

Q3 2025

European High Yield, Leveraged Loan, and Private Credit Report

European Leveraged Finance



AFME is delighted to introduce new Private Credit data into its Leveraged Finance report

Private credit has developed as a growing source of financing for a range of corporates, complementing other established funding sources such as high-yield bonds and leveraged loans.

In response to the evolving landscape of Private Credit, we have added into this publication fresh insights on the size, market pricing, and credit quality trends of loans originated by private credit funds. These trends are compared with our traditional content with the evolution of high yield bonds and leveraged loans.

With the production of its quarterly reports across various asset classes, AFME aims to support market participants, policymakers, and other stakeholders in making informed, evidence-based decisions. These reports also serve to inform the specialised press and help stakeholders in conducting broader market analysis.

While the Private Credit market is still maturing and data coverage may not fully capture the breadth of European market activity, the data presented here aims to reflect key market trends and offer comparisons with other market-based fixed income instruments serving the mid-market segment.

We would like to thank *KBRA DLD* and *Octus* for their valuable support in providing fantastic data in the Private Credit space, as well as other contributors who continue to supply data on the leveraged loan and high-yield bond markets.

afme / Acknowledgements and data sources



OCTUS



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DLD

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FitchRatings

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ANALYTICS

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Structured
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FEDERAL RESERVE BANK of ST. LOUIS

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dealogic

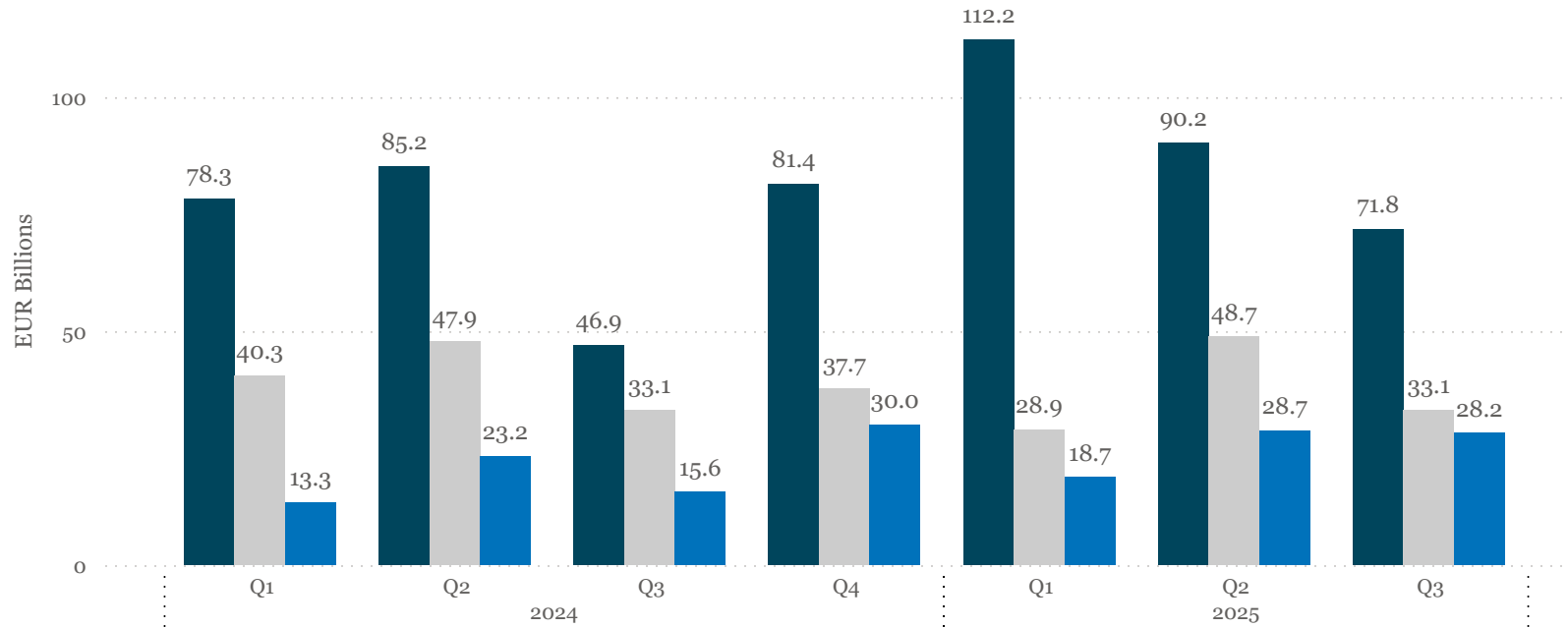
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afme / Contents

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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 Leveraged Loans figures have been updated to reflect data available as of April 2026.

Direct Lending represented 21% of European private and public leveraged debt markets in Q3 2025

European leveraged debt markets issuance (leveraged loans, direct lending, and high yield bonds) totalled €133.1bn in proceeds in Q3 2025, a 39% increase from €95.6bn in Q3 2024 but a 21% decrease from €167.6bn in Q2 2025.

By products, Direct lending issuance reached €28.2bn, representing a 2% quarter-on-quarter (QoQ) decline and an increase of 81% YoY. Since 2024, the contribution of private credit to total leveraged debt markets has fluctuated on a quarterly basis between 10% and 21%, based on total volumes including high yield bonds and leveraged loans.

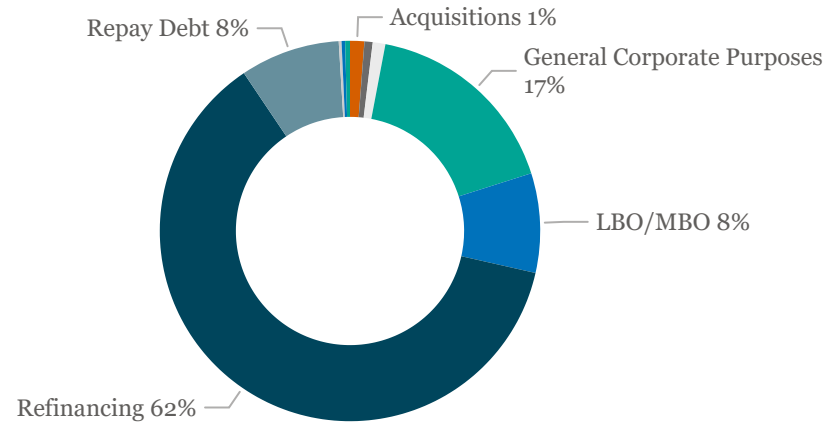
Direct Lending includes primary origination only, excluding secondary sales, drawdowns from existing facilities and deals that are part of a wider bank-led syndicated lending (see Definitions on page 49).

Leveraged loan origination fell 20% QoQ but rose 53% YoY, more than doubling the originated amount of a year ago.

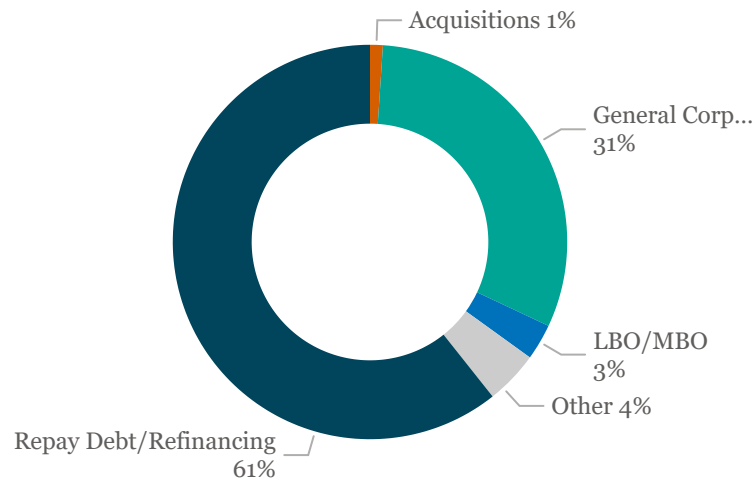
High yield bond issuance totalled €33.1bn in Q3 2025, about the same amount issued in Q3 2024 but a decline from €48.7bn issued in Q2 2025 which was the third largest amount issued on records.

afme / Key findings

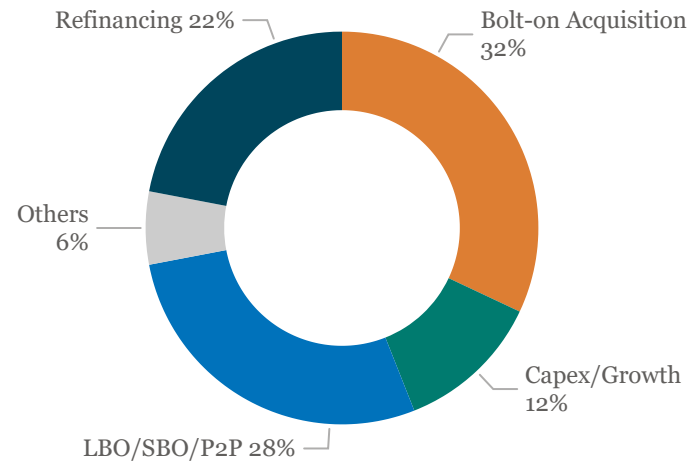
1.2 European Leverage Loans by Use of Proceeds



1.3 European High Yield Issuance by Use of Proceeds



1.4 European Direct Lending by Use of Proceeds



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

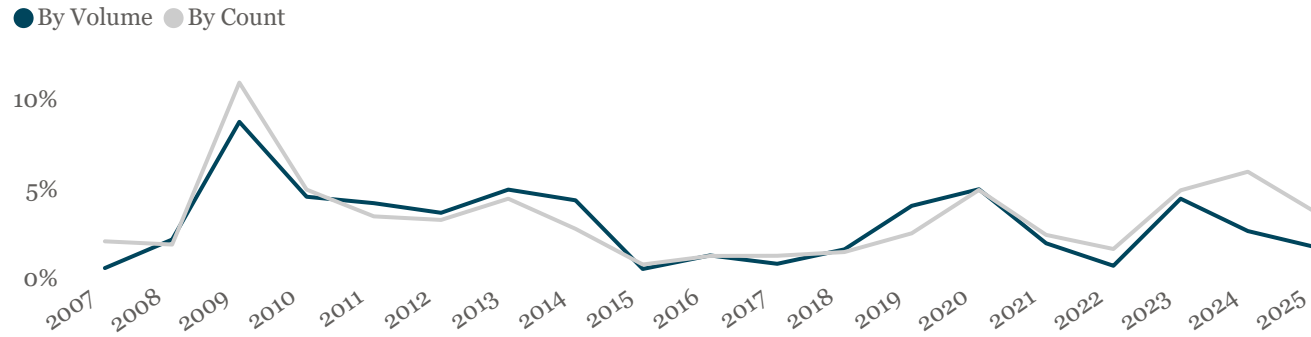
In the first 3 quarters of 2025, 62% of leveraged loan issuance was used for refinancing, with an additional 8% for debt repayment. General corporate purposes accounted for 17%, while Acquisitions and LBOs together represented almost 8% of total proceeds.

Similarly, high-yield bond issuance was dominated by refinancing and debt repayment (61%), followed by general corporate purposes (31%) with only 3% used for LBOs.

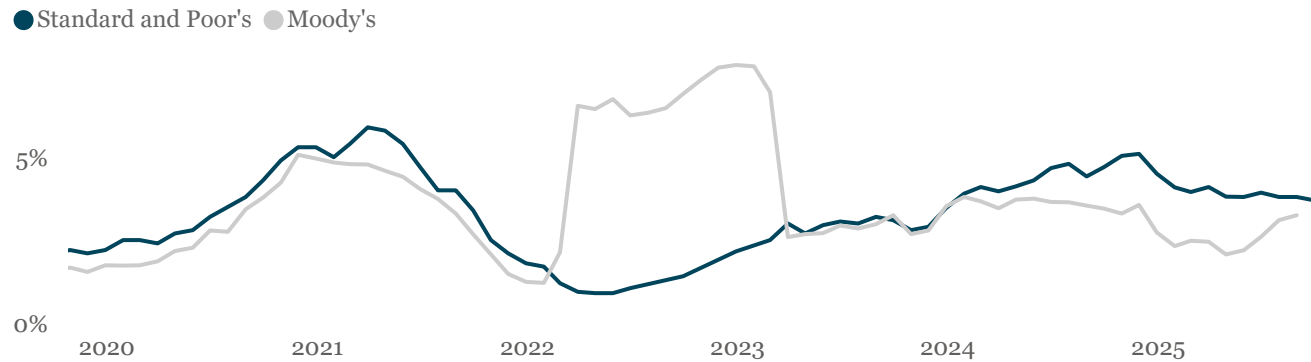
In contrast, direct lending showed a different distribution in the use of proceeds, focusing predominantly in acquisition activities. According to Octus, acquisitions (32%) and LBOs (28%) represented the largest share of proceeds, while refinancing accounted for 22% of the total.

afme / Key findings

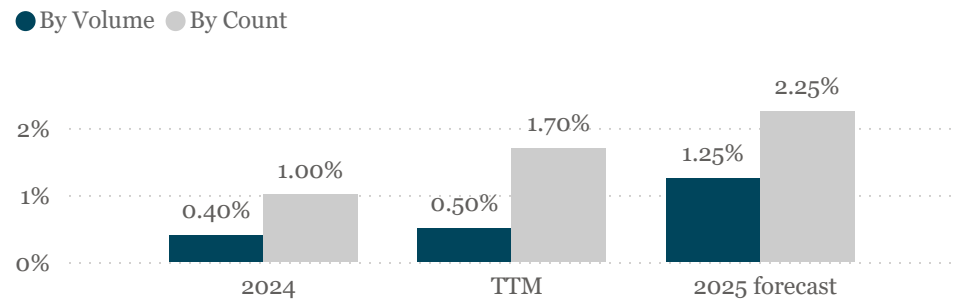
1.5 European Leveraged Loan Default Rates



1.6 European High Yield Bond Default Rates



1.7 European Direct Lending Default Rates



Direct lending default rates are expected to increase in 2025

According to *KBRA DLD*, default rates are expected to increase 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 June 2025 stood at 1.7% with forecasts indicating a rise to 2.25% by the end of the year. In terms of volume, the default rate is likely to increase from 0.4% in 2024, with the TTM rate as of June at 0.5%, to 1.25% by the end of 2025.

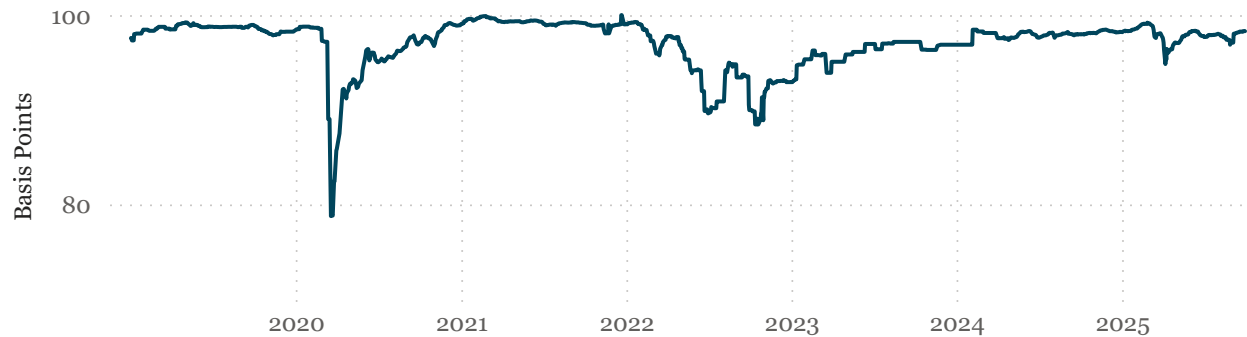
Leveraged loan and High Yield bond default rates have fluctuated within historic averages during 2025

According to S&P, the trailing 12-month speculative-grade bond default rate stood at 3.7% at the end of September, also showing relative stability throughout the year. Moody's reported an increase in default rates, from 2.6% in June to 3.3% by the end of August.

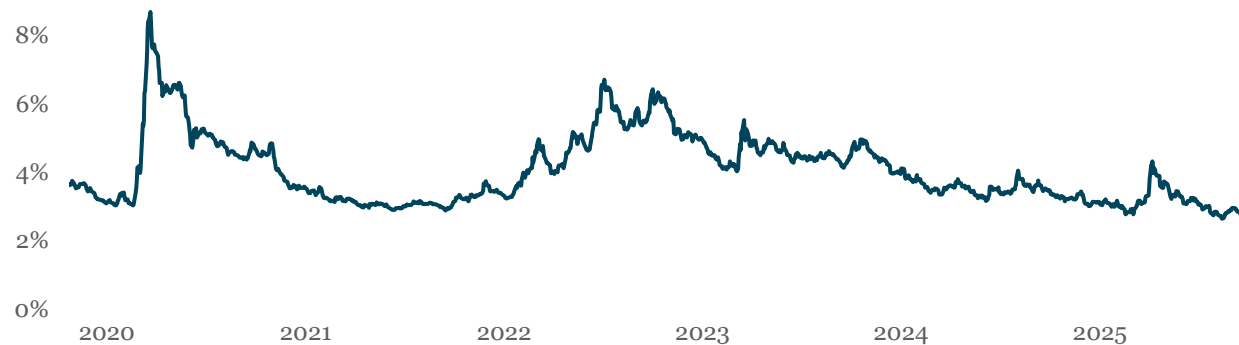
The European leveraged loan trailing-12-month default rate by volume declined from 2.6% in 2024 to 1.7% in June 2025. During the same period, the default rate by count decreased from 5.9% to 3.7%.

afme / Key findings

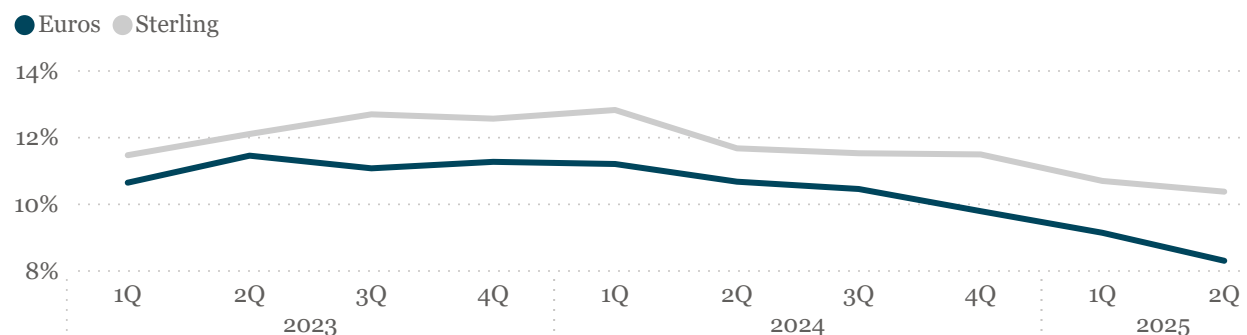
1.8 Relative value: European Leveraged Loans, Cash (EURO Lev40)



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



1.10 Yields of Private Credit Loan Origination

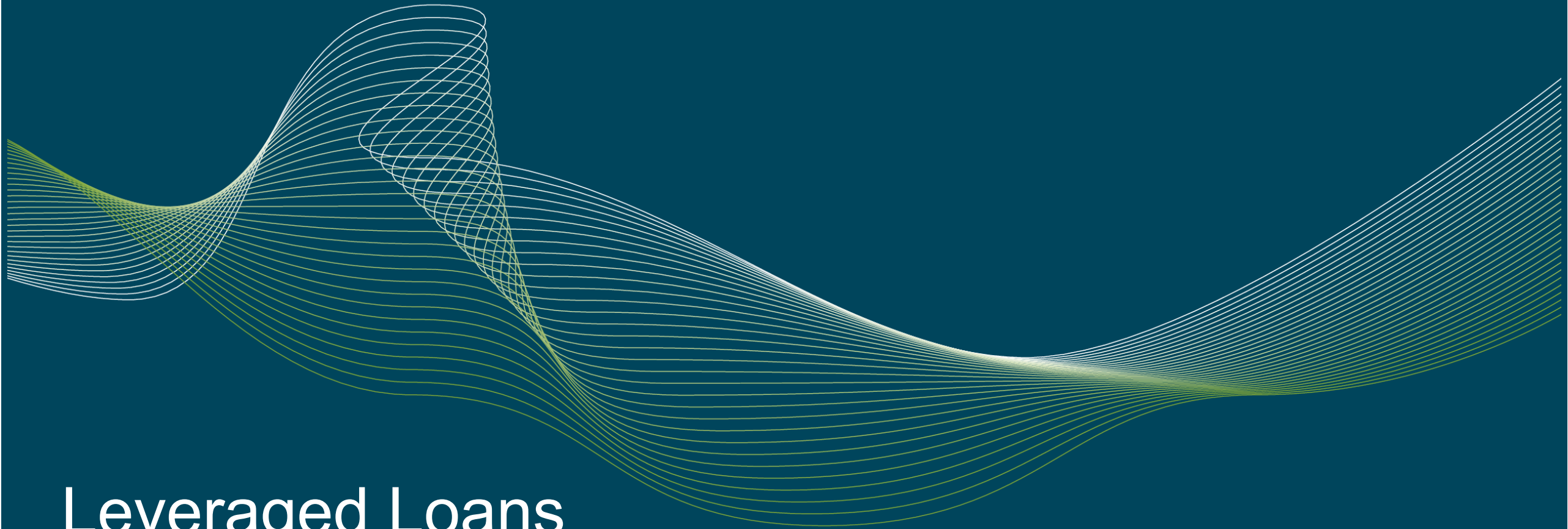


European high yield bond spreads continued to tighten in Q3 2025

The European high yield option-adjusted spread finalised Q3 2025 at 2.71%, tightening by 47bps from 3.19% at the end of June 2025.

The cash relative value in the leveraged loan market continued to improve during Q3 2025 as reflected by the Lev40 Index rising from 97.76 at the end of June to 98.29 by September 2025. This is also a marked recovery from the April low of 95.28 following the U.S. tariff announcement.

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, most recently reaching 8.3% at the end of Q2 2025. Sterling-denominated yields have followed a similar trajectory, reaching a high of 12.8% in Q1 2024 before falling to 10.4% in Q2 2025.



Leveraged Loans

Issuance: Leveraged Loans

In Q3 2025, total leveraged loan origination reached €71.8bn, a 20% decrease compared to the previous quarter (-€18.4bn), and a strong increase (+53%) from Q3 2024.

