

Q2 2026

European High Yield, Leveraged Loan, and Private Credit Report

European Leveraged Finance

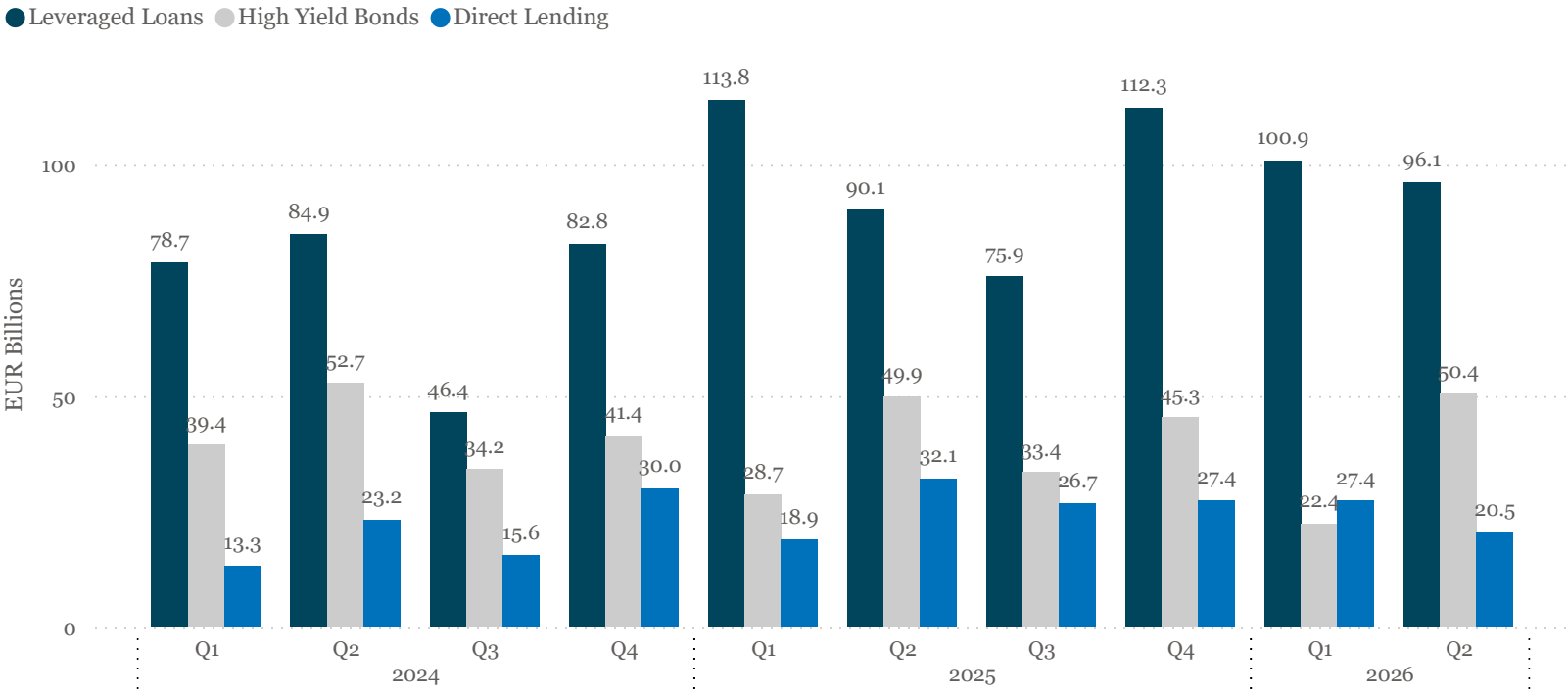
afme/ Acknowledgements and data sources



afme / Contents

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1.1 European Issuance of High Yield Bonds, Leveraged Loans and 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 July 2026.

Direct Lending declined to 12.3% of European private and public leveraged debt markets in Q2 2026

European leveraged debt markets issuance (leveraged loans, direct lending, and high yield bonds) totalled €167bn in proceeds in Q2 2026, an increase of 10.8% from €150.7bn in Q1 2026 and a decrease of 3% from €172.1bn in Q2 2025.

Direct lending origination reached €20.5bn, representing a decrease of 25.2% YoY and of 36.1% QoQ.

The market share of direct lending of total leveraged debt markets declined from 18.2% in Q1 2026 to 12.3% in Q2 2026.

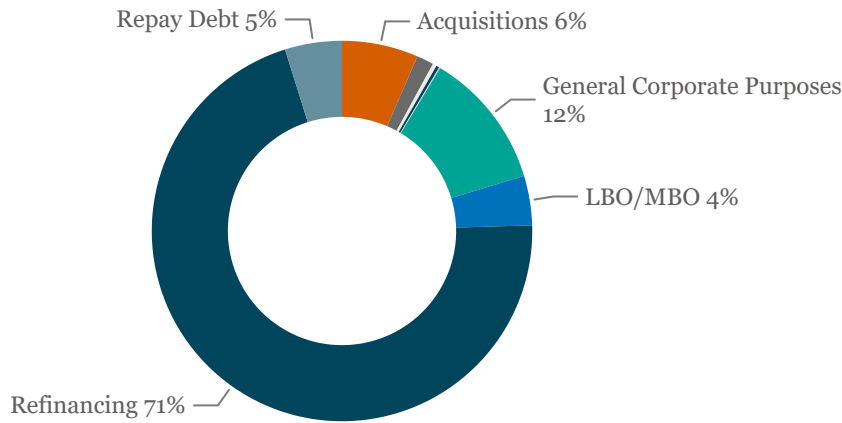
Direct lending includes primary origination only, excluding secondary sales, drawdowns from existing facilities and deals that are part of a wider bank-led syndicated lending (see Definitions on page 49).

Leveraged loan origination reached €96.1bn in Q2 2026, marking a 4.8% decline QoQ and a 6.7% increase YoY.

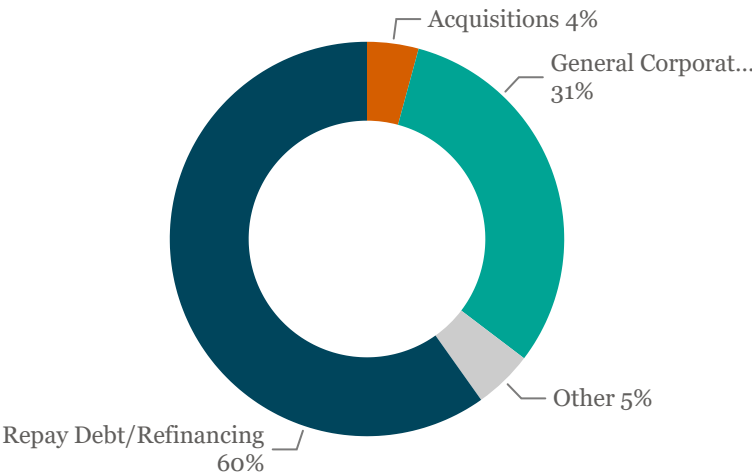
High yield bond issuance totalled €50.4bn in Q2 2026, up 125% from Q1 2026 and 1% from Q2 2025.

afme / Key findings

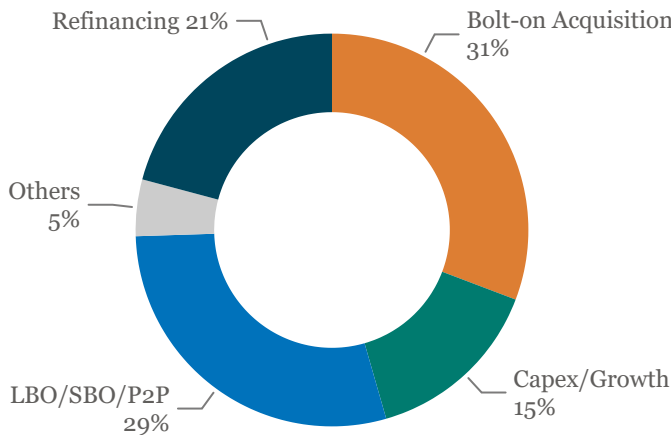
1.2 European Leverage Loans by Use of Proceeds



1.3 European High Yield Issuance by Use of Proceeds



1.4 European Direct Lending by Use of Proceeds



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

In H1 2026, 71% of leveraged loan issuance was used for refinancing, with an additional 5% for debt repayment. General corporate purposes accounted for 12%, while acquisitions and LBOs represented 6% and 5% of total proceeds, respectively.

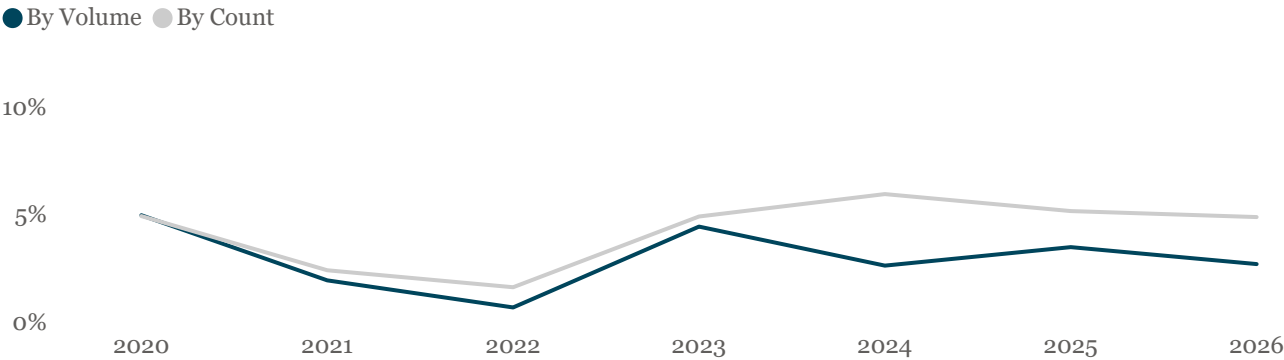
Similarly, high yield bond issuance was dominated by refinancing and debt repayment (60%), followed by general corporate purposes (31%) and 4% used for acquisitions.

In contrast, direct lending showed a different distribution in the use of proceeds, focusing predominantly on acquisition activities. According to Octus, acquisitions (31%) and LBOs (29%) represented the largest share of proceeds, while refinancing accounted for 21% of the total.

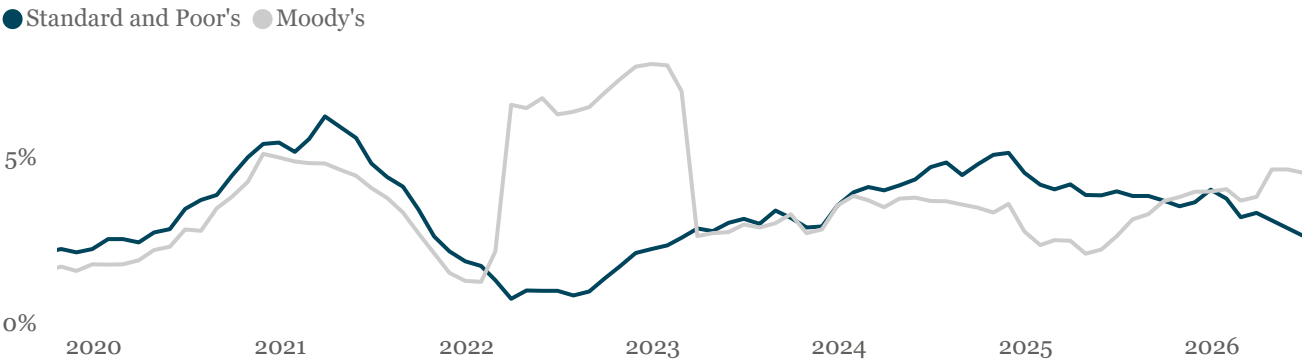
Source: Octus [1.4], Dealogic [1.2] and [1.3]

afme / Key findings

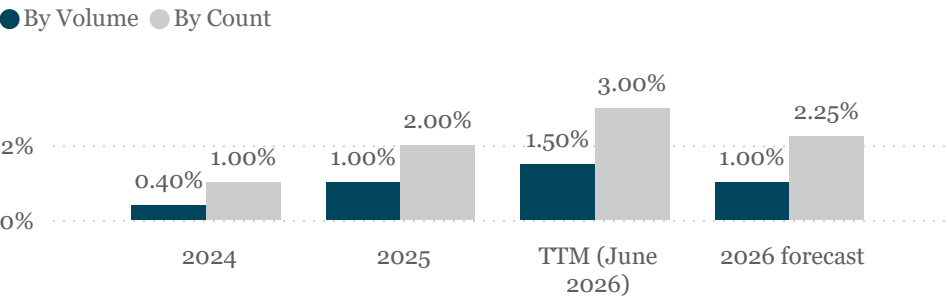
1.5 European Leveraged Loan Default Rates



1.6 European High Yield Bond Default Rates



1.7 European Direct Lending Default Rates



Direct Lending default rates are expected to decrease by year-end compared with the June TTM

In 2025, the default rate by count stood at 2%, while the trailing twelve month (TTM) direct lending default rate as of June 2026 increased to 3%, from 2% in 2025. KBRA DLD anticipates the default rate by count to decrease to 2.25% by the end of the year. In terms of volume, the default rate rose from 1% in 2025 to 1.5% in June 2026 (TTM), with forecasts expect it to decline back to 1% by year-end.

High Yield Bond default rates declined in Q2 2026

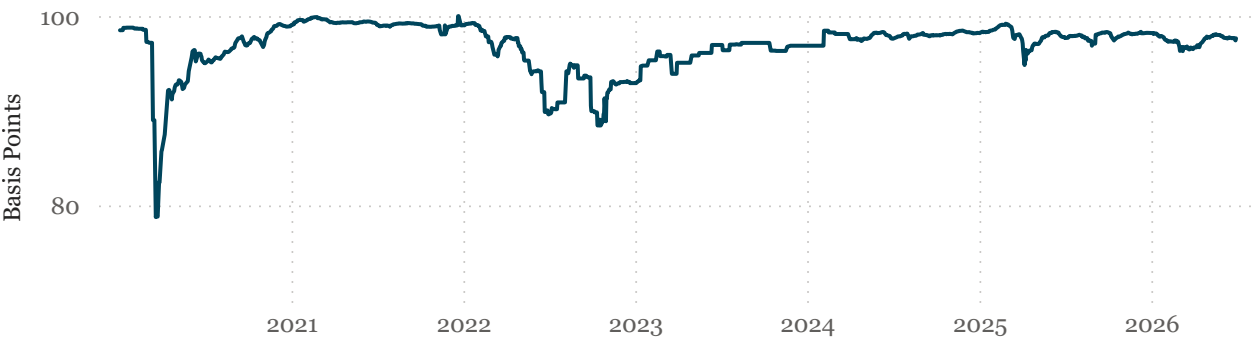
According to S&P, the trailing 12-month speculative-grade bond default rate declined from 3.3% at the end of March 2026 to 2.6% by the end of June 2026. Moody's reported an increase in default rates from 3.8% in March 2026 to 4.5% by the end of June 2026.

According to Fitch, the European leveraged loan trailing-12-month default rate by volume decreased from 3.4% in March 2026 to 2.6% in June 2026.

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.

afme / Key findings

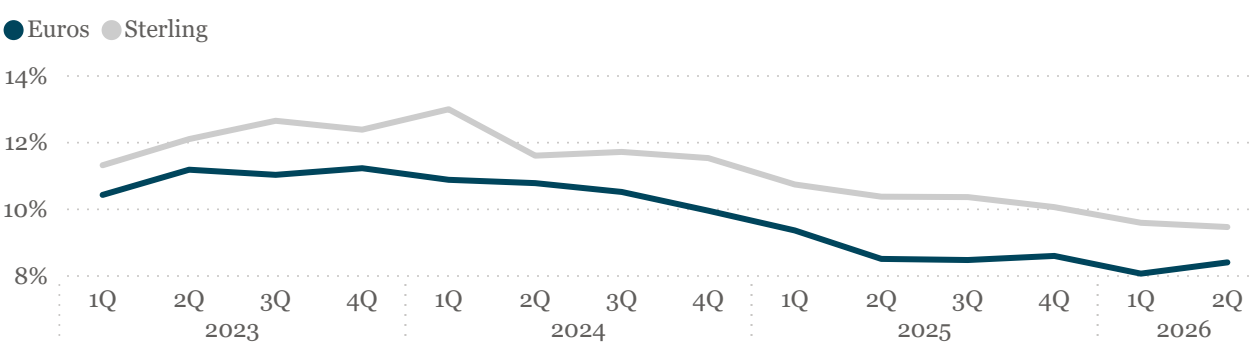
1.8 Relative value: European Leveraged Loans, Cash (EURO Lev40)



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



1.10 Yields of Private Credit Loan Origination



European High Yield Bond spreads tightened during Q2 2026

The European high yield option-adjusted spread peaked in April 2025 at 4.1%, the highest value since December 2023, before starting tightening. In the second part of Q1 2026, HY bond spreads partially widened closing the quarter at 3.4%. However, during Q2 2026, spreads tightened, falling to 2.7%.

The cash relative value in the leveraged loan market declined in the first half of the year compared to the end of 2025. The Lev40 Index decreased from 98.2 at the end of December 2025 to 96.51 by the end of March, before recovering to 97.65 by the end of June.

Yields of private credit loan origination have shown a declining trend since late 2023. Euro-denominated yields peaked at 11.43% in Q2 2023 and declined consistently quarter over quarter, reaching a first low of 8.48% in Q2 2025. They fell further to 8.04% in Q1 2026, before edging up to 8.38% by the end of June.

Sterling-denominated yields followed a similar trajectory, peaking at 12.97% in Q1 2024 before falling to 9.44% in Q2 2026.

Leveraged Loans

afme / Leveraged Loans

Issuance: Leveraged Loans

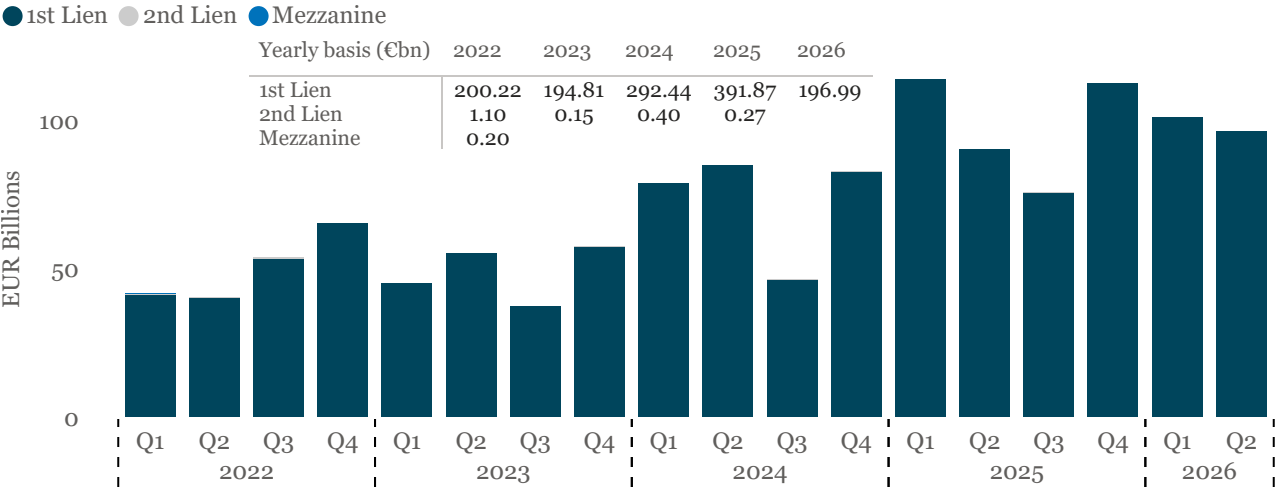
Leveraged loan origination reached €96.1bn in Q2 2026, a 4.8% decline compared to Q1 2026 and a 6.7% increase from Q2 2025.

Only 1st lien loans were issued during the quarter. Since 2022, first-lien loans have accounted for 99.83% of the total volume of leveraged loans, with second-lien and mezzanine financing representing 0.15% and 0.02%, respectively.

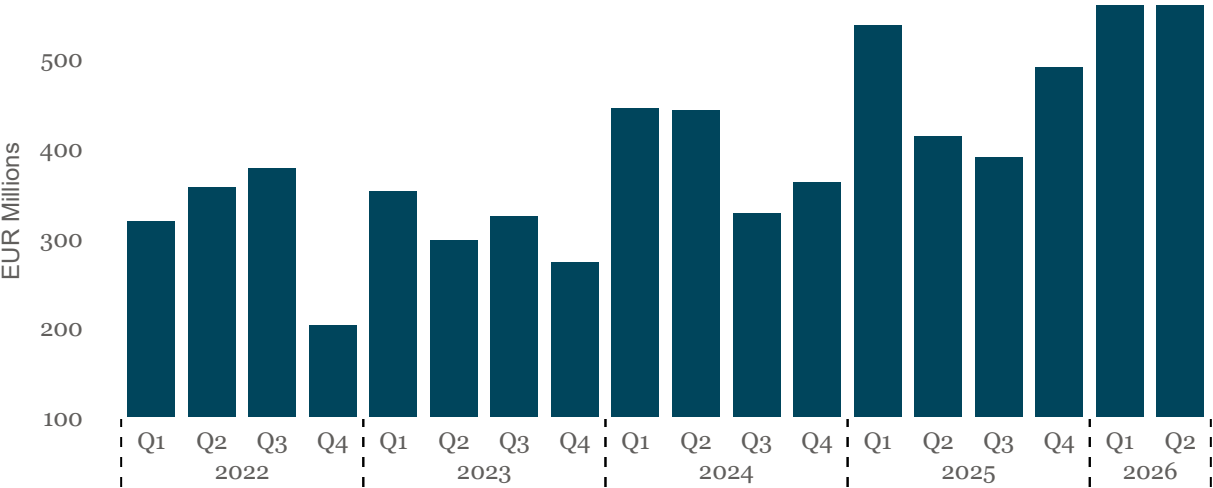
In Q2 2026, institutional spreads, as measured by a 3-month rolling average, showed a decrease from 379.37 basis points in March 2026 to 324.6 basis points in June 2026. Pro-rata spreads decreased from 264.25 basis points at the end of Q1 2026 to 261.06 basis points in June 2026. As a result, the gap between institutional and pro-rata spreads decreased during Q2 2026.

