Q1 2026

European High Yield, Leveraged Loan, and Private Credit Report

European Leveraged Finance

Acknowledgements and data sources

OCTUS

KBRA DLD

9fin

FitchRatings

Moody's

STANDARD & POOR'S

LSEG DATA & ANALYTICS

BANK OF AMERICA

SCI Leading Structured Finance Information

J.P.Morgan

dealogic

EUROPEAN CENTRAL BANK EUROSYSTEM

sifma

FEDERAL RESERVE BANK of ST. LOUIS FRED

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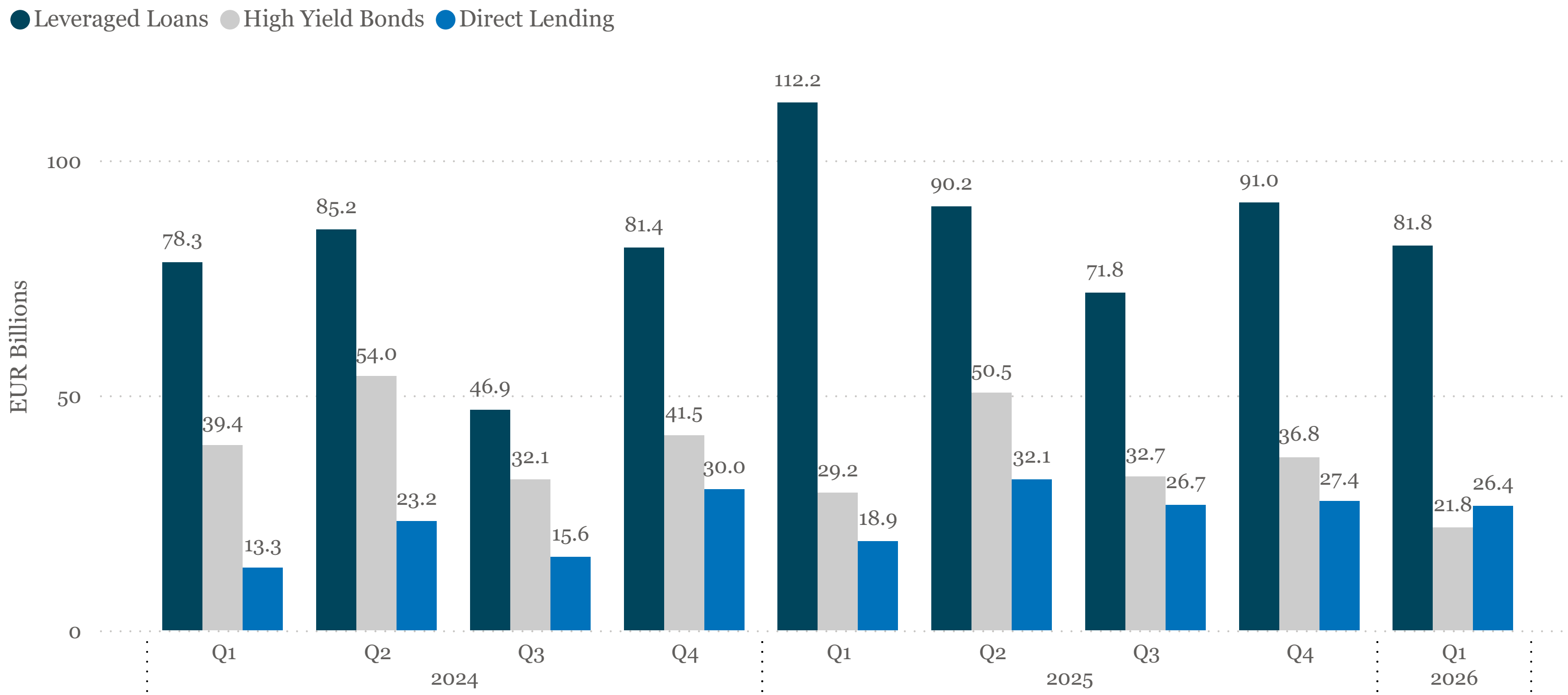
afme/ Key findings

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 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 April 2026.

Source: Octus, Dealogic

Direct Lending represented 20% of European private and public leveraged debt markets in Q1 2026

European leveraged debt markets issuance (leveraged loans, direct lending, and high yield bonds) totalled €130bn in proceeds in Q1 2026, a decrease of 16.2% from €155.2bn in Q4 2025 and a decrease of 18.9% from €160.3bn in Q1 2025.