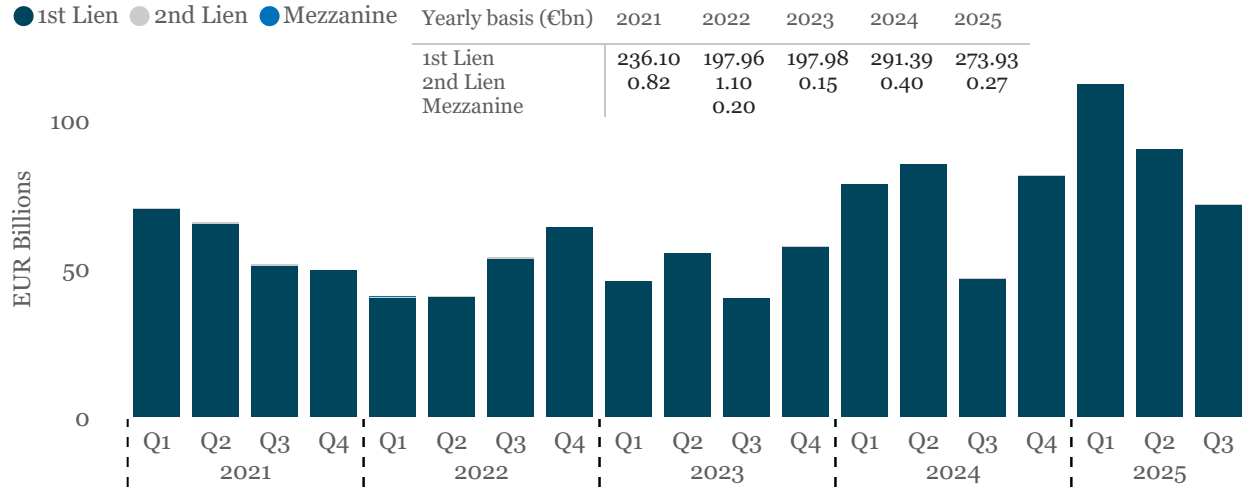
Since 2021, first-lien loans have accounted for 99.75% of the total volume of leveraged loans, with second-lien and mezzanine financing representing 0.23% and 0.02%, respectively.

In Q3 2025, institutional spreads, as measured by a 3-month rolling average, showed a slight decline from 396.11 basis points in June to 390.42 basis points in September. Pro-rata spreads fell to 333.82 basis points in July, down from 409.52 basis points in June, before raising to 403.79 basis point by the end of Q3. As a result, the gap between institutional and pro-rata spreads was relatively small by the end of the quarter.

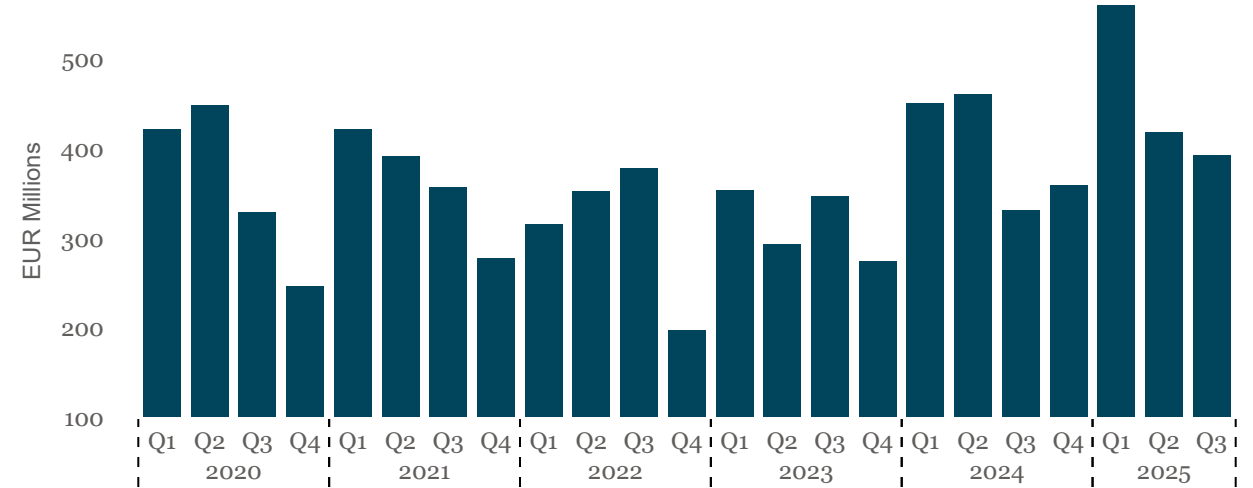
The Healthcare sector emerged as the leading sector by loan origination amount in Q3 2025, reaching €10.5bn. It was followed by Professional Services and Computers & Electronics, which originated €10.1bn and €8.4bn in loans, respectively.

afme / Leveraged Loans

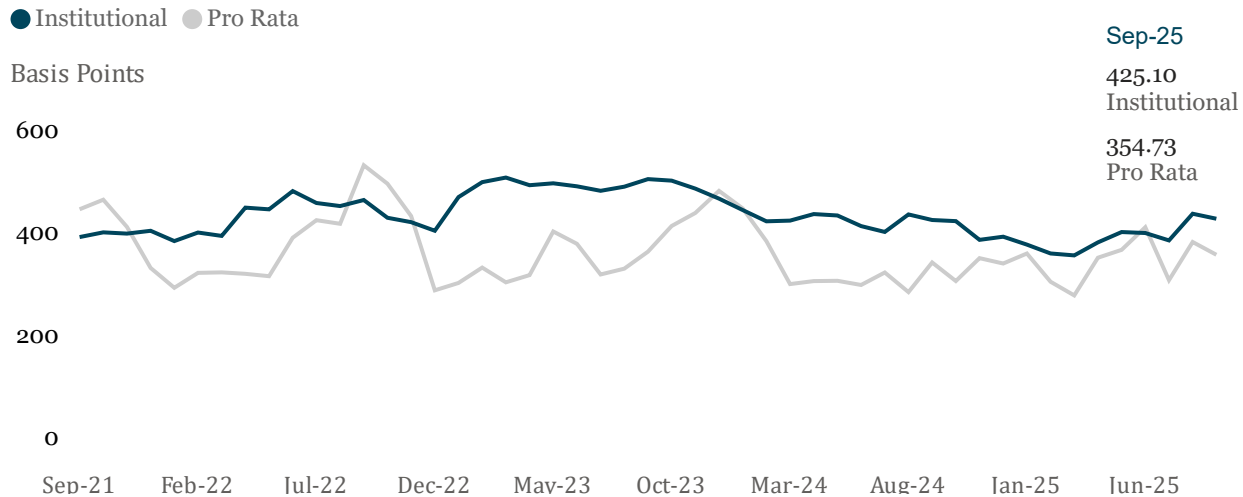
3.1 European Leveraged Loan Issuance by Type



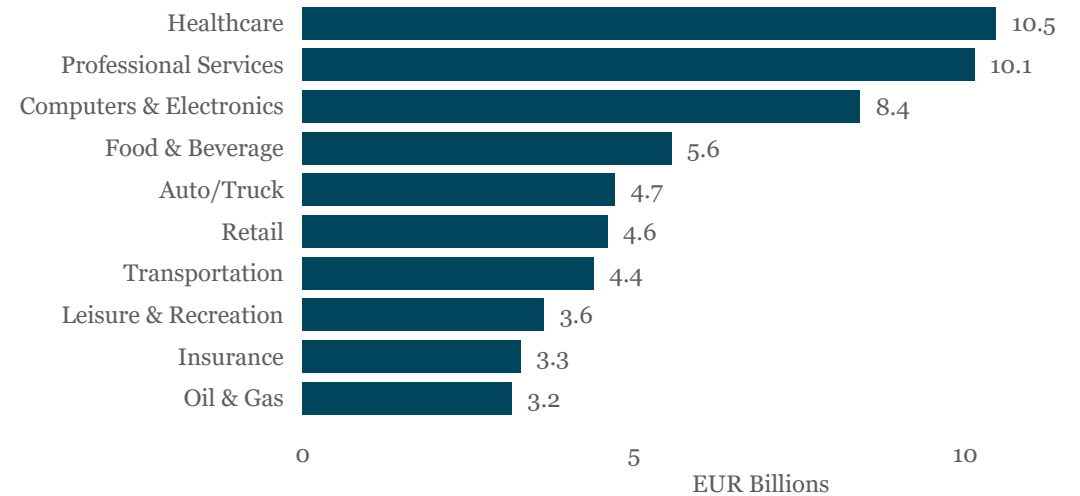
3.2 European Leveraged Loans Average Deal Size



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



3.4 European Leveraged Loan Issuance by Industry: Q3 2025 (Top 10)

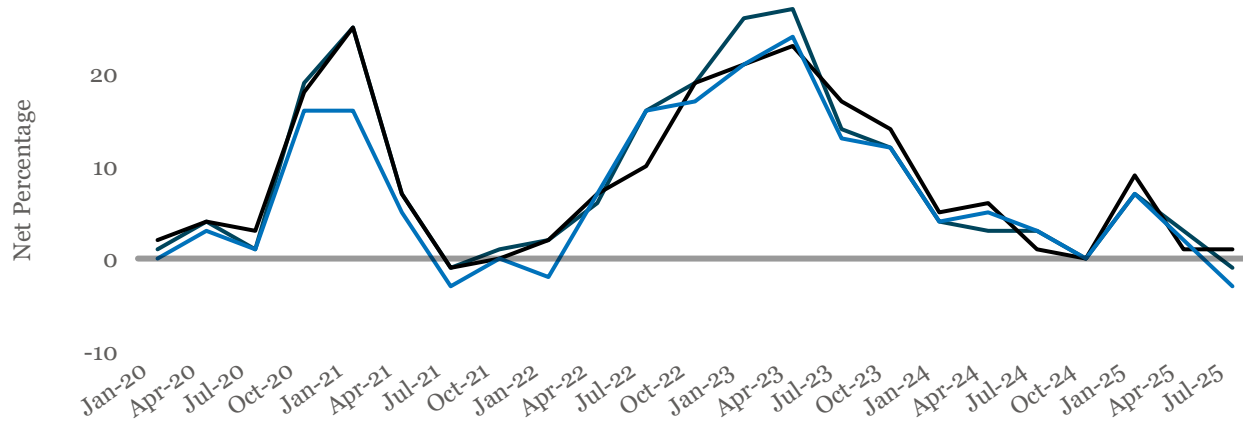


afme / Credit Standards and Loan Demand

3.5 Bank Credit Standards

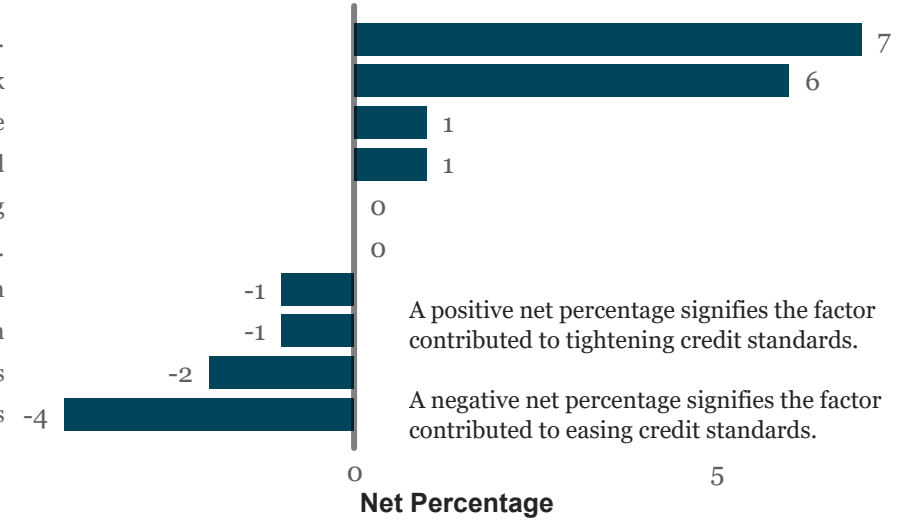
● Overall ● SME ● Large Enterprises

A positive net percentage signifies tightening bank credit.
A negative net percentage signifies easing bank credit.



3.6 Factors Affecting Bank Credit Standards: June 2025

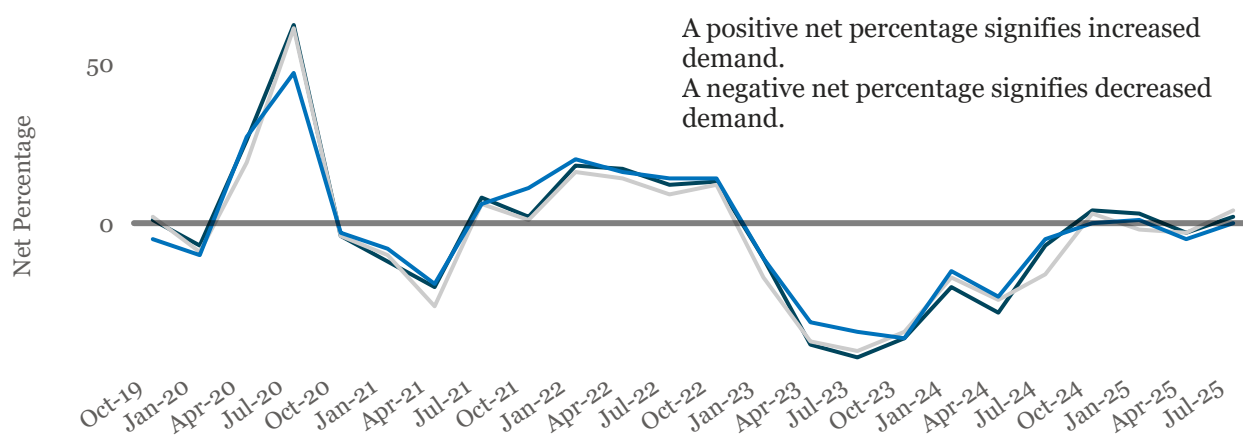
- General Economic Situation and...
- Industry or Firm-Specific Outlook
- Bank's Risk Tolerance
- Risk on Collateral Demanded
- Bank Access to Market Financing
- Competition from Market Finan...
- Bank's Liquidity Position
- Costs to Bank Capital Position
- Competition from Non-Banks
- Competition from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



3.7 Loan Demand

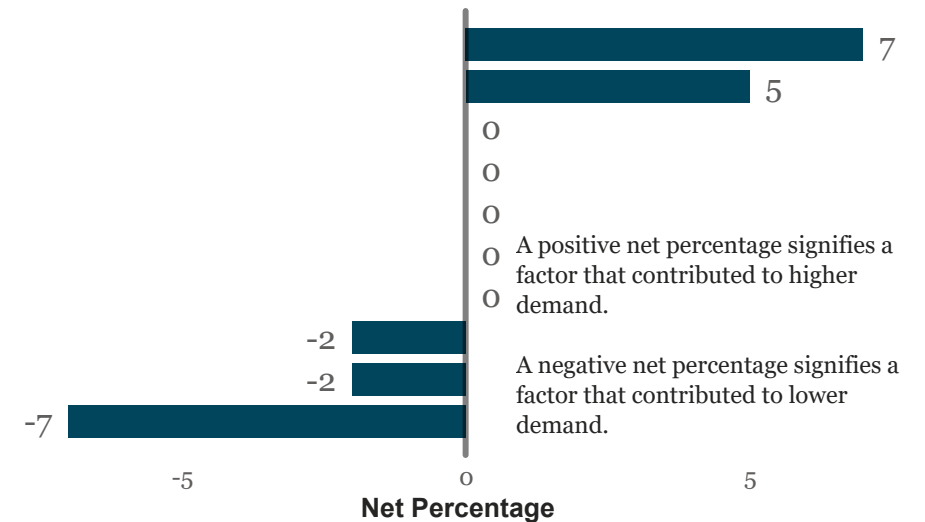
● Overall ● SME ● Large Enterprises

A positive net percentage signifies increased demand.
A negative net percentage signifies decreased demand.



3.8 Factors Affecting Loan Demand: June 2025

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



Direct Lending

afme / Direct Lending

European Direct Lending totalled €28.2bn in Q3 2025, representing a decrease by value of 2% compared to the second quarter of 2025 from €29bn but an increase of 81% from €16bn in Q3 2024. By volume, the number of deals rose from 233 in Q2 2025 to 272 in Q3 2025.

In the US, deal activity has consistently been higher, at times more than double the European origination amount. In Q2 2025, the number of the US deals stood at 440, down from the 454 in the previous quarter and 517 in Q2 2024.

In the first three quarters, the primary use of proceeds was Acquisition, accounting for 32% of total issuance, followed by LBO/SBO/P2P at 28% and Refinancing at 22%. Capex represented only 12% of the total share.

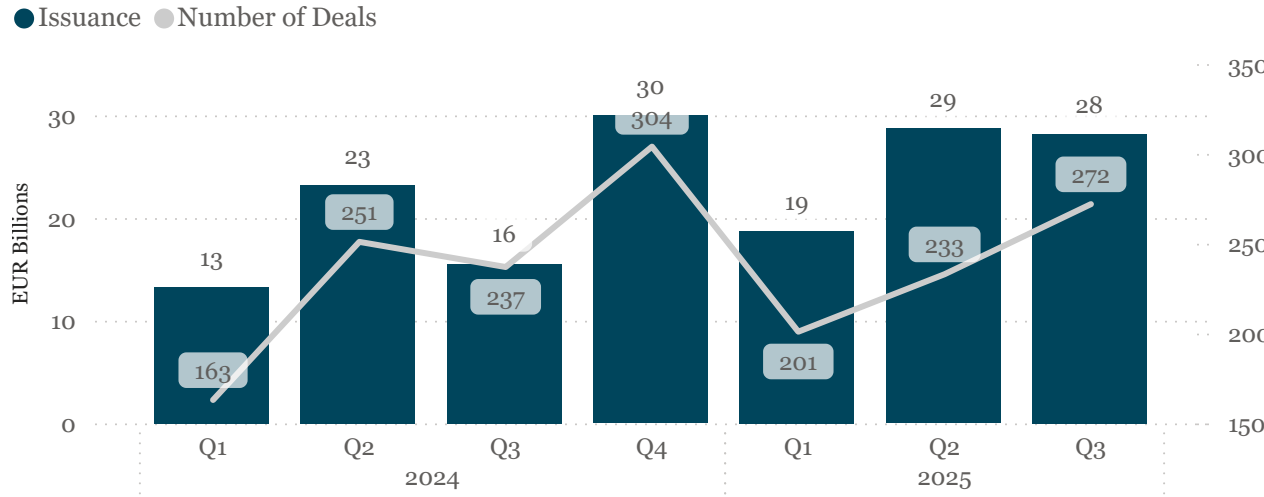
In Q3 2025, UK and Ireland originated the largest share of direct lending, representing 27.2% of the total European origination. This was followed by France at 22% and DACH region (Germany, Austria, and Switzerland) at 12.5%. The most active sectors were Software & Services (20.6%), Business Services-related (17.1%) and Financial Services & Insurance (14.6%).

In Q3 2025, 28% of the total deals were ESG-compliant, a decline of 15.2% from the previous quarter and of 20% from Q3 2024.

UK firms conducted the highest number of ESG-compliant deals in both the first three quarters of 2024 and the first three quarters of 2025. In 9M'25 2025, there were 53 ESG deals, with France and Germany closely following.

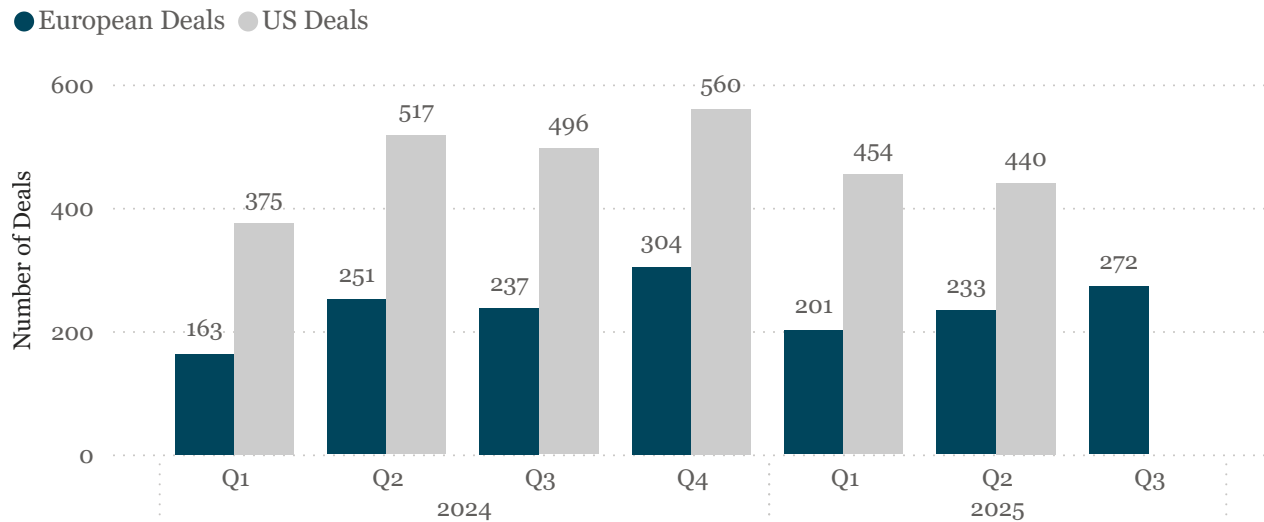
afme / Direct Lending

4.1 European Direct Lending Issuance



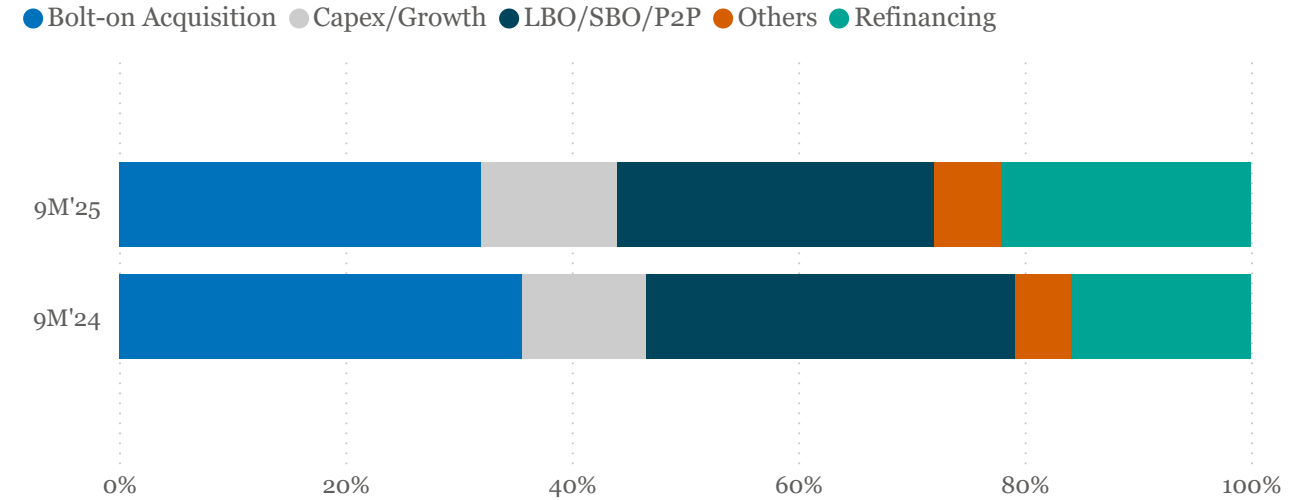
* Direct Lending volumes are derived from estimates based on disclosure