The Healthcare sector emerged as the leading sector by loan origination amount in Q2 2026, reaching €24.3bn. It was followed by Telecommunications and Transportation, which originated €14.3bn and €6.5bn in loans, respectively.

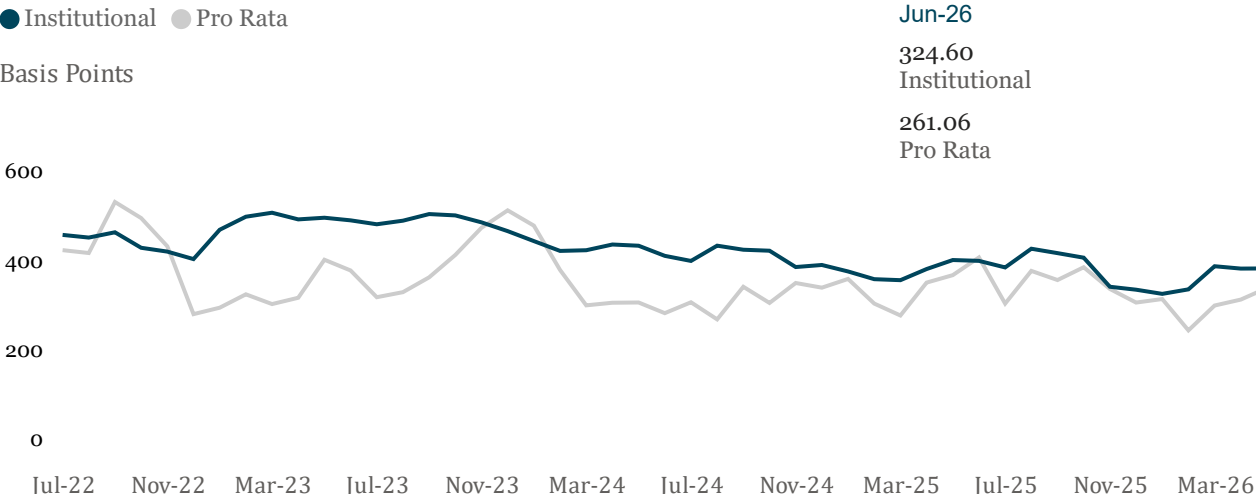
3.1 European Leveraged Loan Issuance by Type



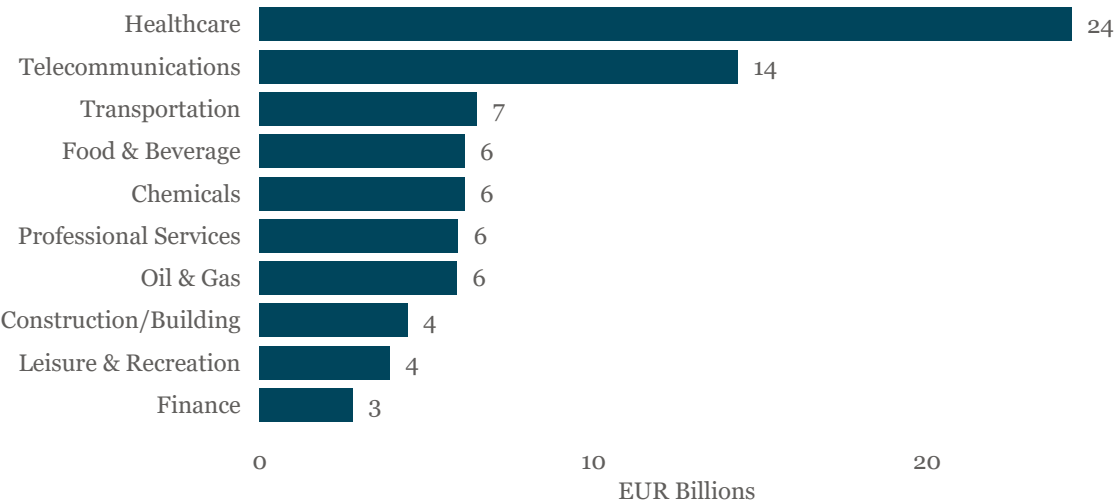
3.2 European Leveraged Loans Average Deal Size



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

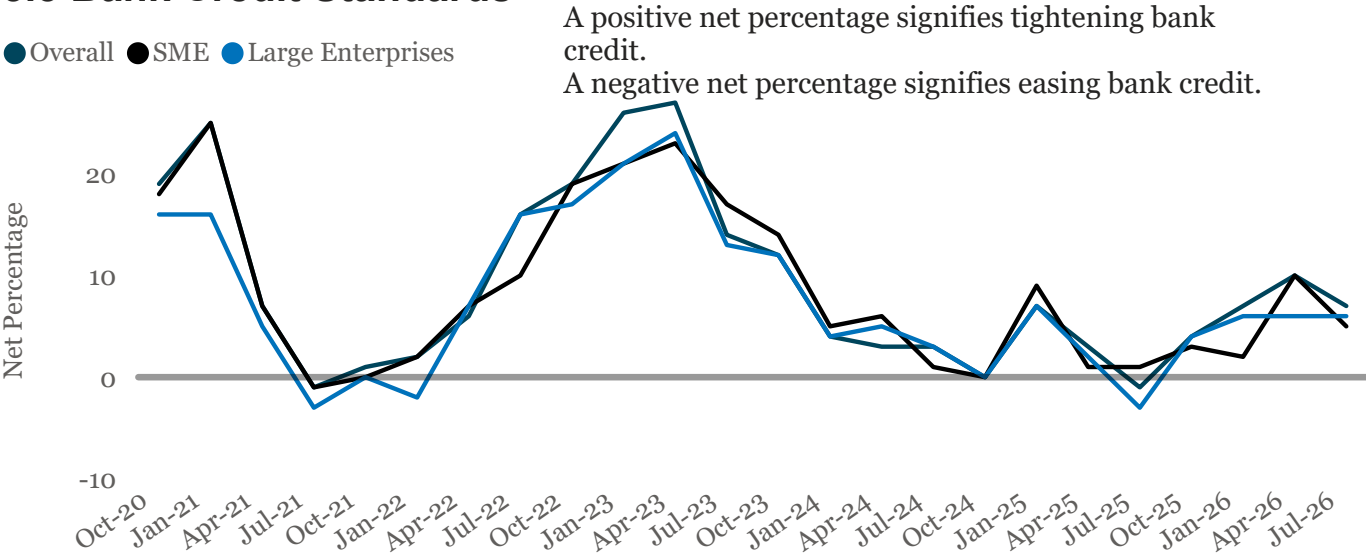


3.4 European Leveraged Loan Issuance by Industry: Q2 2026 (Top 10)

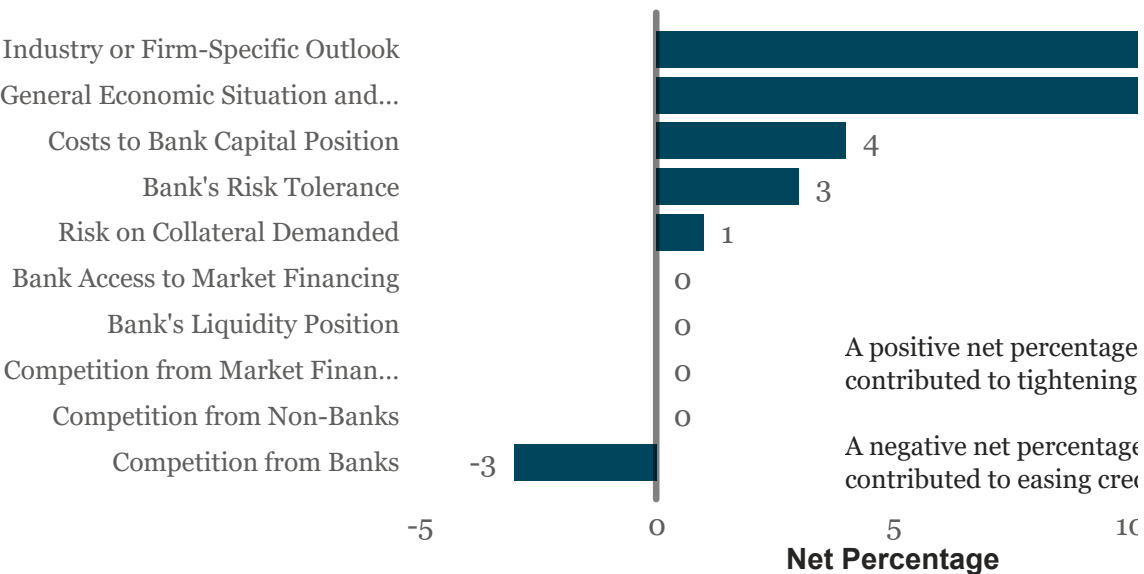


afme/ Credit Standards and Loan Demand

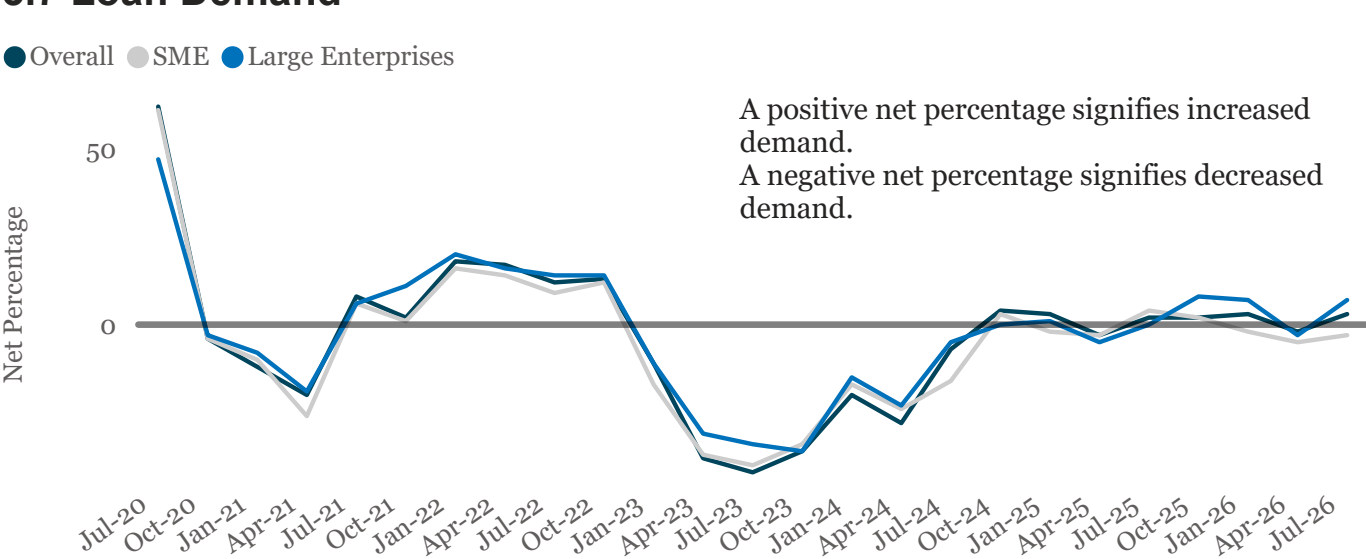
3.5 Bank Credit Standards



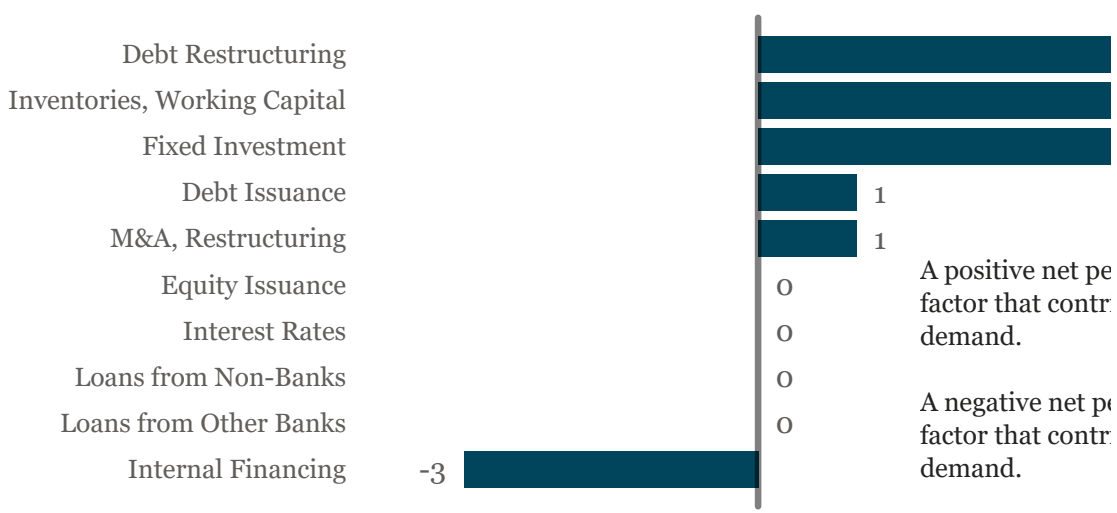
3.6 Factors Affecting Bank Credit Standards: June 2026



3.7 Loan Demand



3.8 Factors Affecting Loan Demand: June 2026



Direct Lending

afme / Direct Lending

Issuance: Direct Lending

European direct lending origination reached €20.5bn in Q2 2026, representing a 25% decline compared with Q1 2026 and a 36% decrease from Q2 2025. By volume, the number of deals increased from 236 in Q1 2026 to 258 in Q2 2026.

In the US, deal activity has consistently been higher, at times more than double the European origination amount. In Q2 2026, the number of the US deals stood at 508, down from the 604 both in the previous quarter and in Q2 2025.

In H1 2026, the primary use of proceeds was Acquisitions, accounting for 30.8% of total issuance, followed by LBO/SBO/P2P at 29% and Refinancing at 20.9%. Capex represented 14.8% of the total share.

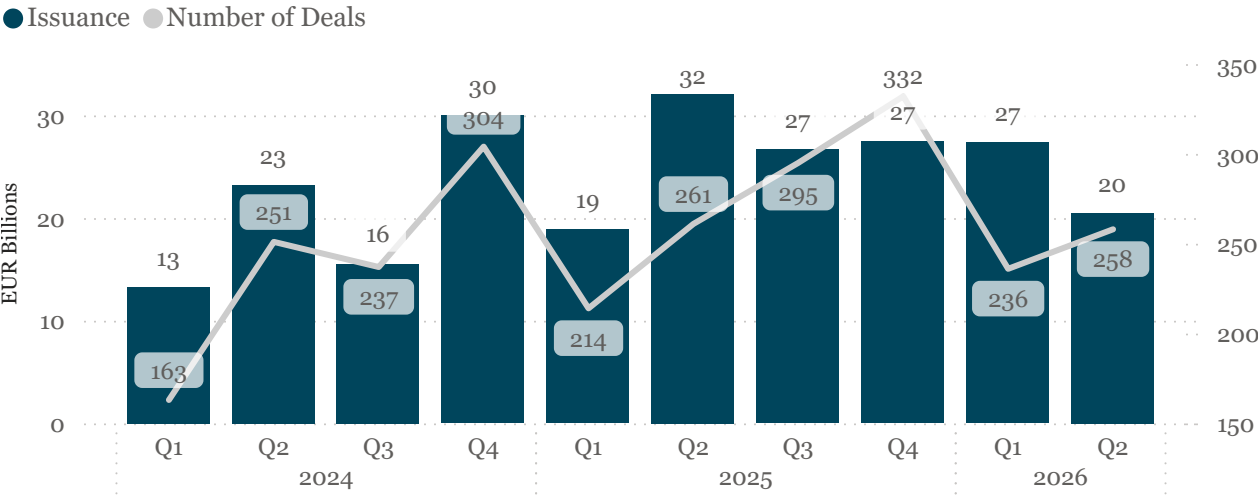
The most active sectors over the first half of 2026 were Business Services-related and Software & Services (both at 16.8%), and Industrials & Materials, accounting for 16.6% of the total.

In Q2 2026, UK and Ireland originated the largest share of direct lending, representing 29.5% of the total European origination. This was followed by France at 21.3% and Benelux at 14.7%.

During the same period, 17% of the total deals were ESG-compliant, a decrease compared to the previous quarters. French firms conducted the highest number of ESG-compliant deals in H1 2026, followed by Dutch firms. There were a total of 83 European ESG deals.

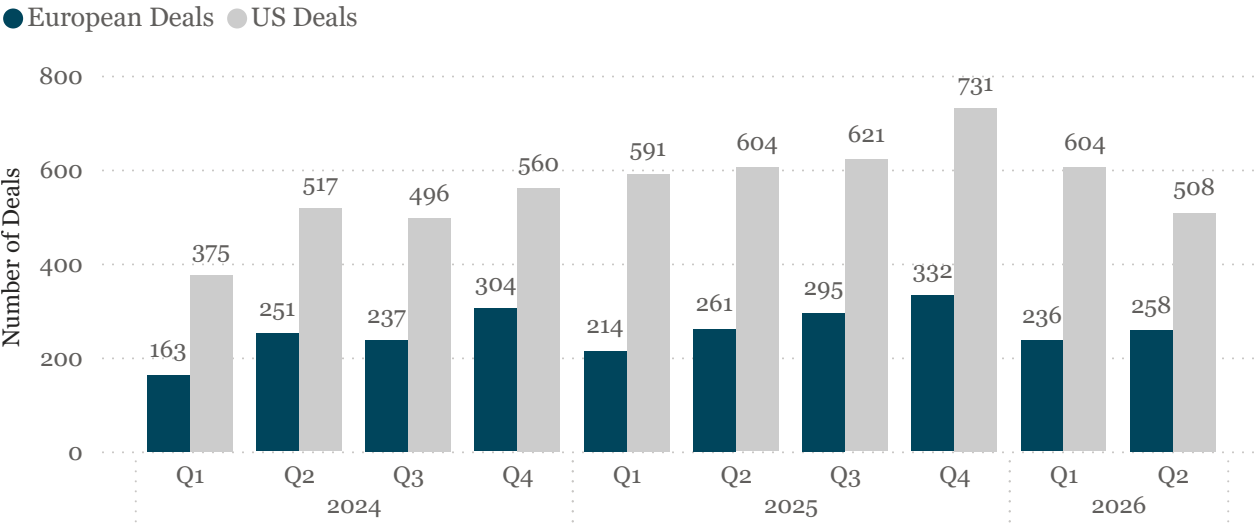
Europe continues to be relatively risk-averse, with leverage capped below eight times EBITDA, typically between two and six, and only a handful of deals priced above 750 bps.

