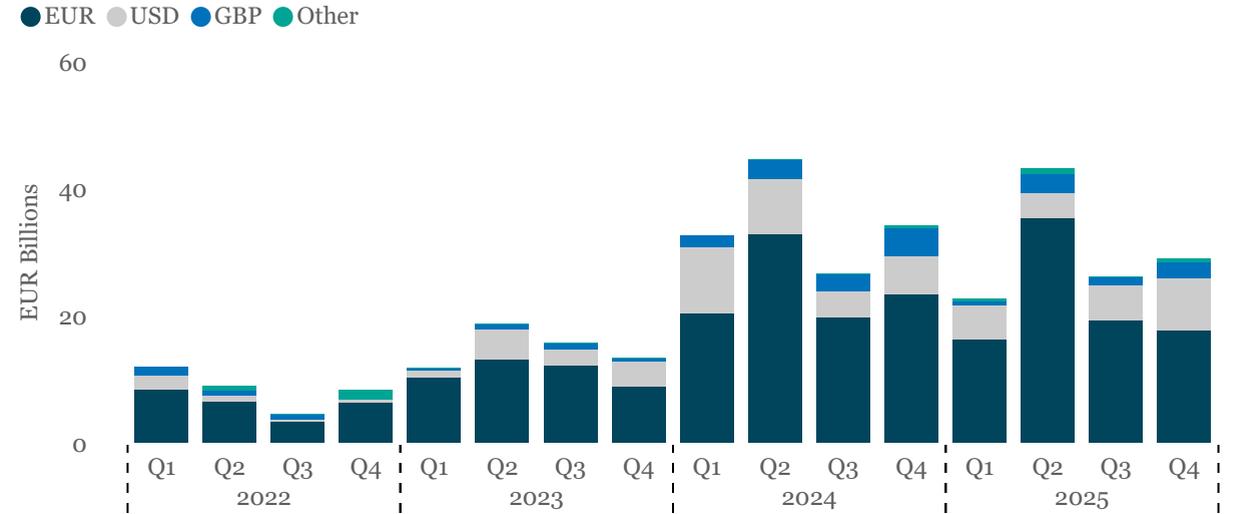
European Developed Market High Yield Bonds

afme / Developed Market High Yield Bonds

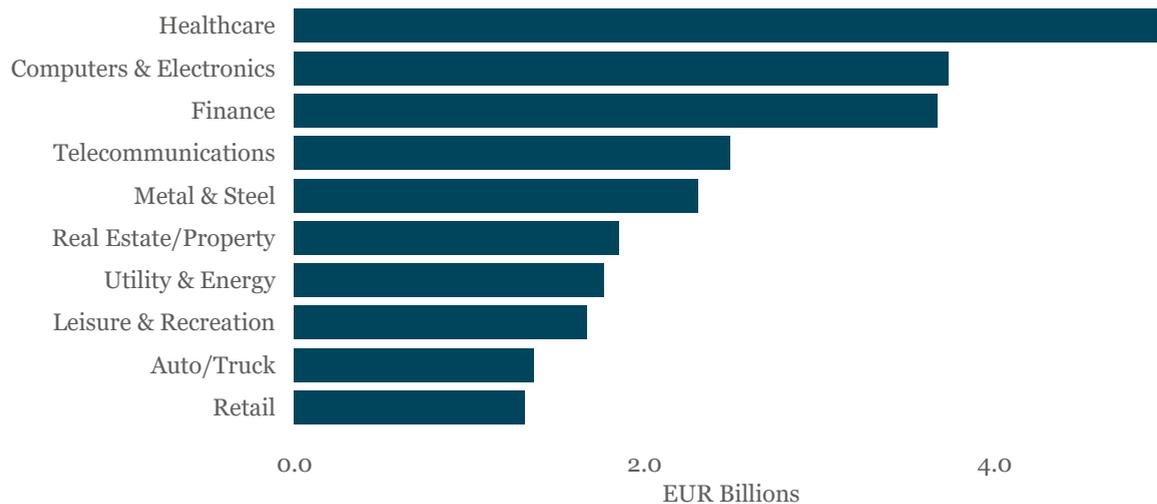
7.1 European Developed Market High Yield Issuance



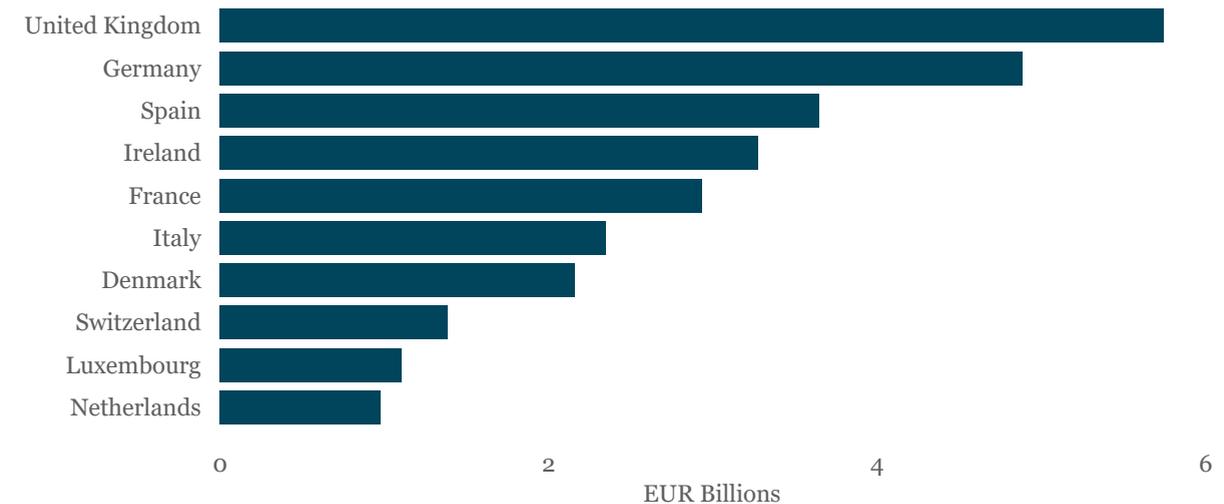
7.2 European Developed Market High Yield Issuance by Currency



7.3 European Developed Market High Yield Issuance by Industry: Q4 2025 (top 10)

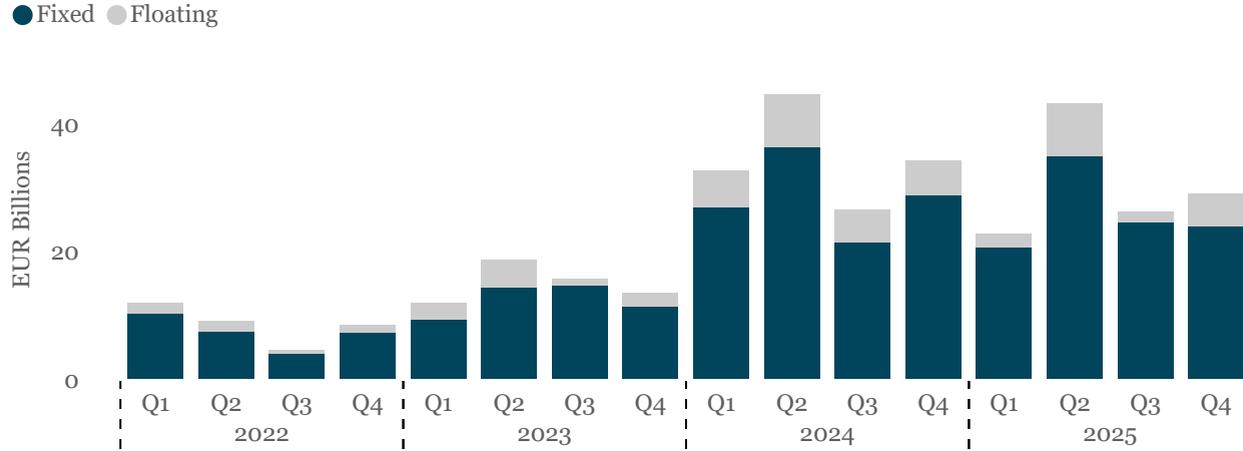


7.4 European Developed Market High Yield Issuance by Country of Risk: Q4 2025 (top 10)

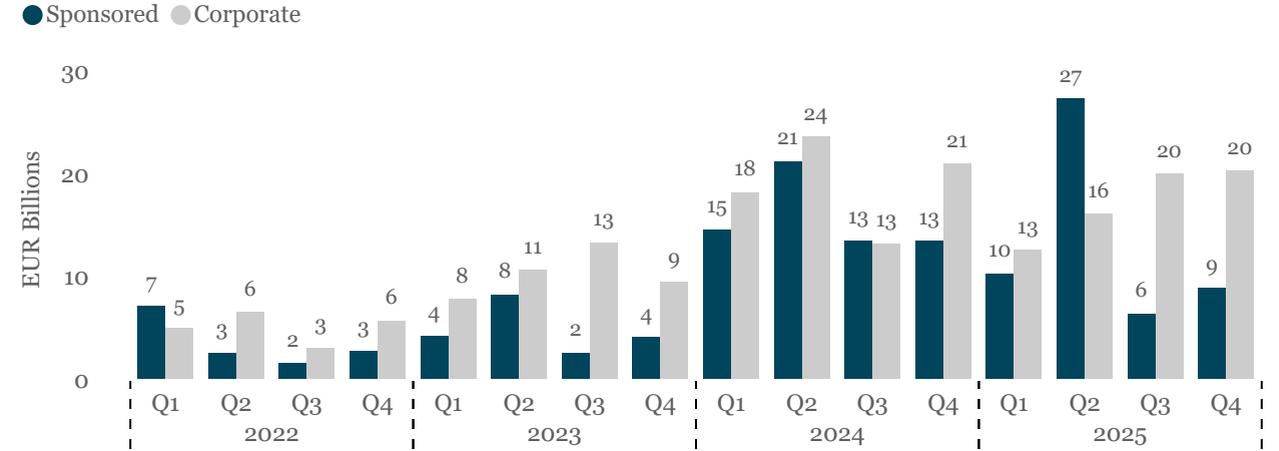


afme / Developed Market High Yield Bonds

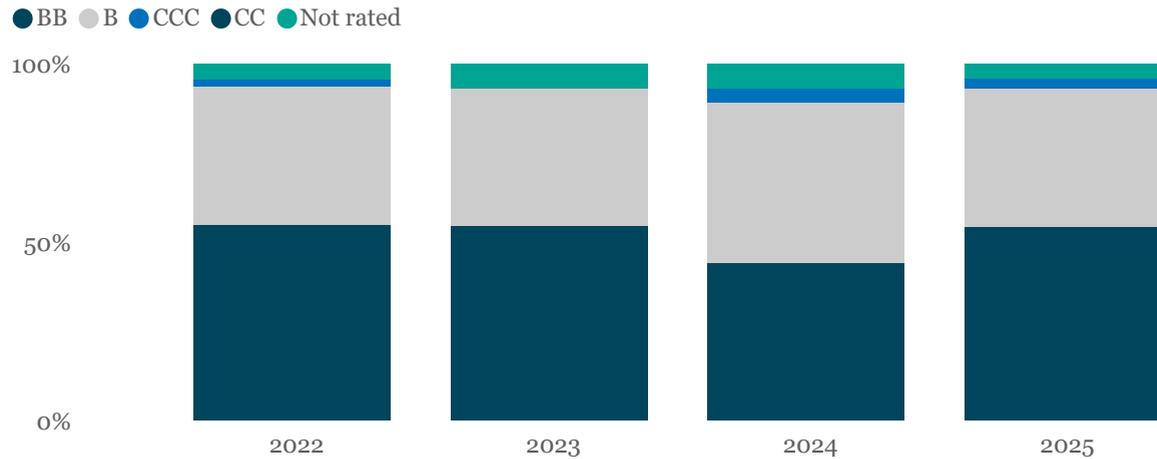
7.5 European Developed Market High Yield Issuance, Fixed vs. Floating