Direct lending origination reached €26.4bn, representing a 39.6% increase YoY and a 3.6% QoQ decline.

The market share of direct lending of total leveraged debt markets rose from 17.7% in Q4 2025 to 20.3% in Q1 2026.

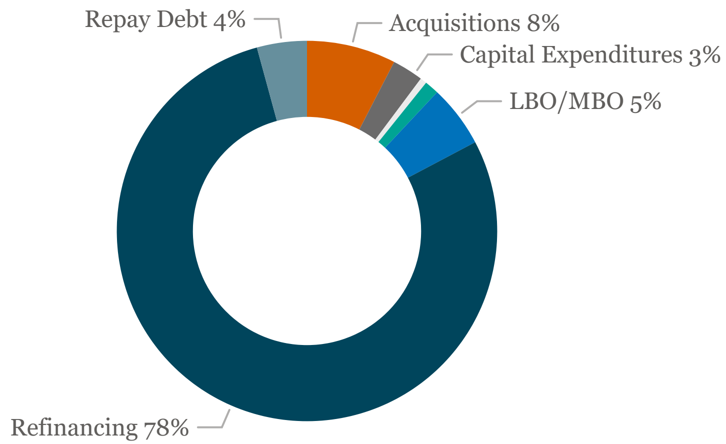
Direct lending includes primary origination only, excluding secondary sales, drawdowns from existing facilities and deals that are part of a wider bank-led syndicated lending (see Definitions on page 49).

Leveraged loan origination reached €81.8bn in Q1 2026, marking a 10.1% decline QoQ and a 27.1% drop YoY.

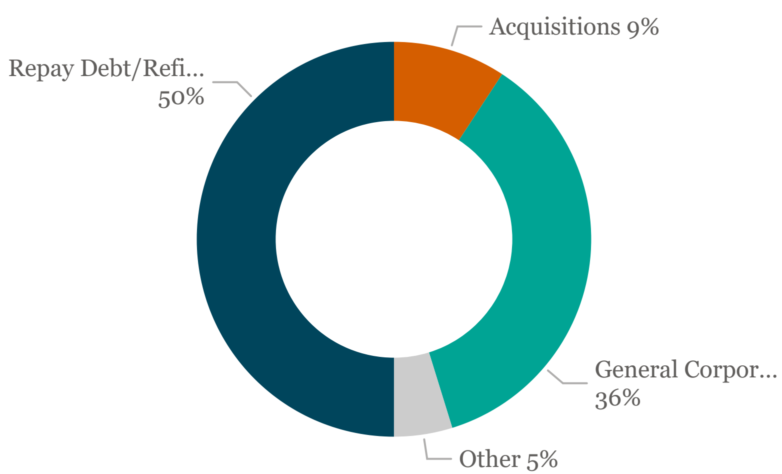
High yield bond issuance totalled €21.8bn in Q1 2026, down 40.8% from Q4 2025 (€36.8bn) and a decline of 25.3% from Q1 2025 (€29.2bn).

Key findings

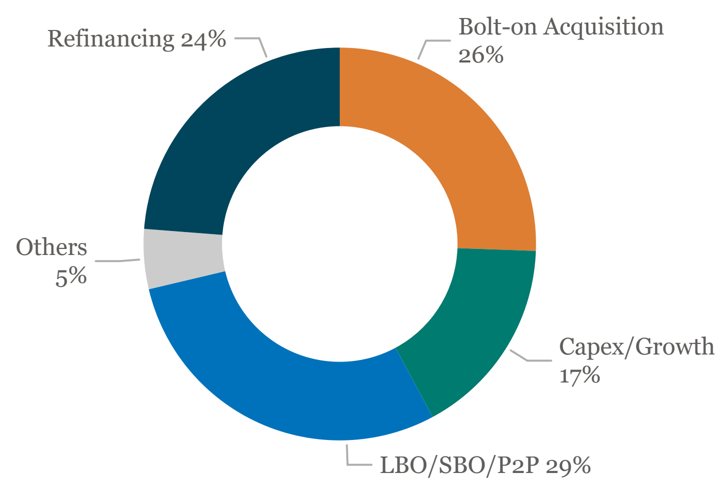
1.2 European Leverage Loans by Use of Proceeds