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

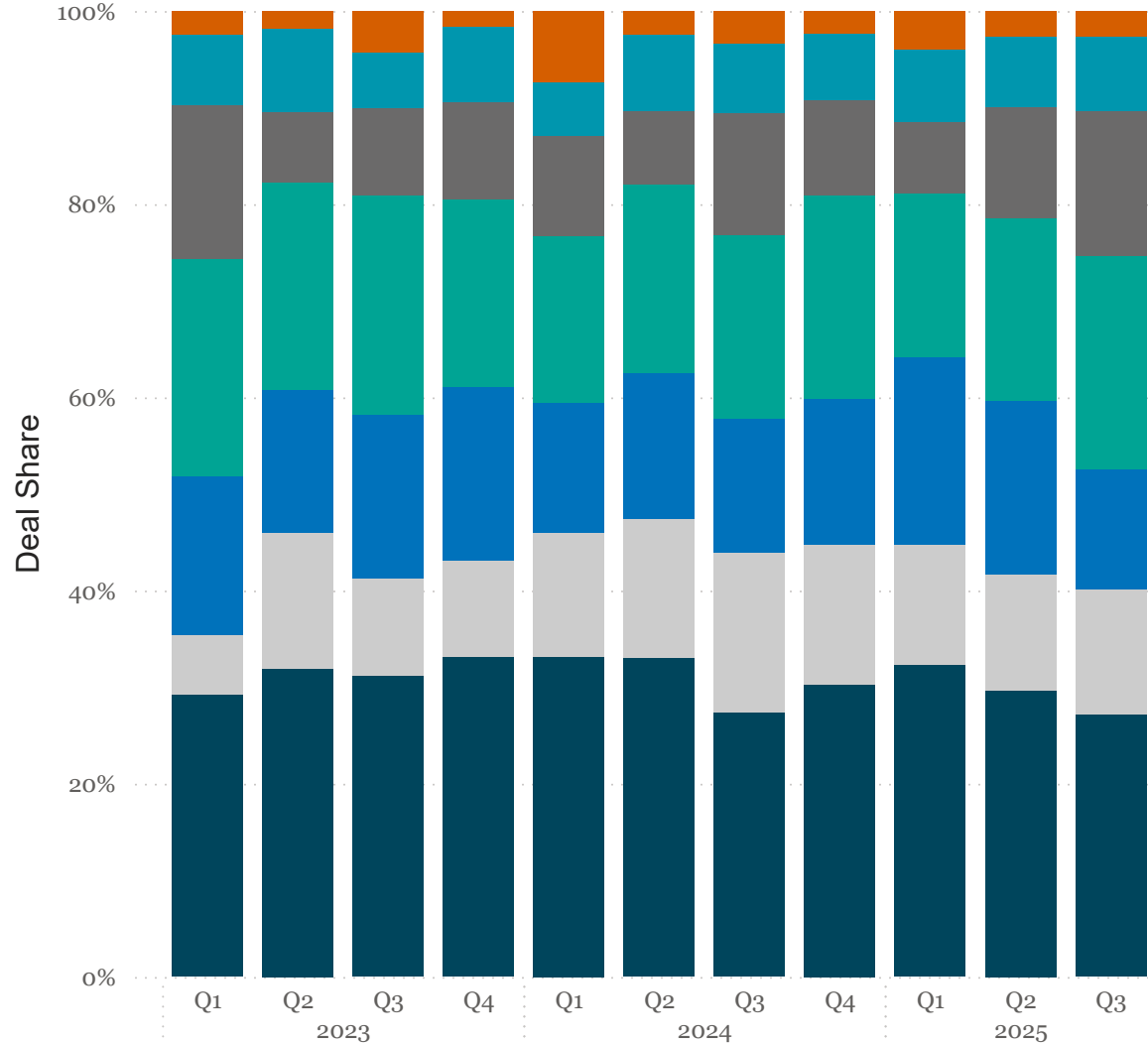
Nine months 2025



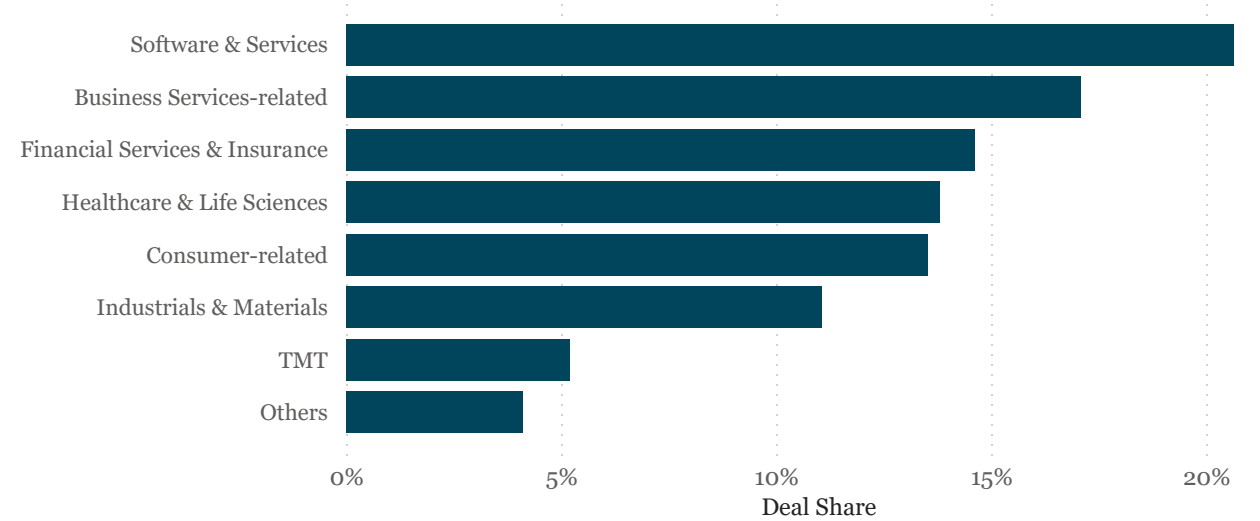
afme / Direct Lending

4.5 European Direct Lending Origination by Country

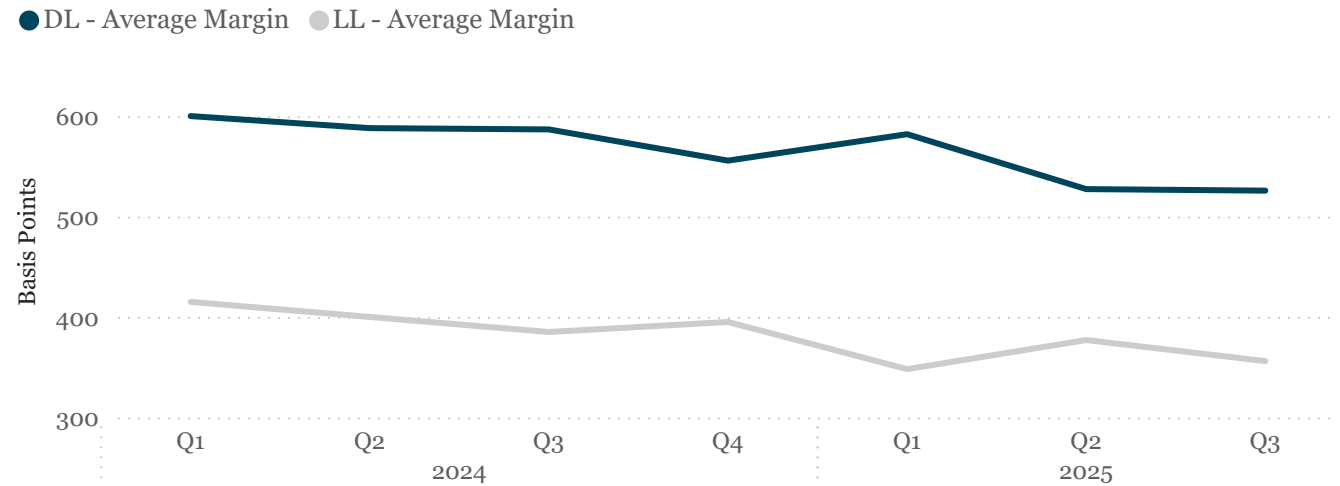
● UK & Ireland ● Southern Europe ● DACH ● France ● Benelux ● Nordics ● Eastern Europe



4.6 European Direct Lending Origination by Sector

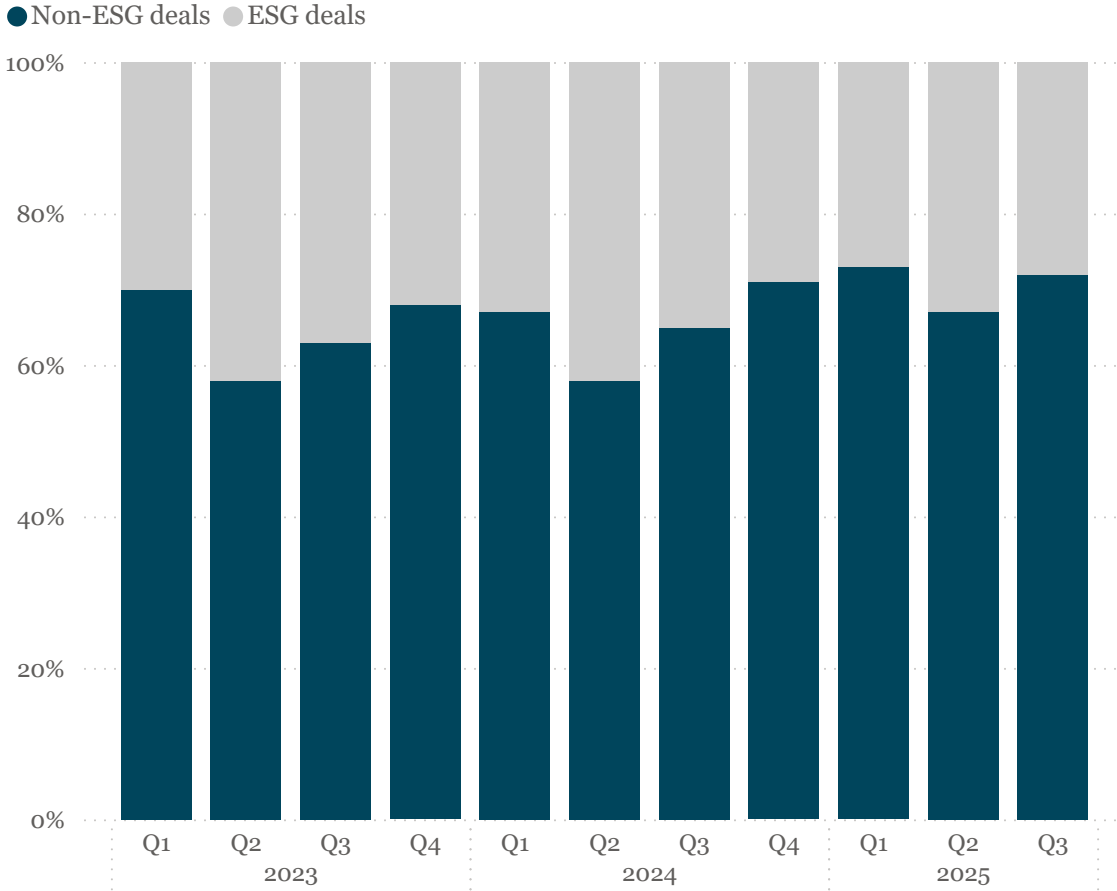


4.7 Pricing Trends in Europe: Leveraged Loans vs Direct Lending

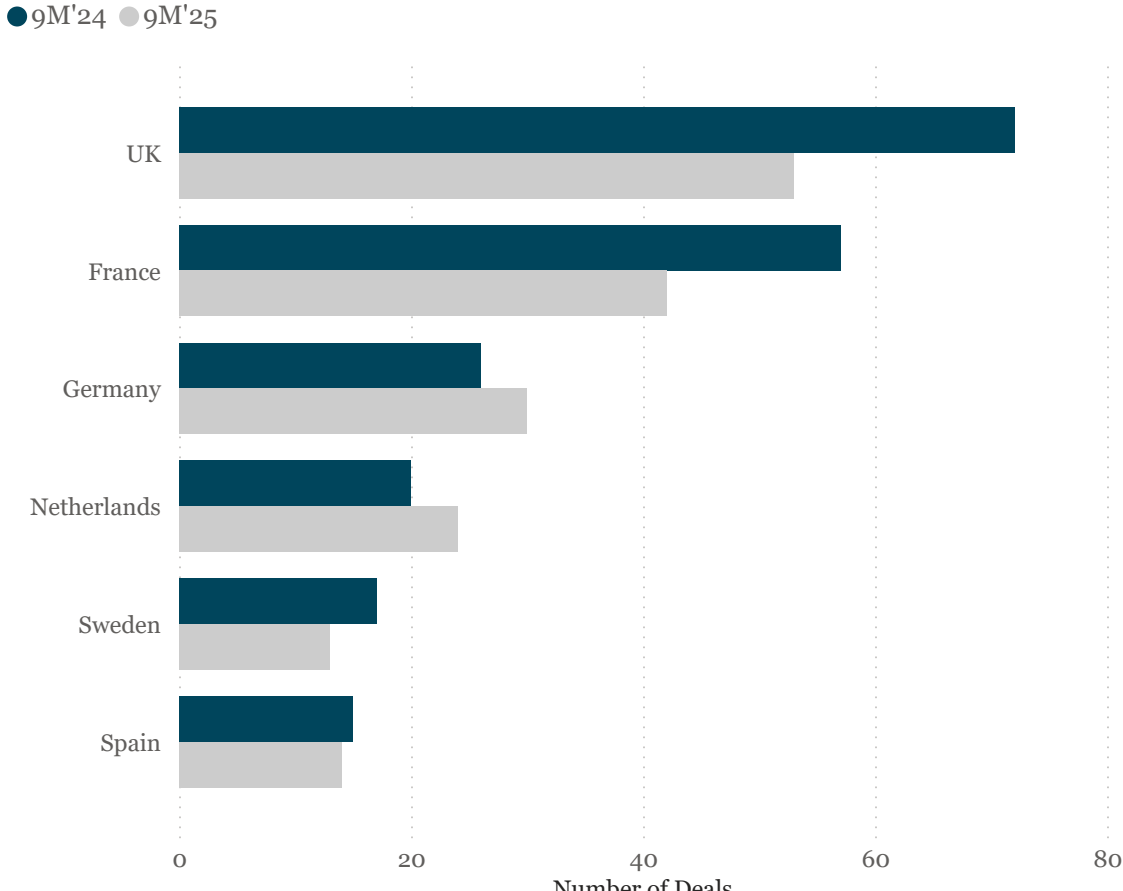


afme / Direct Lending - Focus on ESG Deals

4.8 Share of European ESG-Compliant Deals



4.9 Number of ESG-Compliant Deals by Country



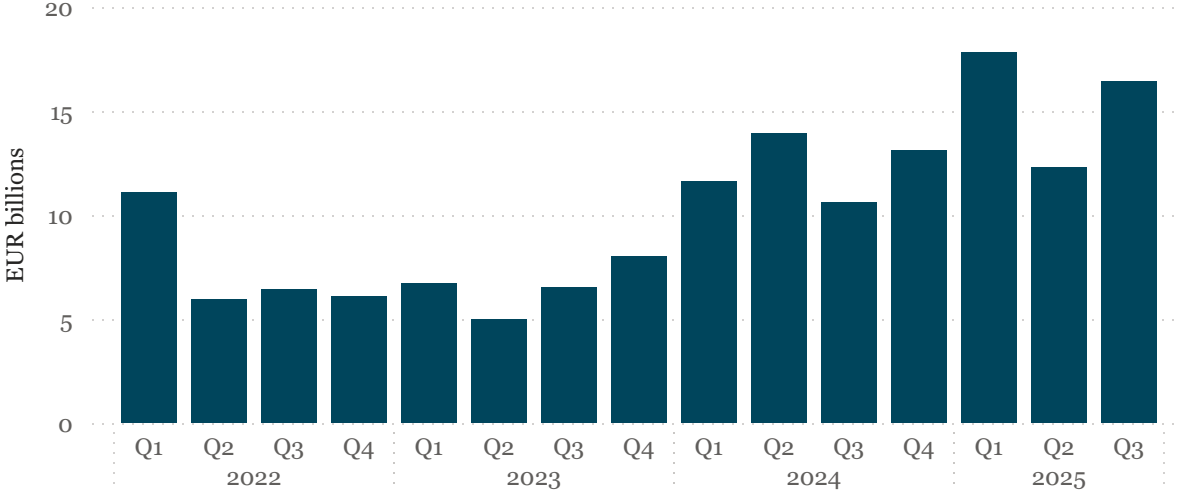
CLOs

In Q3 2025, €16.4bn of Collateralized Loan Obligations were issued in Europe, an increase of 33.3% QoQ and of 54.7% YoY.

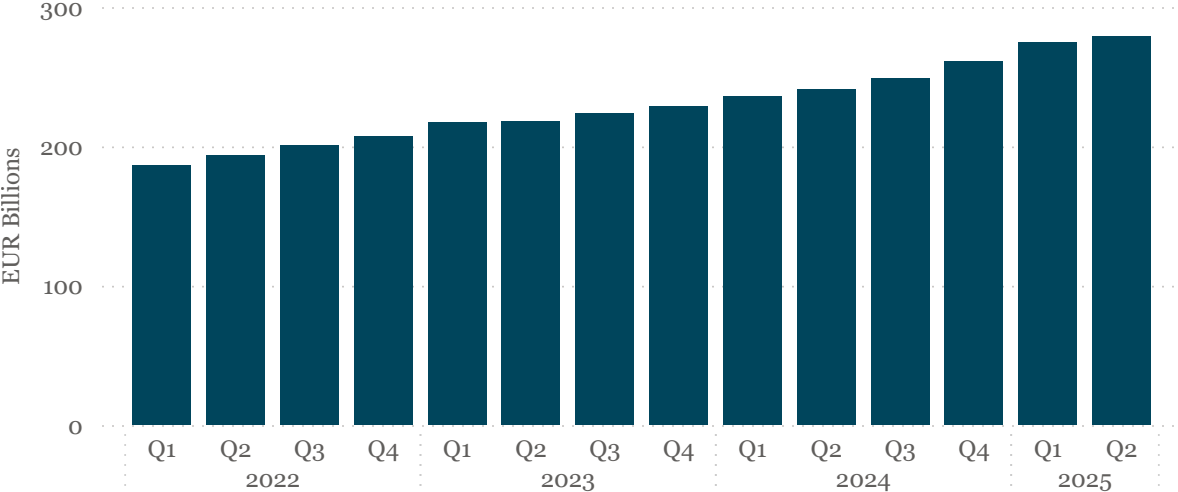
In Q2 2025, CLO Outstanding amount reached €279bn, accounting for a 1.8% increase from Q1 2025 and a 15.8% increase from Q2 2024.

Since 2024, US CLO issuance has consistently exceeded European CLO issuance. In Q3 2025, US issuance reached €31.7bn, while European CLO issuance totalled €16.4bn, accounting for 34% of the combined US and European issuance. This marked a 2.9% YoY decline in Europe's share compared to Q3 2024.

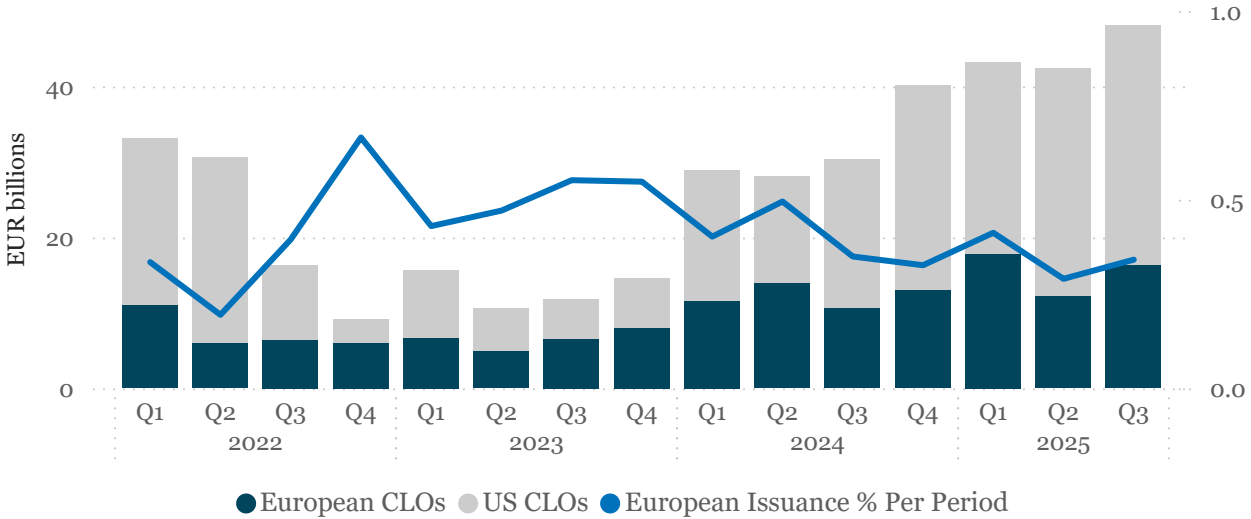
5.1 European CLO Issuance



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 €33bn (on 82 deals) in Q3 2025, a 33.2% decrease from €48.7bn (on 106 deals) in Q2 2025. During this quarter, issuance by firms located in European developed markets represented approximately 78.8% of the total (€26bn), while firms in European emerging markets represented the remaining 21.2%(€7bn).