4.1 European Direct Lending Issuance

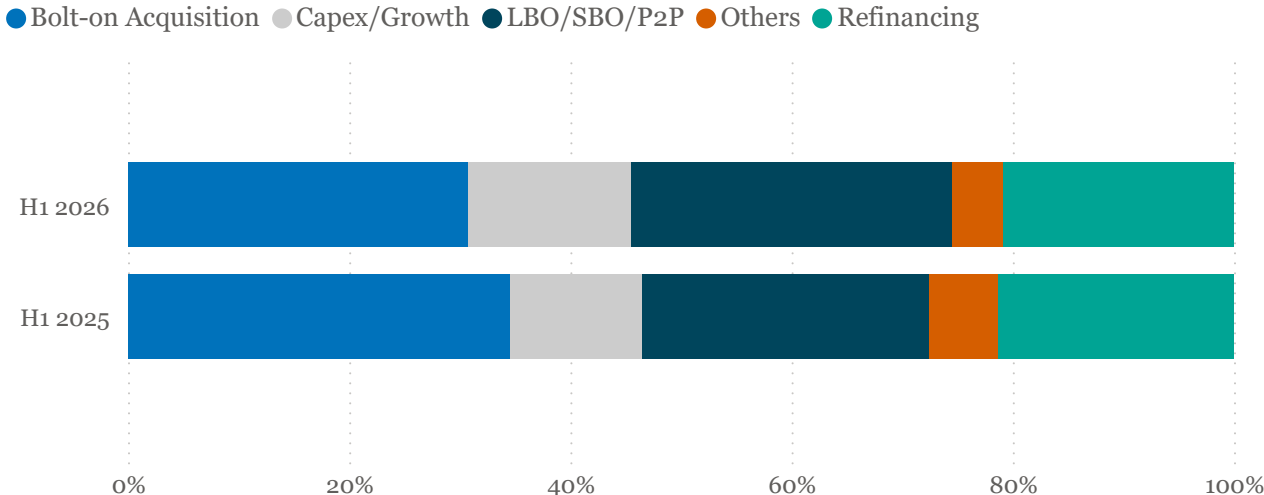


* Direct Lending volumes are derived from estimates based on disclosure

4.3 Comparison of Number of Deals: Europe vs US



4.2 Direct Lending Origination by Use of Proceeds



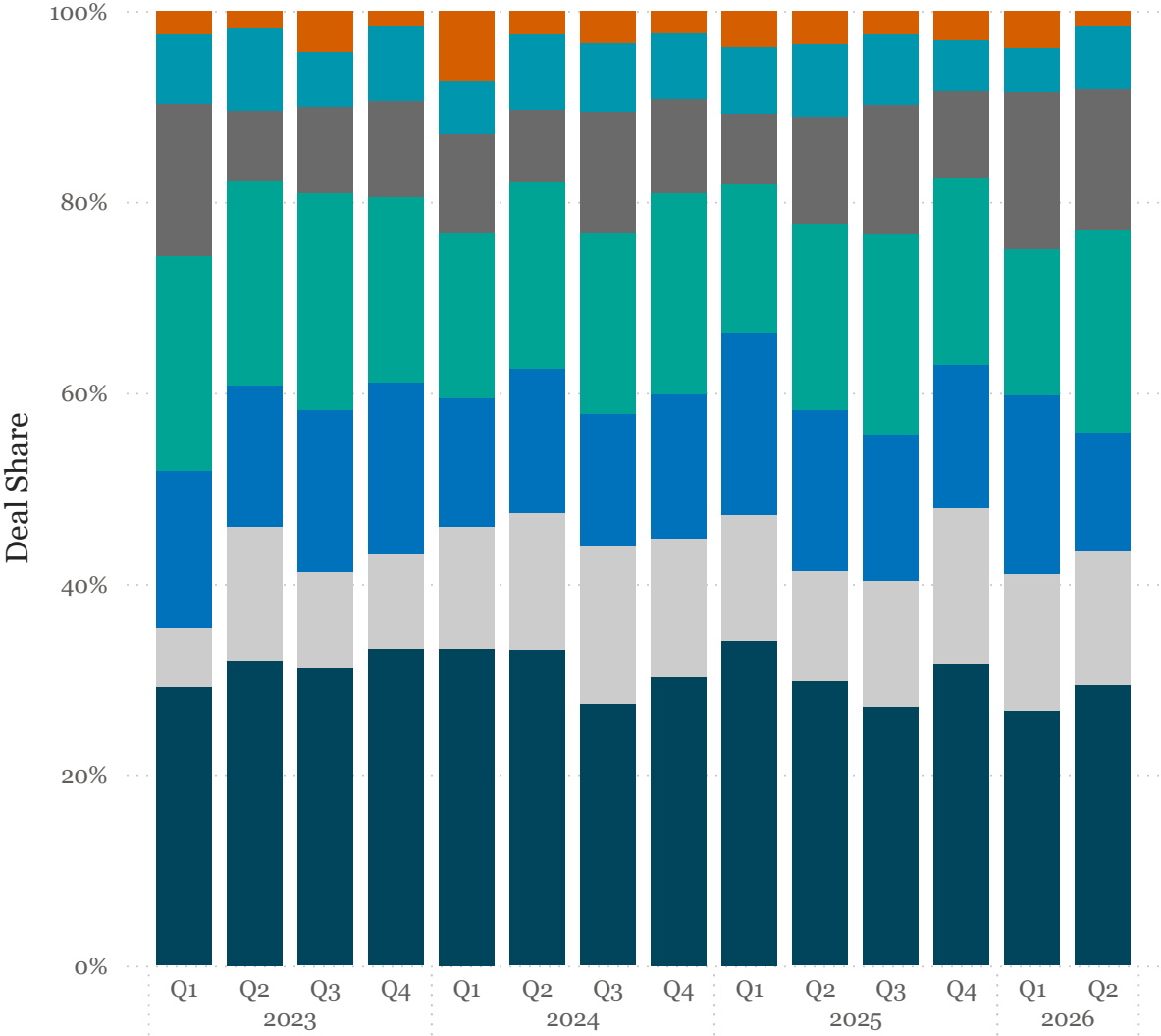
4.4 European Deals by Debt Quantum: Number and Share

H1 2026



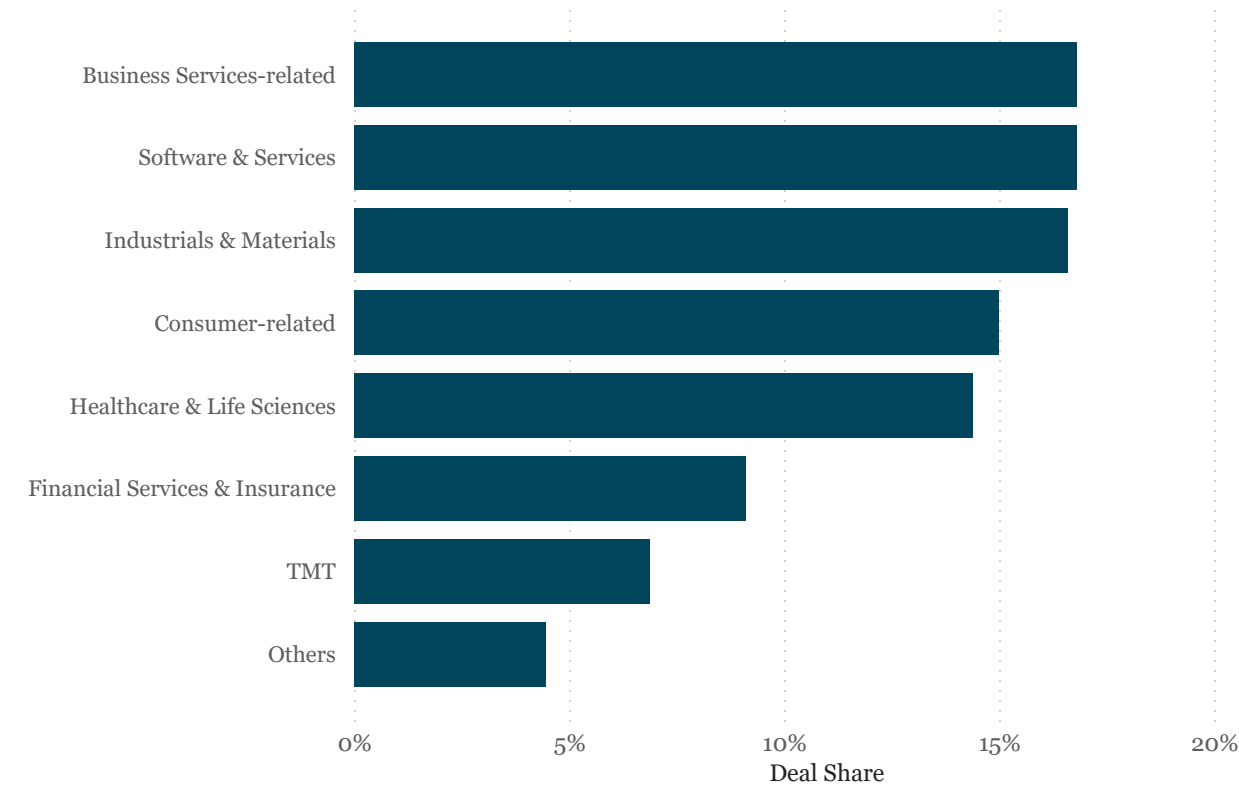
4.5 European Direct Lending Origination by Country

UK & Ireland Southern Europe DACH France Benelux Nordics Eastern Europe



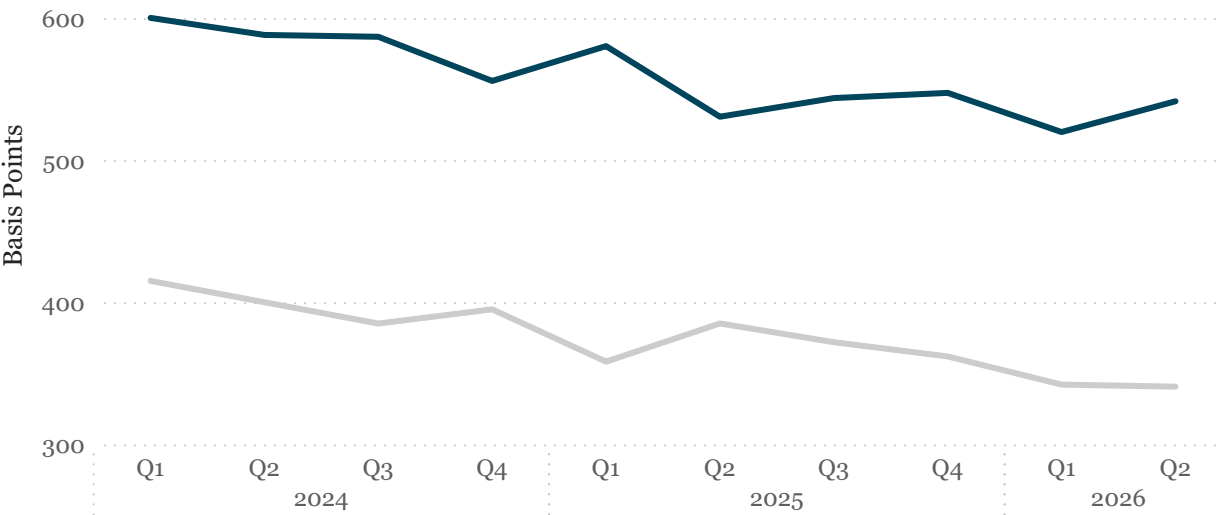
4.6 European Direct Lending Origination by Sector

H1 2026

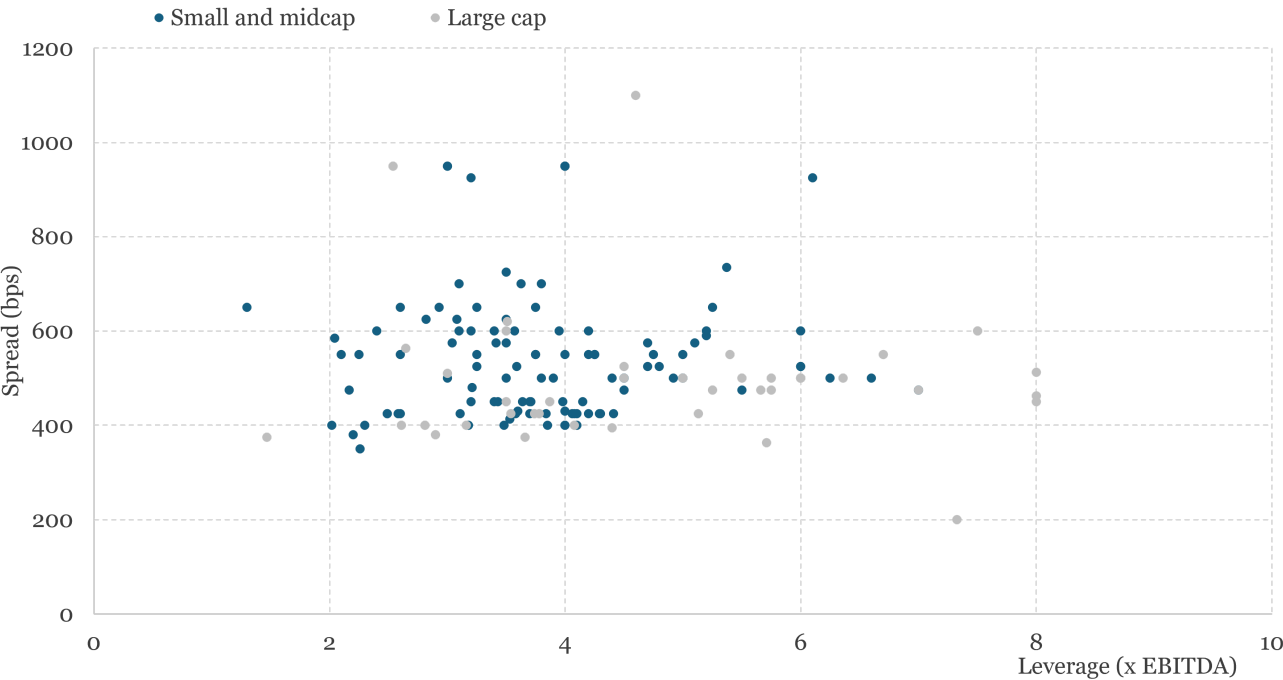


4.7 Pricing Trends in Europe: Leveraged Loans vs Direct Lending

DL - Average Margin (bps) LL - Average Margin (bps)

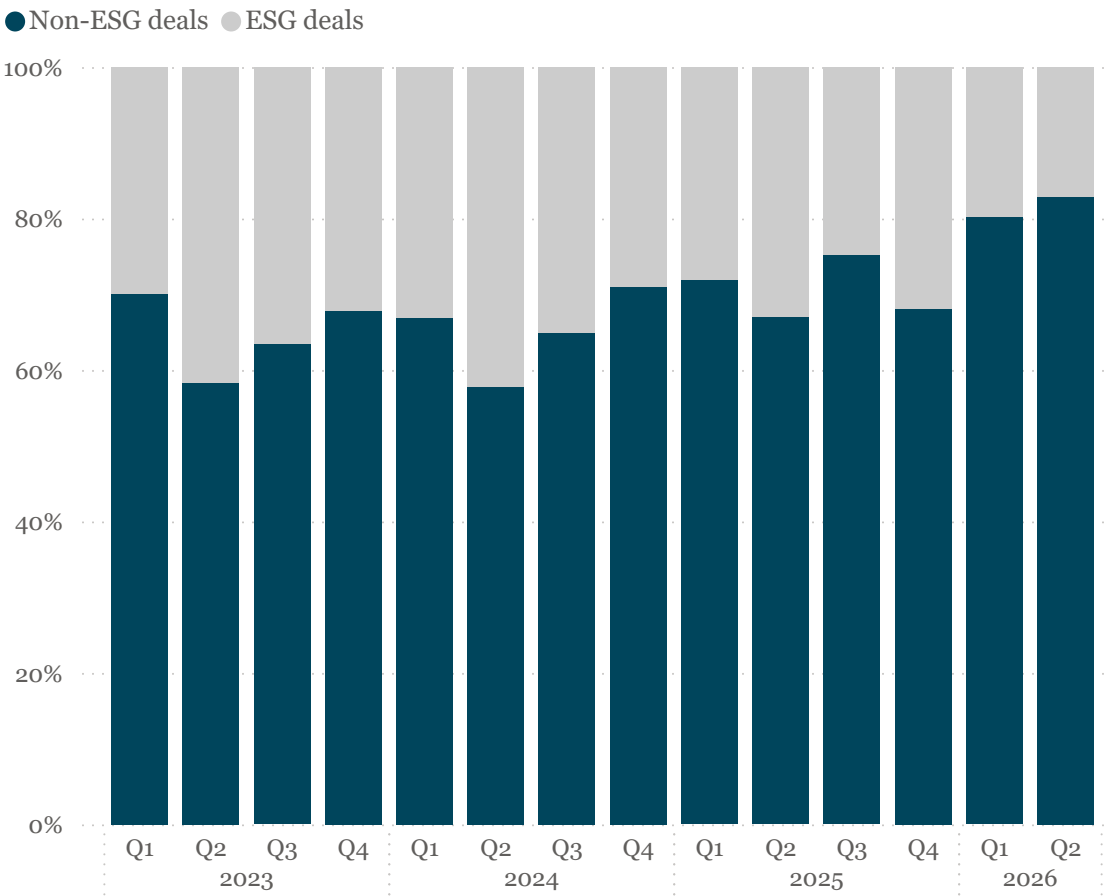


4.8 European Spread vs Leverage on Q2 2026 deals

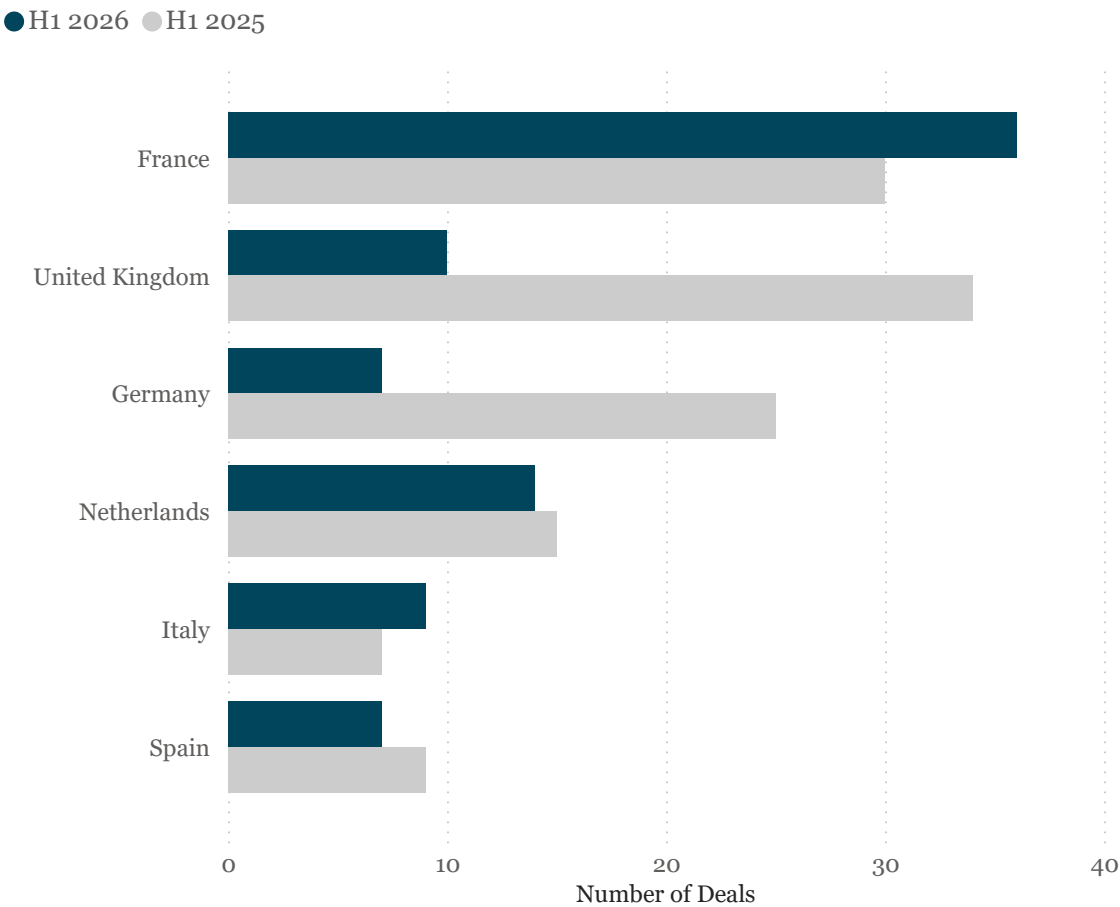


afme/ Direct Lending - Focus on ESG Deals

4.9 Share of European ESG-Compliant Deals



4.10 Number of ESG-Compliant Deals by Country



The number of ESG deals is lower in H1 2026 due to stricter ESG criteria, requiring facilities to have an operational ESG-margin ratchet and/or established KPIs at signing to be considered as ESG-compliant.

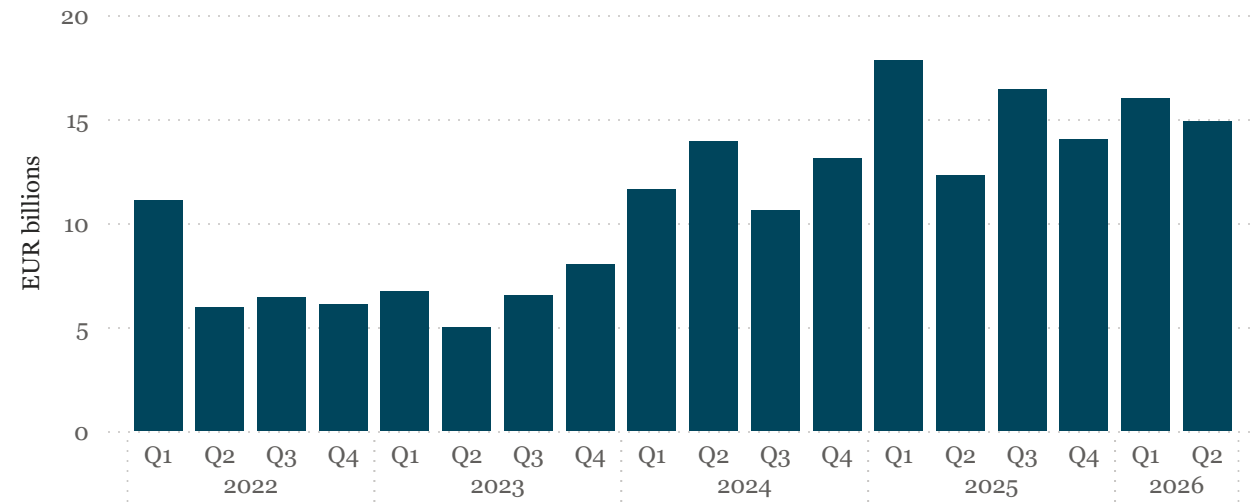
CLOs

European Collateralised Loan Obligation (CLO) issuance reached €14.9bn in the second quarter of 2026, representing a 6.9% decrease QoQ but a 21.1% increase YoY.

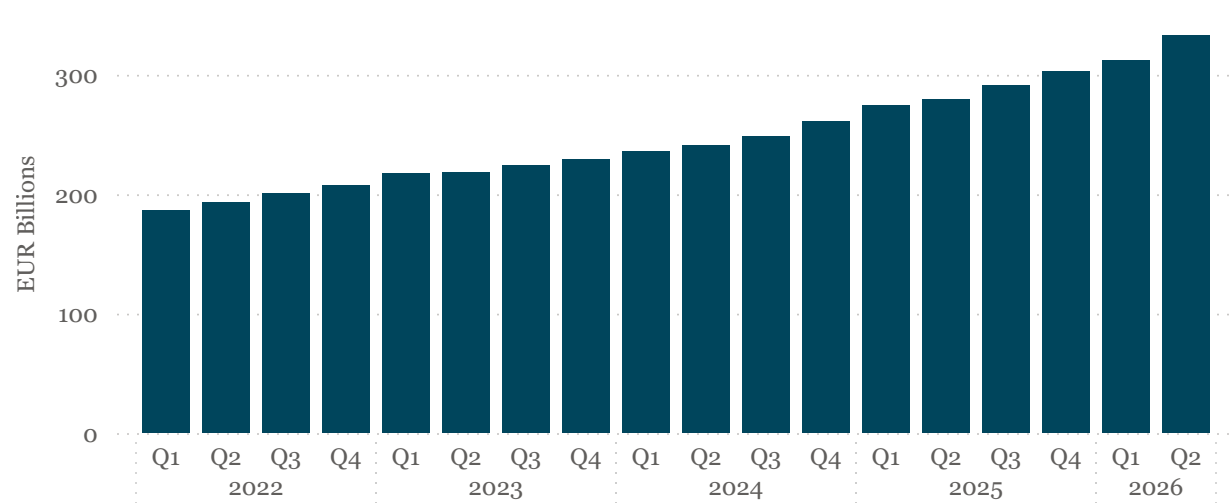
In Q2 2026, CLO Outstanding amount reached €332.8bn, accounting for a 6.7% increase from Q1 2026 and a 19.3% increase from Q2 2025.