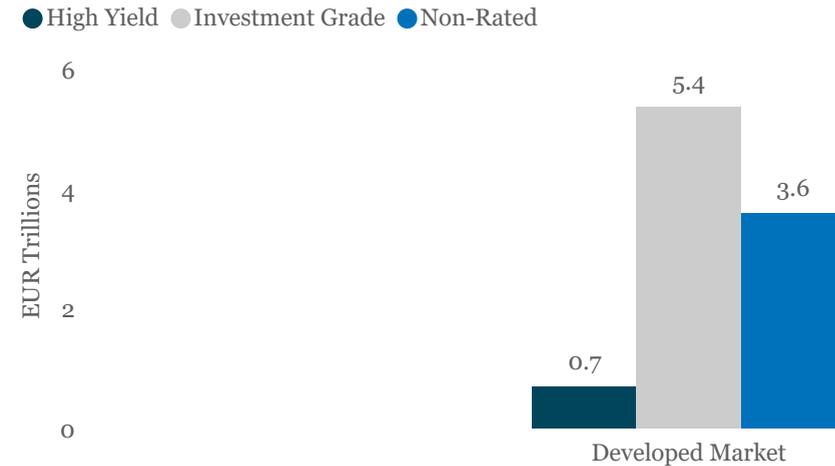
7.6 European Developed Market High Yield Issuance, Sponsored vs. Corporate



7.7 European Developed Market High Yield Rating Distribution at Issuance



7.8 European Developed Market Corporate Bonds Outstanding: Q4 2025



Source: Dealogic [7.5], [7.6] and [7.7], SIFMA [7.8]

afme / Developed Market High Yield Bonds

7.9 European Developed Market High Yield Issuance (20 most recent)

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Virgin Media O2 Vendor Financing Notes V DAC	Telecommunications	17/12/2025	GBP	0.20	7.875	B2	B-	B+
Maticmind SpA	Computers & Electronics	12/12/2025	EUR	0.38	3-mth Euribor +525	B2	B	
emeis	Healthcare	11/12/2025	EUR	0.40	3-mth Euribor +475			
Asmodee Group AB	Consumer Products	09/12/2025	EUR	0.32	4.25		BB-	BB-
Borr IHC Ltd	Oil & Gas	09/12/2025	USD	0.14	10.375	B3	B+	B-
Biffa Group Holdings (UK) Ltd	Utility & Energy	04/12/2025	EUR	0.55	5.25		B+	BB-
CELSA Group	Metal & Steel	04/12/2025	EUR	0.45	3-mth Euribor +550	B2	B	BB
CELSA Group	Metal & Steel	04/12/2025	EUR	0.75	8.25	B2	B	BB
Paprec Holding SA	Utility & Energy	04/12/2025	EUR	0.13	4.125		BB	BB+
Paprec Holding SA	Utility & Energy	04/12/2025	EUR	0.15	4.5		BB	BB+
Biffa Group Holdings (UK) Ltd	Utility & Energy	04/12/2025	GBP	0.40	7.375		B+	BB-
Almirall SA	Healthcare	03/12/2025	EUR	0.25	3.75	Ba2	BB+	
Duomo Bidco SpA	Retail	25/11/2025	EUR	0.54	3-mth Euribor +325	B2	B+	
Ardagh Metal Packaging Finance plc	Metal & Steel	20/11/2025	EUR	0.57	5	B2	B+	BB-
Vivion Investments SARL	Real Estate/Property	20/11/2025	EUR	0.51	5.625		BB+	
Vivion Investments SARL	Real Estate/Property	20/11/2025	EUR	0.25	8.125		B	
Ardagh Metal Packaging Finance plc	Metal & Steel	20/11/2025	USD	0.54	6.25	B2	B+	BB-
Eroski Sociedad Cooperativa	Retail	19/11/2025	EUR	0.50	5.75	B1	BB-	BB+
IPD 3 BV	Publishing	19/11/2025	EUR	0.10	5.5	B2	B	B+
Kinepolis Group NV	Leisure & Recreation	19/11/2025	EUR	0.10	5			

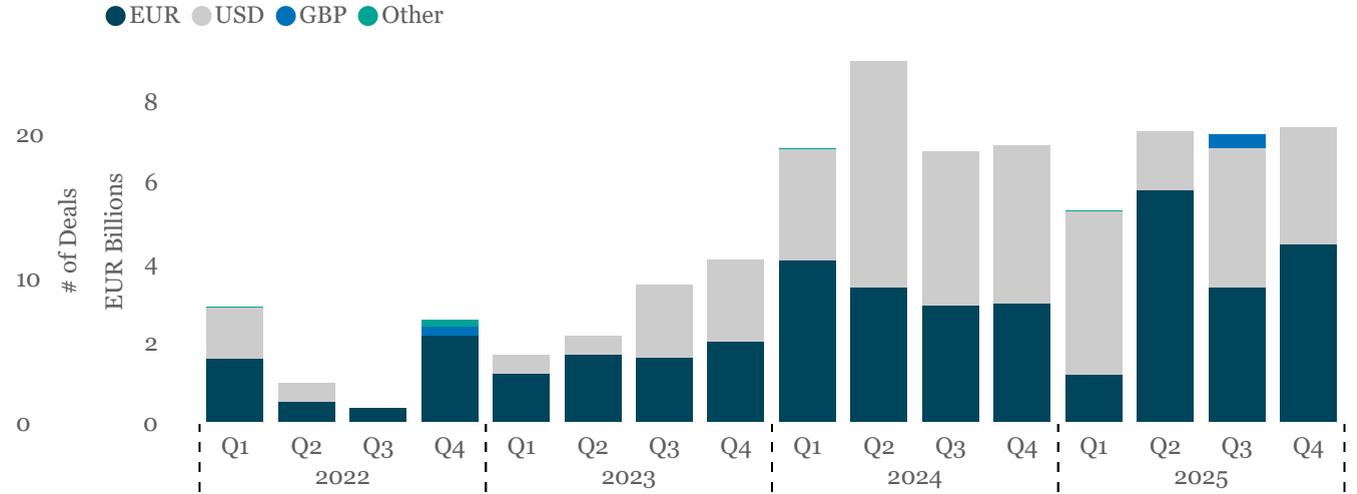
European Emerging Market High Yield Bonds

afme / Emerging Market High Yield Bonds

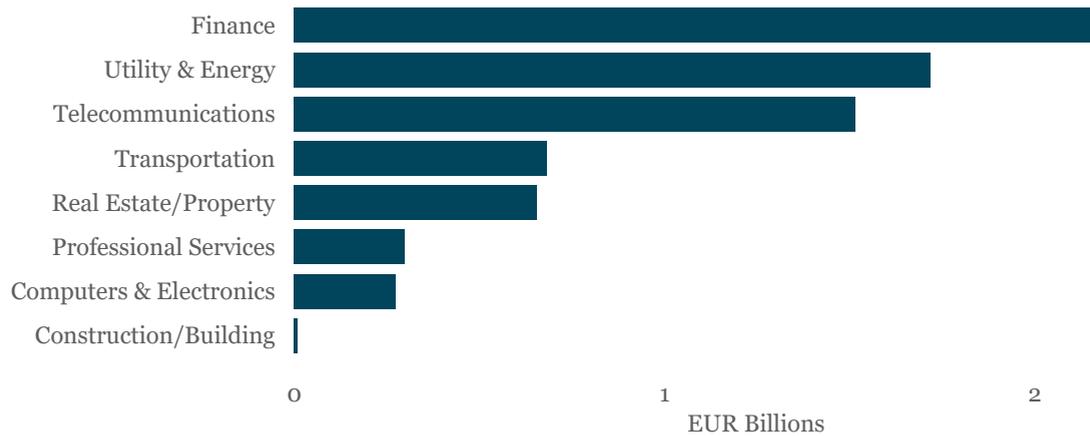
8.1 European Emerging Market High Yield Issuance



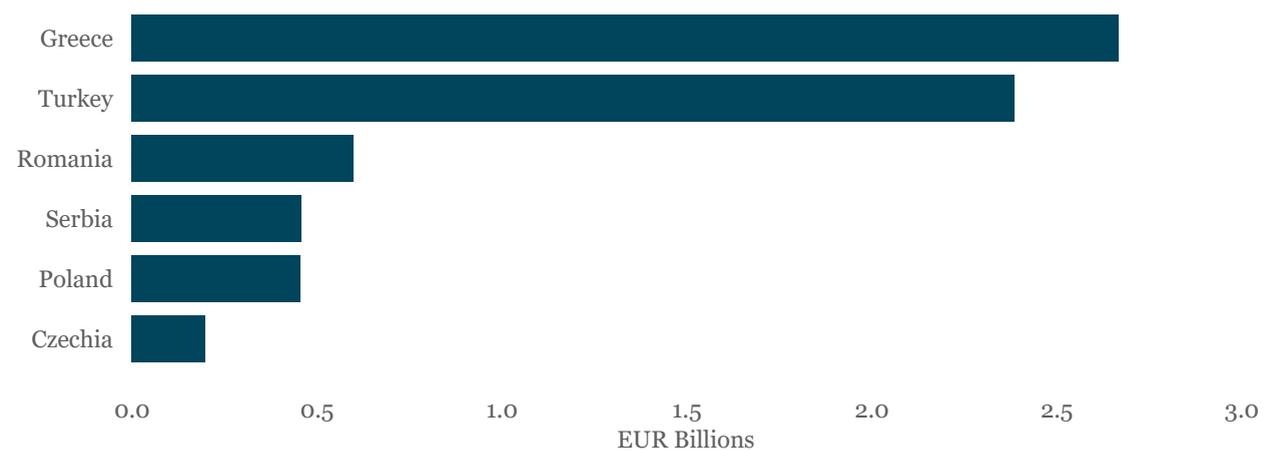
8.2 European Emerging Market High Yield Issuance by Currency