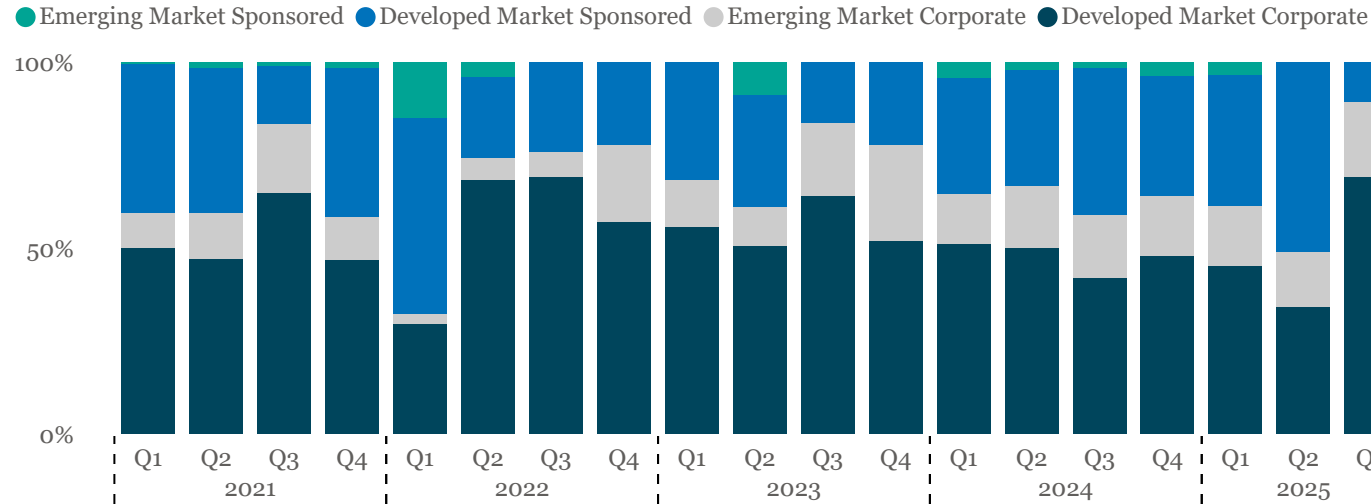
In Q3 2025, the primary use of proceeds was refinancing, which accounted for 62.3% of total issuance, followed by general corporate purposes at 28.7%. The share of refinancing-related issuance has remained strong, after reaching the highest value in recent years during Q2 2025. Notably, there have been no restructuring-related deals year-to-date.

In Q3 2025, three sectors accounted for 57.5% of the high yield market by outstanding amount: Financial, Consumer Discretionary, and Communications with €192bn, €132bn, and €117bn of the total outstanding value respectively.

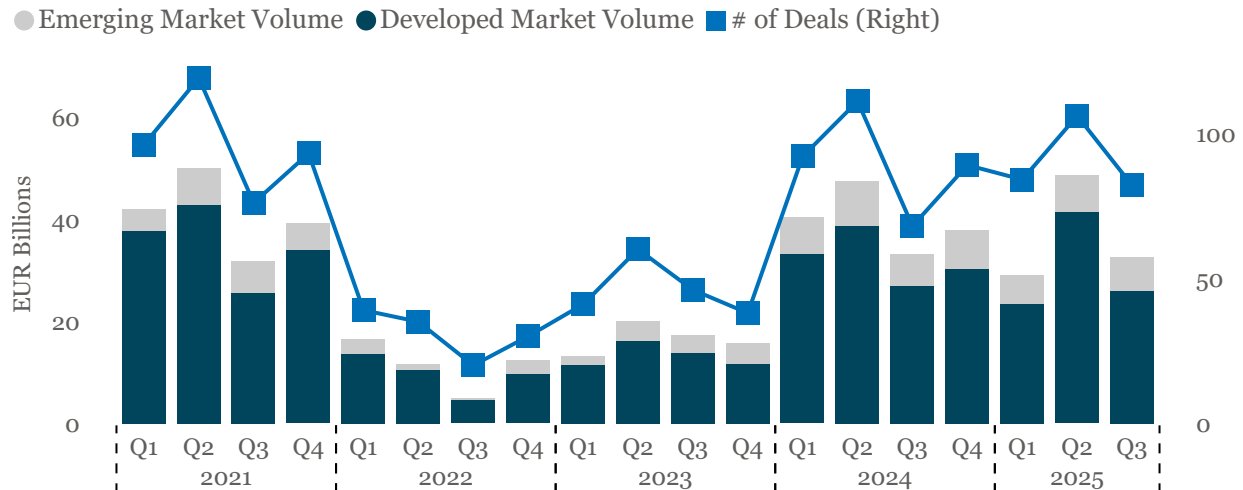
The outstanding amount of European high yield bonds declined from €783bn in Q2 2025 to €768bn in Q3 2025. This was driven by the quarterly decline in issued amount and the USD depreciation against other major currencies, as USD-denominated European high yield bonds represent 20% of the total outstanding volume.

afme / High Yield Bonds Overview

6.1 European High Yield Issuance, Sponsored vs Corporate



6.2 European High Yield Issuance, Developed and Emerging Markets



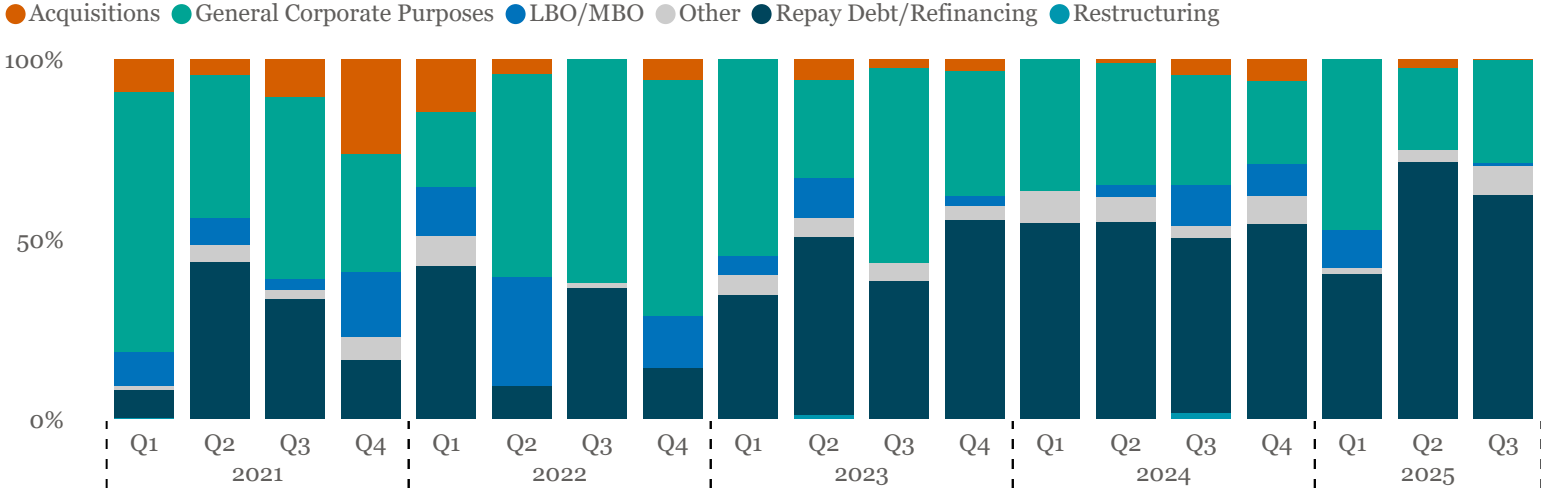
6.3 Global Comparison High Yield Issuance (EUR Billions)

Year	2023				2024				2025		
Region	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Americas	34.7	48.9	37.7	32.5	67.8	57.0	66.3	36.3	55.2	63.9	88.9
Asia	13.7	10.8	8.1	15.1	13.9	16.0	16.6	15.1	17.2	9.5	23.9
Europe	13.2	20.0	17.2	15.7	40.3	47.9	33.1	37.7	28.9	48.7	33.1
Total	61.7	79.7	63.0	63.3	122.1	121.0	115.9	89.1	101.3	122.1	145.8

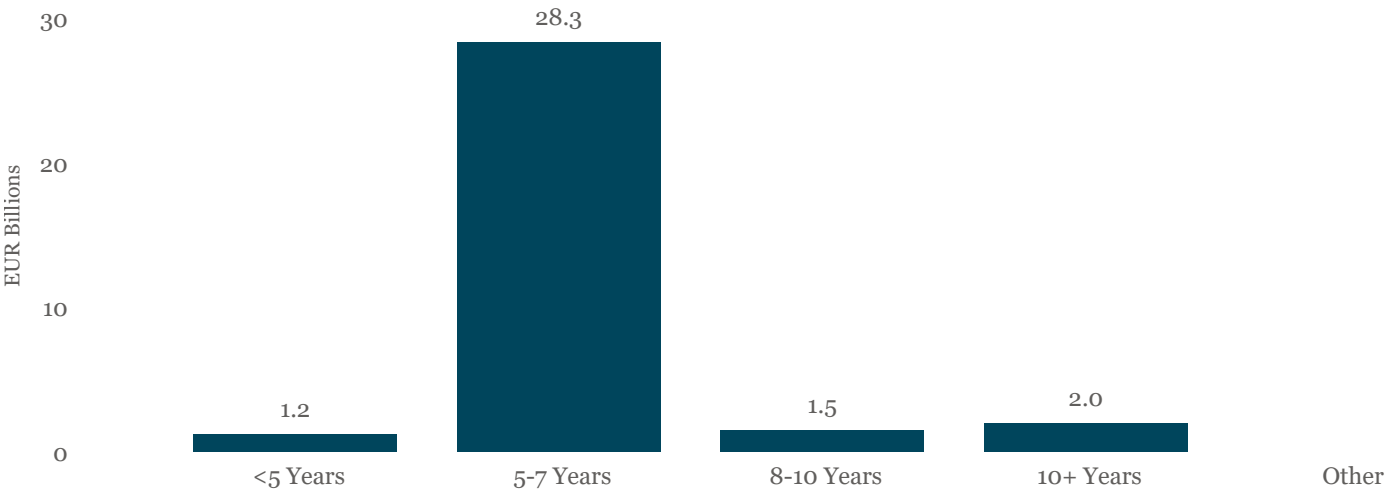
Region	2021	2022	2023	2024	2025
Americas	344.9	96.5	153.9	227.4	208.0
Asia	58.9	23.4	47.7	61.7	50.6
Europe	162.8	45.3	66.2	159.0	110.7
Total	566.7	165.2	267.7	448.1	369.3

afme / High Yield Bonds Overview

6.4 European High Yield Issuance by Use of Proceeds



6.5 European High Yield Issuance by Tenor: Q3 2025

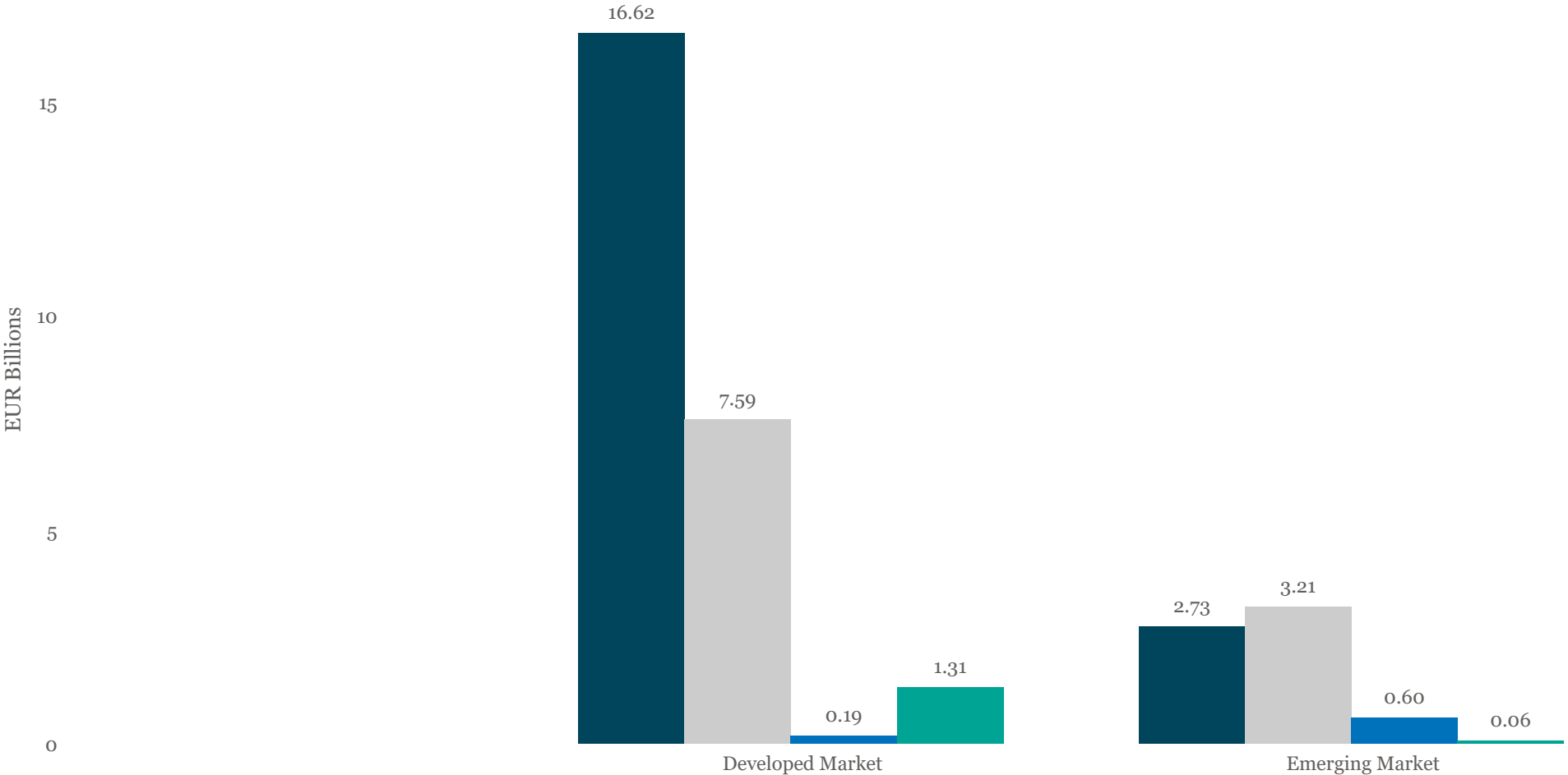


Source: Dealogic

afme / High Yield Bonds Overview

6.6 European High Yield Issuance by Rating: Q3 2025

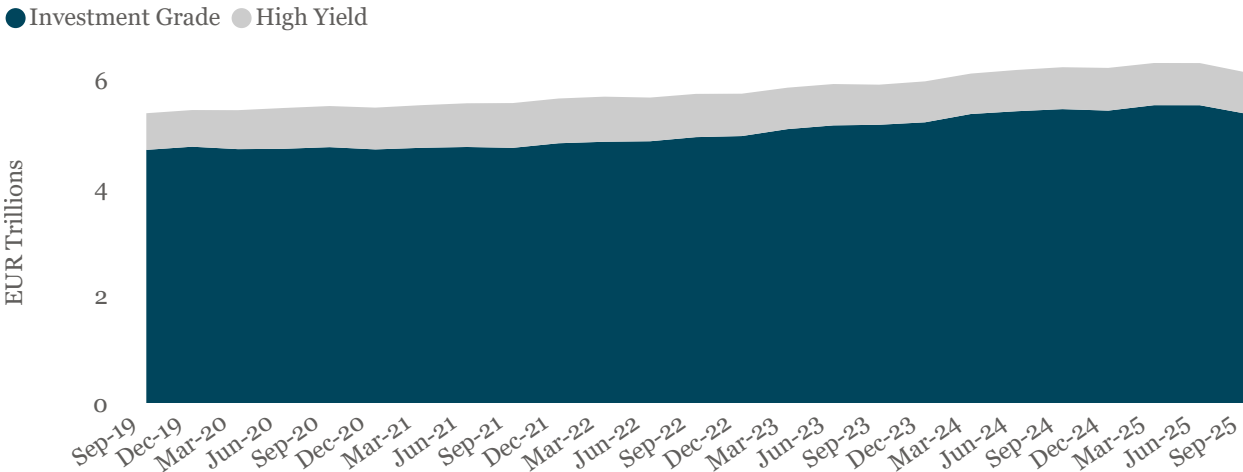
● BB ● B ● CCC ● Not rated



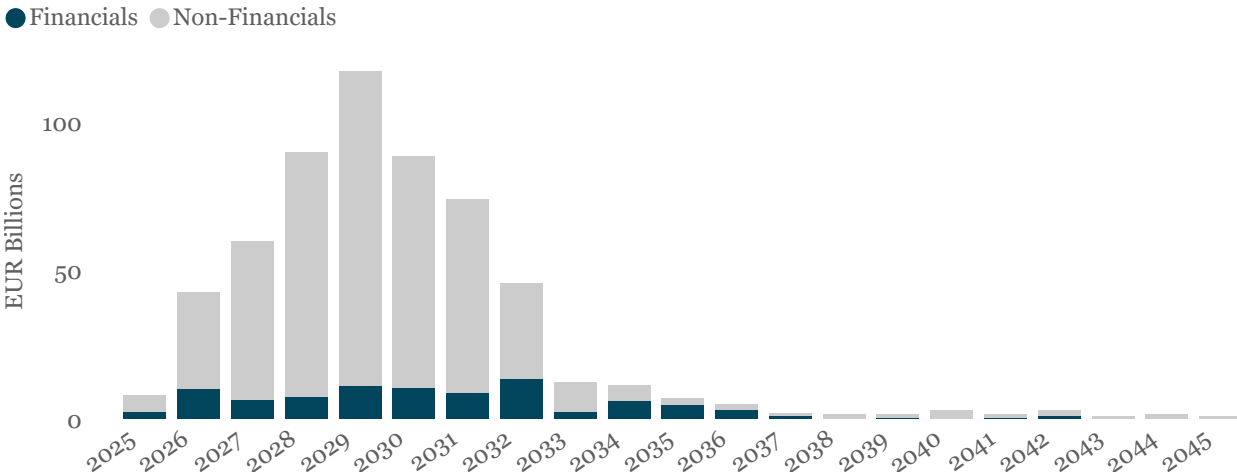
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

afme / High Yield Bonds Overview

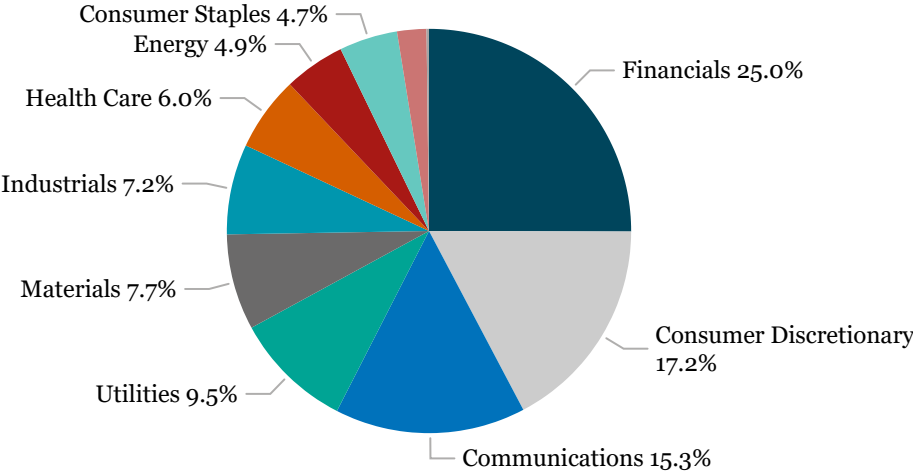
6.7 European Corporate Bonds Outstanding



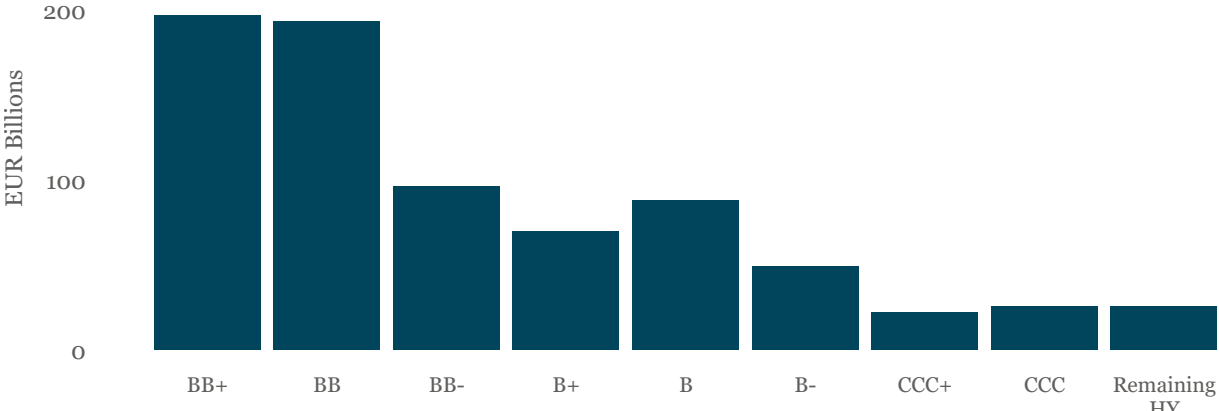
6.8 European Corporate High Yield Maturity Wall