Since 2024, US CLO issuance has consistently exceeded European CLO issuance. In Q2 2026, US issuance reached €36.6bn, while European CLO issuance totalled €14.9bn accounting for 29% of the combined US and European issuance.

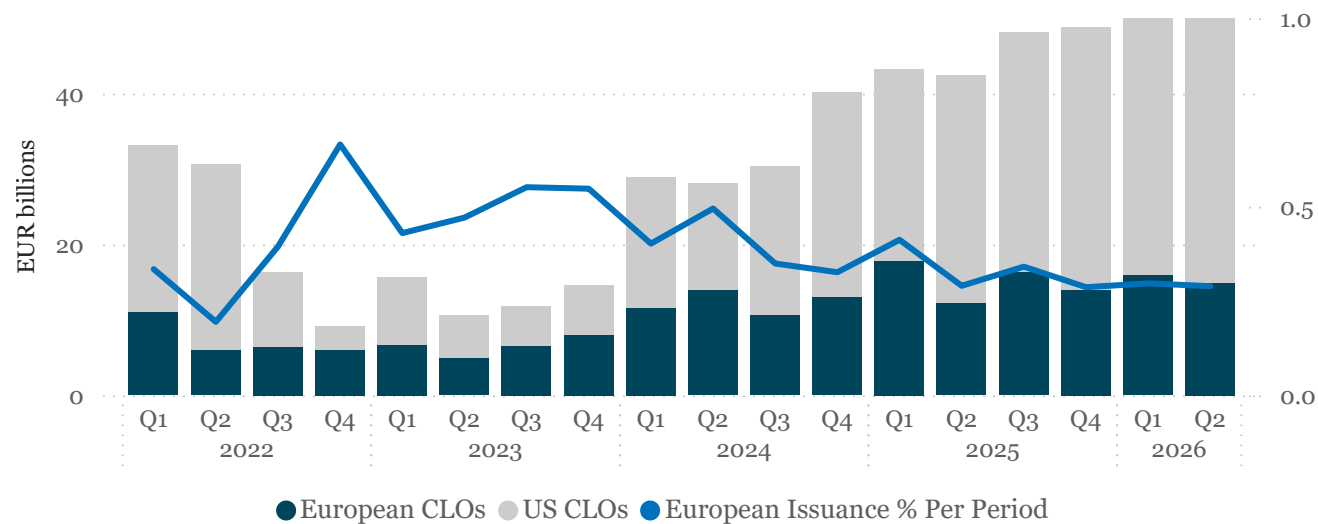
5.1 European CLO Issuance



5.2 European CLO Outstanding



5.3 CLO Issuance Comparison: Europe vs US



Source: Bank of America [5.1] and [5.3], SCI [5.2], SIFMA [5.3]

High Yield Bonds Overview

afme / High Yield Bonds Overview

Issuance: High Yield Bonds

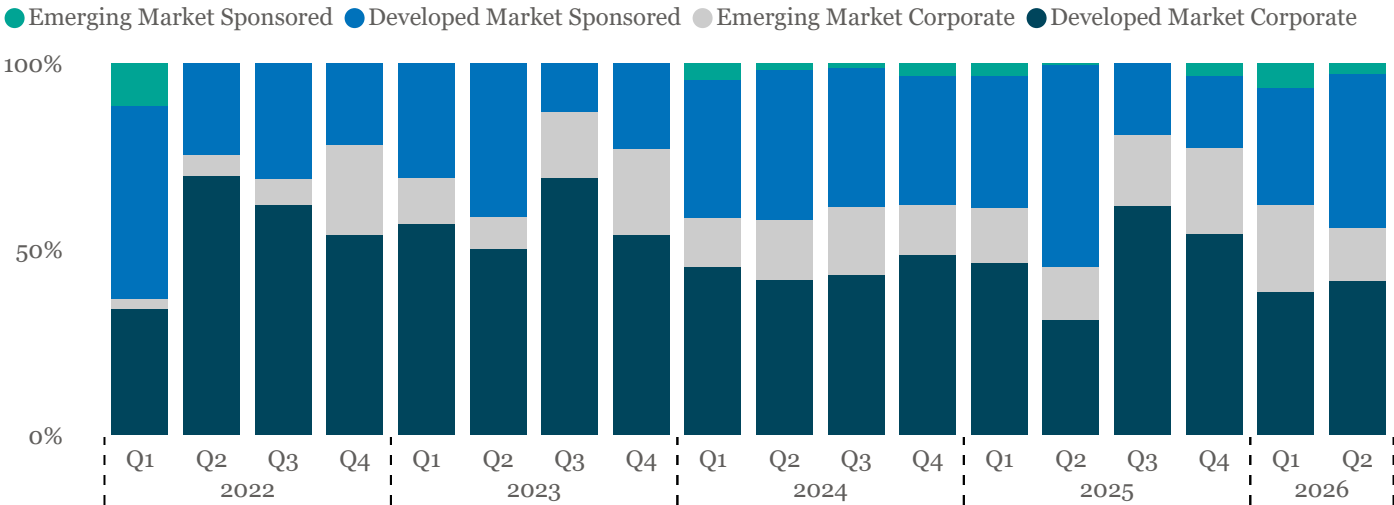
Primary high yield bond issuance totalled €50.4bn (on 109 deals) in Q2 2026, a 125% increase from €22.4bn (on 59 deals) in Q1 2026. During this quarter, issuance by firms located in European developed markets represented approximately 83% of the total (€41.7bn), while firms in European emerging markets represented the remaining 17% (€8.6bn).

In Q2 2026, the primary use of proceeds was refinancing, which accounted for 59.5% of total issuance, followed by general corporate purposes at 26%. The share of refinancing-related issuance has remained strong, after reaching the highest value in recent years during Q2 2025.

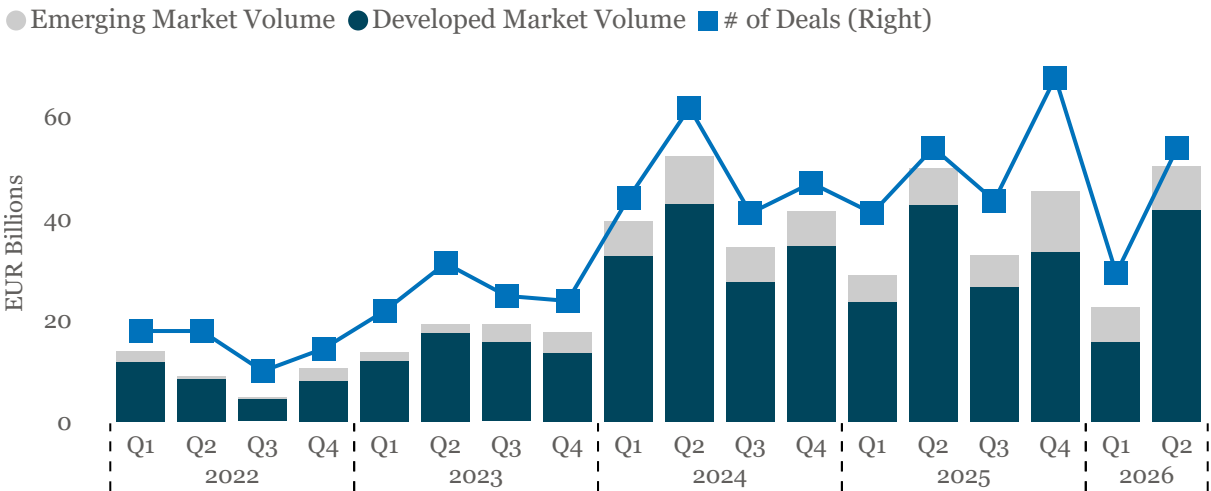
In the second quarter of 2026, three sectors accounted for 54.5% of the high yield market by outstanding amount: Financials, Consumer Discretionary, and Communications with €157.2bn, €137bn, and €121.5bn of the total outstanding value respectively.

afme/ High Yield Bonds Overview

6.1 European High Yield Issuance, Sponsored vs Corporate



6.2 European High Yield Issuance, Developed and Emerging Markets

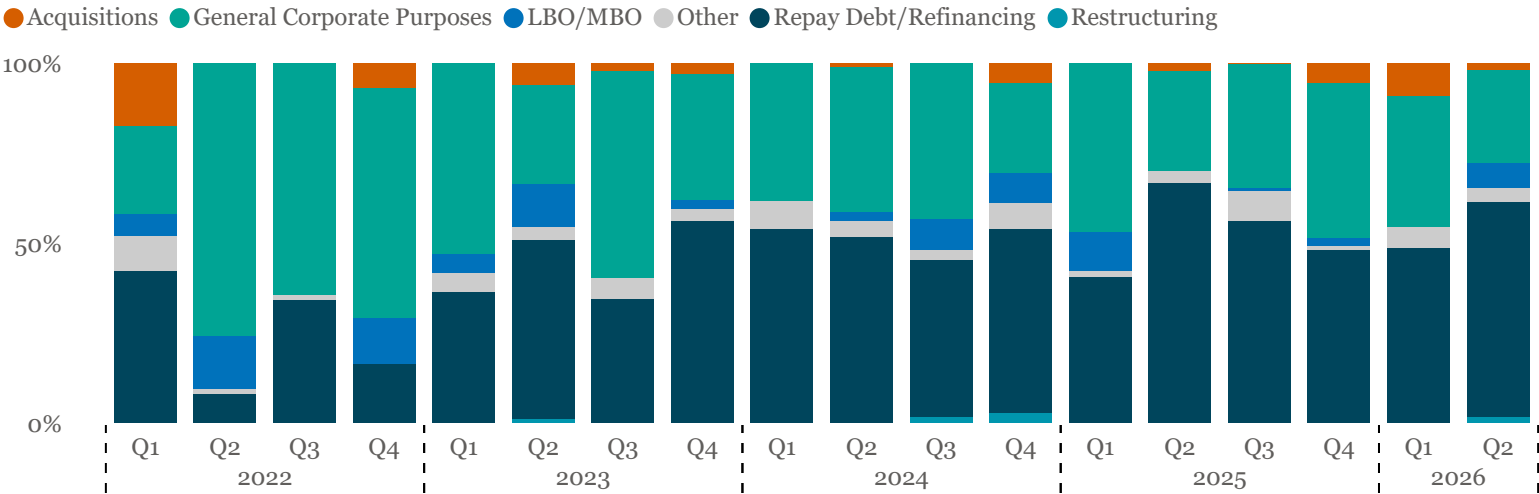


6.3 Global Comparison High Yield Issuance (EUR Billions)

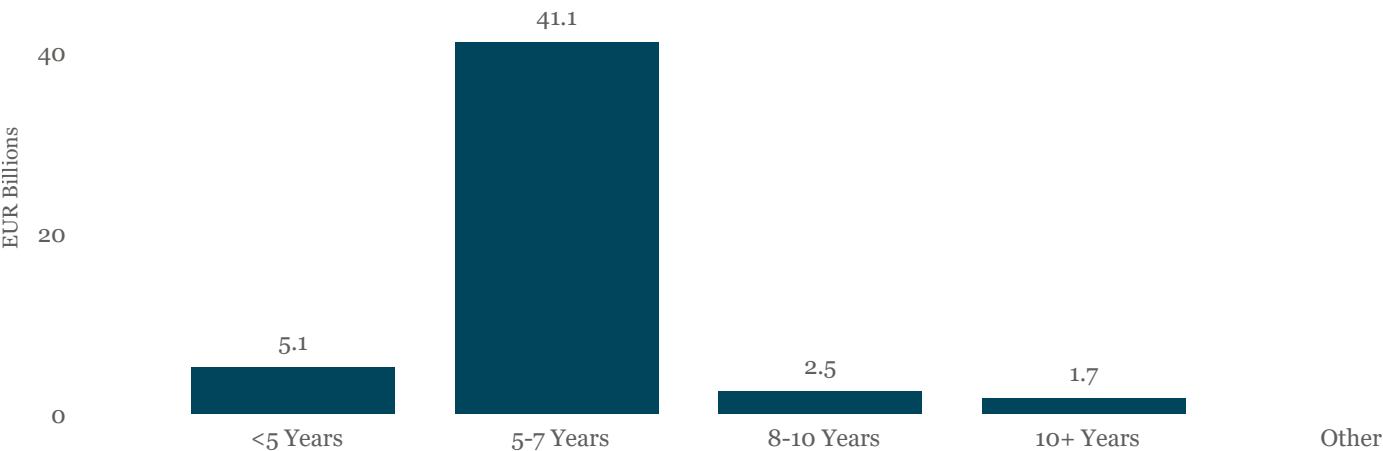
Year Region	2024				2025				2026	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Americas	67.8	62.4	68.2	43.2	59.8	65.2	89.2	51.9	65.7	78.5
Asia	13.9	16.5	16.6	15.1	17.2	10.8	24.1	10.1	6.0	11.2
Europe	39.4	52.7	34.2	41.4	28.7	49.9	33.4	45.3	22.4	50.4
Total	121.2	131.5	119.0	99.8	105.7	125.9	146.8	107.2	94.2	140.1

Region	2022	2023	2024	2025	2026
Americas	96.5	155.0	241.6	266.1	144.2
Asia	23.8	47.8	62.1	62.2	17.3
Europe	37.9	69.4	167.7	157.3	72.8
Total	158.2	272.3	471.4	485.6	234.3

6.4 European High Yield Issuance by Use of Proceeds



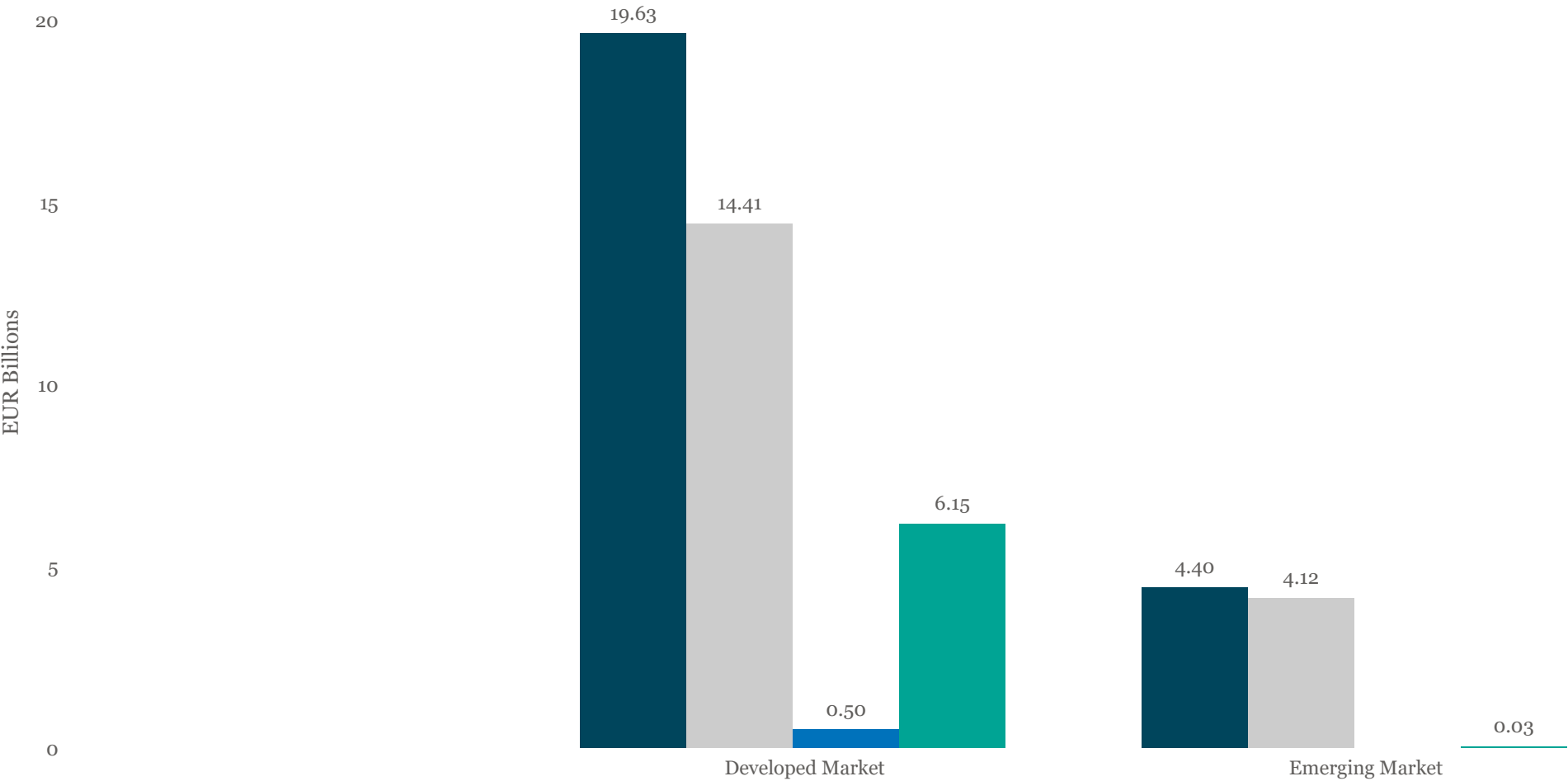
6.5 European High Yield Issuance by Tenor: Q2 2026



afme / High Yield Bonds Overview

6.6 European High Yield Issuance by Rating: Q2 2026

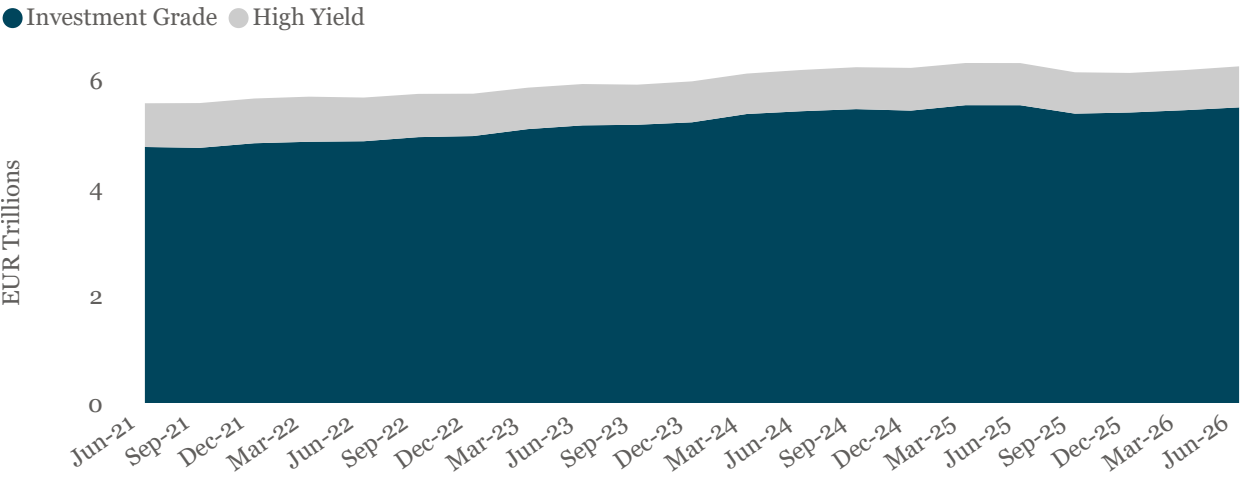
● BB ● B ● CCC ● Not rated



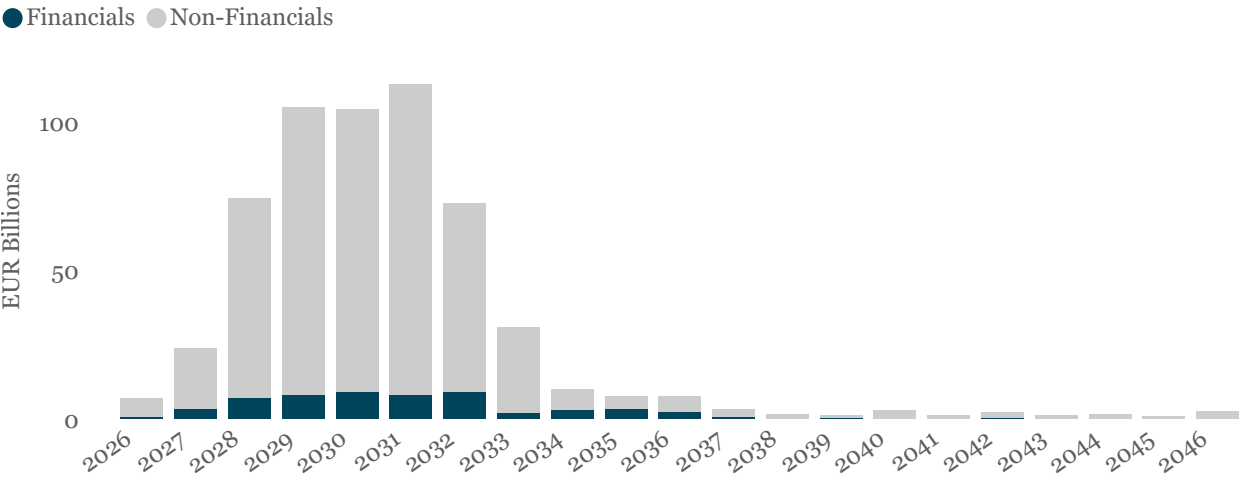
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

afme/ High Yield Bonds Overview

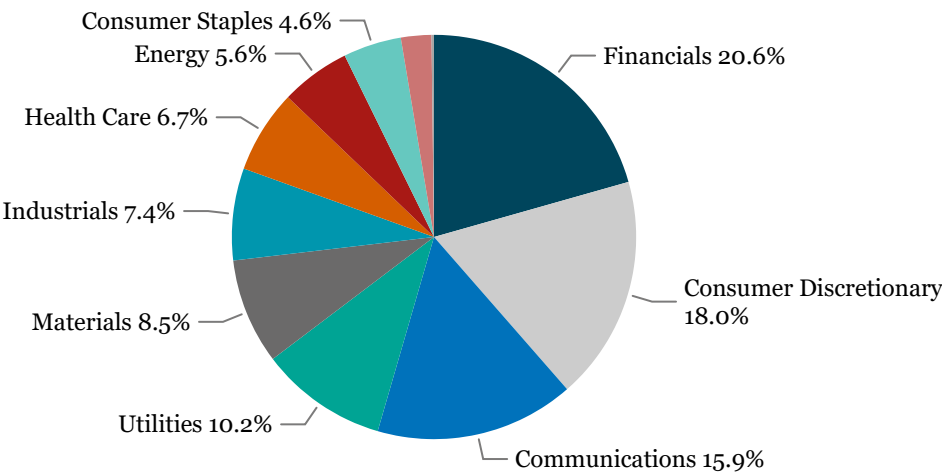
6.7 European Corporate Bonds Outstanding