8.3 European Emerging Market High Yield Issuance by Industry: Q4 2025

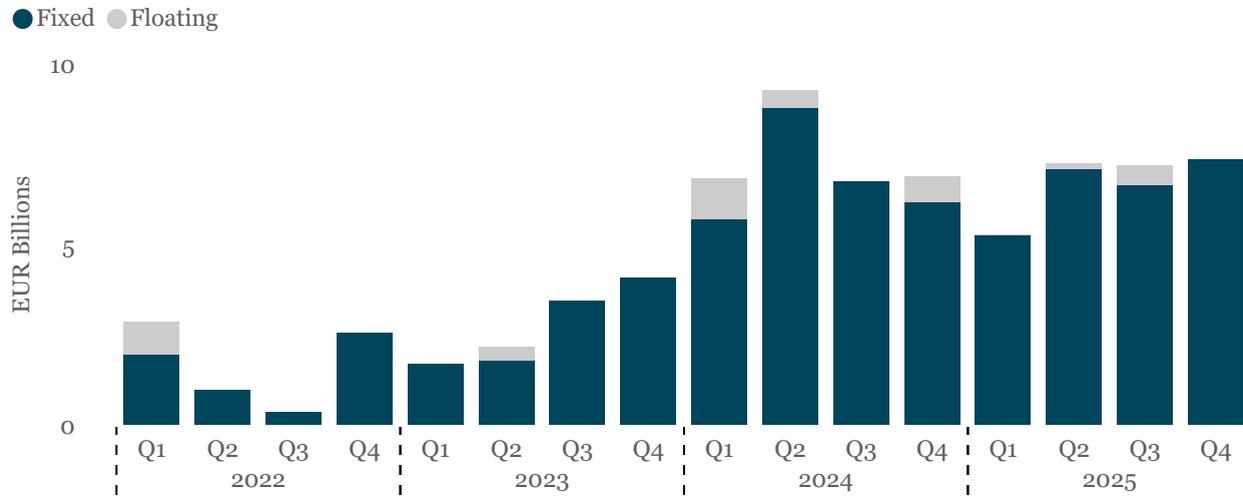


8.4 European Emerging Market High Yield Issuance by Country of Risk: Q4 2025

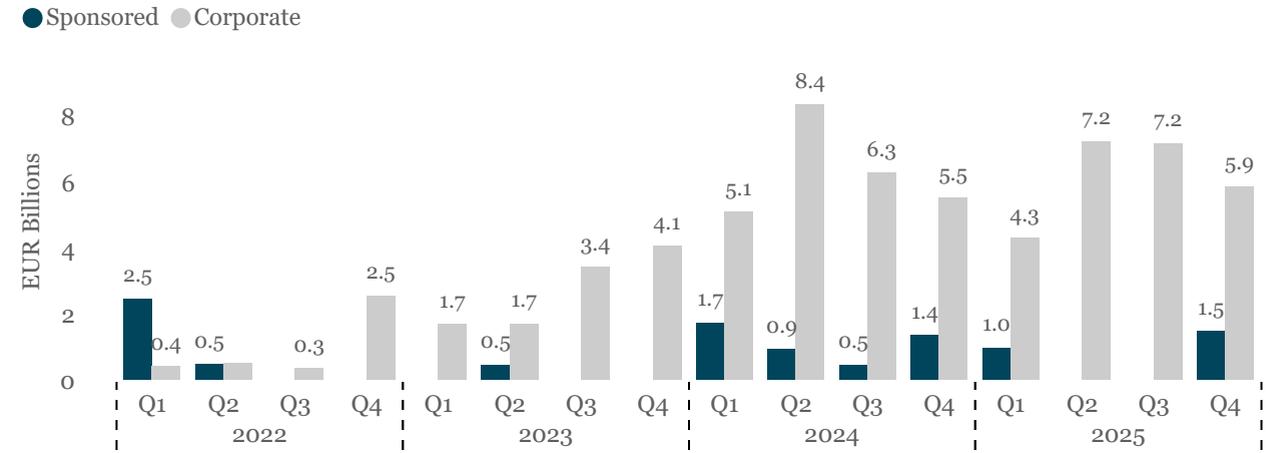


afme / Emerging Market High Yield Bonds

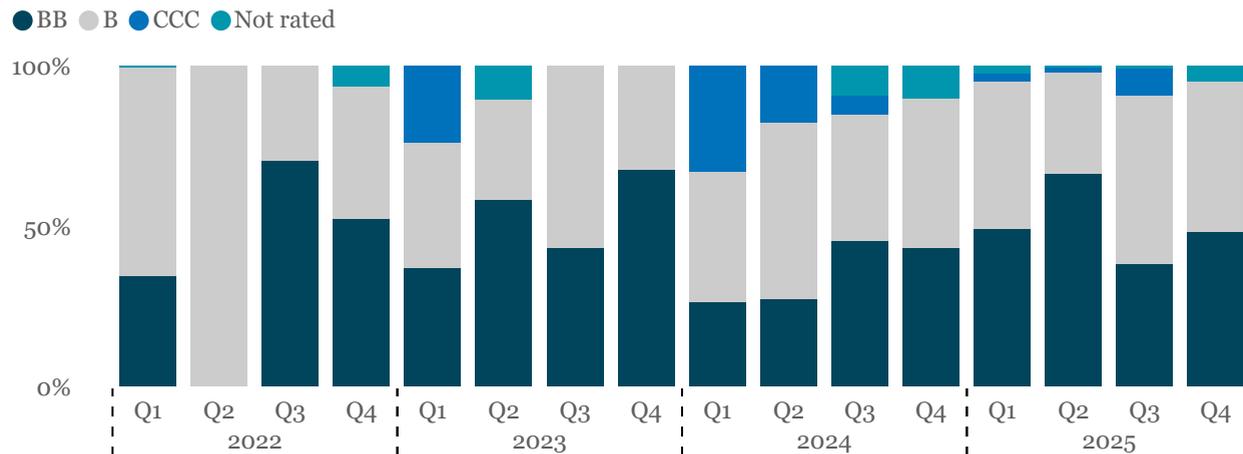
8.5 European Emerging Market High Yield Issuance, Fixed vs. Floating



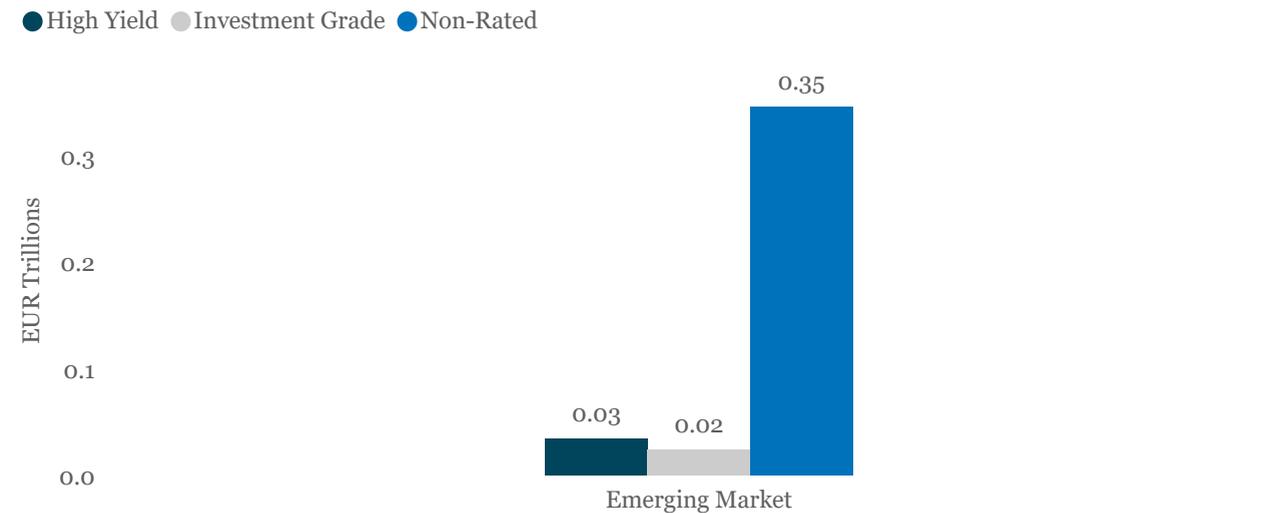
8.6 European Emerging Market High Yield Issuance, Sponsored vs. Corporate



8.7 European Emerging Market High Yield Rating Distribution at Issuance



8.8 European Emerging Market Corporate Bonds Outstanding: Q4 2025

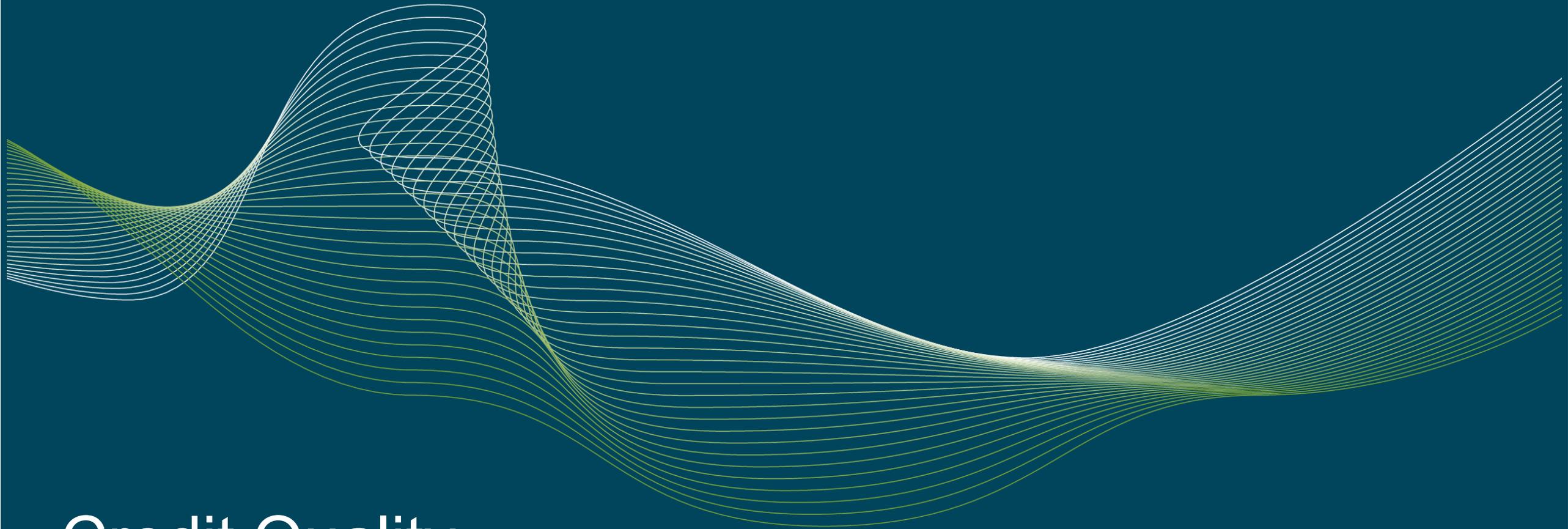


Source: Dealogic [8.5], [8.6] and [8.7], SIFMA [8.8]