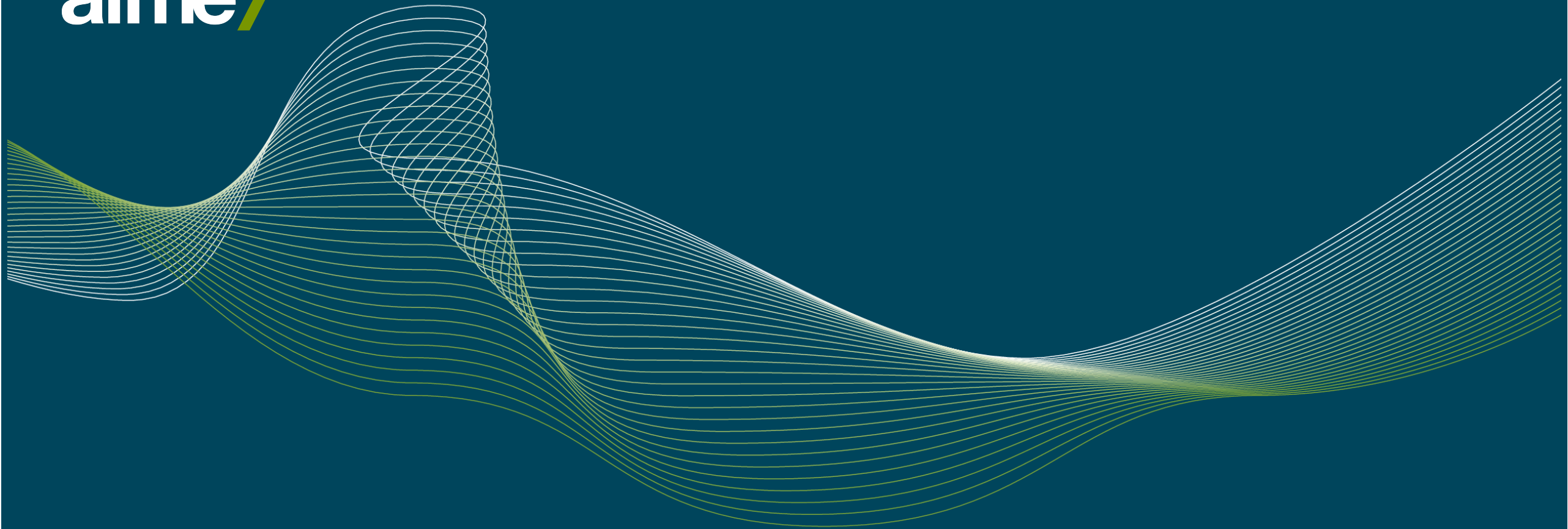
6.9 European Corporate High Yield Outstanding by Sector: March 2026



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



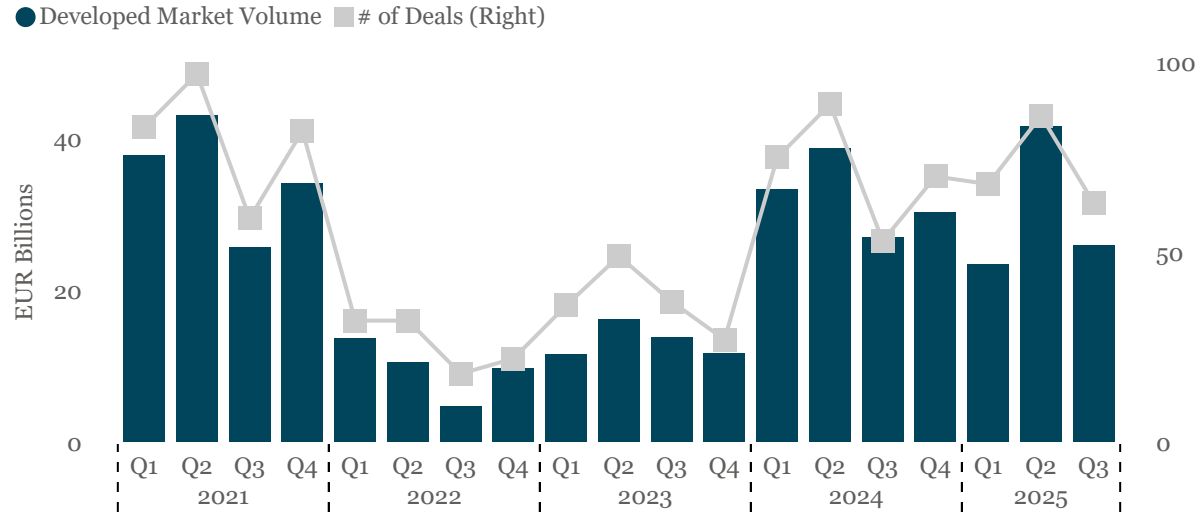
Source: SIFMA



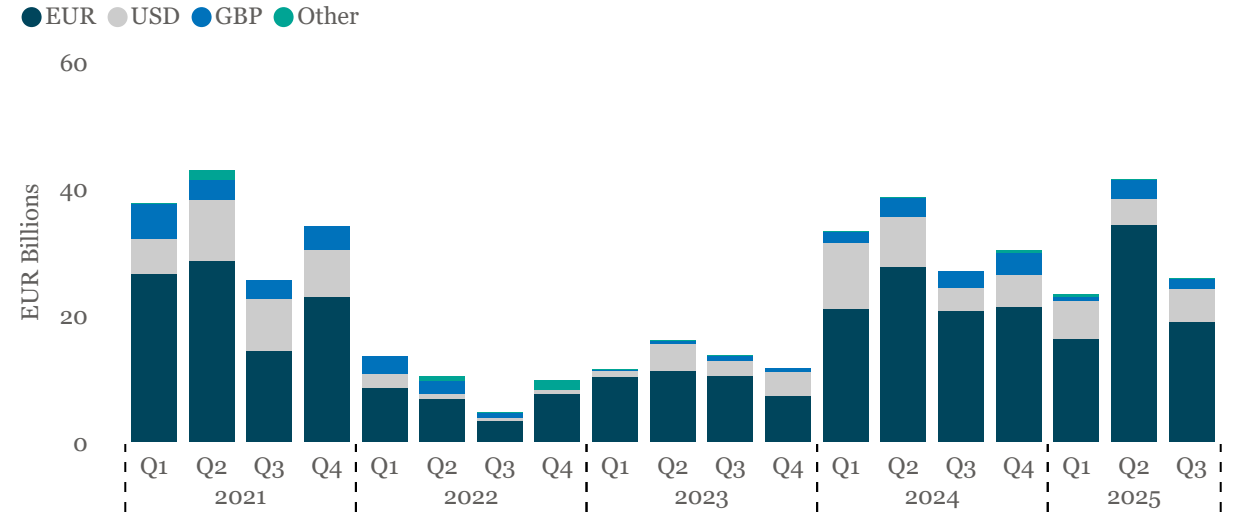
European Developed Market High Yield Bonds

afme / Developed Market High Yield Bonds

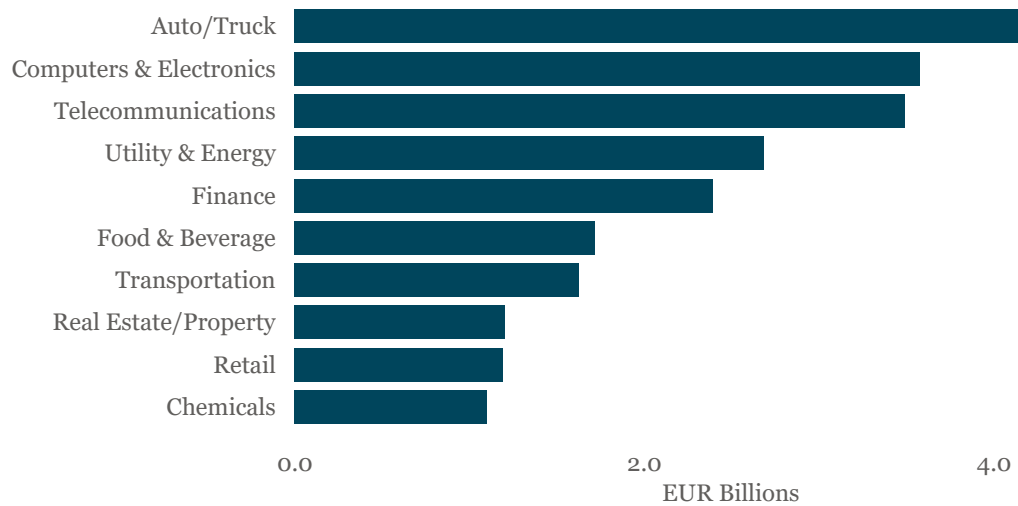
7.1 European Developed Market High Yield Issuance



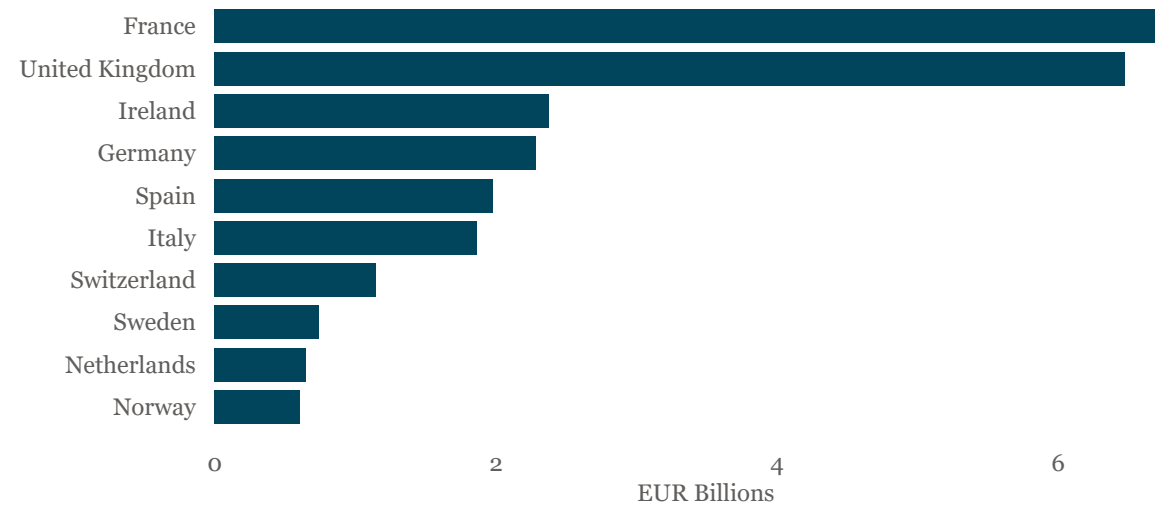
7.2 European Developed Market High Yield Issuance by Currency



7.3 European Developed Market High Yield Issuance by Industry: Q3 2025 (top 10)

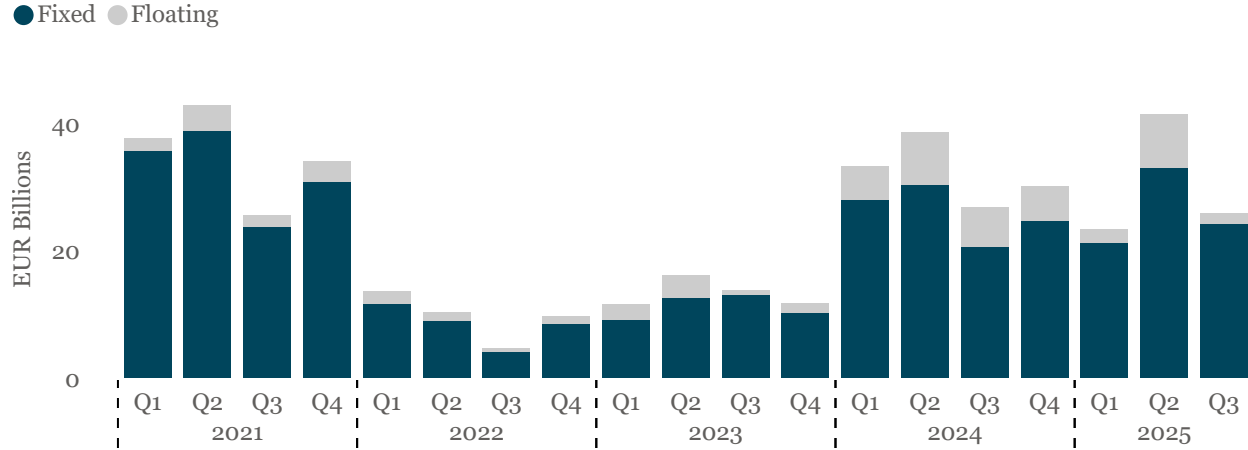


7.4 European Developed Market High Yield Issuance by Country of Risk: Q3 2025 (top 10)

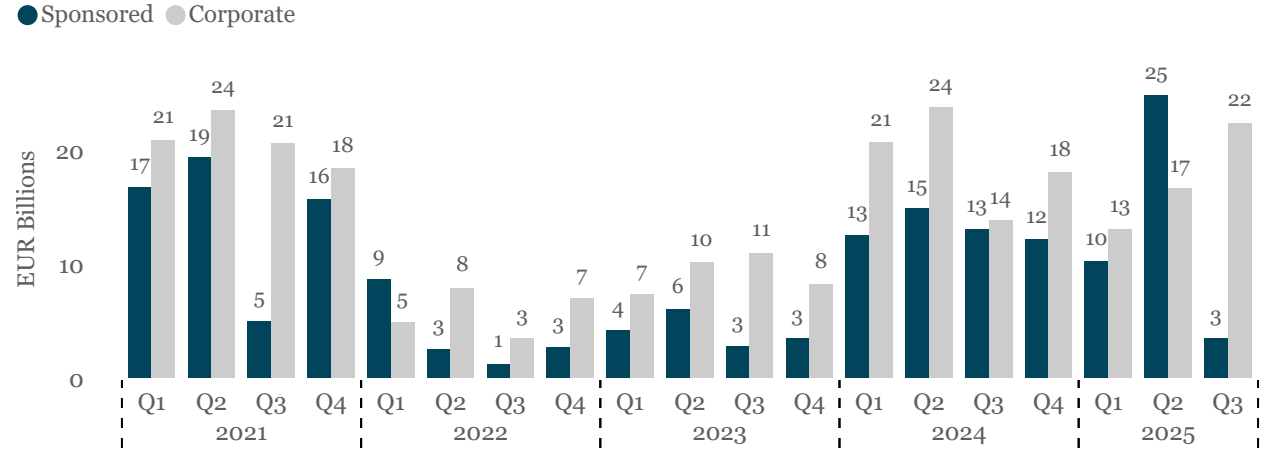


afme / Developed Market High Yield Bonds

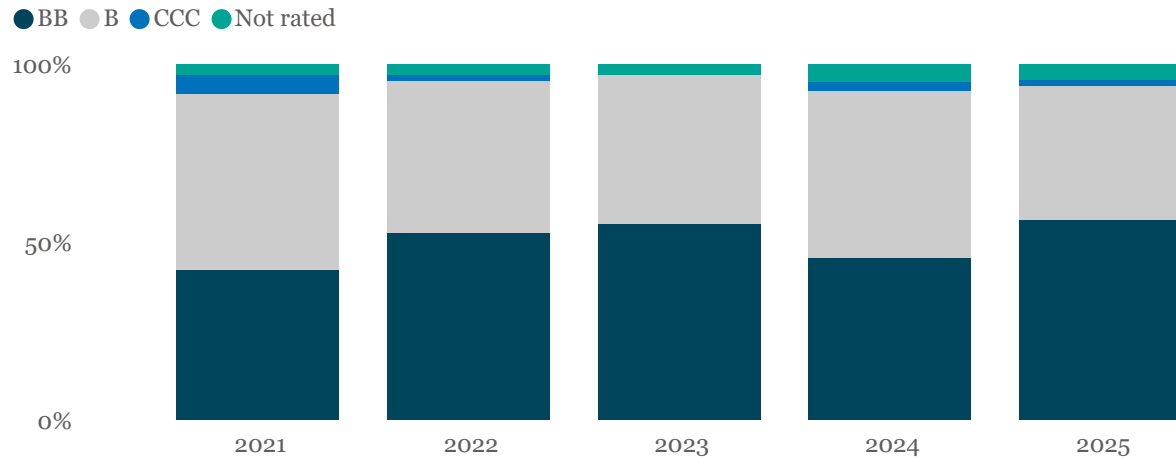
7.5 European Developed Market High Yield Issuance, Fixed vs. Floating



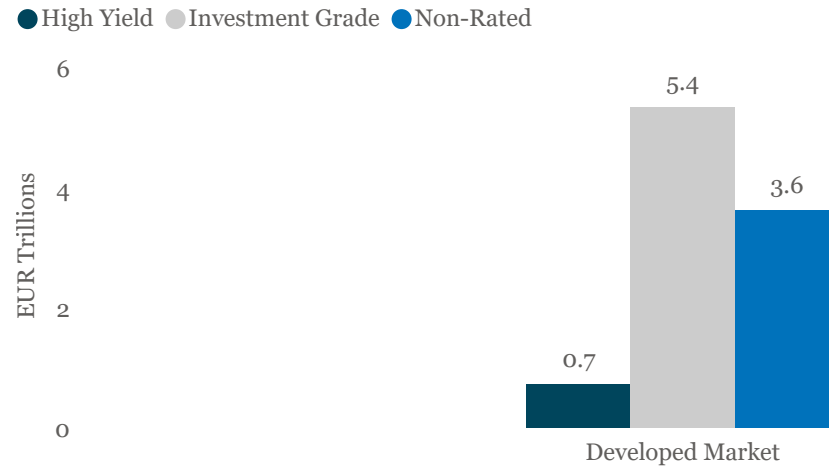
7.6 European Developed Market High Yield Issuance, Sponsored vs. Corporate



7.7 European Developed Market High Yield Rating Distribution at Issuance



7.8 European Developed Market Corporate Bonds Outstanding: Q3 2025



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

afme / Developed Market High Yield Bonds

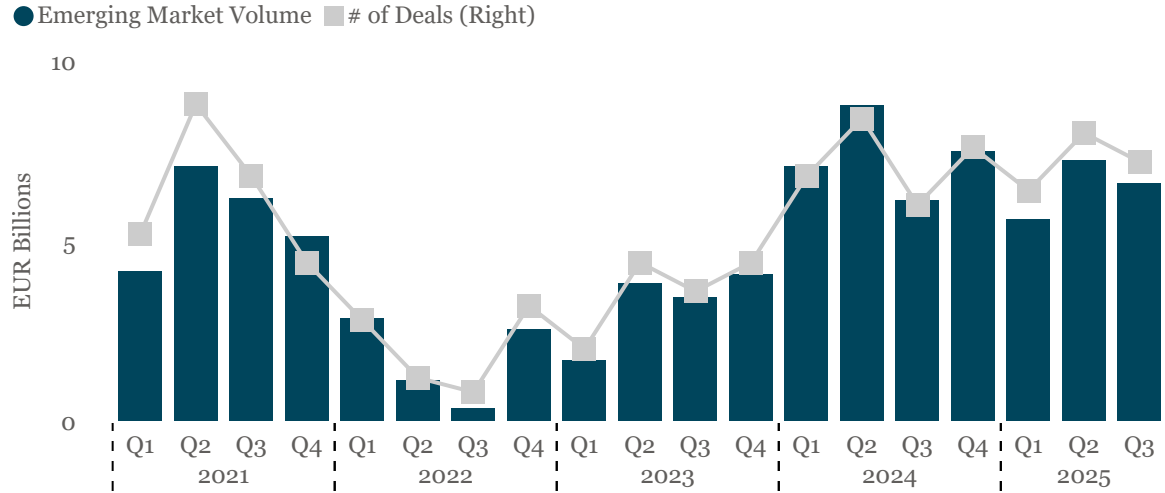
7.9 European Developed Market High Yield Issuance (20 most recent)

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moody's	S&P	Fitch
CMA CGM SA	Transportation	30/09/2025	EUR	0.70	4.875	Ba1	BB+	
ION Platform Finance US Inc	Computers & Electronics	30/09/2025	EUR	0.50	6.5	B2	B+	
ION Platform Finance US Inc	Computers & Electronics	30/09/2025	EUR	0.60	6.875	B2	B+	
ION Platform Finance US Inc	Computers & Electronics	30/09/2025	USD	1.28	7.875	B2	B+	
Kapla Holding SAS	Professional Services	25/09/2025	EUR	0.20	5		B+	
Golar LNG Ltd	Transportation	25/09/2025	USD	0.43	7.5	B2	B-	
DeepOcean Ltd	Oil & Gas	24/09/2025	EUR	0.48	6	B1	BB-	BB-
PRA Group Europe Holding II Sarl	Finance	24/09/2025	EUR	0.30	6.25	Ba3	BB	BB
Via Celere Desarrollos Inmobiliarios Sa	Real Estate/Property	24/09/2025	EUR	0.32	4.875		B	
Gestamp Automocion SA	Auto/Truck	23/09/2025	EUR	0.50	4.375	Ba2	BB	
Hime SAS	Utility & Energy	23/09/2025	EUR	0.50	4		BB+	BB+
INEOS Finance plc	Chemicals	23/09/2025	EUR	0.80	7.25	B1	BB-	BB+
Renault	Auto/Truck	23/09/2025	EUR	0.85	3.875	Ba1	BB+	
Telecom Italia SpA	Telecommunications	23/09/2025	EUR	0.50	3.625	Ba2	BB	BB
Vanquis Banking Group plc	Finance	23/09/2025	GBP	0.07	10.875			BB-
Mundys SpA	Transportation	22/09/2025	EUR	0.50	3.7	Ba1	BB+	BB+
Matterhorn Telecom SA	Telecommunications	18/09/2025	EUR	0.55	3.875	B1	BB-	BB+
Valeo SE	Auto/Truck	16/09/2025	EUR	0.50	4.625	Ba1	BB	
ZF North America Capital Inc	Auto/Truck	16/09/2025	USD	1.28	7.5	Ba2	BB-	
Sammontana SpA	Food & Beverage	15/09/2025	EUR	0.13	3-mth Euribor +375	B2	B	B+
CEME SpA	Computers & Electronics	11/09/2025	EUR	0.08	3-mth Euribor +450	B2	B	B
VZ Secured Financing BV	Telecommunications	08/09/2025	EUR	0.65	5.25	B1	B+	BB