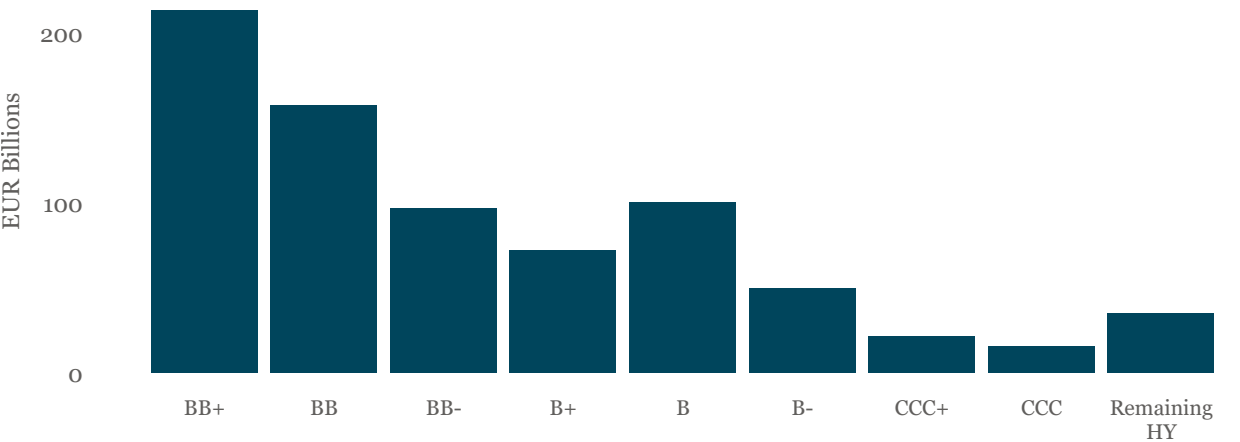
6.8 European Corporate High Yield Maturity Wall



6.9 European Corporate High Yield Outstanding by Sector: June 2026



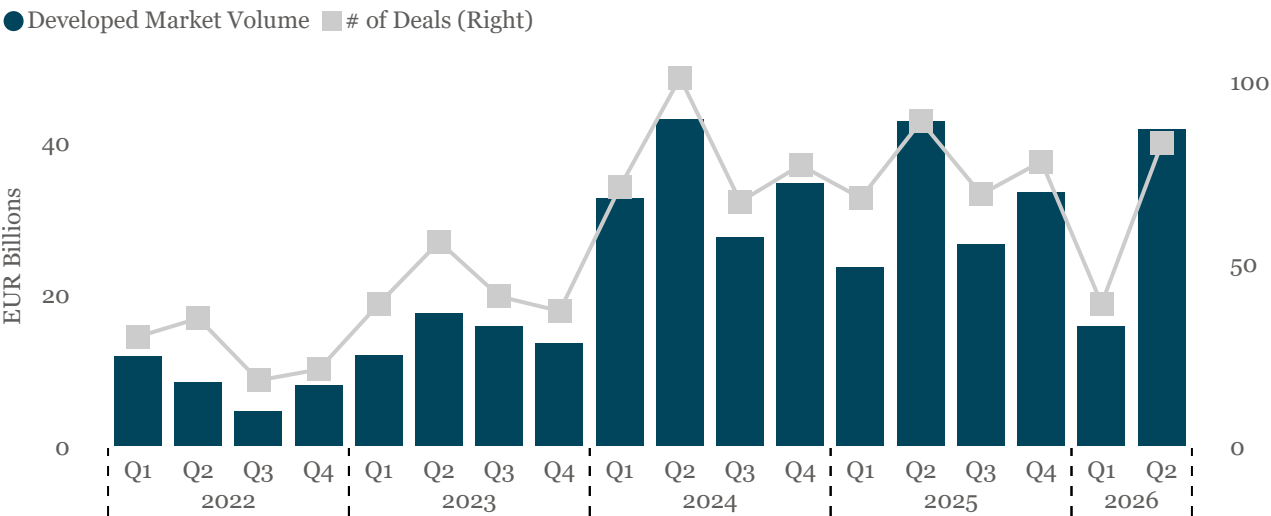
6.10 European Corporate High Yield Outstanding by Current Rating: June 2026



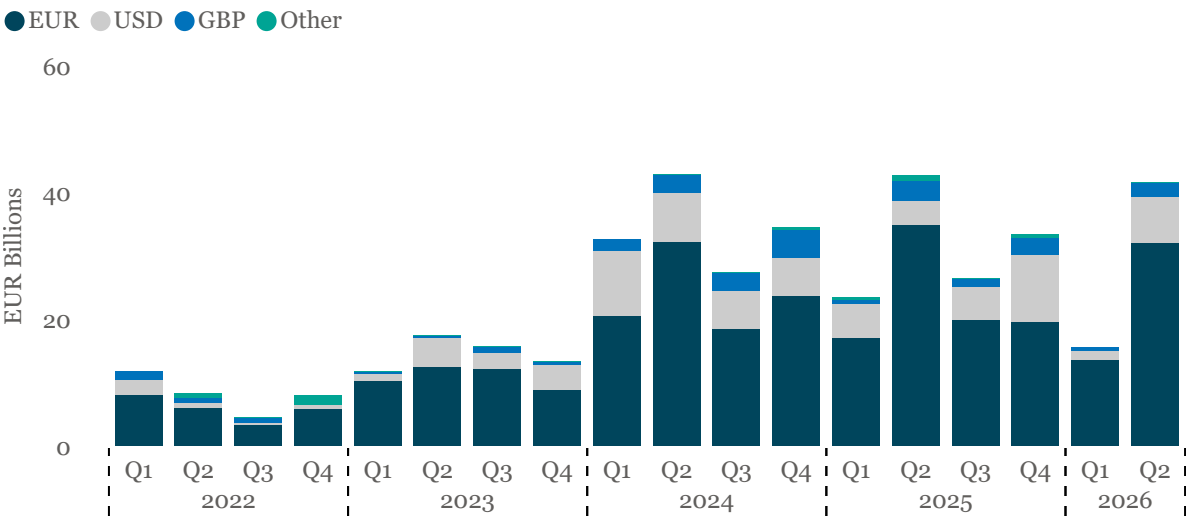
European Developed Market High Yield Bonds

afme/ Developed Market High Yield Bonds

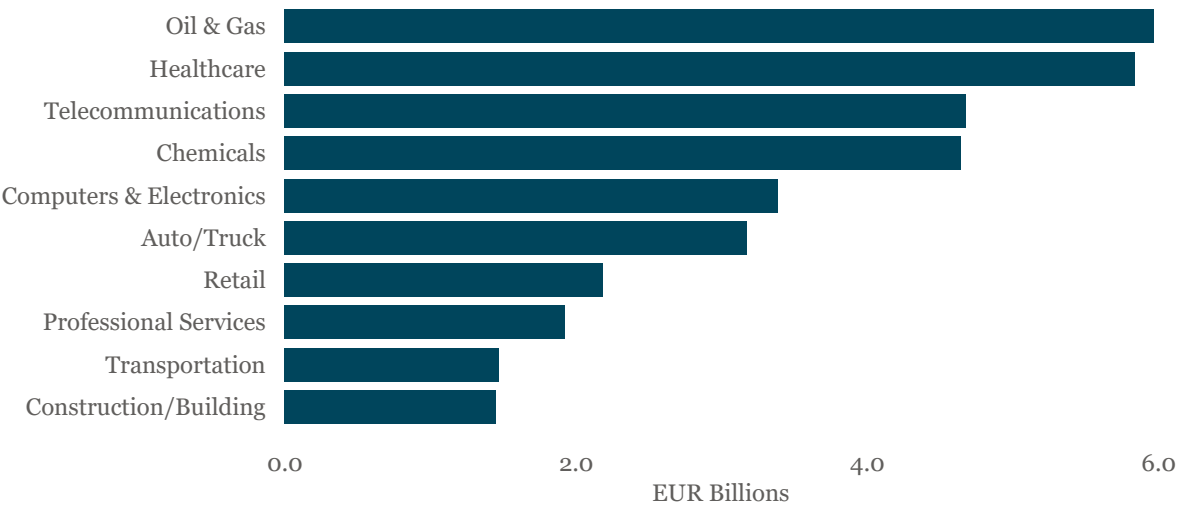
7.1 European Developed Market High Yield Issuance



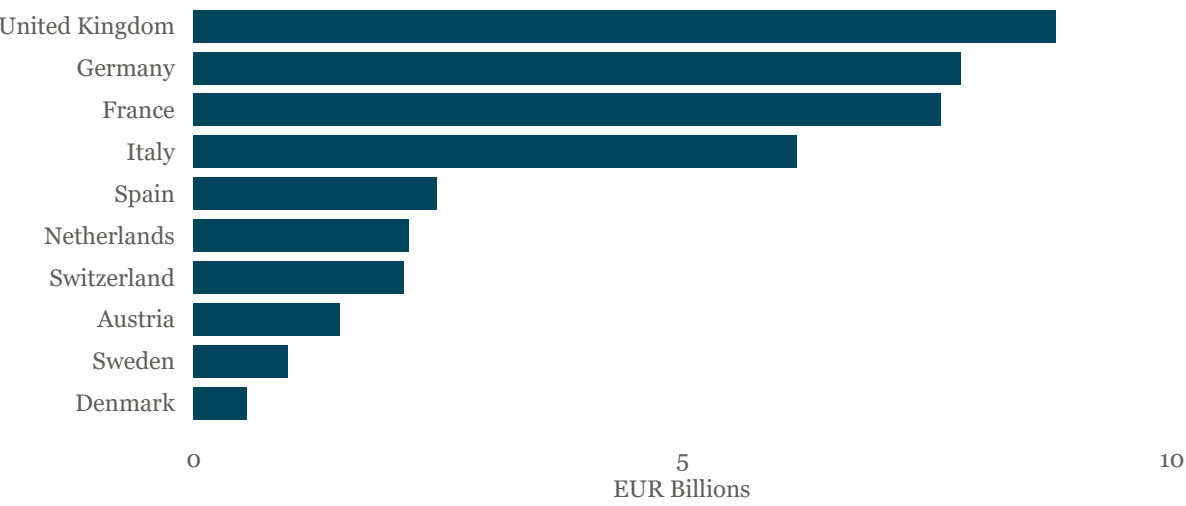
7.2 European Developed Market High Yield Issuance by Currency



7.3 European Developed Market High Yield Issuance by Industry: Q2 2026 (top 10)

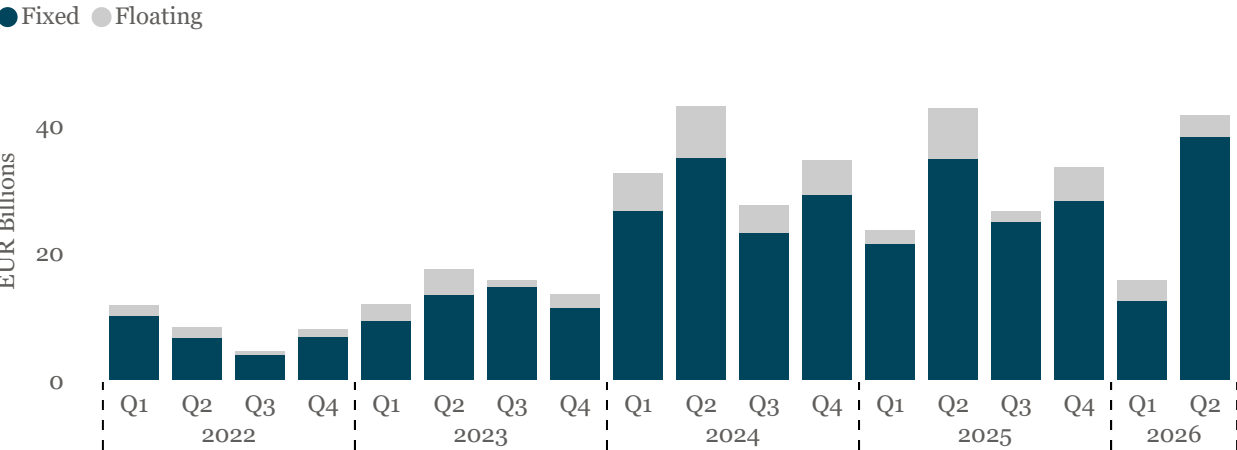


7.4 European Developed Market High Yield Issuance by Country of Risk: Q2 2026

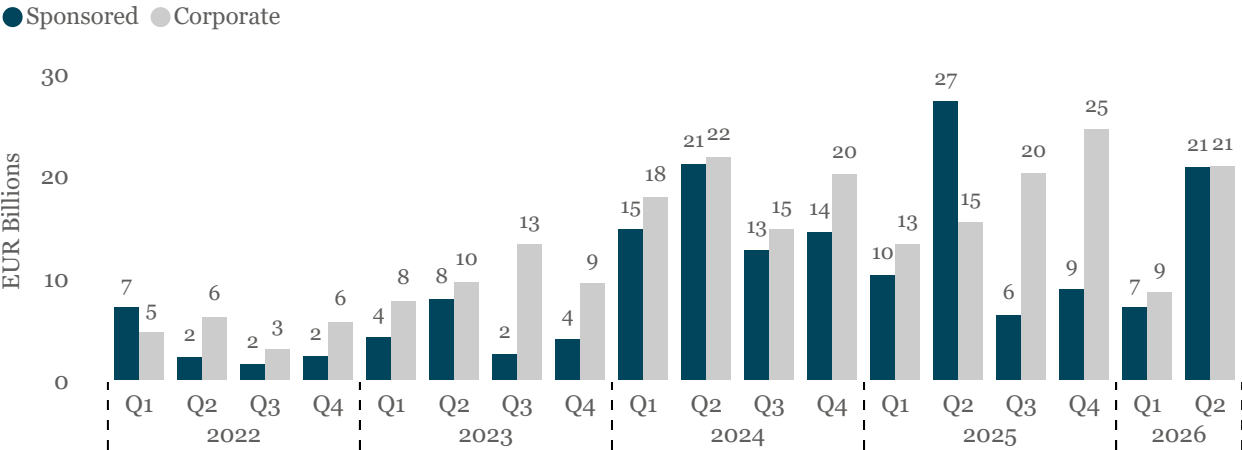


afme/ Developed Market High Yield Bonds

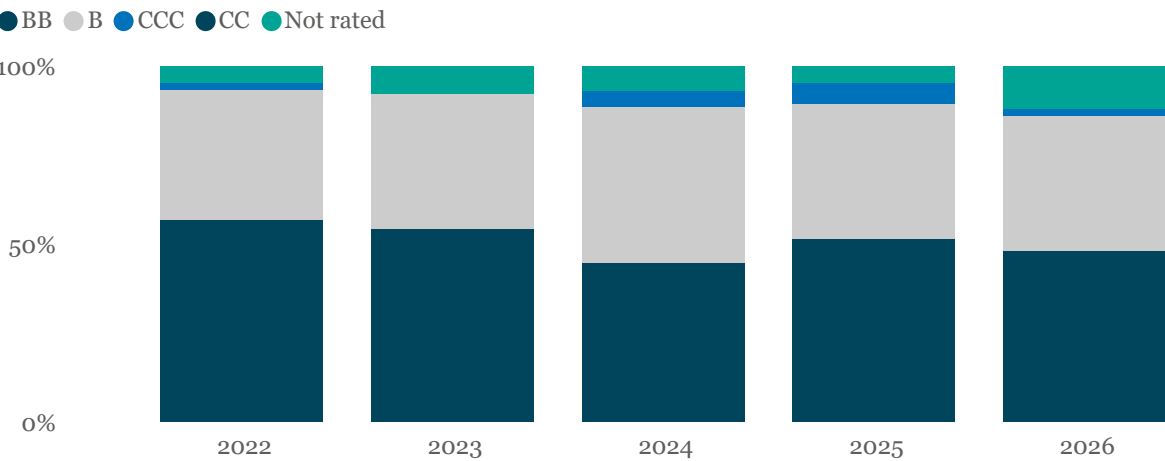
7.5 European Developed Market High Yield Issuance, Fixed vs. Floating



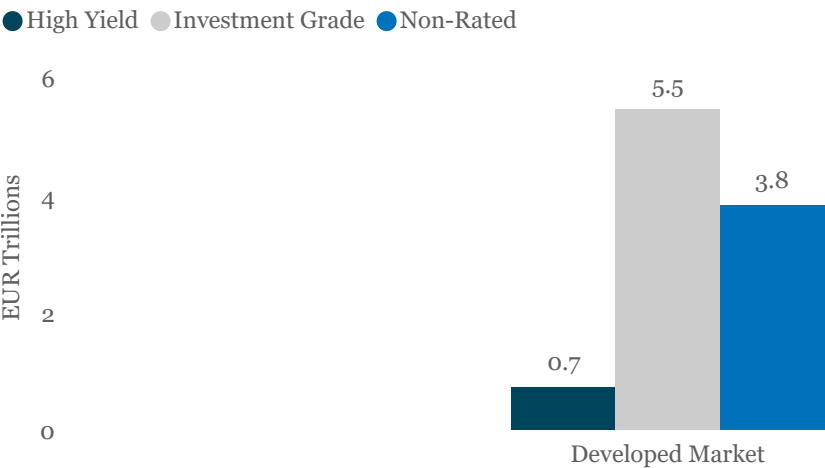
7.6 European Developed Market High Yield Issuance, Sponsored vs. Corporate



7.7 European Developed Market High Yield Rating Distribution at Issuance



7.8 European Developed Market Corporate Bonds Outstanding: Q2 2026



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

afme/ Developed Market High Yield Bonds

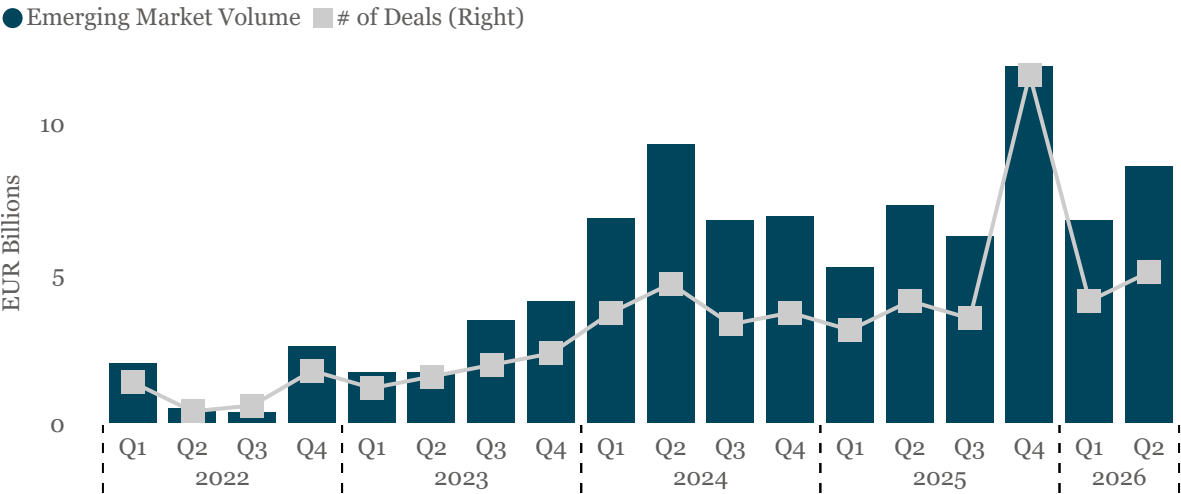
7.9 European Developed Market High Yield Issuance (20 most recent)

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
Constantia Flexibles Group GmbH	Forestry & Paper	25/06/2026	EUR	0.50	6.25	B2	B-	B+
Zegona Finance plc	Telecommunications	25/06/2026	EUR	1.10	4.25	Ba2	BB	BBB-
ASK Chemicals Deutschland Holding GmbH	Chemicals	24/06/2026	EUR	0.05	10	B3	B-	
Stonepeak Motion Holdco Ltd	Oil & Gas	24/06/2026	EUR	0.44	5	Ba3	BB-	BB+
Stonepeak Motion Holdco Ltd	Oil & Gas	24/06/2026	USD	0.44	6.125	Ba3	BB-	BB+
Nouryon Finance BV	Chemicals	23/06/2026	EUR	0.45	6.125	B2	B+	BB-
Teamsystem SpA	Computers & Electronics	23/06/2026	EUR	0.70	6.5	B2	B	B
Verisure Holding AB	Professional Services	23/06/2026	EUR	1.00	4.125	Ba1	BB+	BBB-
HT Troplast GmbH	Chemicals	18/06/2026	EUR	0.43	7.625	B2	B	
Neopharmed Gentili SpA	Healthcare	18/06/2026	EUR	0.89	3-mth Euribor +325	B3	B	B
Paprec Holding SA	Utility & Energy	18/06/2026	EUR	0.13	4.125		BB	BB+
Paprec Holding SA	Utility & Energy	18/06/2026	EUR	0.28	4.5		BB	BB+
Transportes Aereos Portugueses SA - TAP SA	Transportation	18/06/2026	EUR	0.35	4.75	Ba3	BB-	
Versuni Group BV	Consumer Products	18/06/2026	EUR	0.55	5.75	B2	B	
Lanxess AG	Chemicals	17/06/2026	EUR	0.50	4.375	Ba1		
Monitchem Holdco 3 SA	Chemicals	17/06/2026	EUR	0.63	8	B3	B-	
BIRKENSTOCK	Consumer Products	16/06/2026	EUR	0.90	4.5		BB+	BB+
Biscuit	Food & Beverage	16/06/2026	EUR	0.13	18			
Seadrill Finance Ltd	Oil & Gas	15/06/2026	USD	0.60	6.75	B1	BB-	BB-
Neoen Finco plc	Utility & Energy	11/06/2026	EUR	0.65	5.5			BB+