afme/ Emerging Market High Yield Bonds

8.9 European Emerging Market High Yield Issuance

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Frigo Debtco plc	Construction/Building	18/12/2025	EUR	0.01	4			
United Group BV	Telecommunications	08/12/2025	EUR	0.40	6.25	B2	B	
Yapi ve Kredi Bankasi AS	Finance	04/12/2025	USD	0.43	7.55			B
PeopleCert Wisdom Issuer plc	Professional Services	03/12/2025	EUR	0.30	5.5	B2	B+	BB-
Metlen Energy & Metals SA	Utility & Energy	19/11/2025	EUR	0.60	3.875		BB+	BB+
Yapi ve Kredi Bankasi AS	Finance	05/11/2025	EUR	0.03	2.9	Ba3		BB-
Yapi ve Kredi Bankasi AS	Finance	04/11/2025	EUR	0.05	2.9	Ba3		BB-
CPI Property Group SA	Real Estate/Property	31/10/2025	EUR	0.20	4.75	Ba1	BB+	
TC Ziraat Bankasi AS	Finance	30/10/2025	USD	0.52	8.375	B3		
Kinetics LNG Holdings Ltd	Utility & Energy	29/10/2025	USD	0.35	9.875			
Yapi ve Kredi Bankasi AS	Finance	27/10/2025	EUR	0.03	3	Ba3		BB-
Navios Maritime Partners LP	Transportation	27/10/2025	USD	0.26	7.75	B1	BB	
Isbank	Finance	24/10/2025	EUR	0.05	3	Ba3		BB-
Digi	Telecommunications	22/10/2025	EUR	0.60	4.625		BB-	BB+
TT Varlik Kiralama AS	Telecommunications	22/10/2025	USD	0.52	6.5		BB	BB-
Eleving Group SA	Computers & Electronics	17/10/2025	EUR	0.28	9.5			B
Public Power Corp SA	Utility & Energy	16/10/2025	EUR	0.78	4.25		BB-	BB-
Gorenjska Banka	Finance	09/10/2025	EUR	0.06	6.75		B+	
Danaos Corp	Transportation	09/10/2025	USD	0.43	6.875	Ba2	BB+	
Piraeus Bank	Finance	06/10/2025	EUR	0.60	6.125	B1		
Vakif Katilim Bankasi AS	Finance	06/10/2025	USD	0.43	8.375			
GTC Finance DAC	Real Estate/Property	03/10/2025	EUR	0.46	6.5			B+



Credit Quality

High yield bonds

S&P's trailing 12-month speculative-grade bond default rate increased over the last quarter of 2025, from 3.67% at the end of September to 4% observed at the end of December. Moody's default rate kept showing an upwards pattern, increasing from 3.64% at the end of September to 3.94% at the end of December.

S&P reported 26 upgrades and 32 downgrades during the last quarter in Developed European markets. Upgrades were mostly related to Banks and Financial Institutions, while downgrades were mainly spreads across three sectors: Chemicals, Packaging & Environmental Services, Utility and Media & Entertainment. In contrast, in Emerging European markets, S&P issued seven upgrades - mostly in Financial Institutions and the Integrated Oil & Gas sector - while recording one downgrade in the Consumer Products sector.

Leveraged loans

European Leveraged Loan default rates by volume increased from 1.8% in 2024 to 2.5% by the end of 2025.

In Q2 2025, cov-lite represent the great majority (95%) of financial covenant packages in European Leveraged Loans. The remaining 5% were cov-loose consisting of one leveraged maintenance financial covenant.

Direct Lending

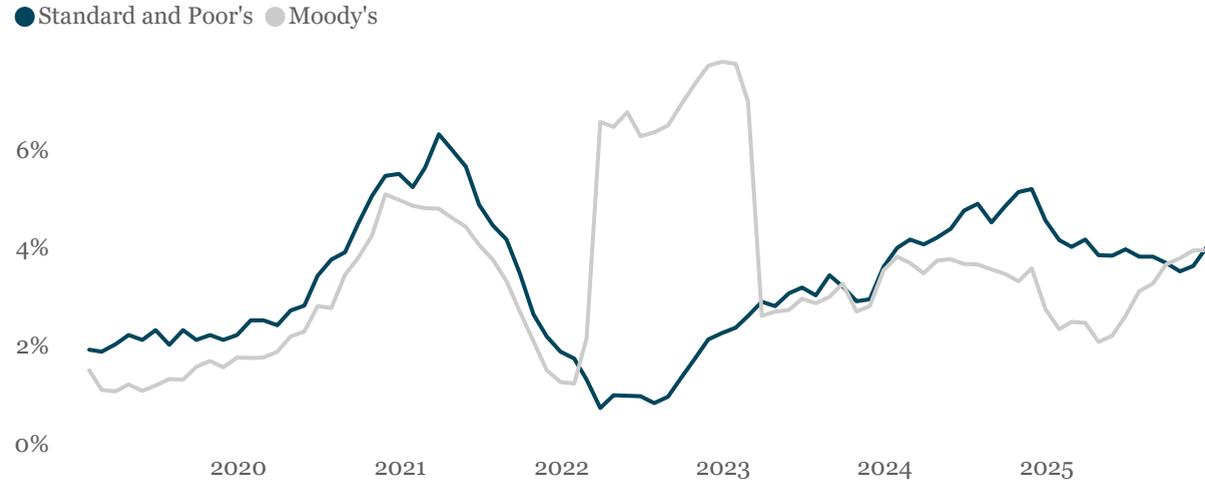
According to *KBRA DLD*, as of December 2025, the trailing twelve month (TTM) default rate stood at 0.9% by volume (from 0.4% in 2024) and at 1.6% by count (up from 1% in 2024), reflecting an upward trend. However, the full-year 2025 figures are not complete as US BDCs are yet to report their Q4 2025 results. *KBRA DLD* expects direct lending default rates by volume to increase to 1.25% in 2025 and 2.25% by count.

KBRA DLD estimates an implied recovery rate at default date for European direct lending at 29.7%, which is lower than the value estimated in October (48.1%) and below the 50% estimate for US direct lending at default date.

Packages with two or more covenants represented 44% of covenant packages of direct lending products, followed by single covenant structures at 42%. Cov-lite structures accounted for the remaining 14%. For Issuers with an EBITDA below €50m, the most common covenant structure in 2025 was a single covenant (50.9%), followed by 2 or more covenants (47.4%), while Cov-lite accounted for the remaining 1.7%.

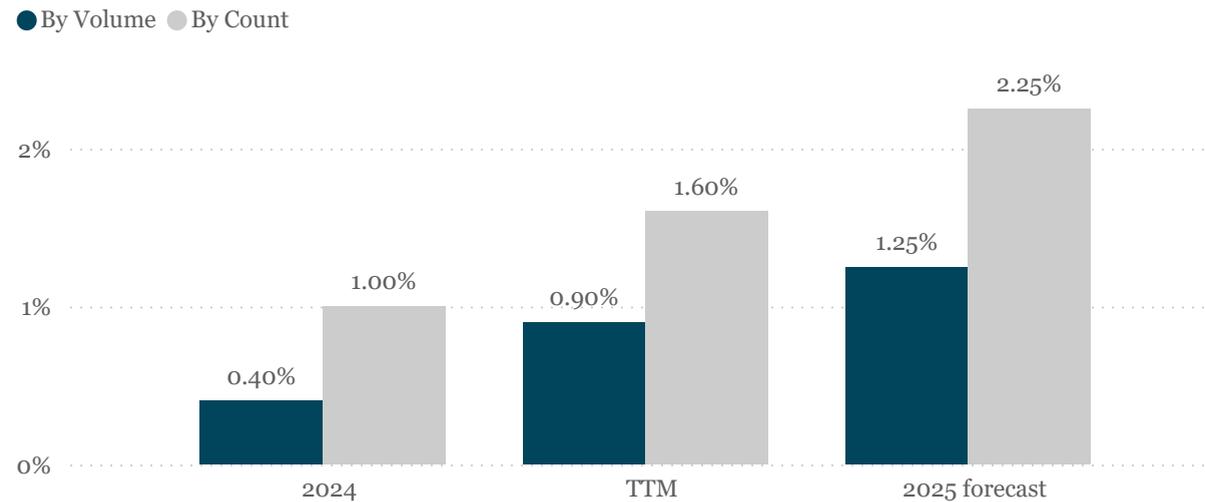
afme / Credit Quality

9.1 European High Yield Default Rates



*Moody's: latest data available as of November 31.

9.3 European Direct Lending Default Rates



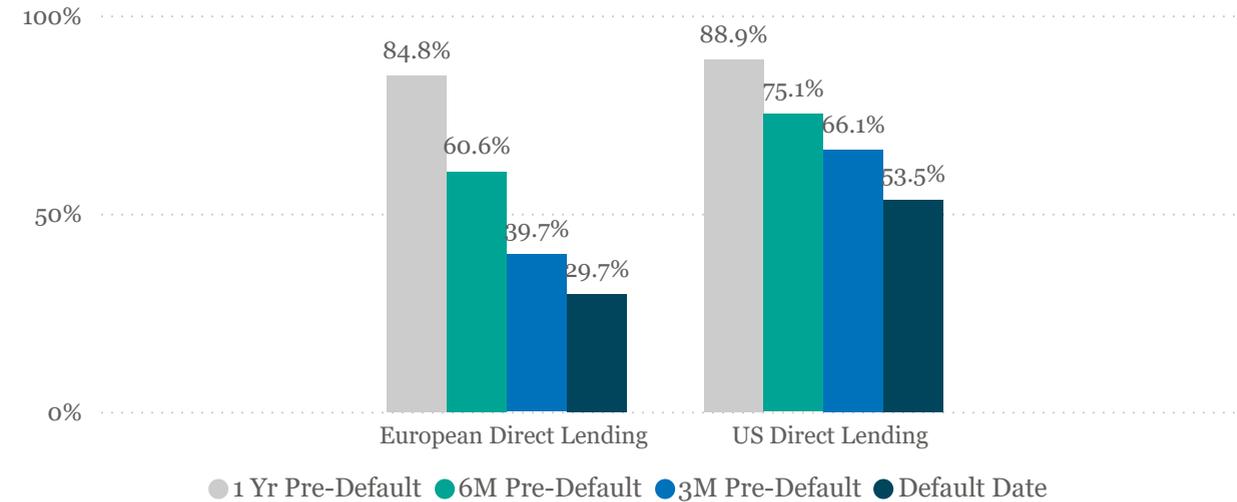
9.2 European Leveraged Loan Default Rates



Adjusted includes c and cc* rated issuers as if those had already defaulted.

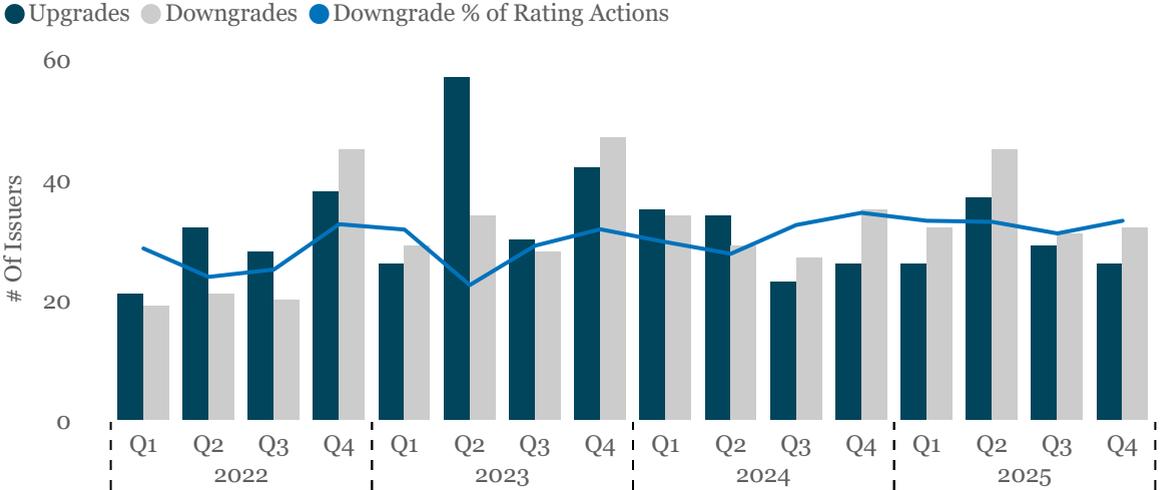
**Note: the latest data available are as of June 2025.