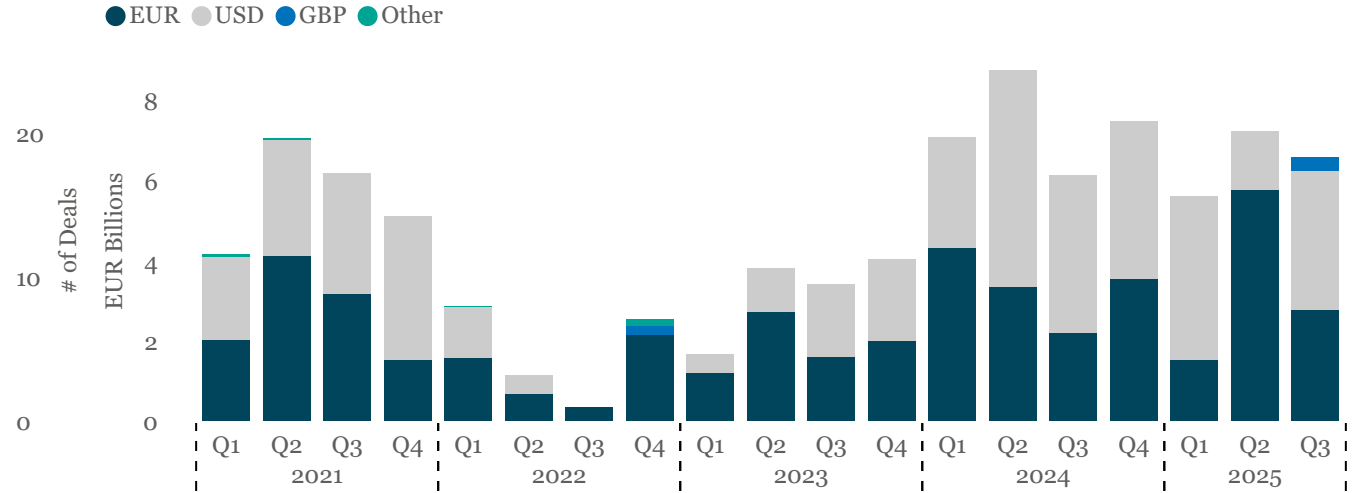
European Emerging Market High Yield Bonds

afme / Emerging Market High Yield Bonds

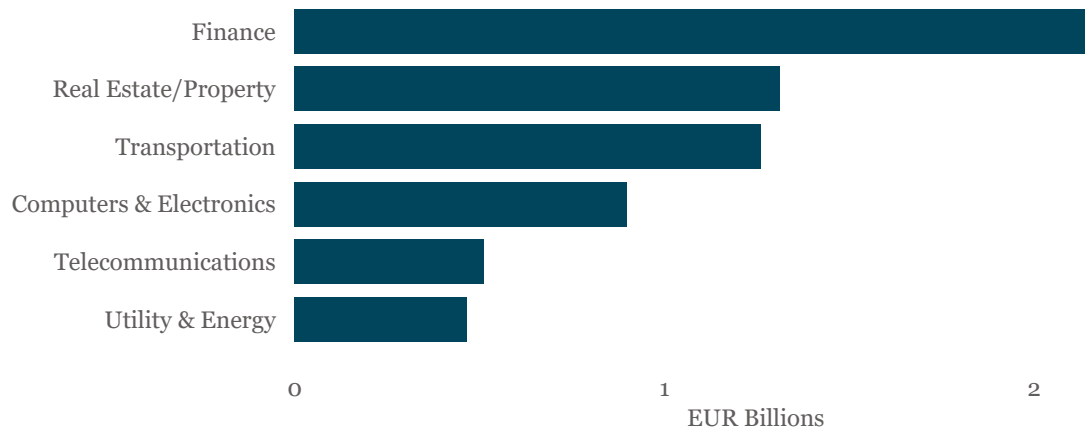
8.1 European Emerging Market High Yield Issuance



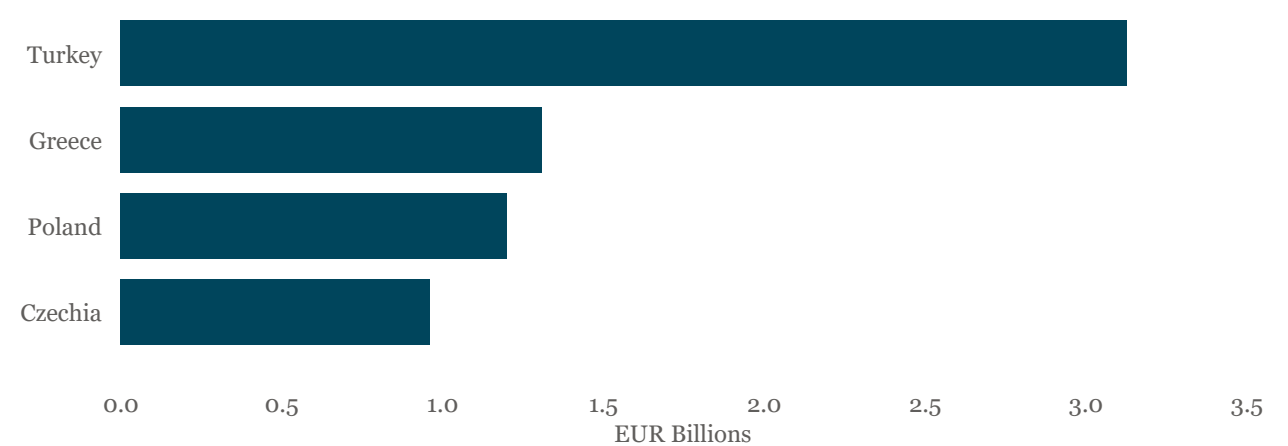
8.2 European Emerging Market High Yield Issuance by Currency



8.3 European Emerging Market High Yield Issuance by Industry: Q3 2025

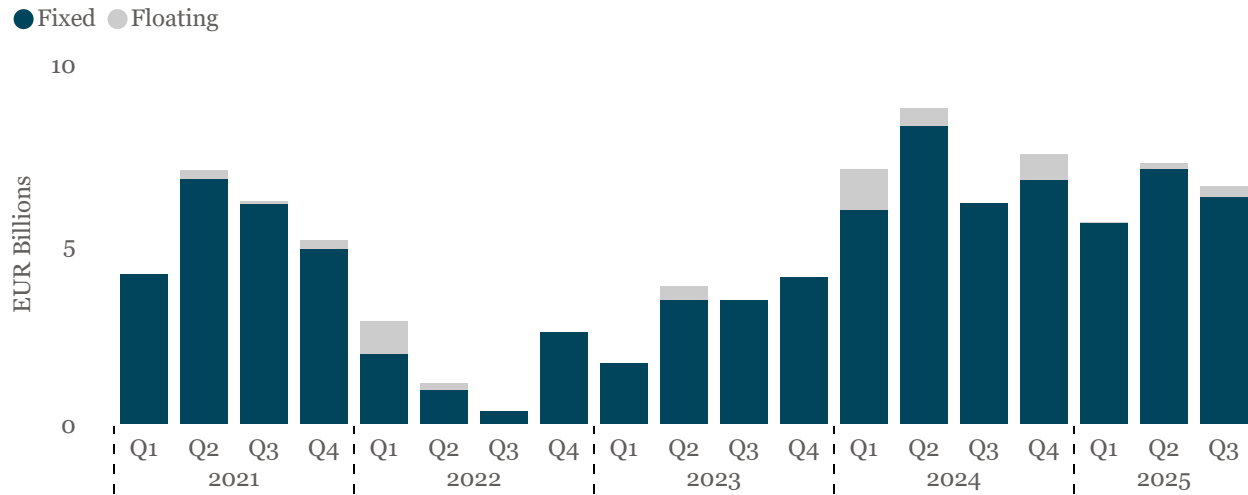


8.4 European Emerging Market High Yield Issuance by Country of Risk: Q3 2025

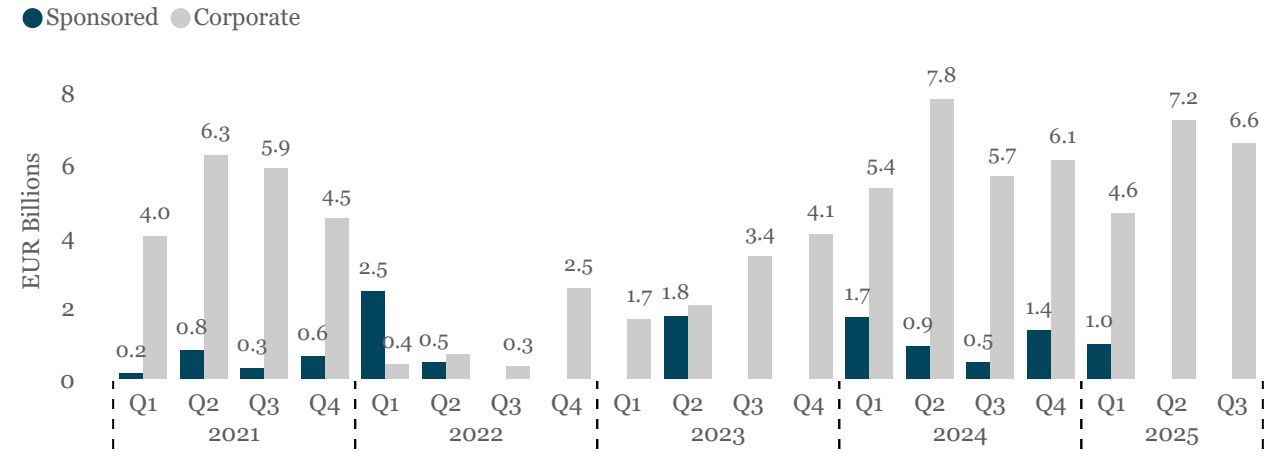


afme / Emerging Market High Yield Bonds

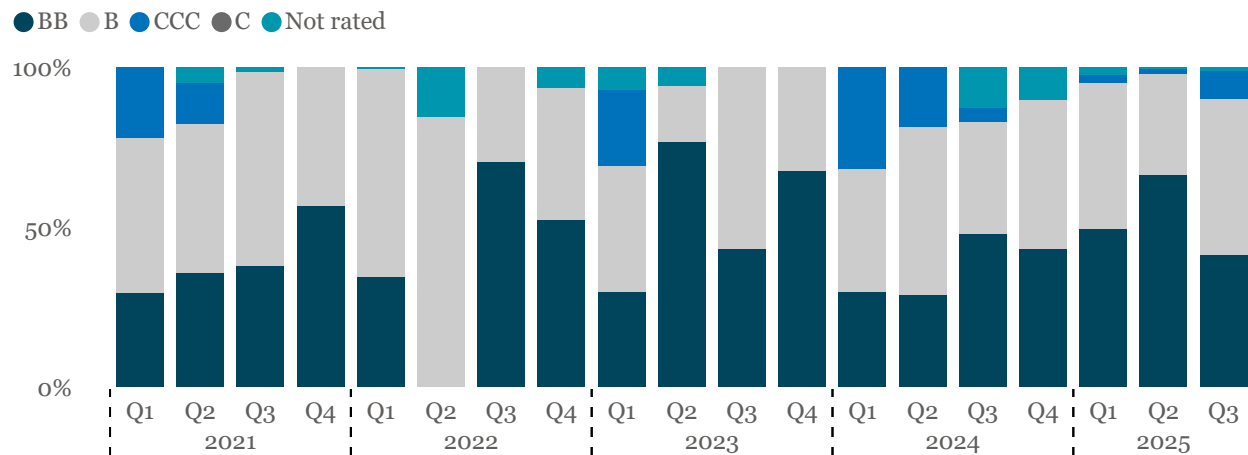
8.5 European Emerging Market High Yield Issuance, Fixed vs. Floating



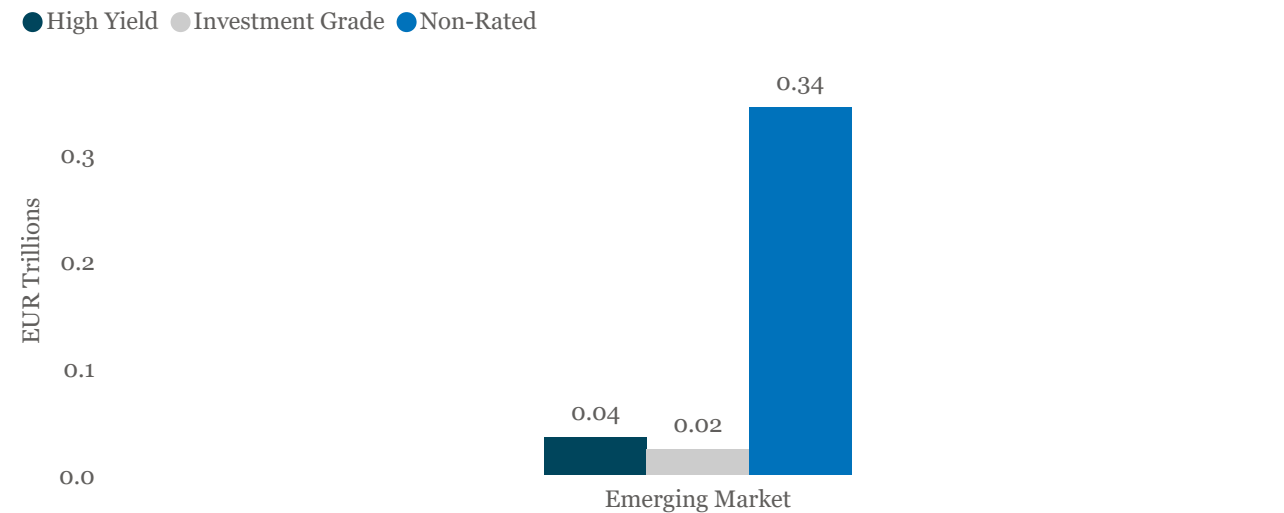
8.6 European Emerging Market High Yield Issuance, Sponsored vs. Corporate



8.7 European Emerging Market High Yield Rating Distribution at Issuance



8.8 European Emerging Market Corporate Bonds Outstanding: Q3 2025

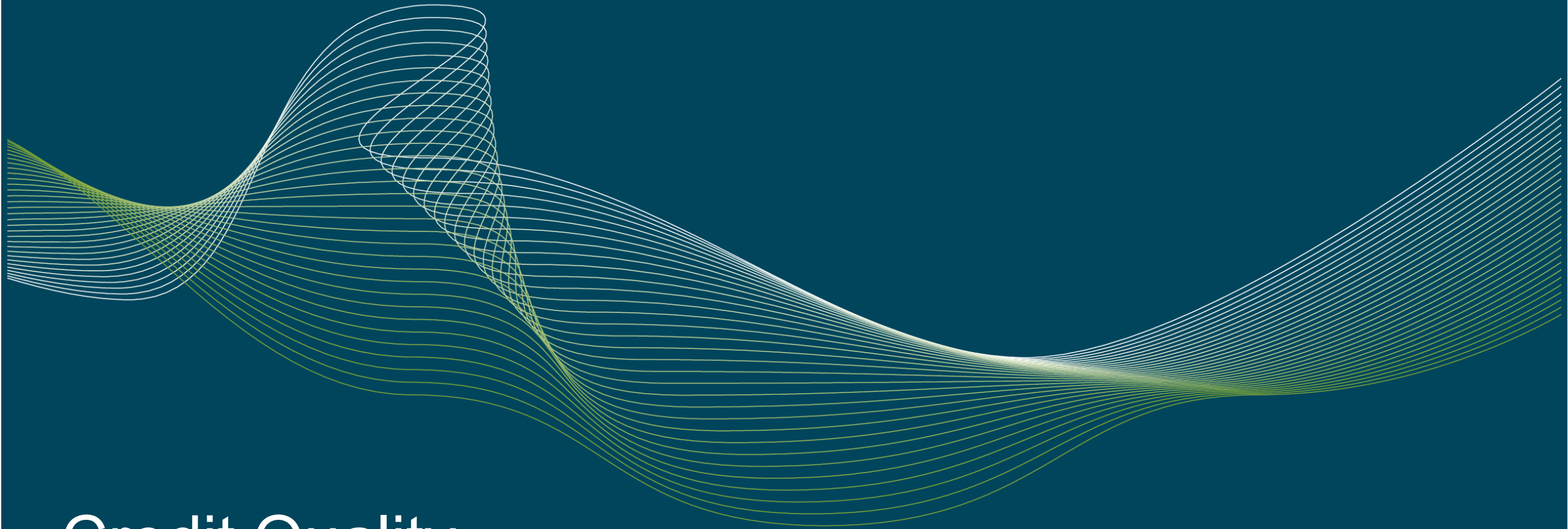


Source: Dealogic [8.5], [8.6] and [8.7], SIFMA [8.8]

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
CPI Property Group SA	Real Estate/Property	30/09/2025	GBP	0.34	8.875	Ba3	B+	
Turk Telekomunikasyon AS	Telecommunications	30/09/2025	USD	0.51	6.95		BB	BB-
VakifBank	Finance	29/09/2025	USD	0.43	8.2			CCC+
Intralot Capital Luxembourg SA	Computers & Electronics	24/09/2025	EUR	0.30	3-mth Euribor +450	B3	B	B
Intralot Capital Luxembourg SA	Computers & Electronics	24/09/2025	EUR	0.60	6.75	B3	B	B
Isbank	Finance	24/09/2025	USD	0.42	7.375			B
Aydem Yenilenebilir Enerji AS	Utility & Energy	23/09/2025	USD	0.47	9.875		B	B
Turkiye Cumhuriyeti Ziraat Bankasi (London)	Finance	19/09/2025	EUR	0.03	2.87	Ba3		B+
TC Ziraat Bankasi AS	Finance	16/09/2025	EUR	0.03	2.9			
InPost	Transportation	09/09/2025	EUR	0.85	4	Ba1		BB+
Contships Logistics Corp	Transportation	03/09/2025	USD	0.06	9			
Yapi ve Kredi Bankasi AS	Finance	27/08/2025	USD	0.43	8.25			B-
CPI Property Group SA	Real Estate/Property	23/07/2025	EUR	0.12	7.5	Ba3	B+	
Sekerbank TAS	Finance	23/07/2025	USD	0.17	10.875			CCC
CPI Property Group SA	Real Estate/Property	15/07/2025	EUR	0.50	4.75	Ba1	BB+	
DL Invest Group PM SA	Real Estate/Property	03/07/2025	EUR	0.35	6.625		B+	BB-
Navios South American Logistics Inc	Transportation	01/07/2025	USD	0.35	8.875		B	
VakifBank	Finance	01/07/2025	USD	0.64	7.25			B+



Credit Quality

afme / Credit Quality

High yield bonds

S&P's trailing 12-month speculative-grade bond default rate declined over the third quarter of 2025, falling from 3.93% at the end of June to 3.7% observed at the end of September. Moody's default rate showed an upwards pattern, increasing from 2.6% at the end of June to 3.3% at the end of August.

S&P reported 29 upgrades and 31 downgrades during the third quarter in Developed European markets. Upgrades were mostly related to Consumer Products, Banks, and Financial Institutions, while downgrades were mainly spreads across two sectors, mostly affecting Chemicals, Packaging & Environmental Services and Consumer products. In contrast, in Emerging European markets, S&P issued two upgrades—one in the Media & Entertainment sector and one in the Sovereign sector - while recording one downgrade in the Automotive sector.

Leveraged loans

European Leveraged Loan default rates by volume decreased from 2.6% in 2024 to 1.7% in the first half of 2025. Whereas, the default rate calculated by count declined from 5.9% to 3.7%.

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

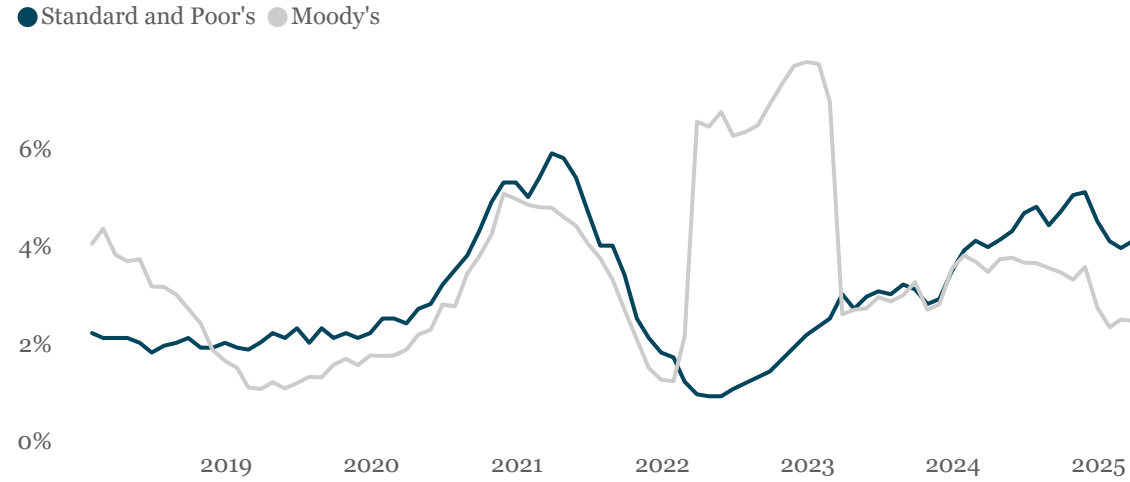
According to *KBRA DLD*, direct lending default rates by volume are expected to increase from 0.4% in 2024 to 1.25% in 2025, while default rates by count are expected to reach 2.25%, up from 1% in 2024. As of June 2025, the trailing twelve month default rate stood at 0.5% by volume and at 1.7% by count, reflecting the upward trend expected to continue through the year.

KBRA DLD estimates an implied recovery rate at default date for European direct lending at 48%, slightly below the 50% estimate for US direct lending at default date.

Cov-lite structures accounted 44% of covenant packages of direct lending products, followed by single covenant structures at 40%. Packages with two or more covenants represented the remaining 16%. For Issuers with an EBITDA below €50m, the most common covenant structure in the first half of 2025 was a single covenant (53.5%), followed by 2 or more covenants (43.1%), while Cov-lite accounted for the remaining 3.4%.

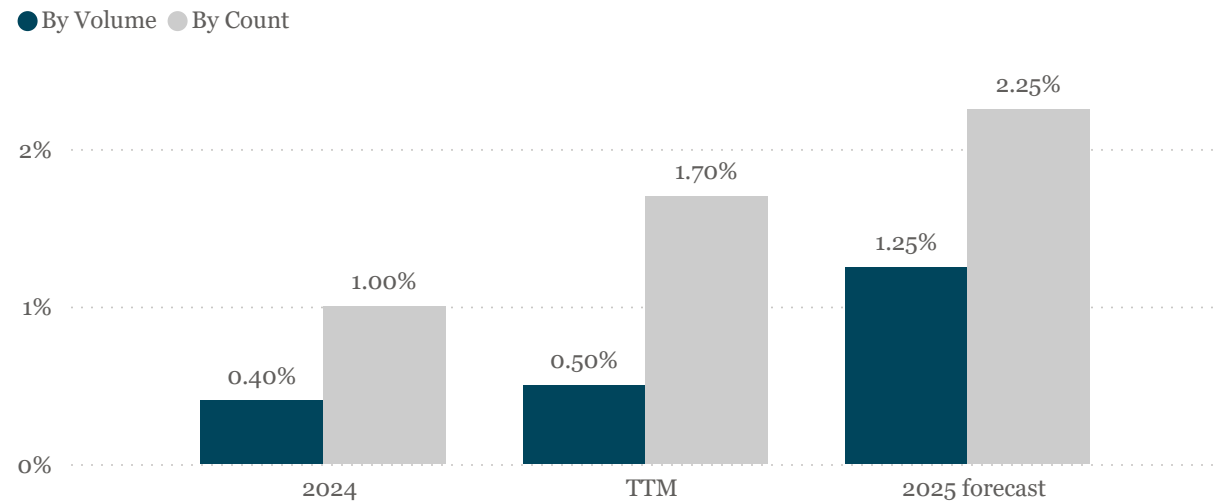
afme / Credit Quality

9.1 European High Yield Default Rates

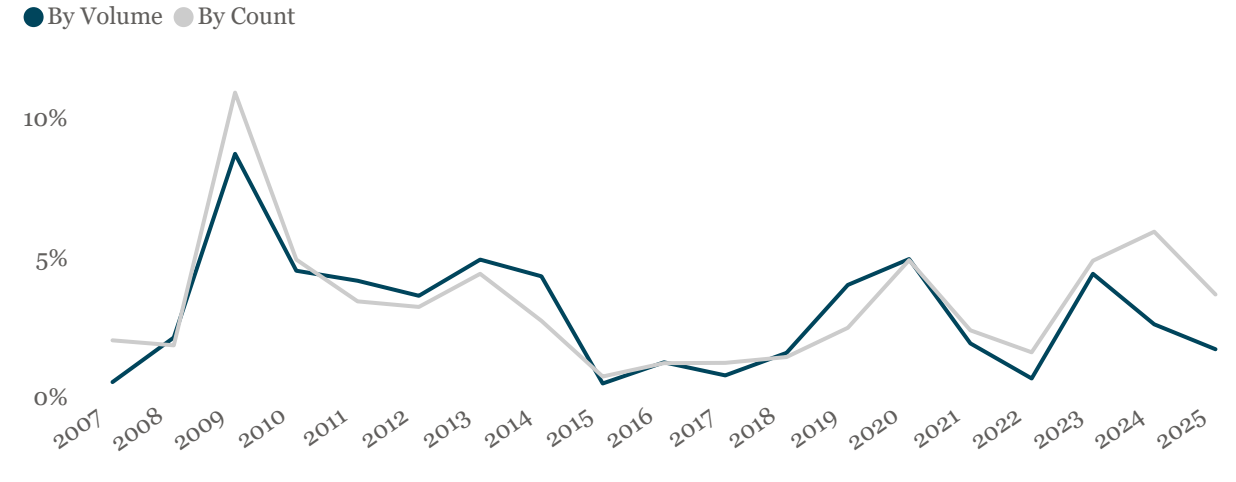


*Moody's: latest data available as of August 31.