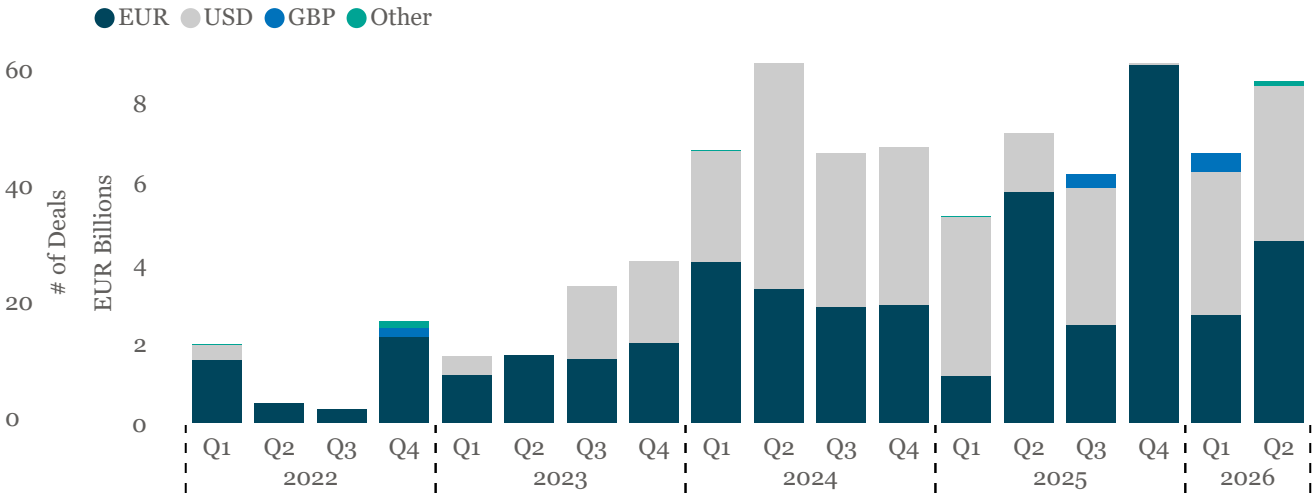
European Emerging Market High Yield Bonds

afme/ Emerging Market High Yield Bonds

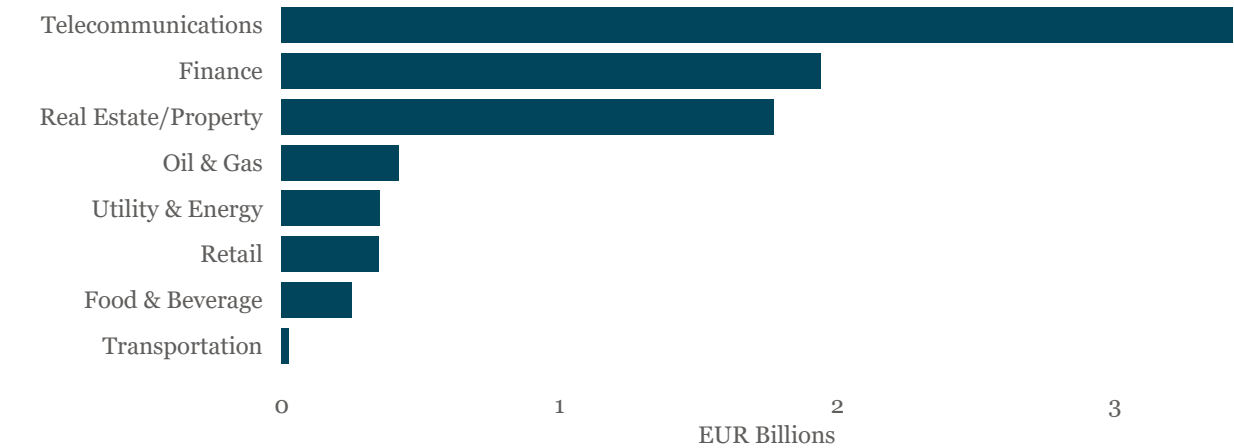
8.1 European Emerging Market High Yield Issuance



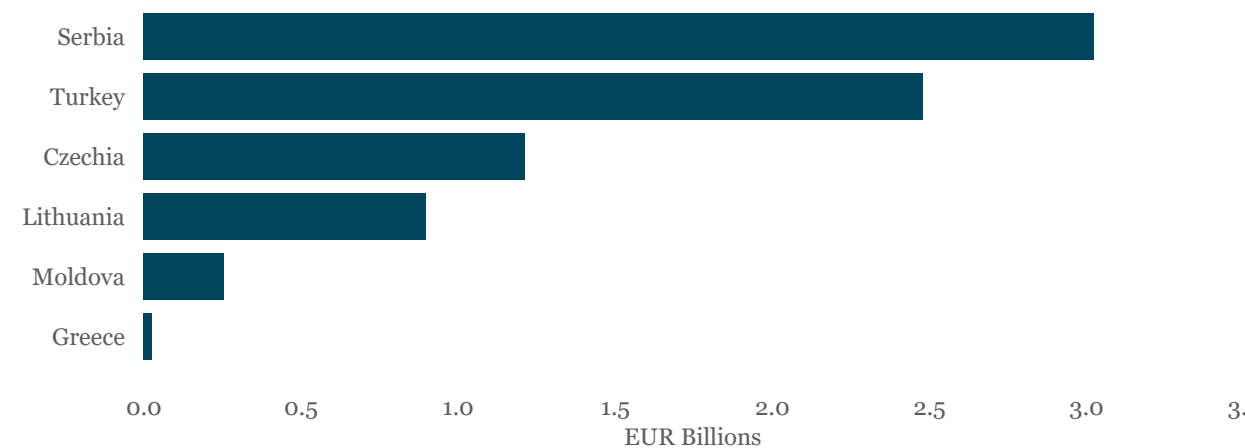
8.2 European Emerging Market High Yield Issuance by Currency



8.3 European Emerging Market High Yield Issuance by Industry: Q2 2026

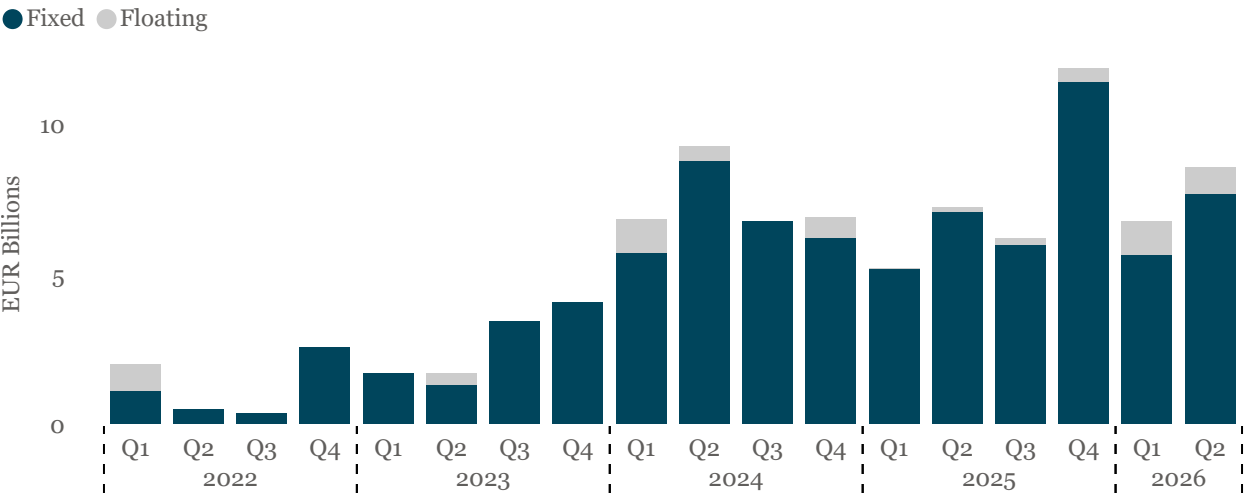


8.4 European Emerging Market High Yield Issuance by Country of Risk: Q2 2026

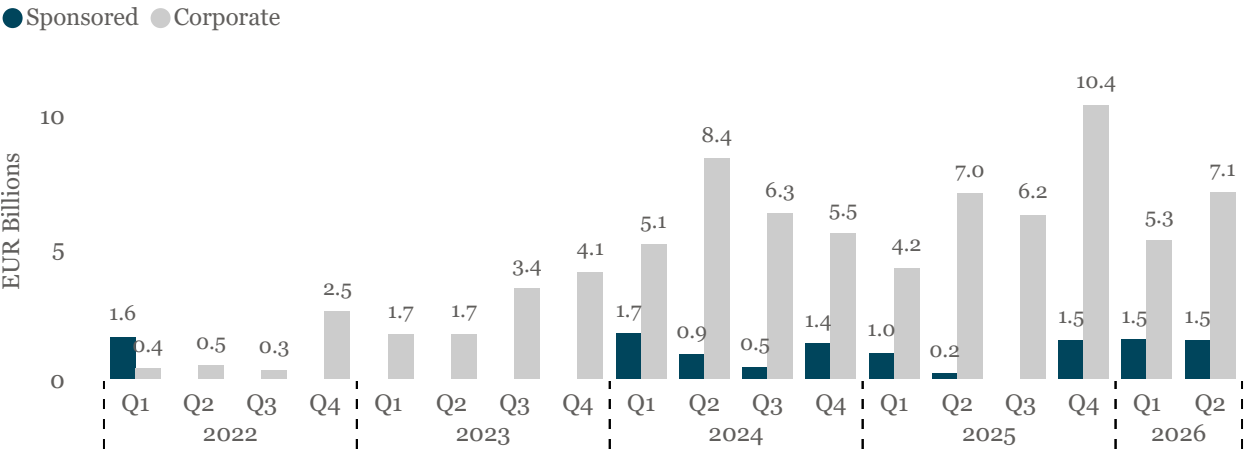


afme/ Emerging Market High Yield Bonds

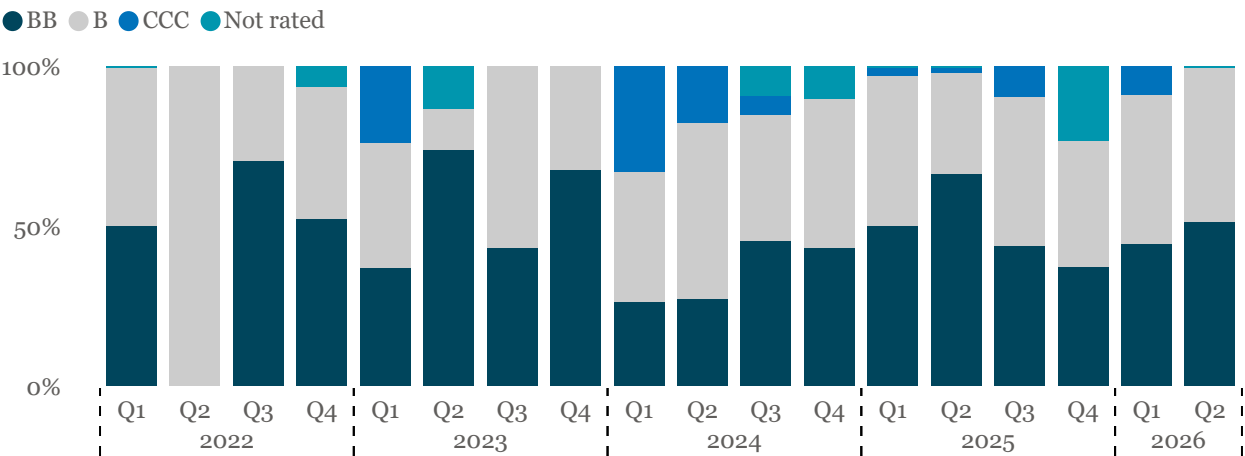
8.5 European Emerging Market High Yield Issuance, Fixed vs. Floating



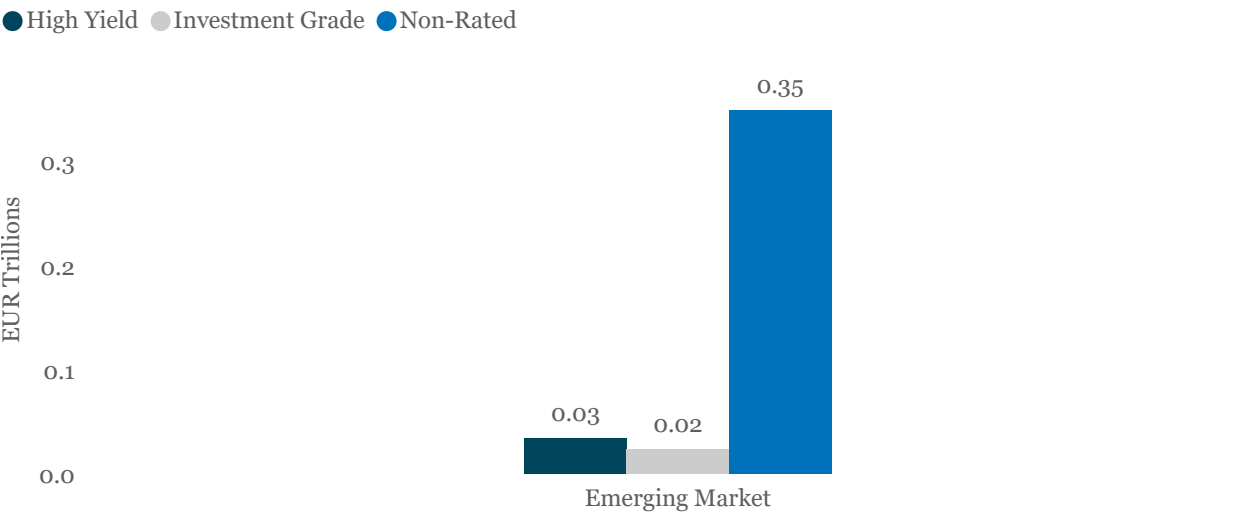
8.6 European Emerging Market High Yield Issuance, Sponsored vs. Corporate



8.7 European Emerging Market High Yield Rating Distribution at Issuance



8.8 European Emerging Market Corporate Bonds Outstanding: Q2 2026

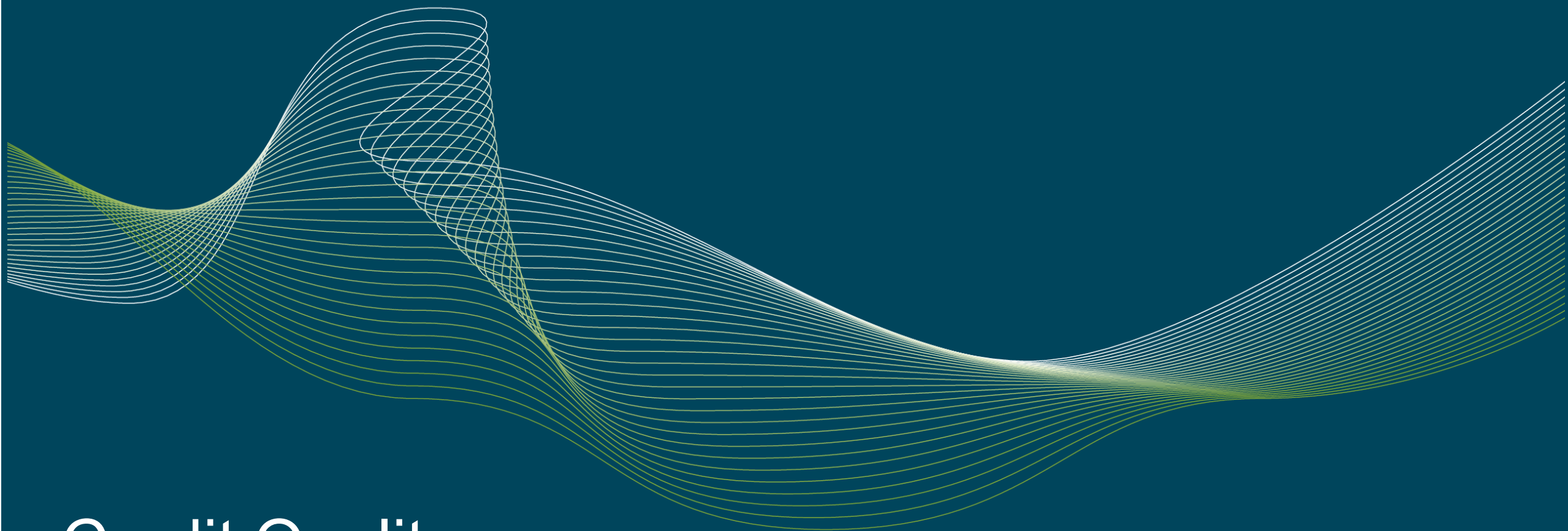


Source: Dealogic [8.5], [8.6] and [8.7], SIFMA [8.8]

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
CPI Property Group SA	Real Estate/Property	30/06/2026	EUR	0.55	5.875	Ba2	BB	
Gorenjska Banka	Finance	29/06/2026	EUR	0.15	5.13		BB+	
Turkiye Sinai Kalkinma Bankasi	Finance	29/06/2026	USD	0.26	7.25	Ba3		
Isbank	Finance	25/06/2026	EUR	0.02	6-mth Euribor +250	Ba3		BB-
Bite Group	Telecommunications	23/06/2026	EUR	0.55	3-mth Euribor +275	B2	B	B+
Fiba Yenilenebilir Enerji Holding AS	Utility & Energy	22/06/2026	USD	0.03	7.75			
CPI Property Group SA	Real Estate/Property	16/06/2026	EUR	0.55	8.5	B1	B	
Optima bank SA	Finance	10/06/2026	EUR	0.20	6.75	B3		
United Group BV	Telecommunications	04/06/2026	EUR	0.31	3-mth Euribor +325	B2	B	
Akbank	Finance	01/06/2026	USD	0.43	8.25			B
IuteCredit Finance Sarl	Finance	27/05/2026	EUR	0.14	12			B-
Navios Maritime Partners LP	Transportation	27/05/2026	USD	0.03	7.75	B1	BB	
Emlak Konut Varlik Kiralama AS	Real Estate/Property	21/05/2026	USD	0.56	7.75			BB-
Yapi ve Kredi Bankasi AS	Finance	20/05/2026	USD	0.43	7.55			B-
CPI Property Group SA	Real Estate/Property	19/05/2026	Other	0.11	3.95	Ba2	BB	
Aragvi Finance International DAC	Food & Beverage	13/05/2026	USD	0.26	12.75		B	B+
First Investment Bank	Finance	13/05/2026	EUR	0.06	11			
First Investment Bank	Finance	13/05/2026	EUR	0.25	7.375			B
Gurmat Elektrik Uretim AS	Utility & Energy	13/05/2026	USD	0.32	10.748	B2		B+
TPAO Varlik Kiralama AS	Oil & Gas	12/05/2026	USD	0.42	6.3			BB-
Telekom Serbia (Srbija) AD	Telecommunications	11/05/2026	EUR	0.50	6.75	B1	BB-	BB-
Telekom Serbia (Srbija) AD	Telecommunications	11/05/2026	EUR	0.30	7.125	Ba1	BB-	BB-
Telekom Serbia (Srbija) AD	Telecommunications	11/05/2026	USD	1.15	7.25	B1	BB-	BB-
Maxima Grupe UAB	Retail	07/05/2026	EUR	0.35	4.75		BB+	
United Group BV	Telecommunications	29/04/2026	EUR	0.63	6.375	B2	B	



Credit Quality

High Yield bonds

The S&P's trailing 12-month speculative-grade bond default rate declined during Q2 2026, from 3.3% at the end of March to 2.6% at the end of June 2026. Moody's default rate increased from 3.8% in March 2026 to 4.5% in June 2026, following a decline in the first quarter.

S&P reported 27 upgrades and 32 downgrades during Q2 2026 in Developed European markets. Upgrades were mostly related to Media & Entertainment, Retail/Restaurants and Telecommunications. While downgrades were mostly related to Media & Entertainment and Consumer Products, followed by Health Care and Chemicals, Packaging & Environmental Services. In contrast, in Emerging European markets, S&P issued 4 upgrades - in the Utility and in the Financial Institutions sectors - and one downgrade - in the Transportation sector.

Leveraged Loans

European Leveraged Loan default rates by volume decreased from 3.4% in 2025 to 3.2% by the end of June 2026. European LL default rates by count declined as well, going from 5.1% in 2025 to 4.8% at the end of Q2 2026.