9.4 Direct Lending: Average Implied Recovery (Weighted)

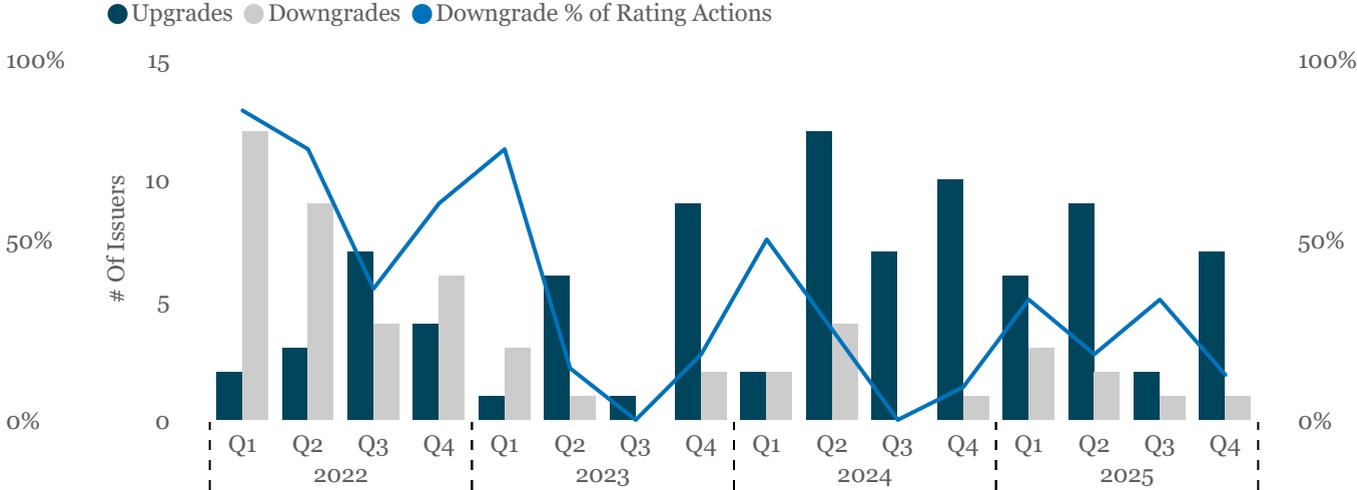


afme / Credit Quality - High Yield Bonds

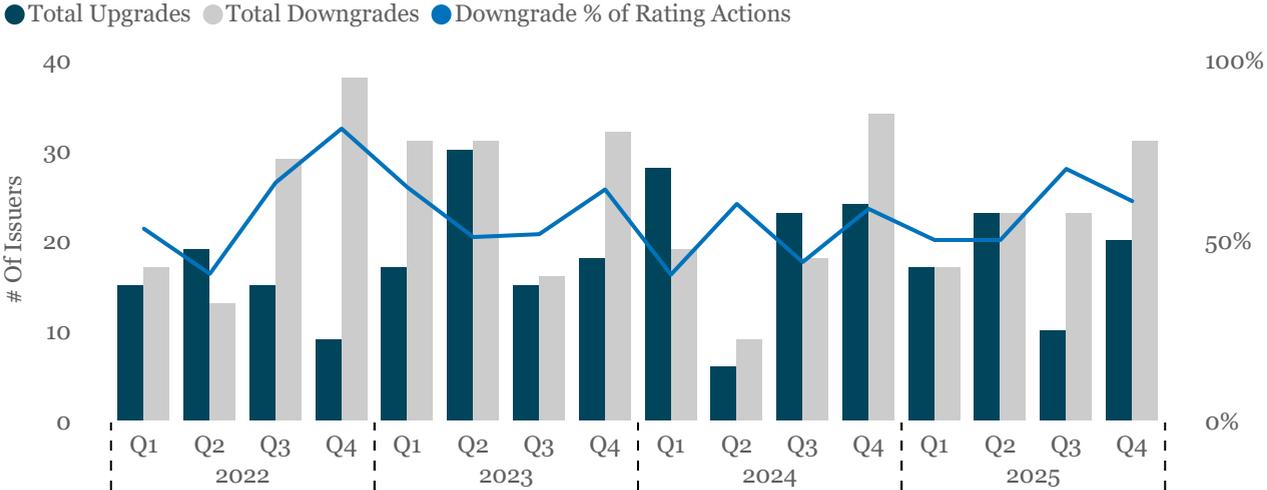
9.5 S&P Developed Europe Issuer Rating Actions



9.6 S&P Emerging Europe Issuer Rating Actions



9.7 Moody's: Europe Issuer Rating Actions (corporate)

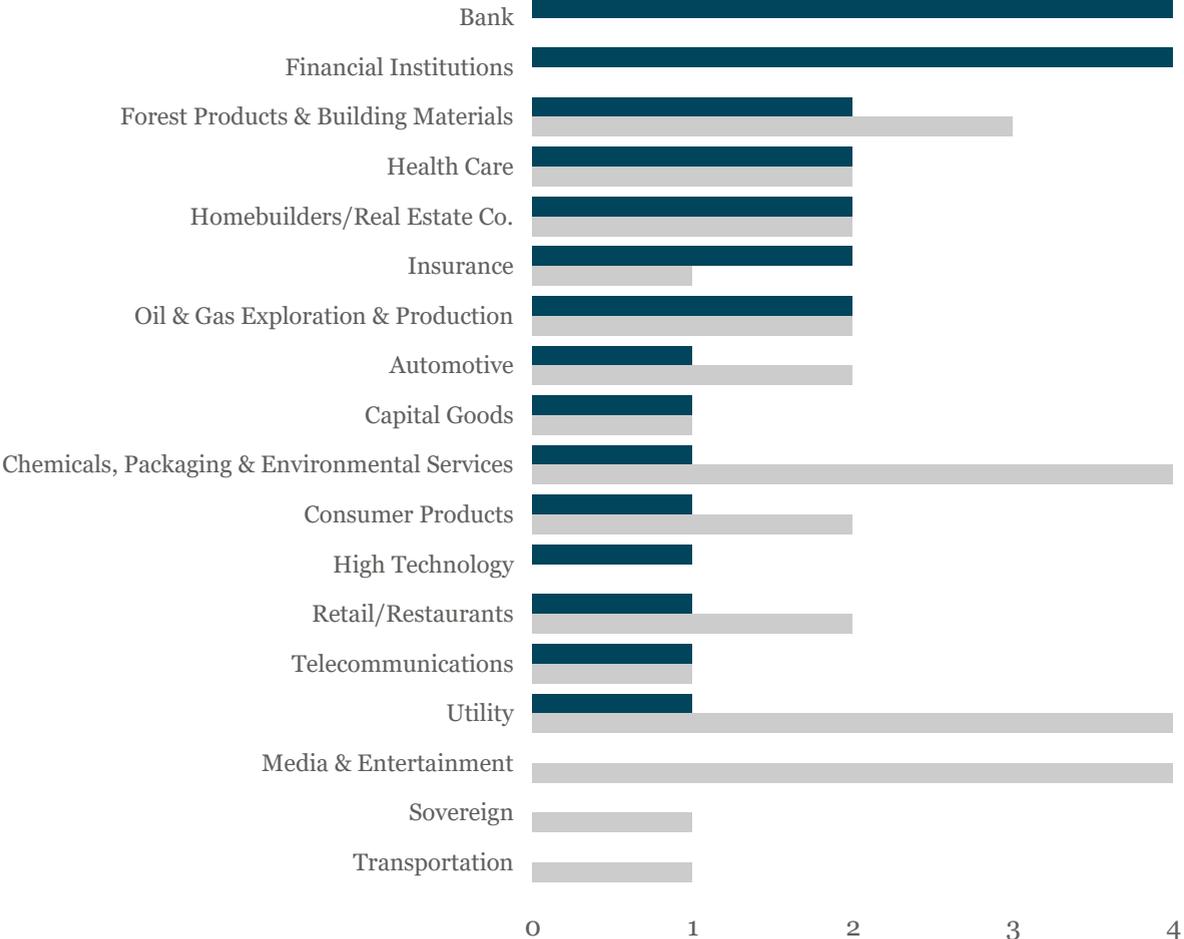


Source: S&P [9.5] and [9.6], Moody's [9.7]

afme / Credit Quality - High Yield Bonds

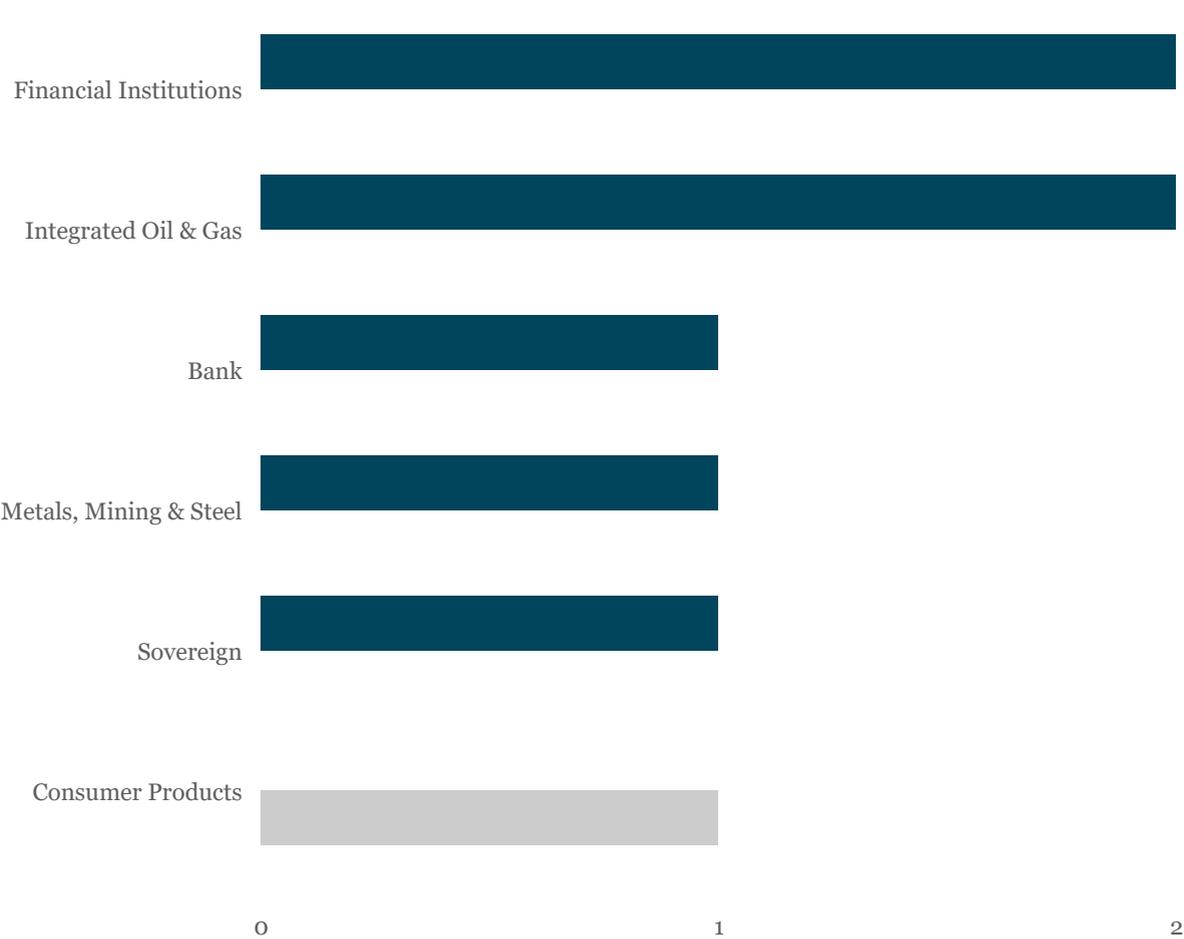
9.8 S&P Developed European Industry Rating Actions by # of Ratings: Q4 2025