1.3 European High Yield Issuance by Use of Proceeds



1.4 European Direct Lending by Use of Proceeds



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

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

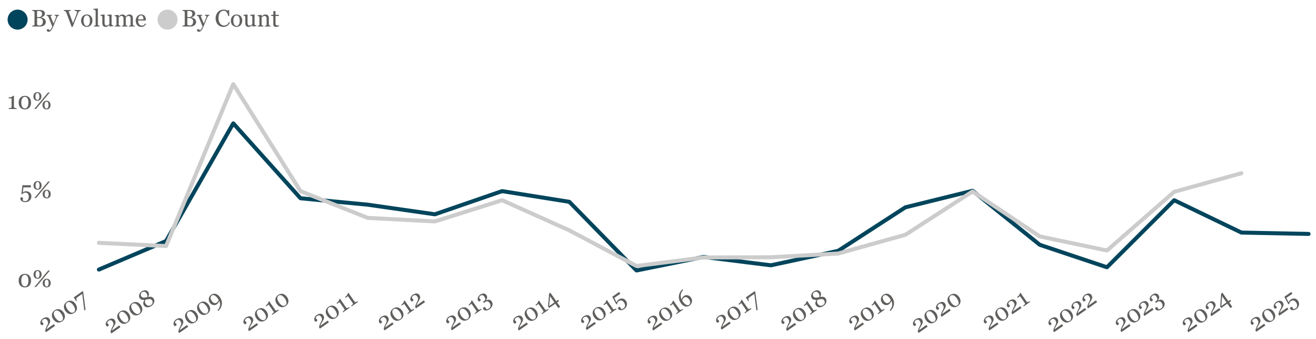
In Q1 2026, 78% of leveraged loan issuance was used for refinancing, with an additional 4% for debt repayment. Acquisitions accounted for 8%, while LBOs and capital expenditures represented 11% of total proceeds.

Similarly, high yield bond issuance was dominated by refinancing and debt repayment (50%), followed by general corporate purposes (36%) and 9% used for acquisitions.

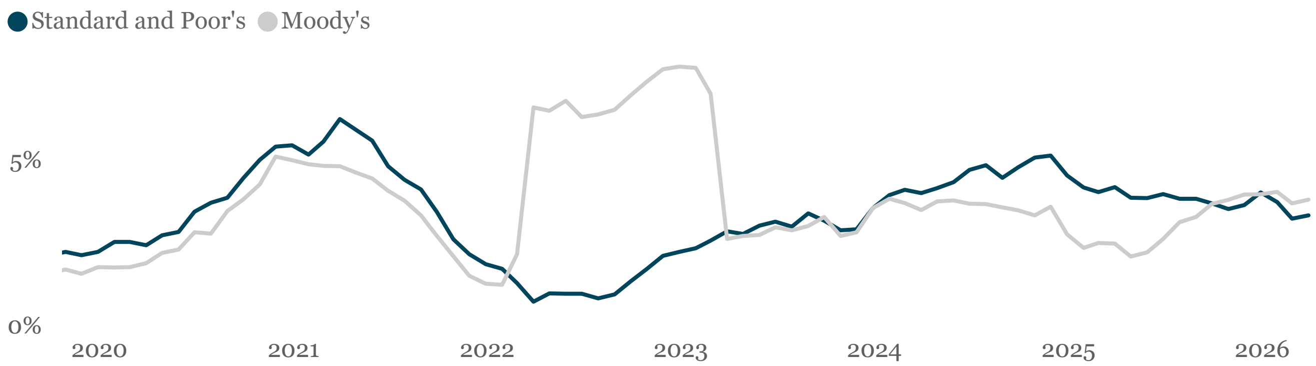
In contrast, direct lending showed a different distribution in the use of proceeds, focusing predominantly on acquisition activities. According to Octus, LBOs (29%) and acquisitions (26%) represented the largest share of proceeds, while refinancing accounted for 24% of the total.

Key findings

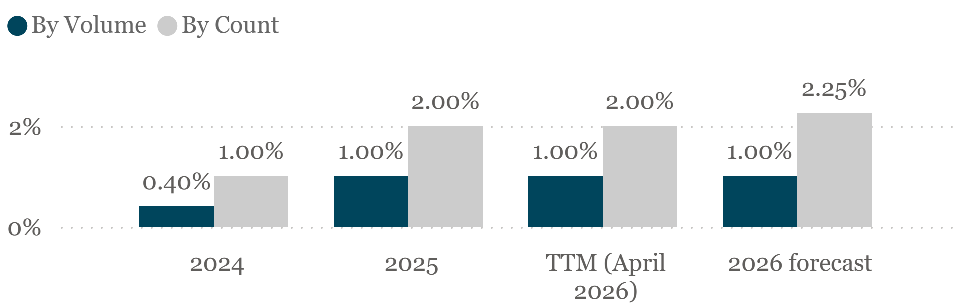
1.5 European Leveraged Loan Default Rates



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.