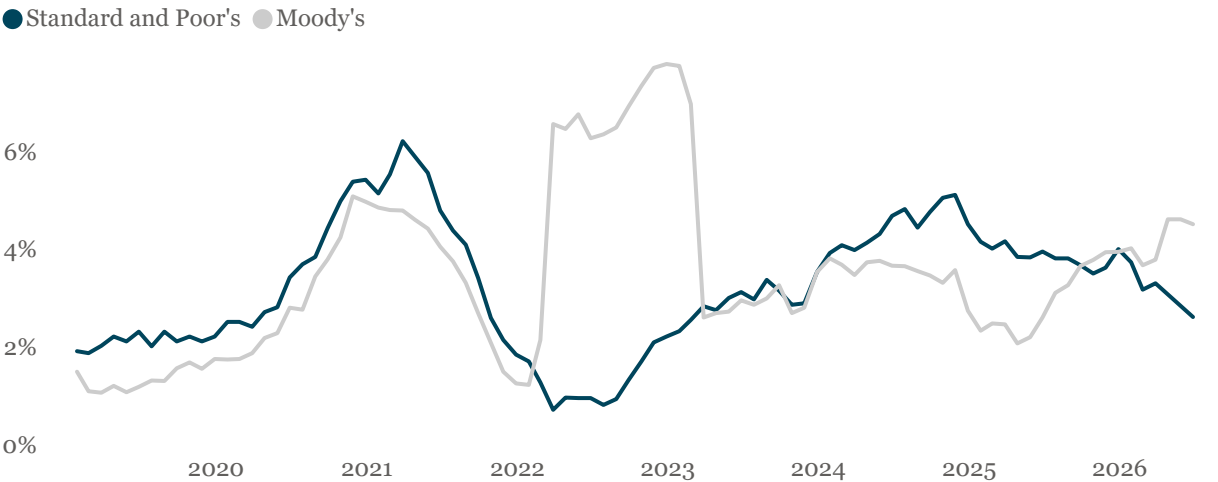
Direct Lending

According to *KBRA DLD*, as of June 2026, the trailing twelve month (TTM) direct lending default rate stood at 1.5% by volume and at 3% by count, in both cases increasing from 2025. *KBRA DLD* expects direct lending default rates both by volume and by count to decrease by the end of the year to 1% and 2.25%, respectively.

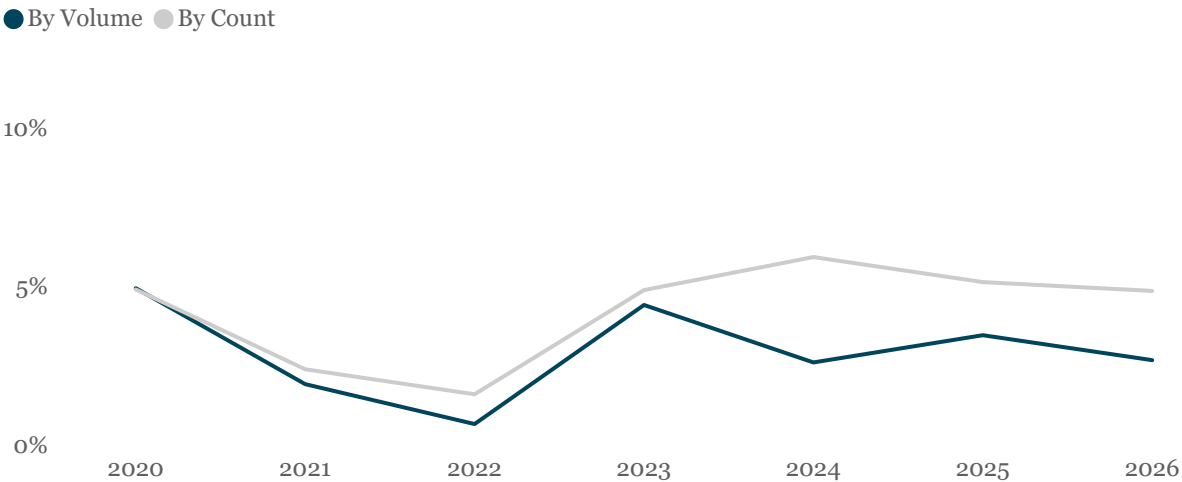
KBRA DLD estimates an implied recovery rate at default date for European direct lending at 32.6%, which is higher than the value estimated in the previous quarter (24.4%) and below the 52.5% estimate for US direct lending at default date.

In H1 2026, packages with two or more covenants represented 45.3% of covenant packages of direct lending products, followed by single covenant structures at 44%. Cov-lite structures accounted for the remaining 10.7%. For Issuers with an EBITDA below €50m, the most common covenant structure was 2 or more covenants (50.9%), followed by a single covenant (47.2%), while Cov-lite accounted for the remaining 1.9%.

9.1 European High Yield Default Rates

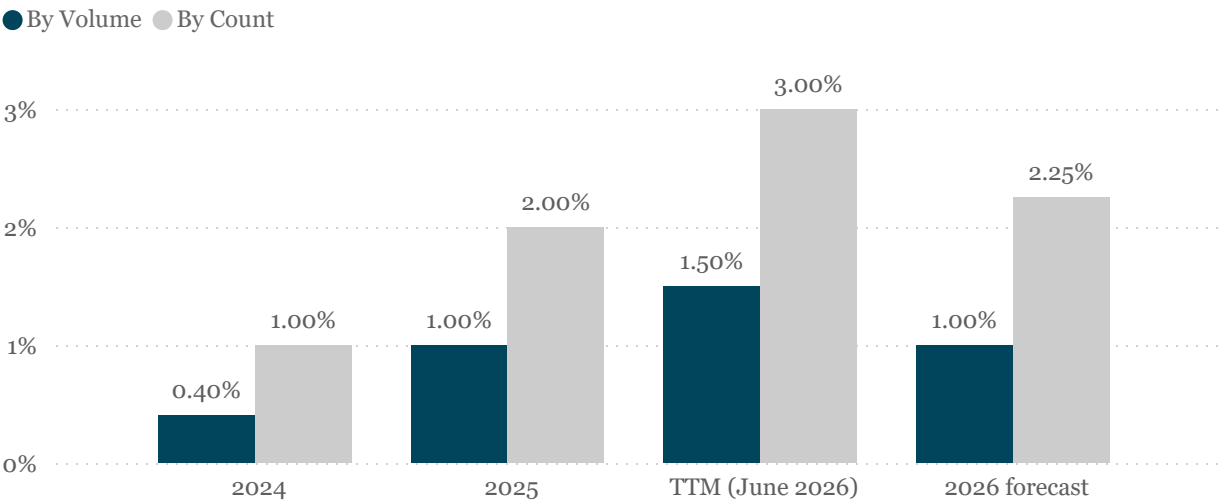


9.2 European Leveraged Loan Default Rates

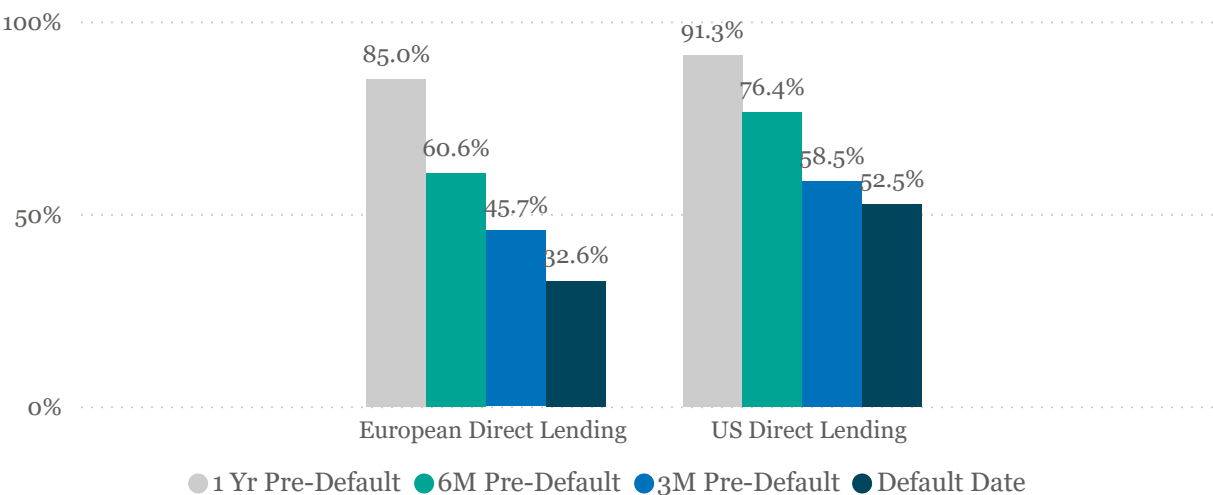


Adjusted includes c and cc* rated issuers as if those had already defaulted.

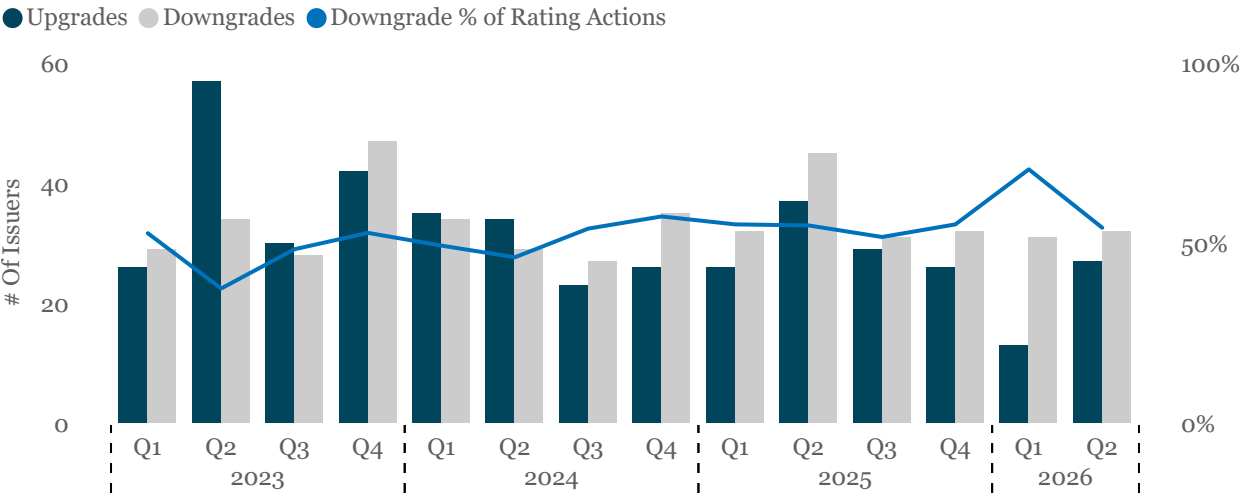
9.3 European Direct Lending Default Rates



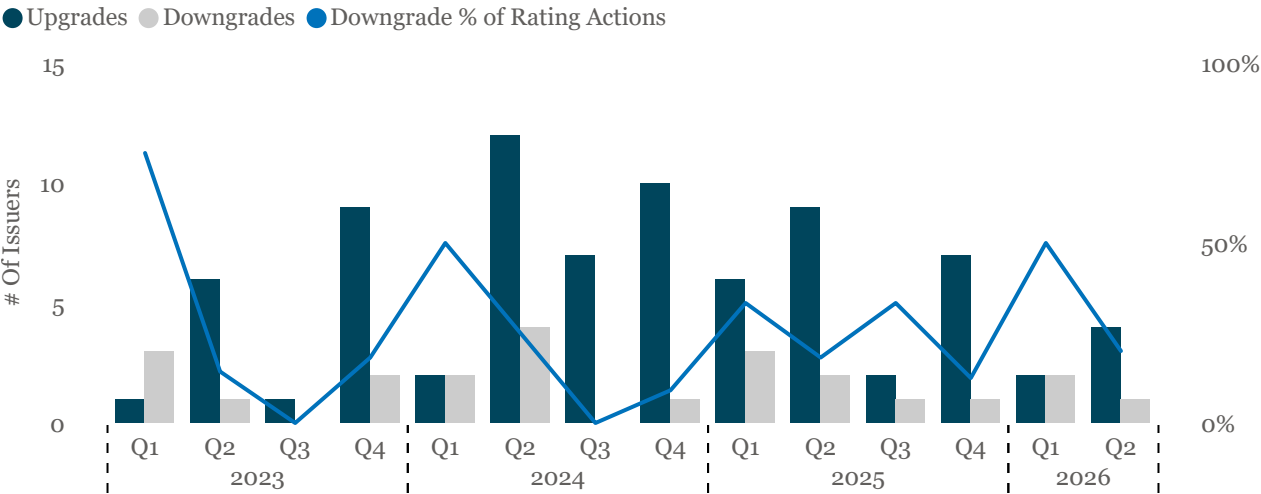
9.4 Direct Lending: Average Implied Recovery (Weighted)



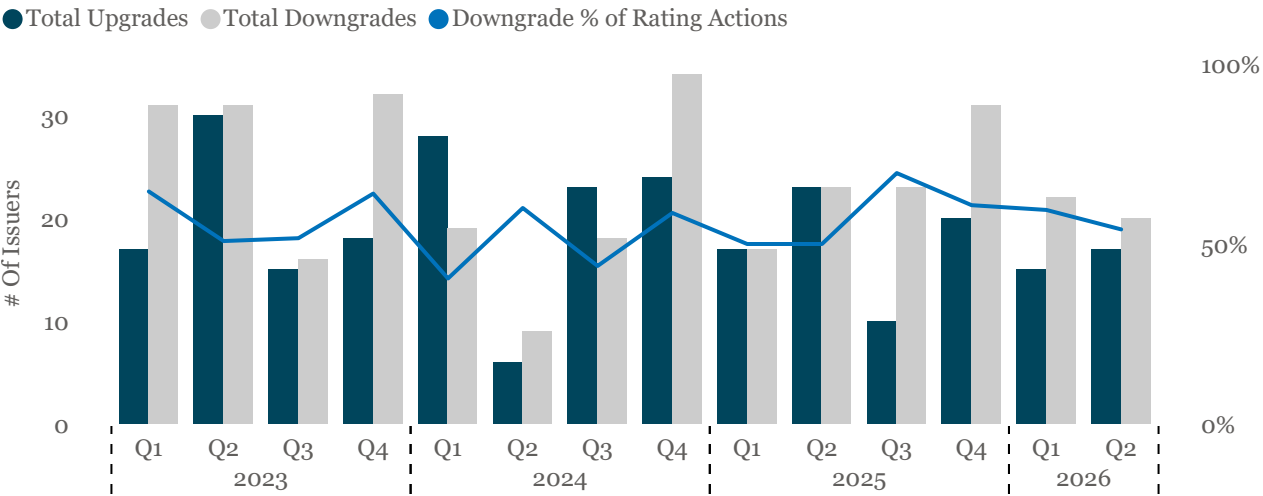
9.5 S&P Developed Europe Issuer Rating Actions



9.6 S&P Emerging Europe Issuer Rating Actions



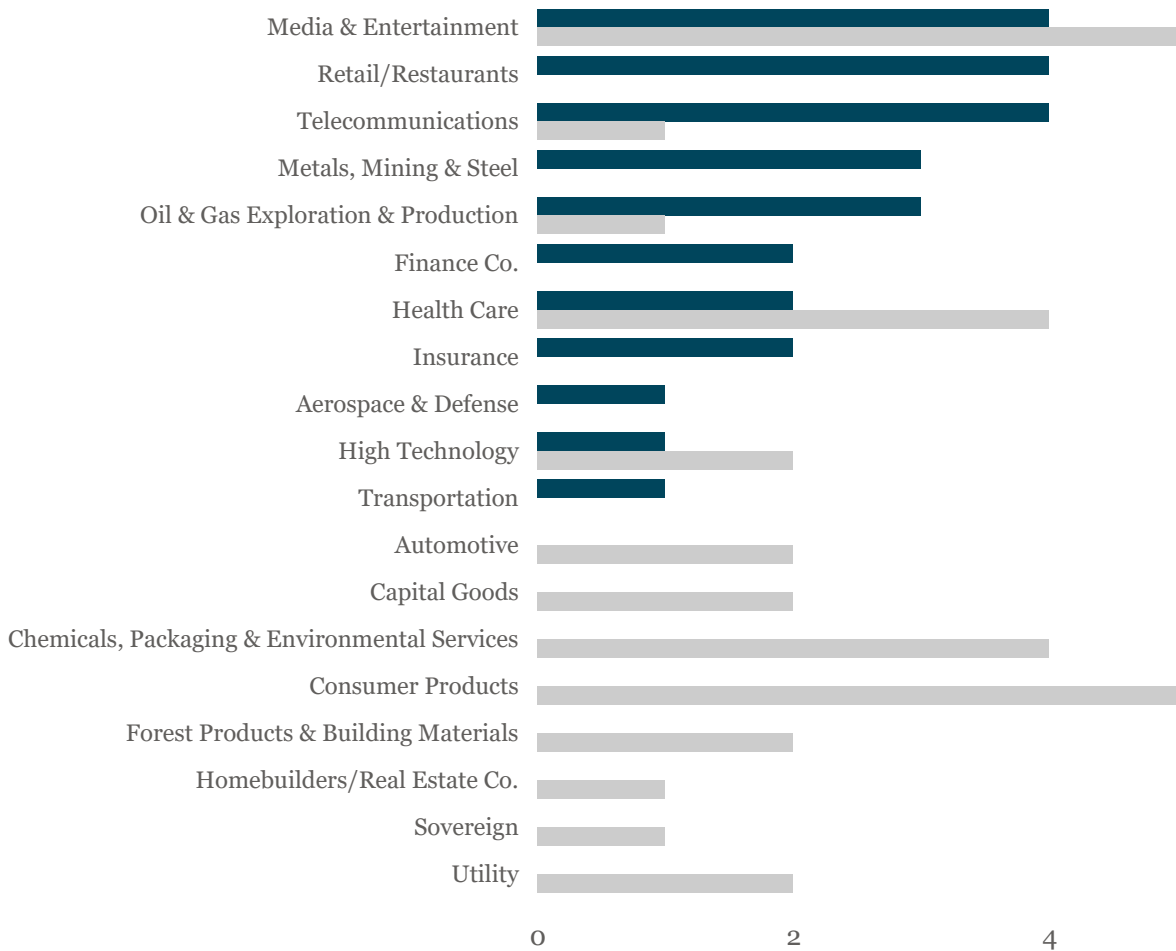
9.7 Moody's: Europe Issuer Rating Actions (corporate)



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

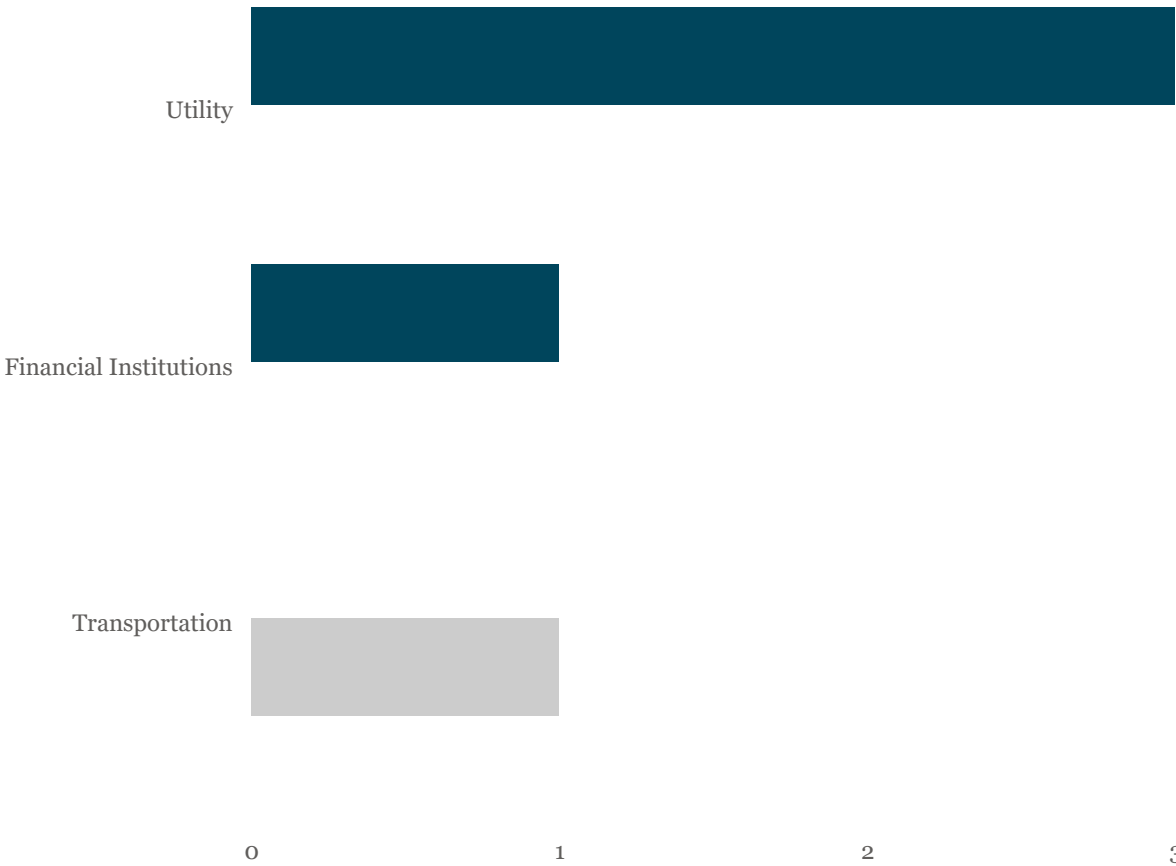
9.8 S&P Developed European Industry Rating Actions by # of Ratings: Q2 2026