● Upgrades ● Downgrades



9.9 S&P Emerging European Industry Rating Actions by # of Ratings: Q4 2025

● Upgrades ● Downgrades



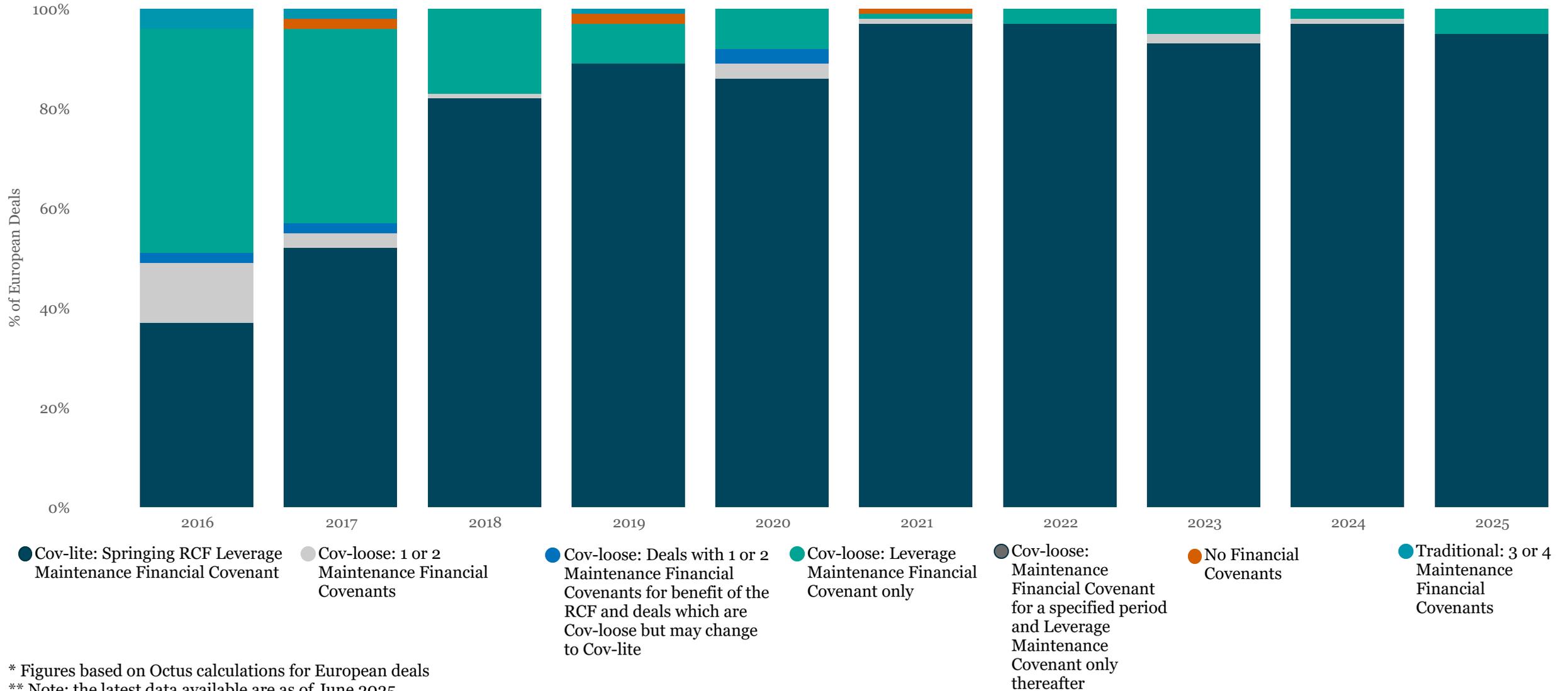
afme / Credit Quality- High Yield Bonds

9.10 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Samhallsbyggnadsbolaget i Norden AB (publ)	Homebuilders/Real Estate Co.	Sweden	Dec-2025	S&P	Distressed Exchange
Transcom Holding AB	Technology services: it services	Sweden	Dec-2025	Moody's	Distressed Exchange
Standard Profil Automotive GmbH	Automotive: parts	Germany	Nov-2025	Moody's	Distressed Exchange
SK Mohawk Holdings S.a.r.l.	Chemicals, Packaging and Environmental Services	Germany	Nov-2025	S&P	Missed Payments
Ardagh Holdings Group S.A.	Chemicals, Packaging and Environmental Services	Luxembourg	Nov-2025	S&P	Distressed Exchange
Kleopatra Holdings 2 S.C.A.	Chemicals, Packaging and Environmental Services	Luxembourg	Nov-2025	S&P	Bankruptcy
ARD Finance S.A.	Packaging: glass	Luxembourg	Nov-2025	Moody's	Distressed Exchange
Ardagh Group S.A.	Packaging: glass	Luxembourg	Nov-2025	Moody's	Distressed Exchange
Klockner Pentaplast of America, Inc.	Packaging: plastics	Luxembourg	Nov-2025	Moody's	Chapter 11
Petra Diamonds Limited	Metals & mining: metal mining	South Africa	Nov-2025	Moody's	Distressed Exchange
AFE S.A.	Financial institutions	U.K.	Oct-2025	S&P	Distressed Exchange
TalkTalk Telecom Group Ltd.	Telecommunications	U.K.	Oct-2025	S&P	Distressed Exchange

afme / European Leveraged Loan Covenants

9.11 Financial Covenant Packages in European Leveraged Loans 2016 - 2025

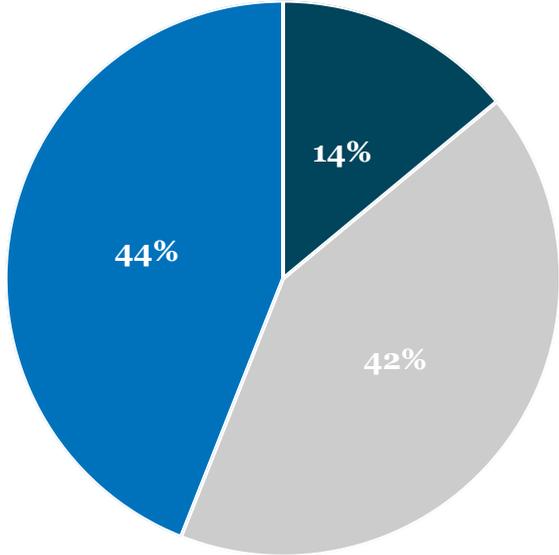


* Figures based on Octus calculations for European deals
 ** Note: the latest data available are as of June 2025