9.3 European Direct Lending Default Rates

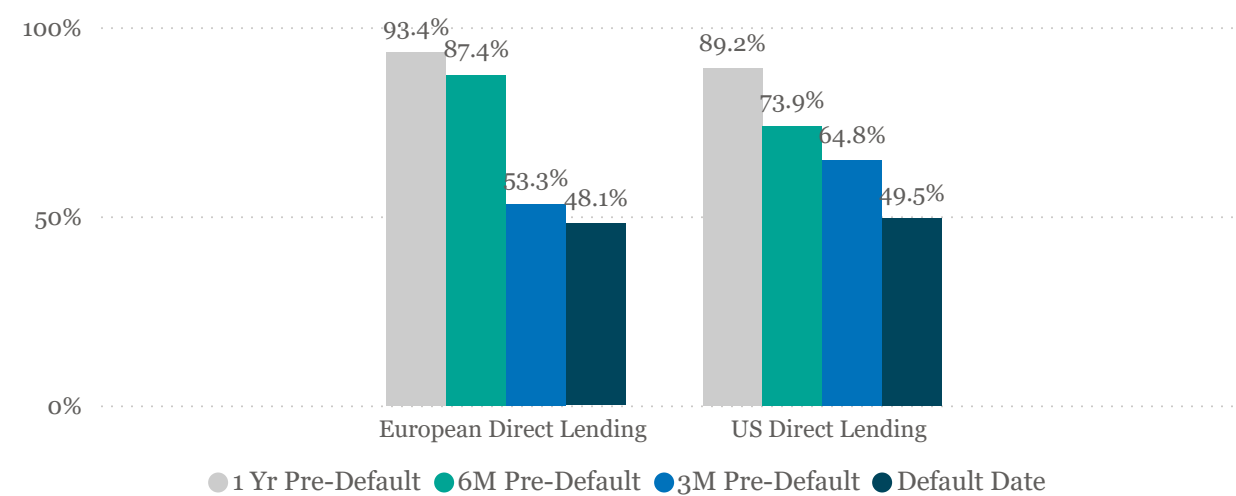


9.2 European Leveraged Loan Default Rates



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

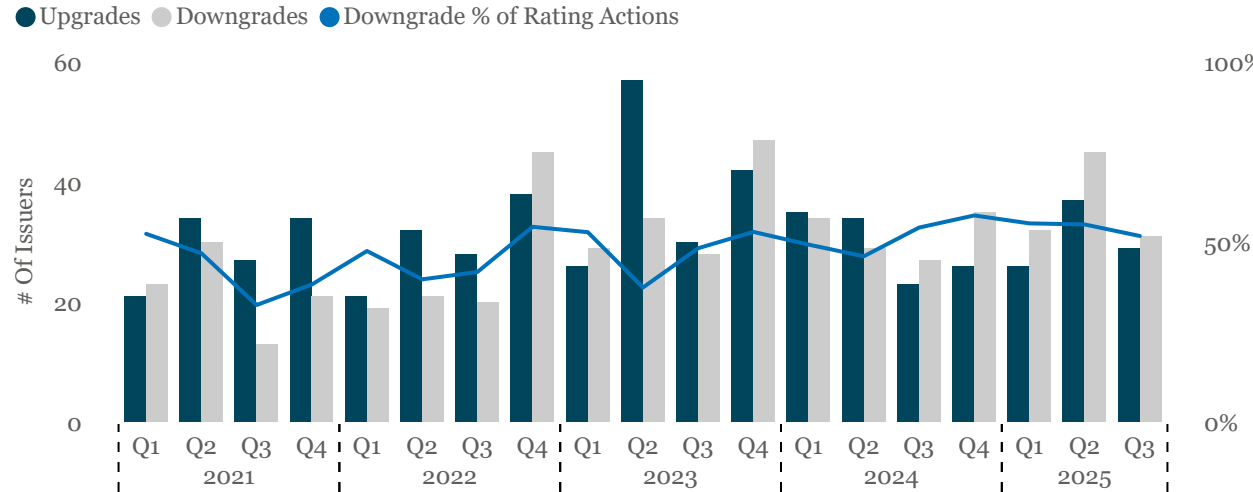
9.4 Direct Lending: Average Implied Recovery (Weighted)



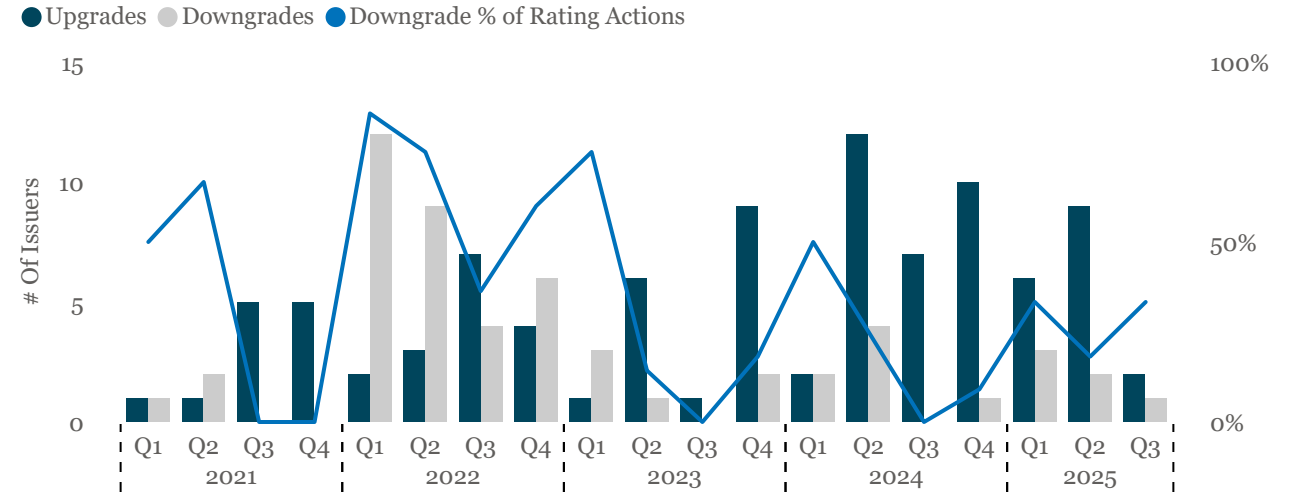
*Figures as of October 16.

afme / Credit Quality - High Yield Bonds

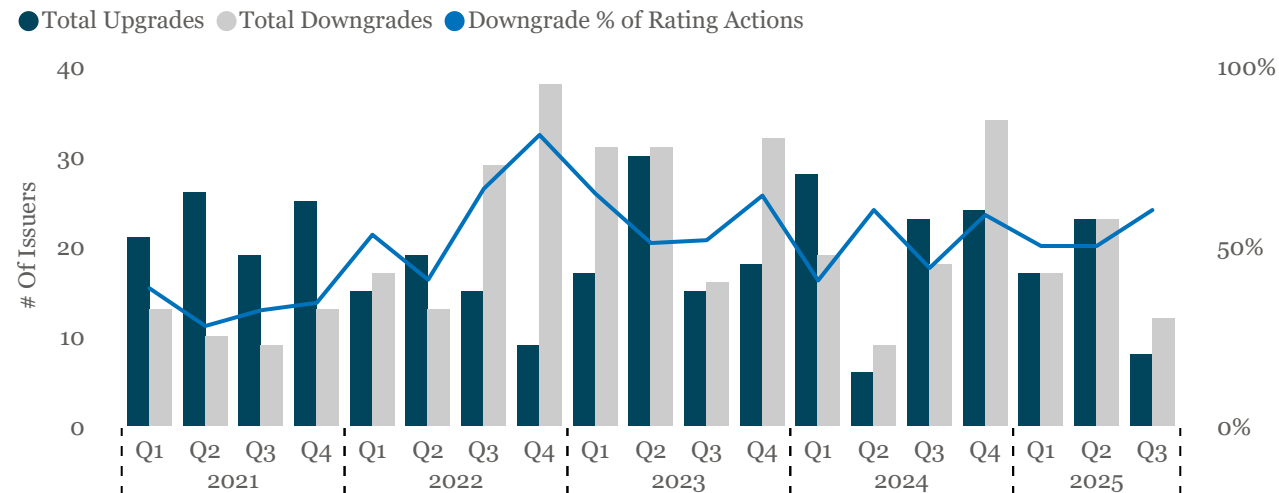
9.5 S&P Developed Europe Issuer Rating Actions



9.6 S&P Emerging Europe Issuer Rating Actions



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



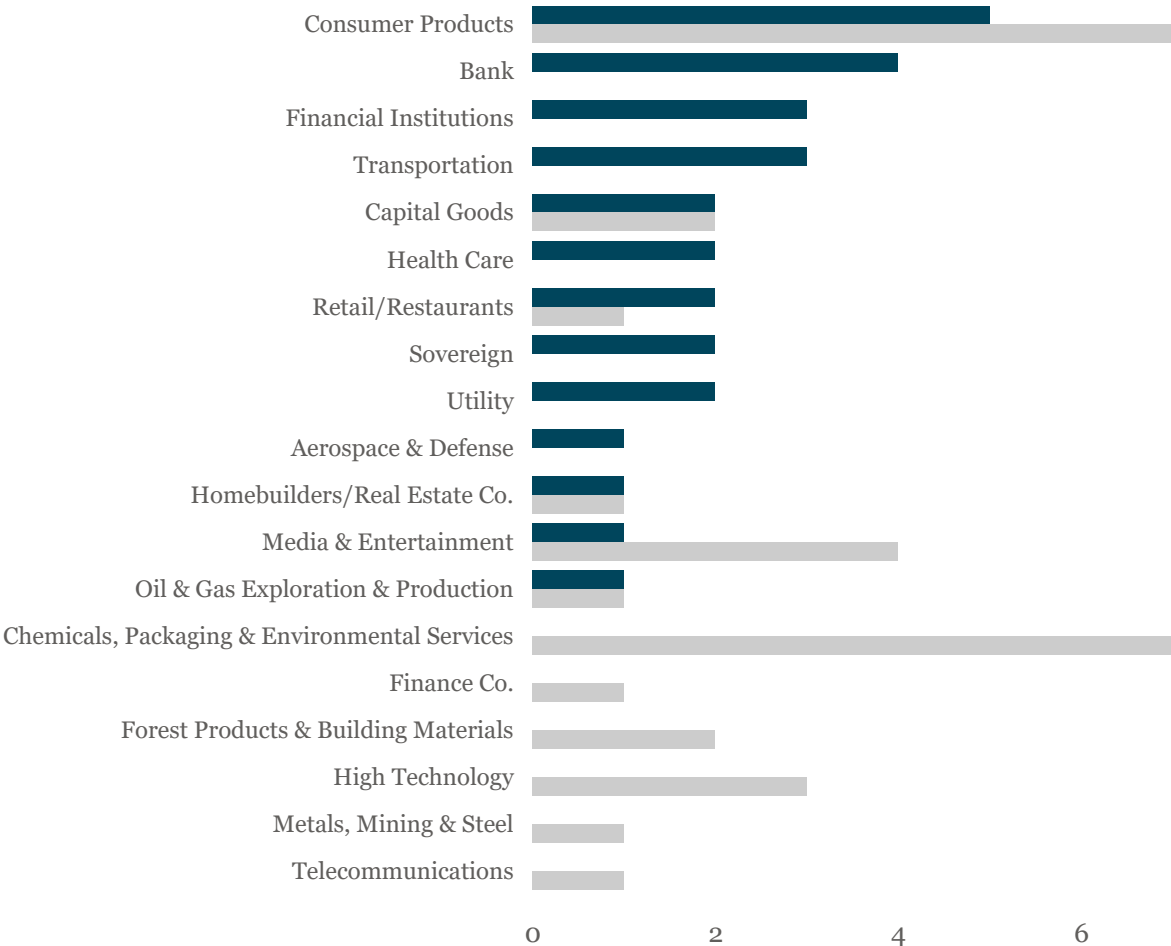
Source: S&P [9.5] and [9.6], Moody's [9.7]

*Latest data available as of 31 August 2025.

afme / Credit Quality - High Yield Bonds

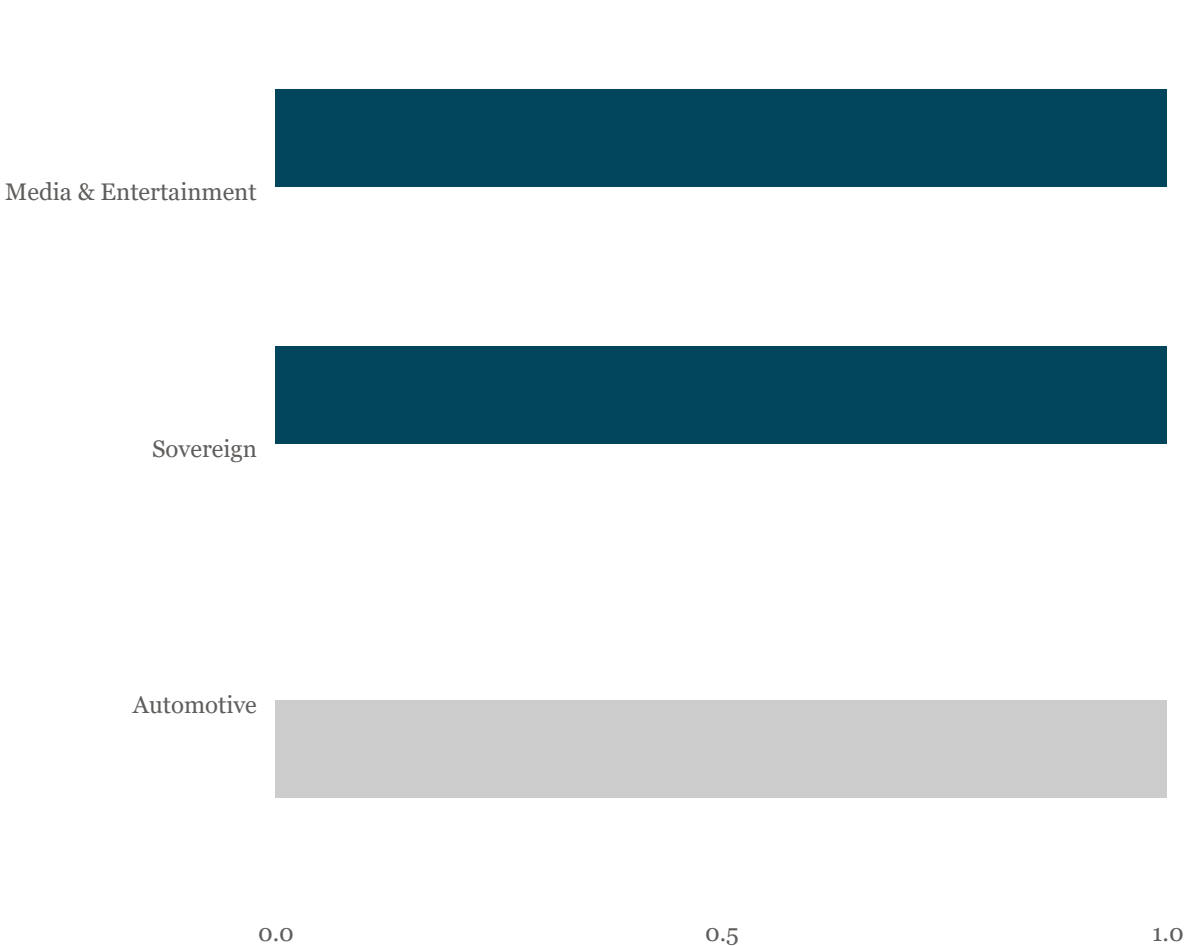
9.8 S&P Developed European Industry Rating Actions by # of Ratings: Q3 2025

● Upgrades ● Downgrades



9.9 S&P Emerging European Industry Rating Actions by # of Ratings: Q3 2025

● Upgrades ● Downgrades



Source: S&P

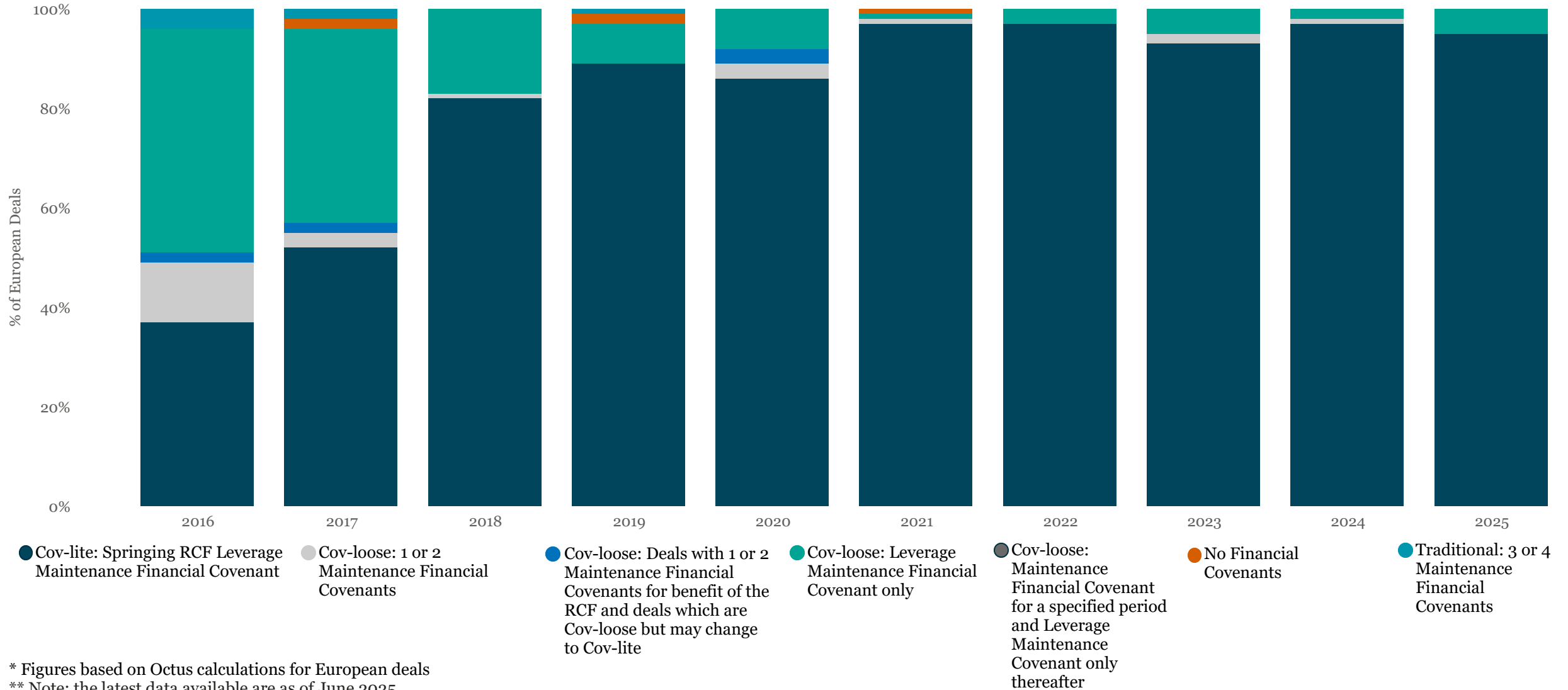
afme / Credit Quality- High Yield Bonds

9.10 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Venator Materials PLC	Chemicals, packaging, and environmental services	United Kingdom	Sep-2025	S&P	Other
Cullinan Holdco SCSp	manufacturing: component	Estonia	Aug-2025	Moody's	Distressed Exchange
Victoria plc	consumer products: durables	United Kingdom	Aug-2025	Moody's	Distressed Exchange
Financiere Labeyrie Fine Foods SAS	consumer product: packaged food	France	Jul-2025	Moody's	Distressed Exchange
HSE Finance S.a.r.l.	retail: specialty	Germany	Jul-2025	Moody's	Distressed Exchange
HSE Finance S.a.r.l.	Retail/Restaurants	Luxembourg	Jul-2025	S&P	Distressed Exchange

afme / European Leveraged Loan Covenants

9.11 Financial Covenant Packages in European Leveraged Loans 2016 - 2025

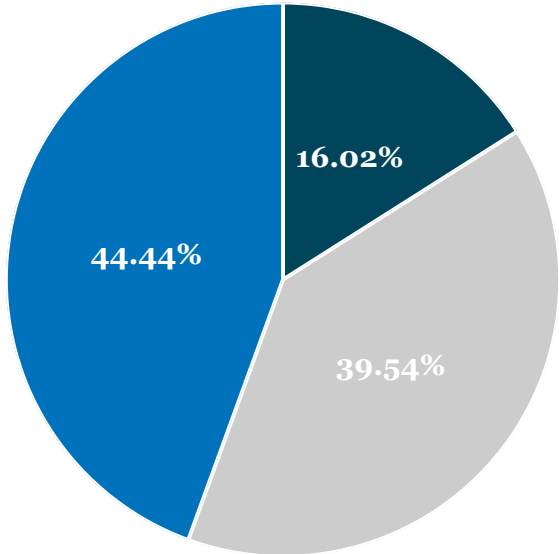


* Figures based on Octus calculations for European deals
 ** Note: the latest data available are as of June 2025