Upgrades Downgrades



9.9 S&P Emerging European Industry Rating Actions by # of Ratings: Q2 2026

Upgrades Downgrades

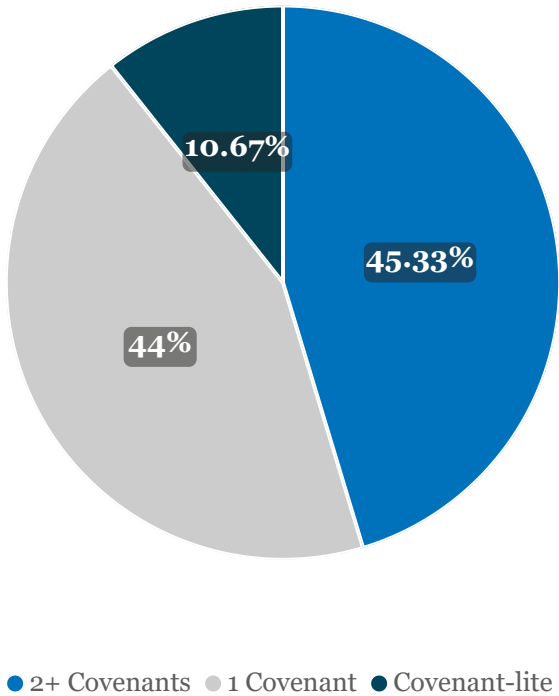


9.10 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Biscuit Holding S.A.S.	Consumer Products	France	Jun-2026	S&P	Distressed Exchange
Chrome Bidco / Chrome Midco	Healthcare	France	Jun-2026	Moody's	Missed Interest Payment
Vestel Elektronik Sanayi Ve Ticaret A.S.	Cinsumer products	Turkiye	Jun-2026	Moody's	Distressed Exchange
Biscuit Holding S.A.S.	Consumer Products	France	May-2026	S&P	Missed Payments
Colisee Group SAS	Health care	France	May-2026	S&P	Distressed Exchange
Enstall group B.V.	Forest	Netherlands	May-2026	S&P	Missed Payments
Poseidon BidCo S.A.S.	High Technology	France	May-2026	S&P	Missed Payments
Biscuit Holding S.A.S.	Consumer Products	France	Apr-2026	Moody's	Missed Interest Payment
Enstall group B.V.	Manufacturing	Netherlands	Apr-2026	Moody's	Missed Interest Payment
IM Group SAS	Consumer Products	France	Apr-2026	Moody's	Distressed Exchange
La Financiere ATALIAN S.A.S.	Services	France	Apr-2026	Moody's	Missed Interest Payment
Poseidon BidCo S.A.S.	Technology services	France	Apr-2026	Moody's	Missed Interest Payment
Reno De Medici S.p.a.	Forest Products	Italy	Apr-2026	Moody's	Missed Interest Payment
Synthomer plc	Chemicals	United Kingdom	Apr-2026	Moody's	Distressed Exchange
Tullow Oil	Oil & Gas	United Kingdom	Apr-2026	S&P & Moody's	Distressed Exchange

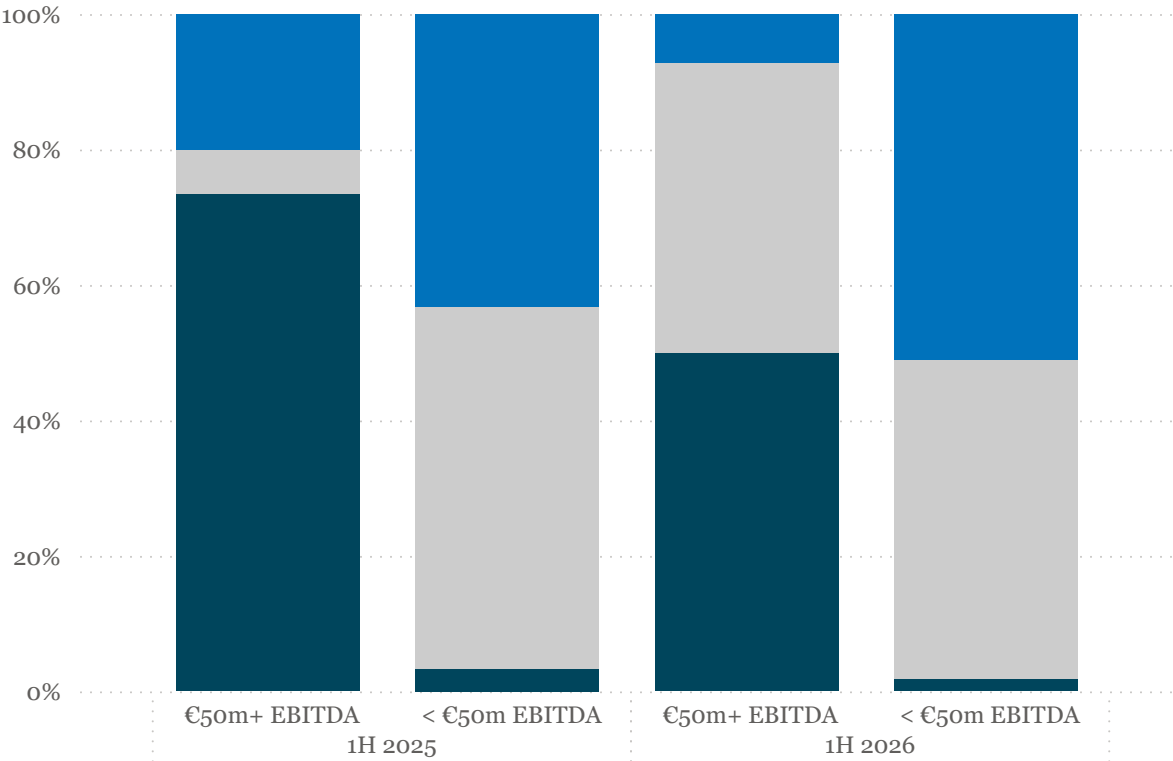
9.12 All Private Deals: Level of Covenants

H1 2026



9.13 Number of Covenants by Private Issuer Size

Cov-lite 1 Covenant 2+ Covenants



Relative Value and Total Return

afme / Relative Value and Return

Returns and asset pricing

In Q2 2026, the Leveraged loan Lev40 Index increased from 96.5 at the end of March 2025 to 97.6 at the end of June 2026.

Euro denominated AAA-A CLO spreads tightened in Q2 2026, after widening in the first quarter. As of June 2026, EURO CLO AAA 5-6 years spreads stood at 100 bps, EURO CLO AA 7-8 years spread stood at 175 bps, while EURO CLO A 7-8 years spread stood at 205 bps.

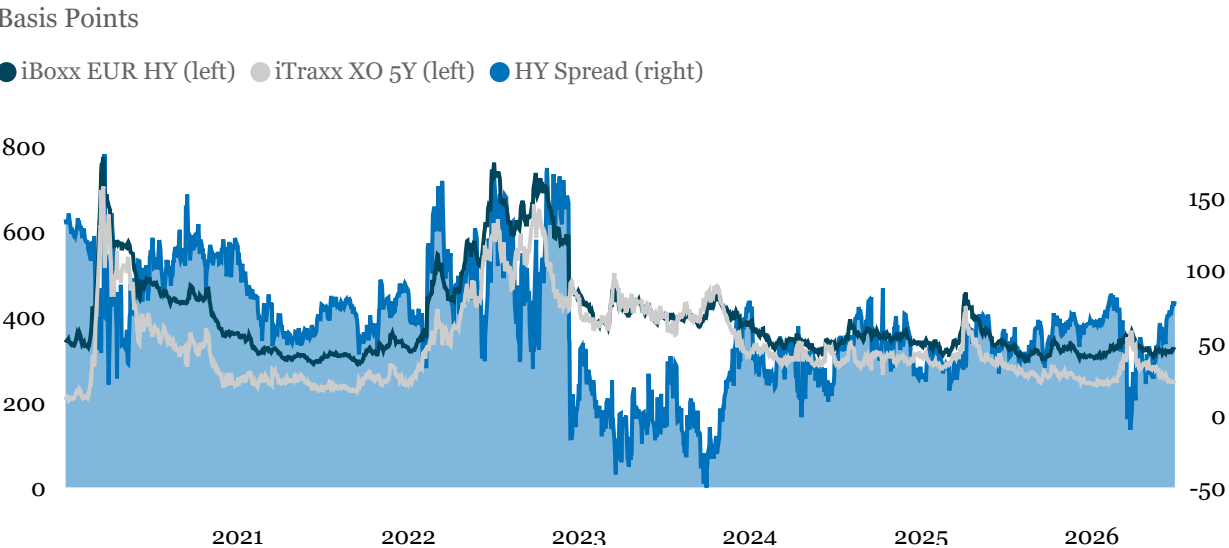
During Q2 2026, all asset classes analysed experienced a quarter-on-quarter price increase. The top performer was the MSCI EM with a total return of 23.3%, closely followed by the Russell 2000 that recorded a gain of 21.2%.

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 consistently, reaching a low of 8.04% in Q1 2026, before increasing to 8.38% in Q2.

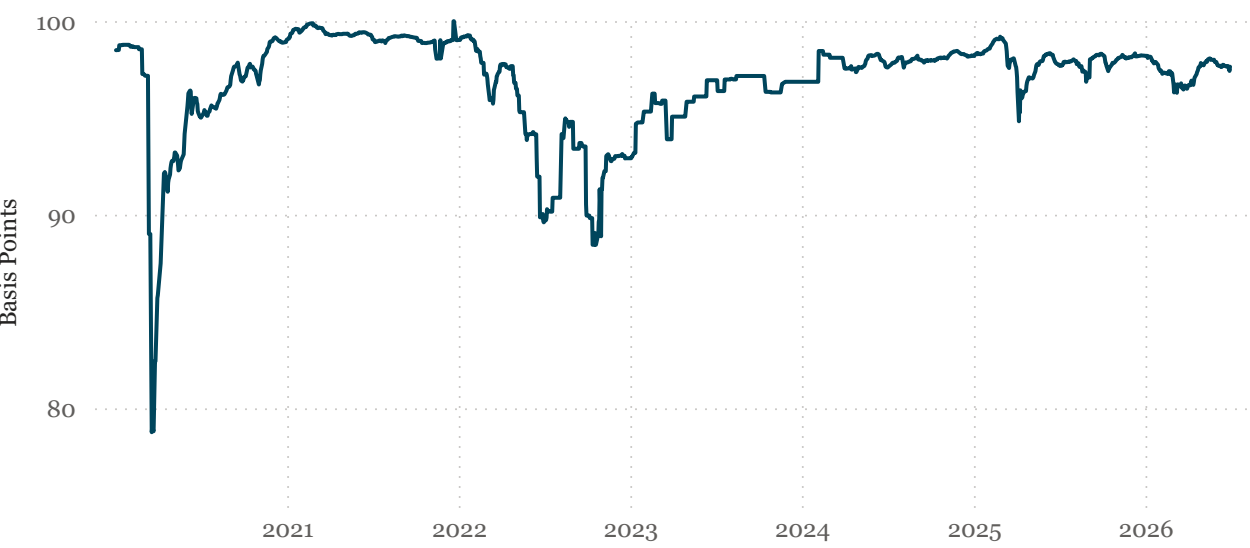
Sterling-denominated yields have followed a similar trajectory, reaching a high of 12.8% in Q1 2024 before falling to 9.44% in Q2 2026.

afme/ Relative Value and Total Return

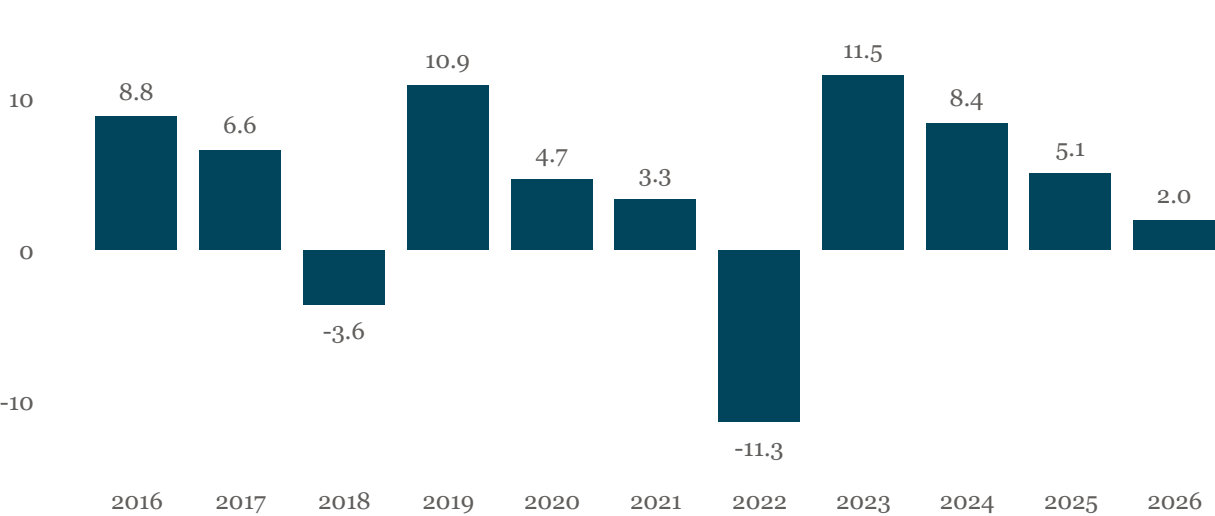
10.1 Relative value: European High Yield Bonds, Cash vs. Synthetic



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



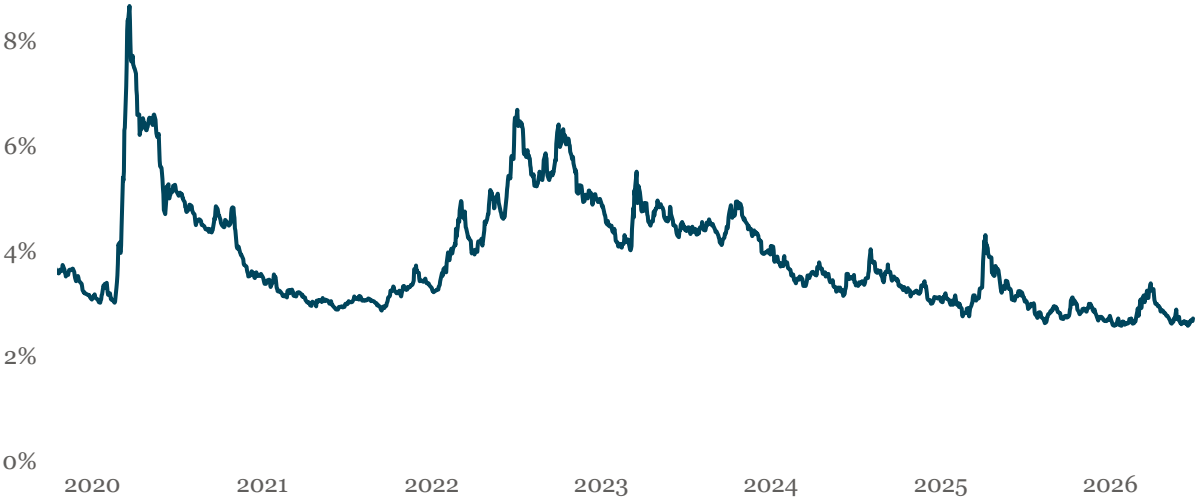
10.3 European High Yield Bonds Total Return



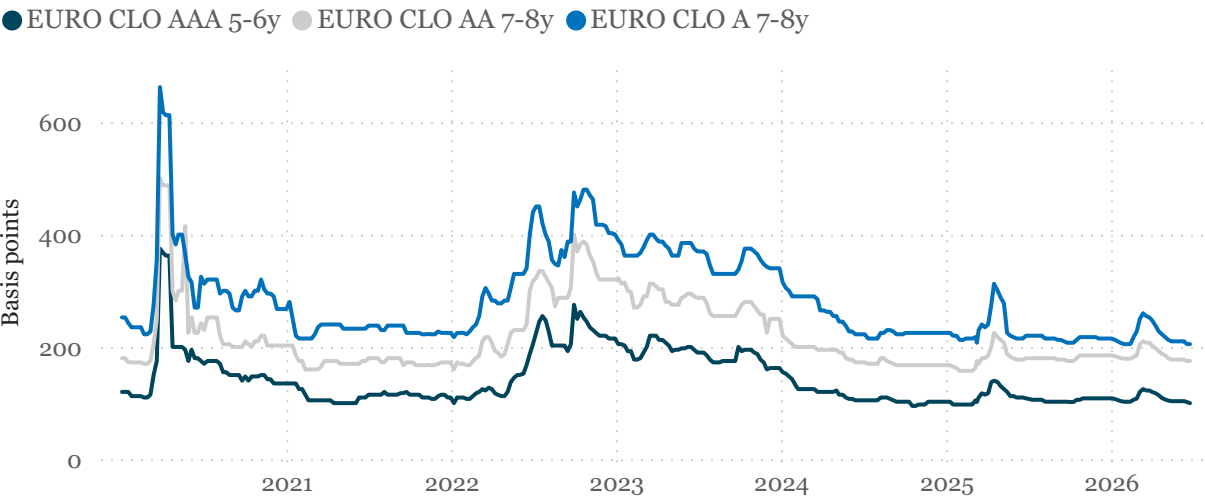
Source: LSEG [10.1] and [10.2], SIFMA [10.3]

afme/ Spreads and Yields

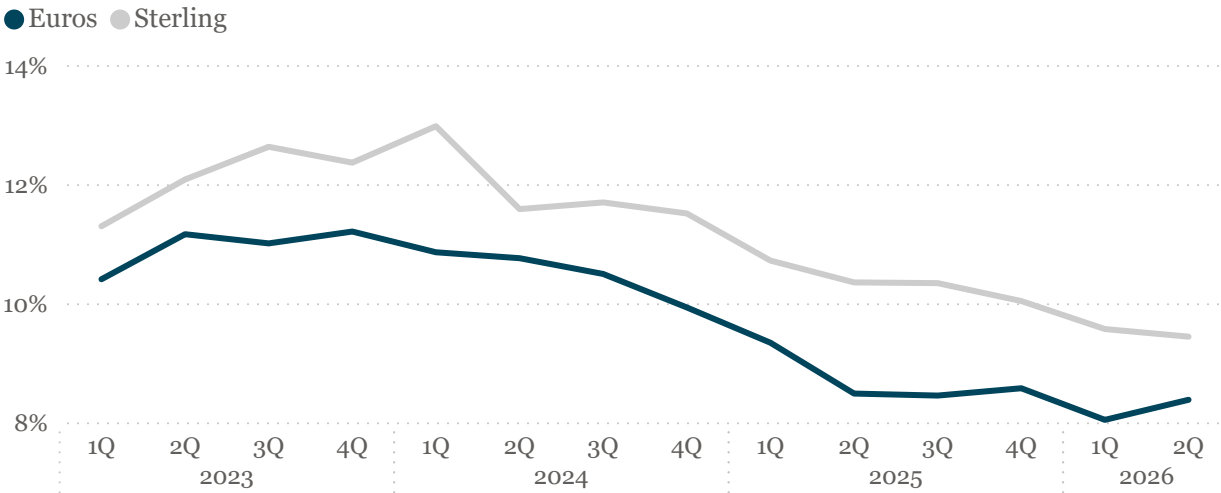
10.4 ICE BofA Euro High Yield Index Option-Adjusted Spread (%)



10.5 EURO 5-10 Yr AAA-A CLO Spreads

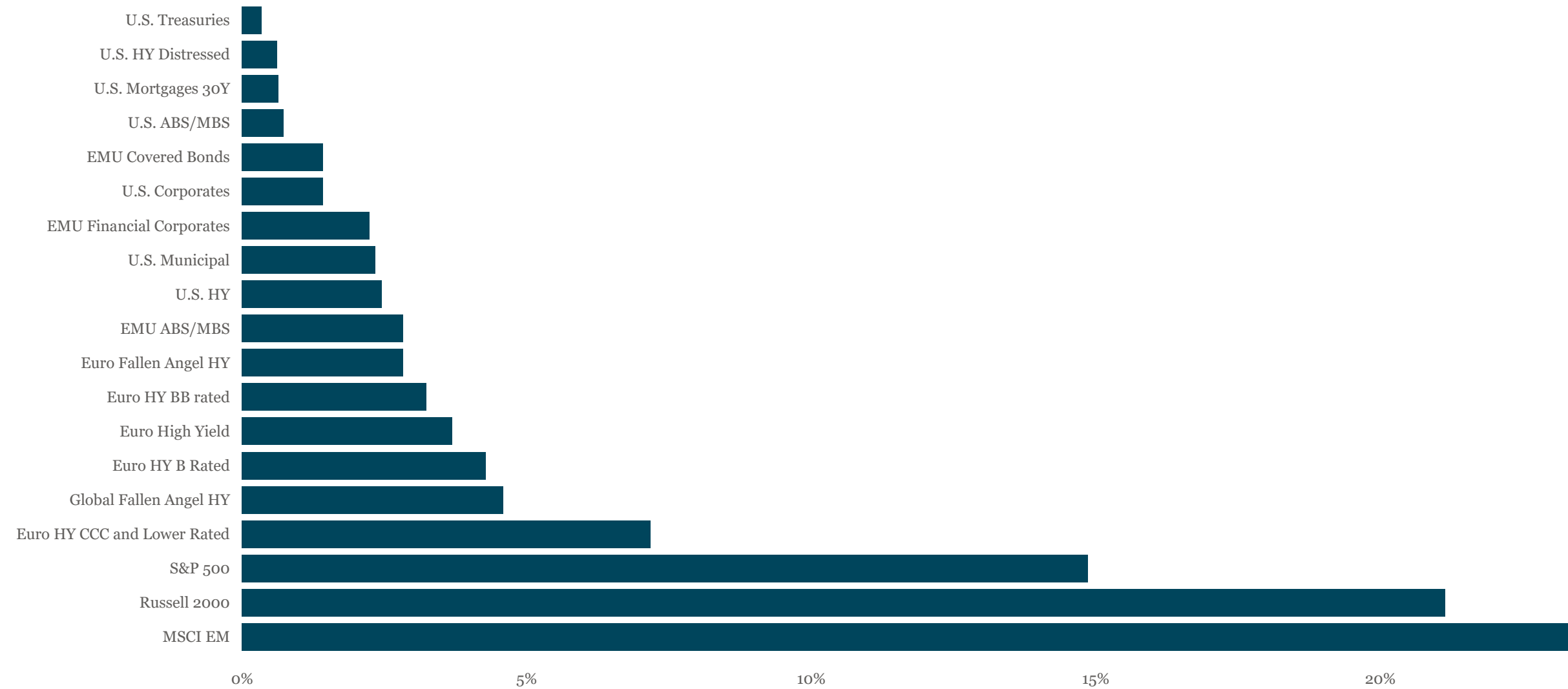


10.6 Yields of Private Credit Loan Origination



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

10.7 Asset Class Total Return: Q2 2026



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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