afme / European Direct Lending Covenants

9.12 All Private Deals: Level of Covenants

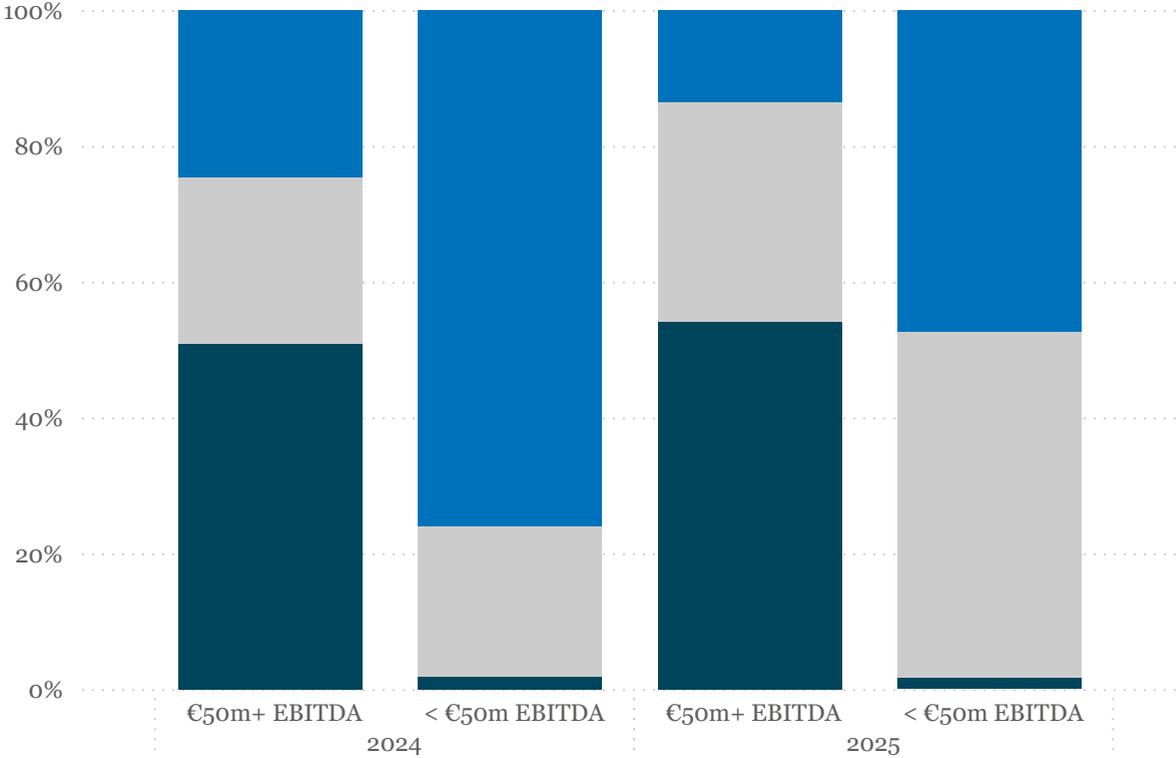
2025



● Covenant-lite ● 1 Covenant ● 2+ Covenants

9.13 Number of Covenants by Private Issuer Size

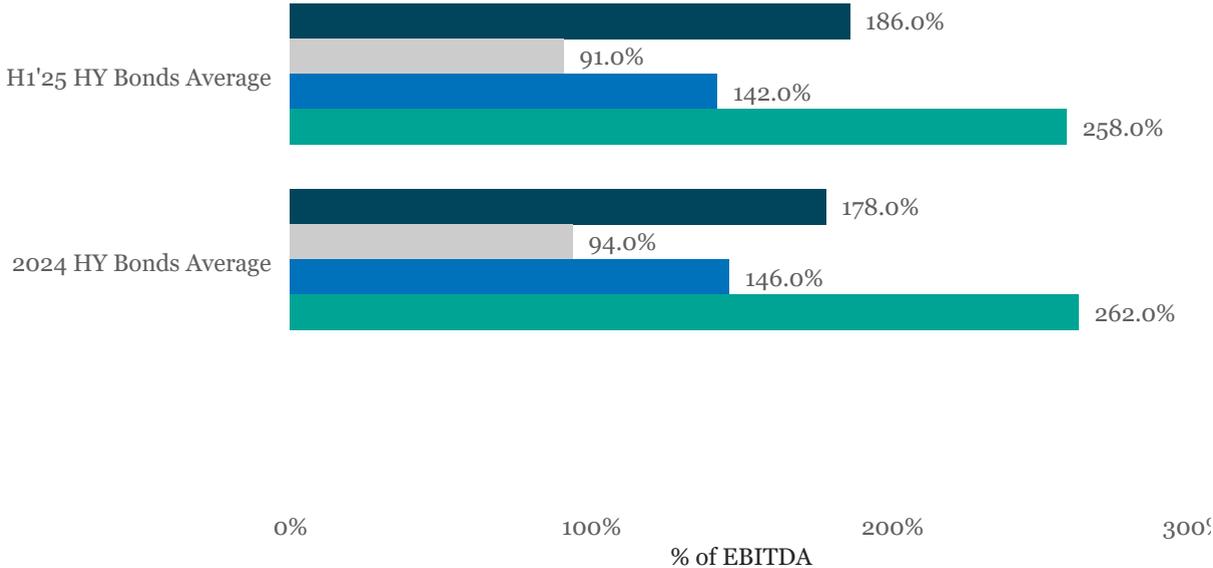
● Cov-lite ● 1 Covenant ● 2+ Covenants



afme / High Yield and Leveraged Loan Day-1 Capacity

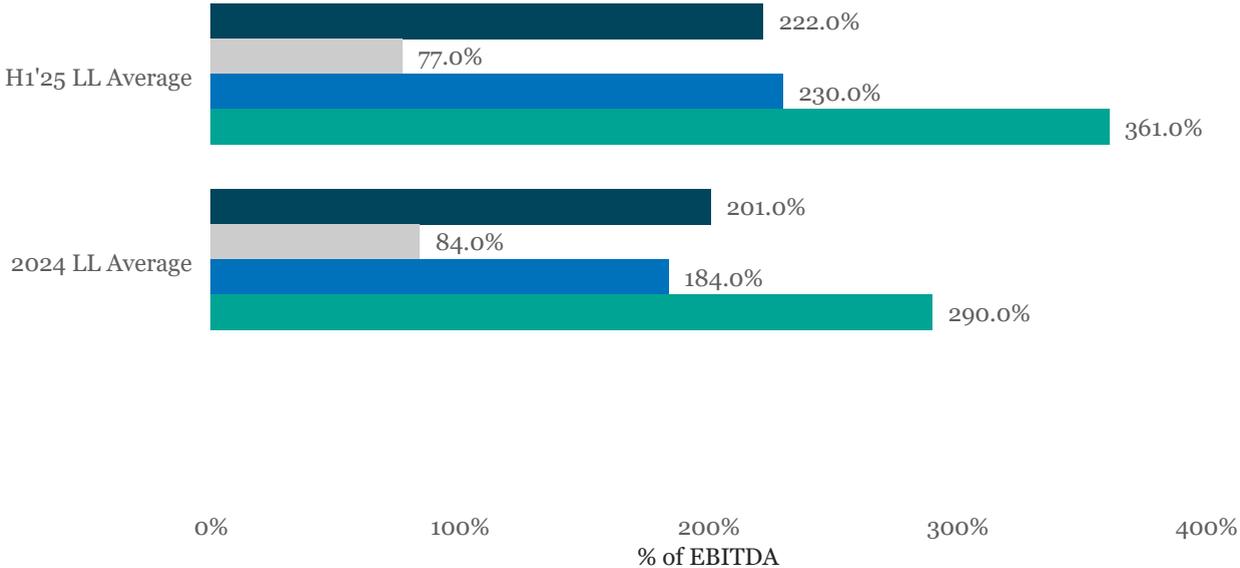
9.14 Minimum High Yield Day-One Capped Basked Capacity

Europe



9.15 Minimum Leveraged Loan Day-One Capped Basked Capacity

Europe



● Transfer of Unrestricted Subsidiaries
 ● Shareholder Payments
 ● Additional Structurally Senior Debt
 ● Additional Senior Secured debt

Relative Value and Total Return

afme / Relative Value and Return

Returns and asset pricing

The cash relative value of the leveraged loan market remained broadly stable during 2025 except for a drop to 95.28 bps in April following the U.S. tariff announcements. In Q4, the Lev40 Index slightly decreased from 98.29 at the end of September to 98.20 by December 2025.

Euro denominated AAA-A CLO spreads peaked in April 17, before tightening in the course of the year. As of December 2025, EURO CLO AAA 5-6 years spreads stood at 108.5 bps, EURO CLO AA 7-8 years spread stood at 185 bps, while EURO CLO A 7-8 years spread stood at 215 bps.

During the last quarter of 2025, a majority of the asset classes analysed experienced a quarter-on-quarter price increase (17 out of the 19). The top performer was the MSCI EM with a total return of 4.33%, followed by the S&P 500 that recorded a gain of 2.35%. Only two asset classes posted losses: U.S. HY Distressed dropped by 7.72%, while Euro HY CCC and Lower Rated decreased by 4.27%.

According to *KBRA DLD*, yields of private credit loan origination have shown a declining trend since late 2023. Euro-denominated yields peaked at 11.4% in Q2 2023 and decreased to 8.57% in Q4 2025.

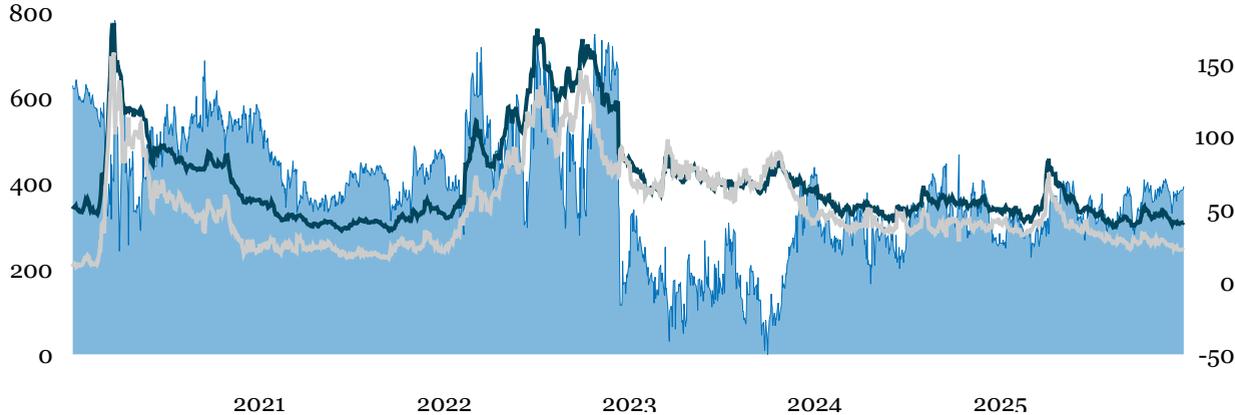
Sterling-denominated yields have followed a similar trajectory, reaching a high of 12.8% in Q1 2024 before falling to 10.04% in Q4 2025.

afme / Relative Value and Total Return

10.1 Relative value: European High Yield Bonds, Cash vs. Synthetic

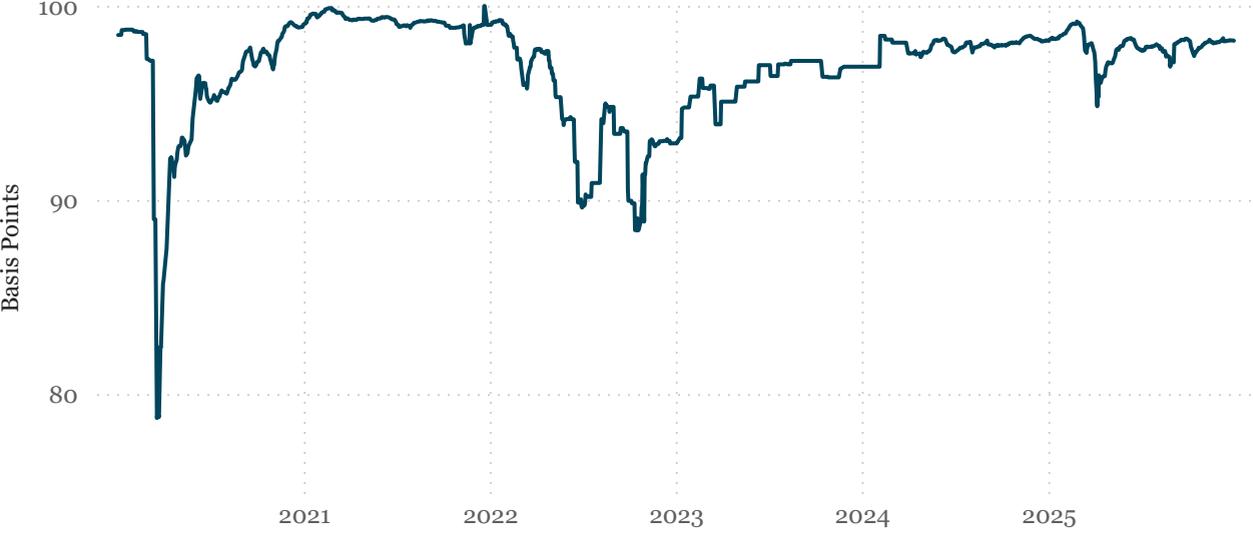
Basis Points

● iBoxx EUR HY (left) ● iTraxx XO 5Y (left) ● HY Spread (right)