afme / European Direct Lending Covenants

9.12 All Private Deals: Level of Covenants

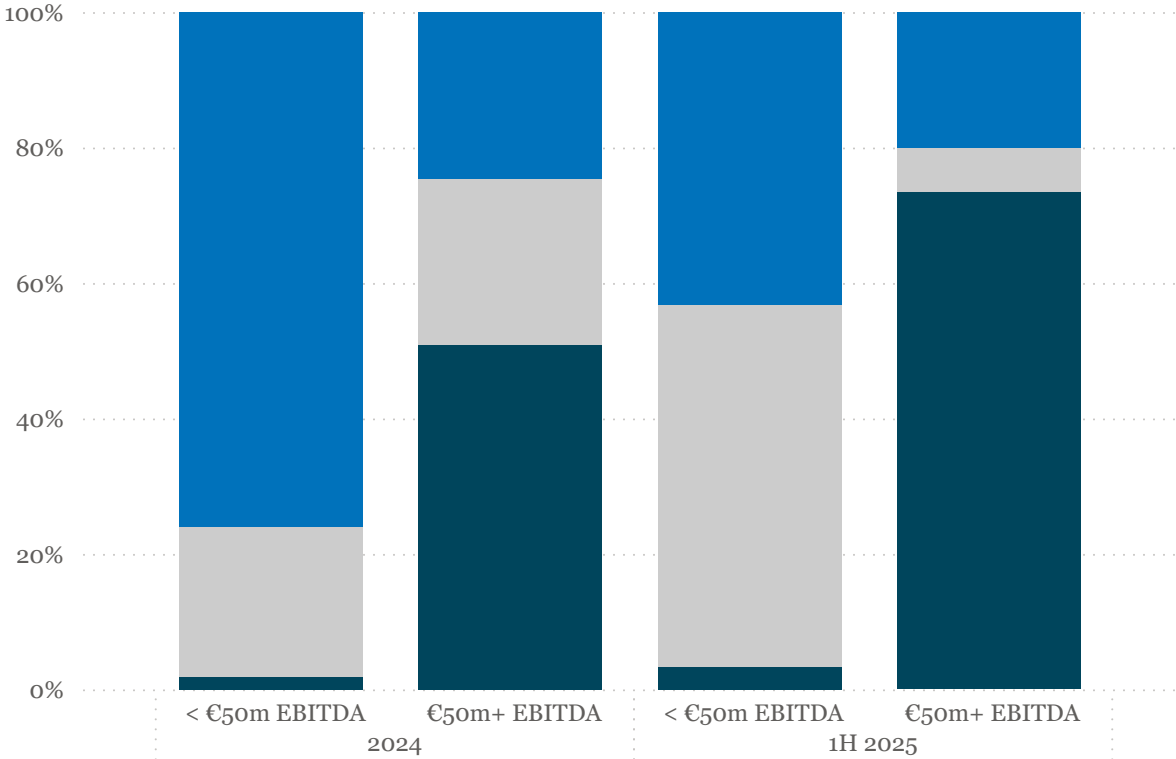
1H 2025



● Covenant-lite ● 1 Covenant ● 2+ Covenants

9.13 Number of Covenants by Private Issuer Size

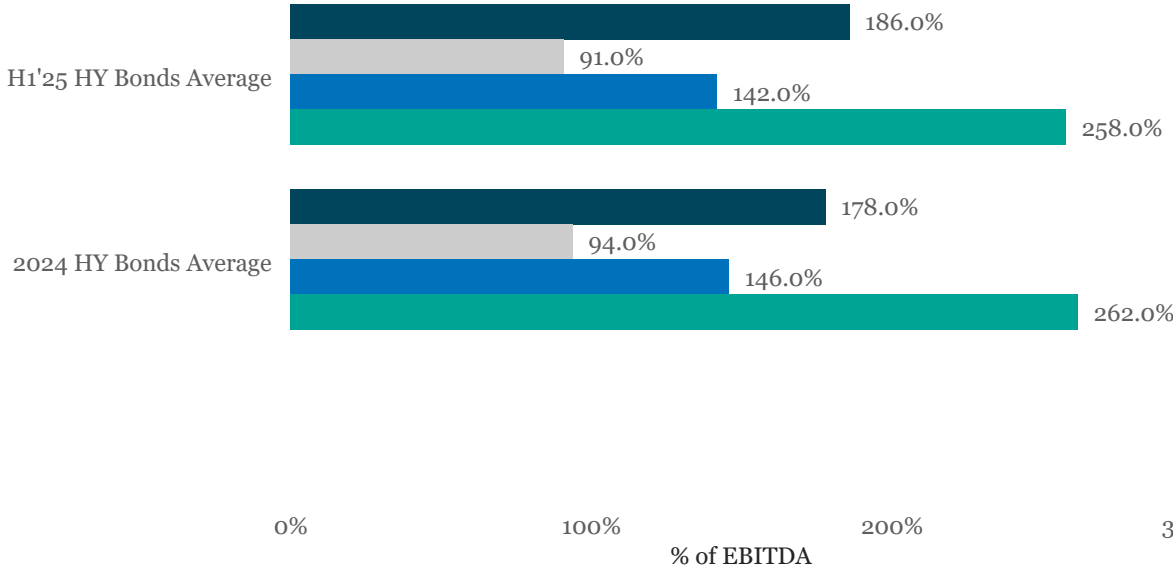
● Cov-lite ● 1 Covenant ● 2+ Covenants



afme / High Yield and Leveraged Loan Day-1 Capacity

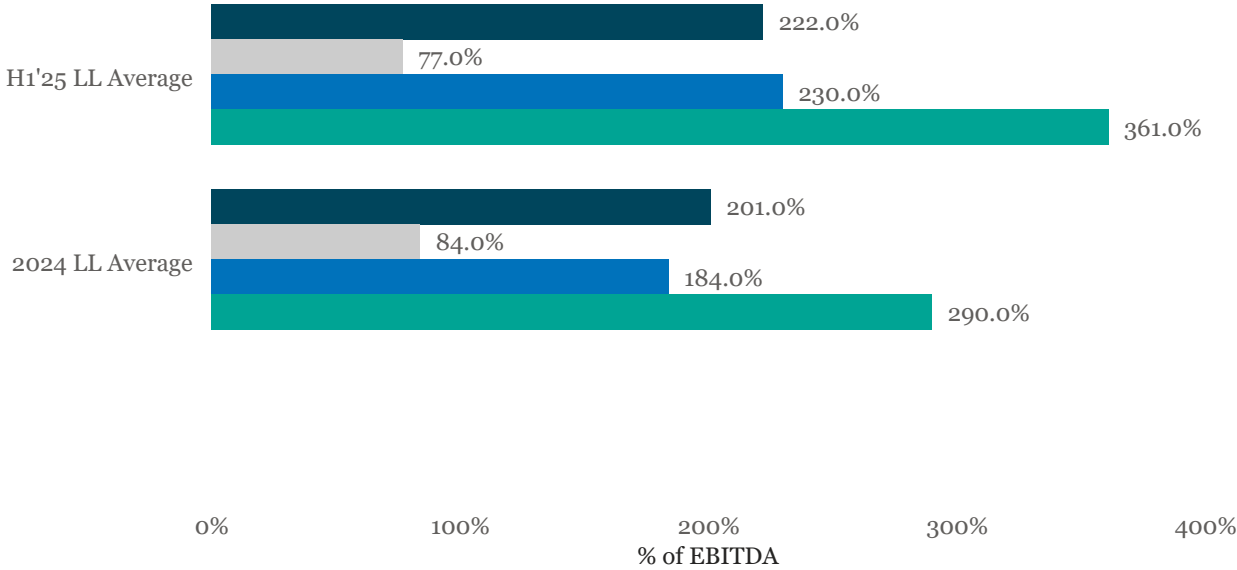
9.14 Minimum High Yield Day-One Capped Basked Capacity

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 marginally improved during Q3 2025 as reflected by the Lev40 Index, which rose from 97.76 at the end of June to 98.29 by September 2025. The cash margin is a significant recovery from the April low of 95.28 following the U.S. tariff announcement.

Euro denominated AAA-A CLO spreads peaked in April 17, before tightening in the course of the year. As of September 2025, EURO CLO AAA 5-6 years spreads stood at 102.5 bps, EURO CLO AA 7-8 years spread stood at 175 bps, while EURO CLO A 7-8 years spread stood at 207.5 bps.

During the third 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 Russell 2000 with a total return of 12.02%, followed by the MSCI EM that recorded a gain of 10.08%. Only two asset classes posted marginal losses: Euro HY CCC and Lower Rated decreased by just 0.7%, while U.S. Municipals declined slightly by 0.31%. Overall, the quarter reflected strong market momentum across most segments.

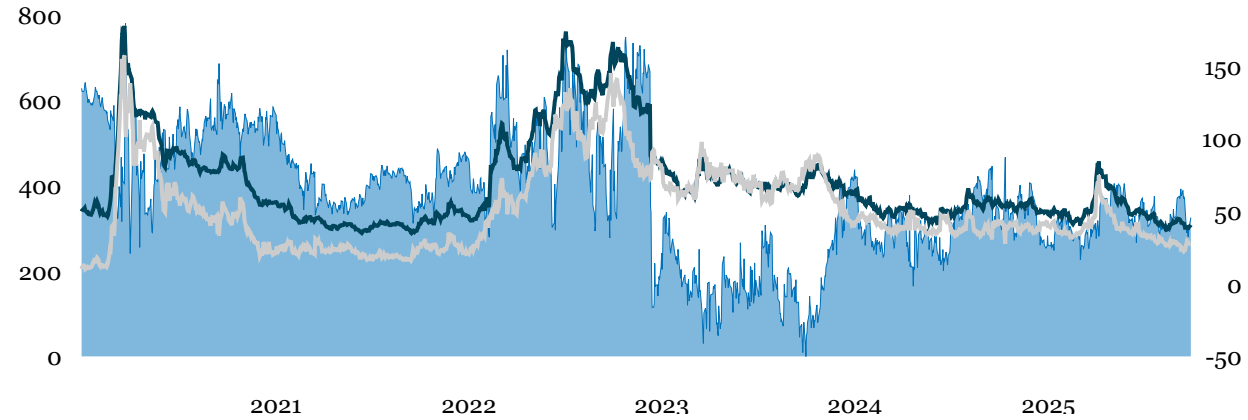
According to *KBRA DLD*, yields on private credit loan origination have shown a declining trend. Euro-denominated yields peaked at 11.4% in Q2 2023 and decreased to 8.3% in Q2 2025. Sterling-denominated yields followed a very similar trajectory, reaching a high of 12.8% in Q1 2024 before falling to 10.4% in Q2 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)

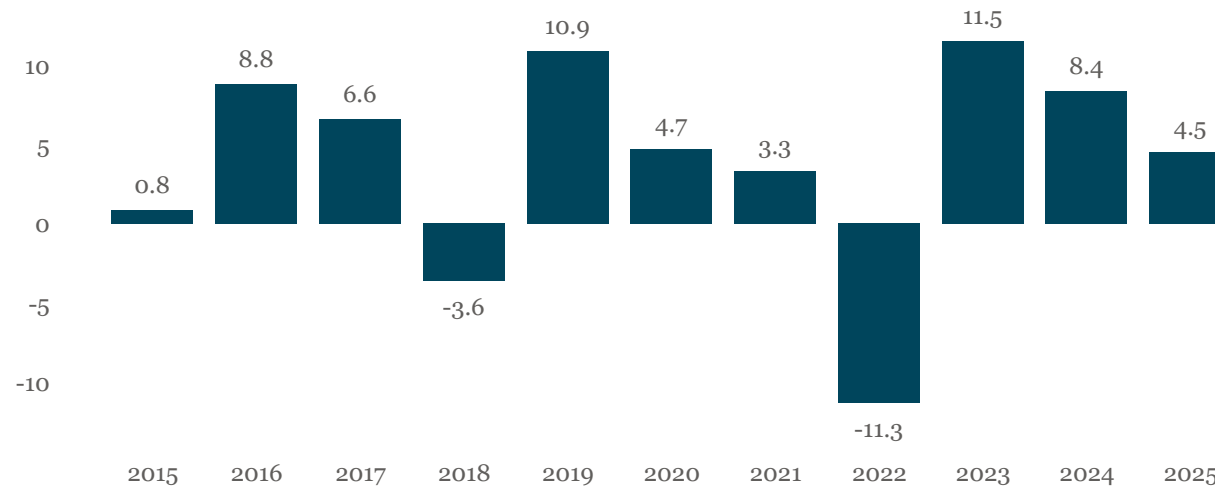


10.2 Relative value: European Leveraged Loans, Cash (EURO Lev40)

Basis Points



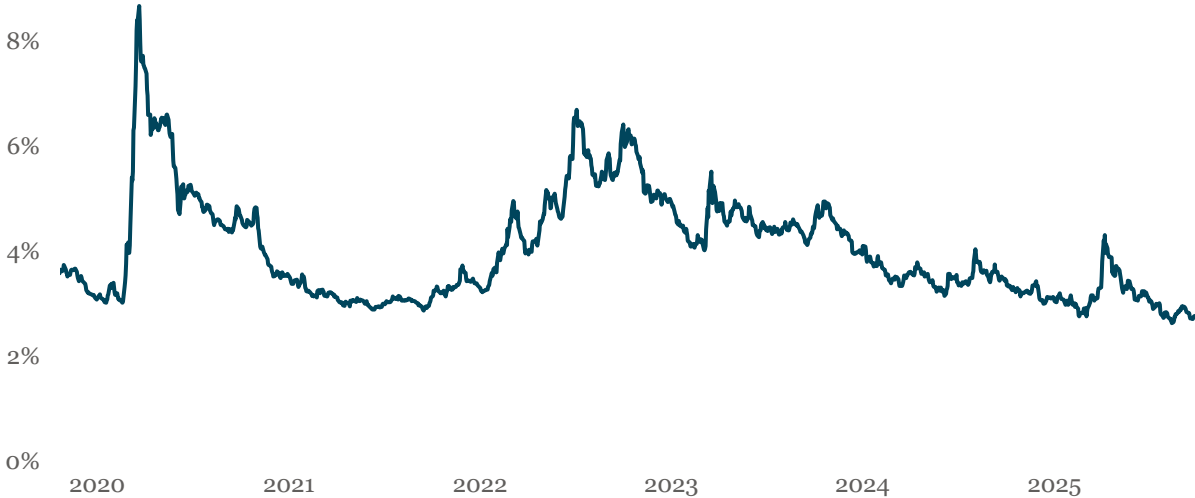
10.3 European High Yield Bonds Total Return



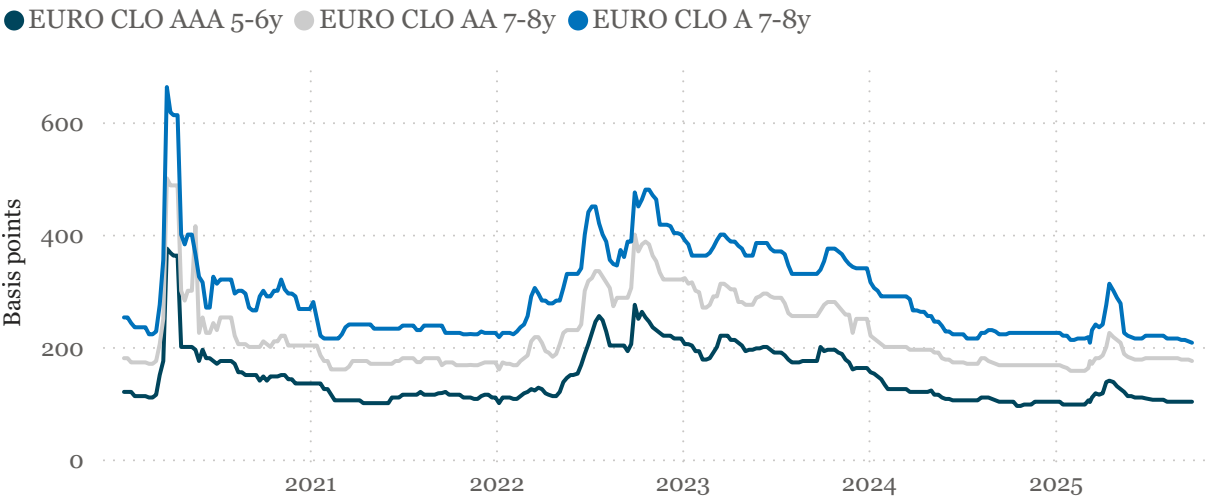
Source: LSEG [10.1] and [10.2], SIFMA [10.3]

afme / Spreads and Yields

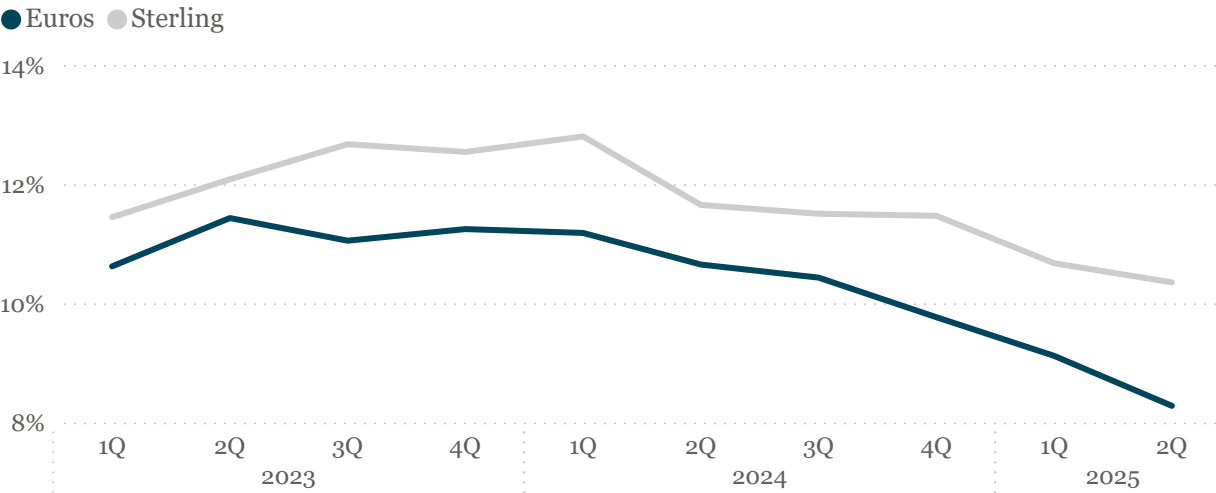
10.4 ICE BofA Euro High Yield Index Option-Adjusted Spread (%)



10.5 EURO 5-10 Yr AAA-A CLO Spreads

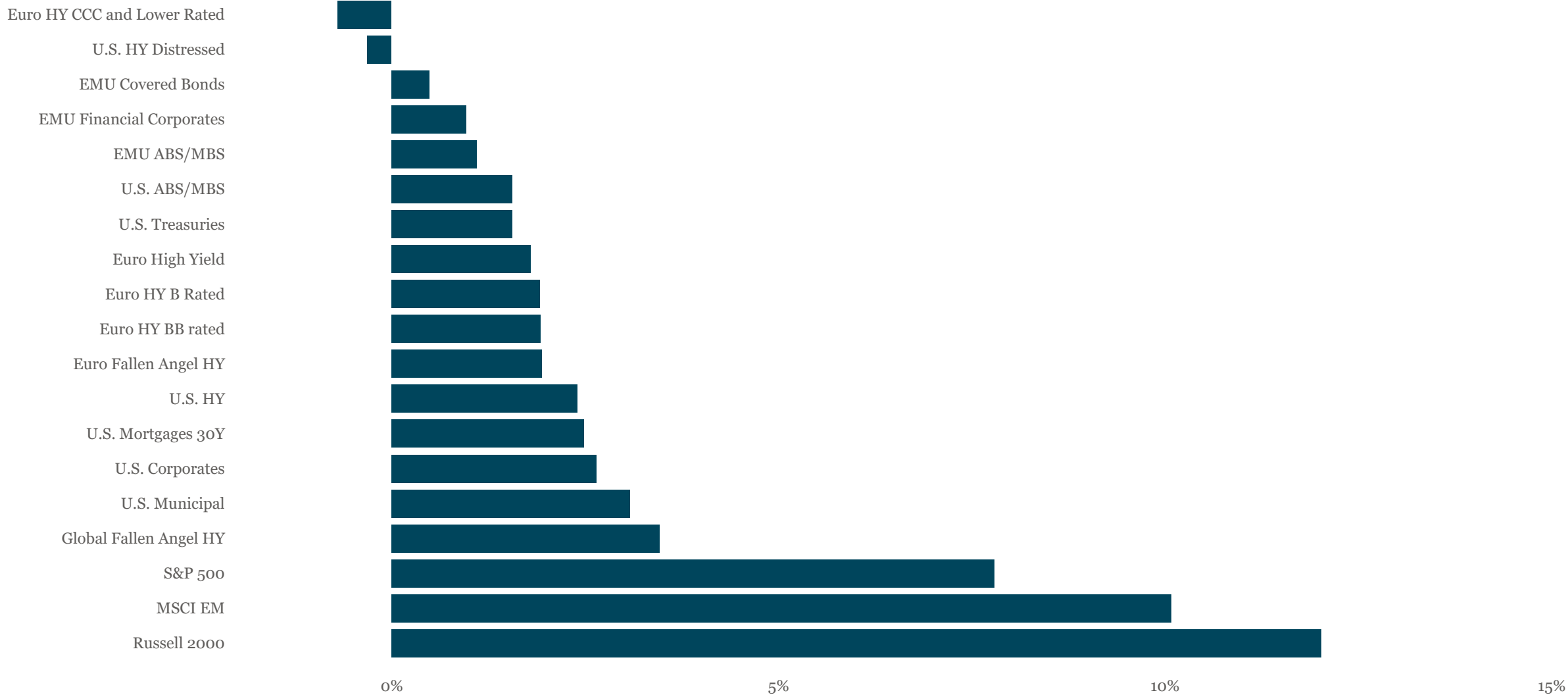


10.6 Yields of Private Credit Loan Origination



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

10.7 Asset Class Total Return: Q3 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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