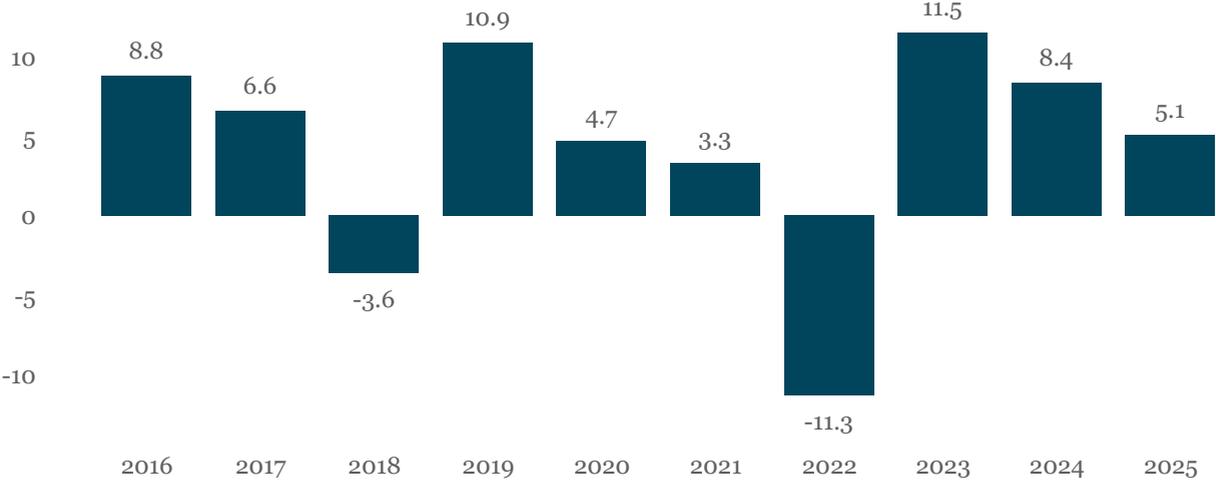


10.2 Relative value: European Leveraged Loans, Cash (EURO Lev40)

Basis Points



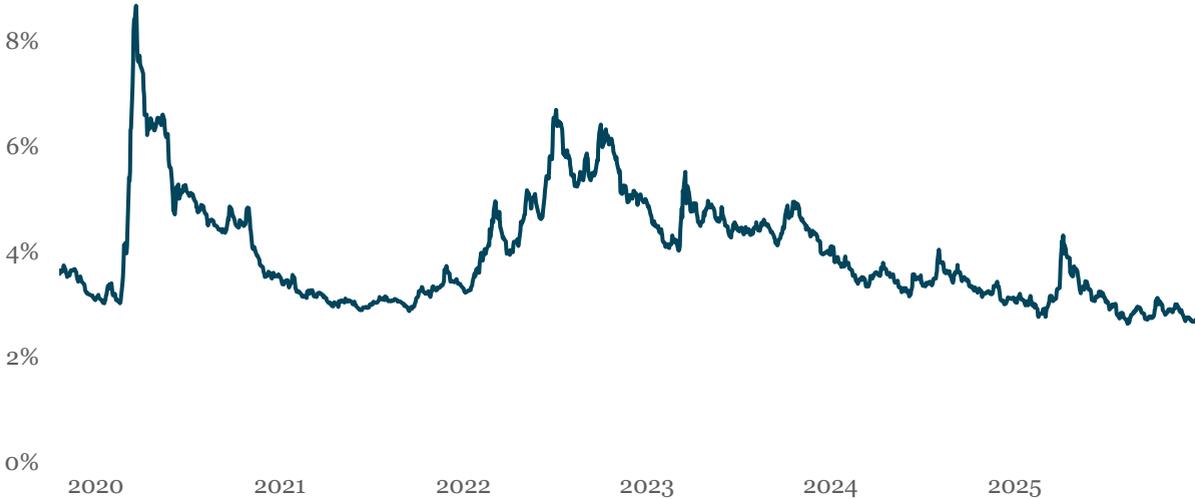
10.3 European High Yield Bonds Total Return



Source: LSEG [10.1] and [10.2], SIFMA [10.3]

afme / Spreads and Yields

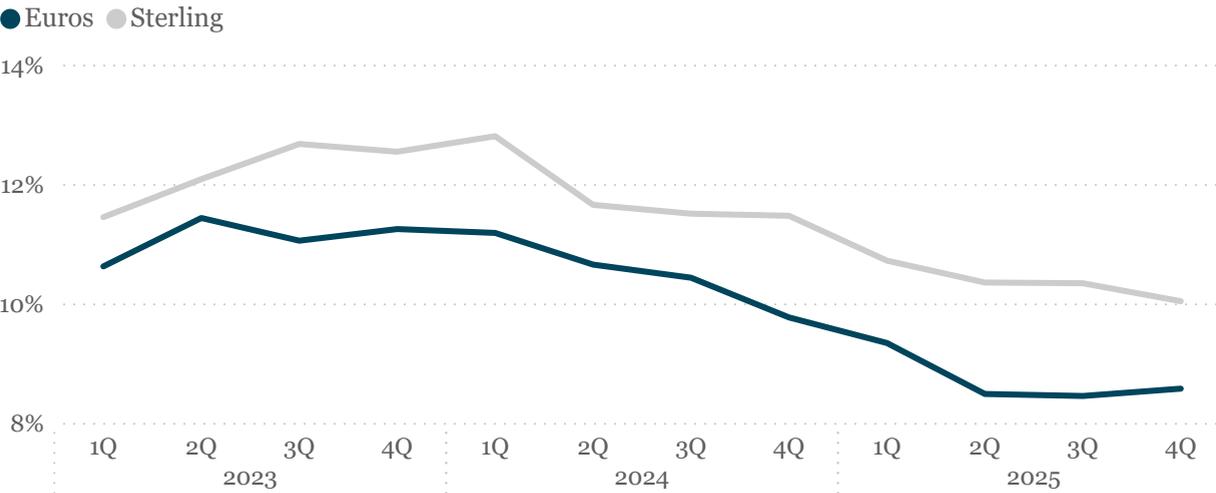
10.4 ICE BofA Euro High Yield Index Option-Adjusted Spread (%)



10.5 EURO 5-10 Yr AAA-A CLO Spreads



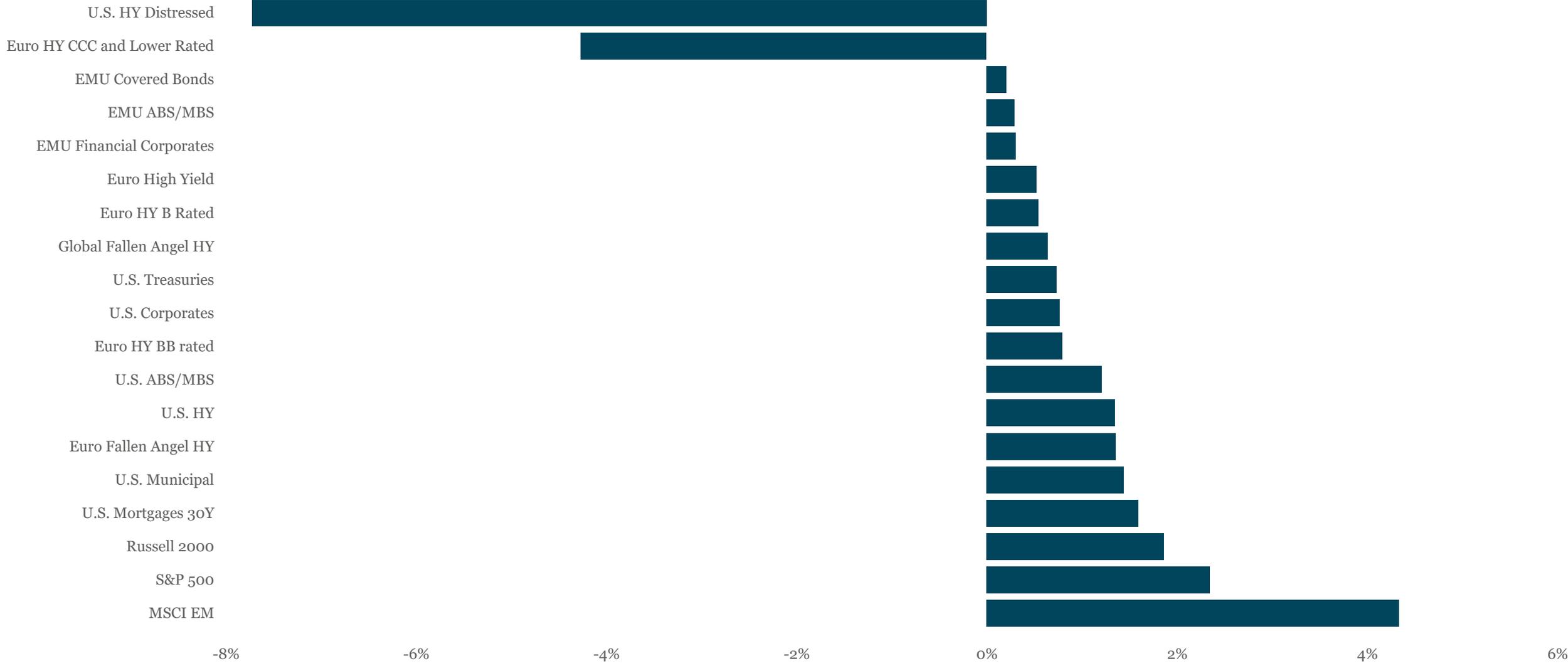
10.6 Yields of Private Credit Loan Origination



Source: FRED [10.4], JP Morgan [10.5], KBRA DLD [10.6]

afme / Total Return

10.7 Asset Class Total Return: Q4 2025



Source: LSEG and S&P

afme / Definitions

Direct Lending

Direct Lending activity is defined as corporate borrowing provided by a non-bank entity or debt fund (further regional variations and inclusions apply – see below).

A Direct Lender is primarily defined as an entity that originates and facilitates the deal. However, a club of direct lenders will also be considered. The awarded ‘Direct Lender’ title excludes placement agents, financial, debt advisors or any such intermediaries, not directly part of the fund or lending institution.

According to Octus, the following are included in their direct lending criteria:

Primary debt issuances only; Corporate borrowing in the developed markets (North America, western Europe); But also includes Shipping, Real Estate and ABL/warehouse lending in the developing markets (i.e. LatAm, CEEMEA, APAC); Sponsored and sponsor-less opportunities; Bullet and/or amortizing structures; Add-ons beyond 90 days will be counted as separate transactions. Octus reserves the right to review exceptions on a case-by-case basis, exercising discretion where deemed appropriate; Lending by Direct Lending, Private Debt, Private Credit, SMAs, Family Offices and/or Credit Opportunities funds; Super senior, senior as well as subordinated facilities; Deals by the Direct Lending arm of a traditional bank; and Only the winning bidder(s)' debt financing would be included in competitive M&A situations.

The following are excluded:

Deals that are part of a wider bank-led syndication or pre-placed facilities within a wider bank-led syndication; A bilateral facility held by a bank; Participation by non-direct lending divisions or funds such as CLOs or special situations funds; Secondary trades, including trades between funds from the same lender; Unitranche structures done solely by traditional banks; Tenors below 90 days; Initial transactions below €/\$5m in debt size; Non-majority vote amendments; Drawdowns from existing facilities: the entire underwritten or committed amount should be disclosed in the initial deal. Credit will be assigned only once; and Synthetic Risk Transfers (SRTs).

Credit Quality and Yields

KBRA DLD Research focuses exclusively on the unrated, sponsored, cash-flow markets in the US and Europe. Rated and syndicated loans are excluded except where noted. In Europe, *KBRA DLD Research* covers sponsored and non-sponsored direct lending deals only. Default rates are based on the *KBRA DLD Europe Index*, a carefully curated cohort of over 300 European borrowers that reflect the broader European direct lending market.

Yields are calculated to a three-year call. While most direct loans have a 5- to 7-year stated maturity, refinancing and corporate events reduce their average life to about 3 years.

ESG

The Octus ESG criteria considers facilities with a pricing ratchet; certain Use of Proceeds (defined under the LMA/LSTA guidelines); or deals that are widely ‘marketed’ as ESG/ Green/ Sustainable.

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