Direct Lending default rate by count is expected to rise in 2026

Direct lending default rates increased in 2025 compared to 2024, both when estimated by count and by volume. In 2025, the default rate by count stood at 2%, while the trailing twelve month (TTM) default rate as of April 2026 remained at the same level. The 2026 KBRA DLD forecast anticipates the default rate by count to increase to 2.25% by the end of the year. In terms of volume, the default rate remained at 1% from 2025 to the TTM as of April 2026, with forecasts expecting it to remain unchanged by year-end.

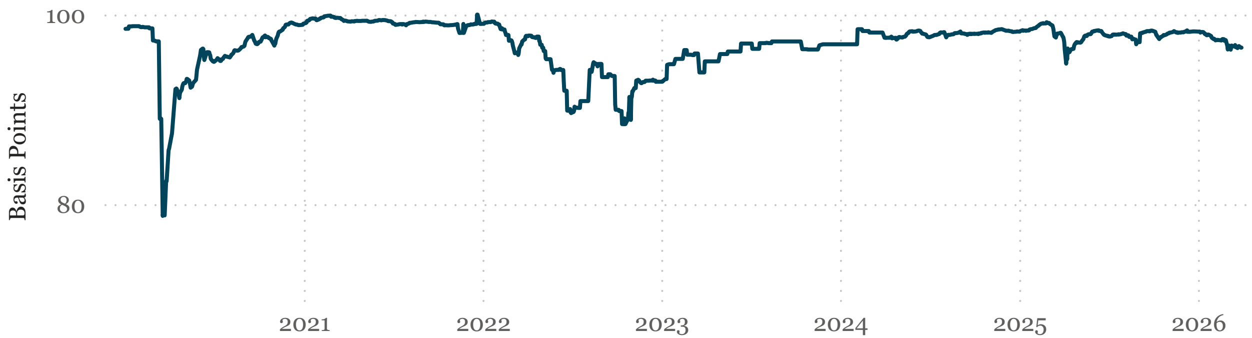
High Yield Bond default rates declined in Q1 2026

According to S&P, the trailing 12-month speculative-grade bond default rate declined from 4% at the end of December 2025 to 3.3% by the end of March 2026, after reaching a low at 3.2% in February. Moody's reported a decline in default rates to 3.8% in Q1 2026, following an increase from 2.7% in December 2024 to 3.9% in December 2025.

According to Fitch, the European leveraged loan trailing-12-month default rate by volume decreased from 2.6% in 2024 to 2.5% in December 2025.

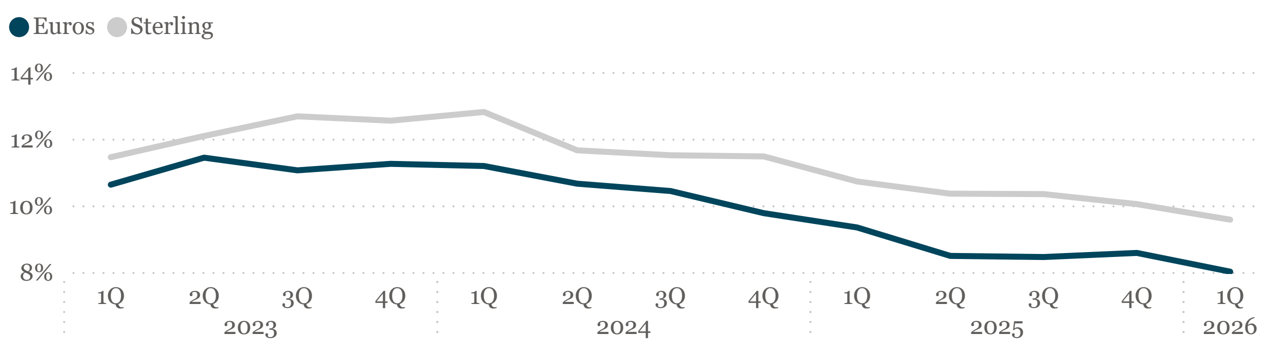
Key findings

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



Source: LSEG [1.8], FRED [1.9] KBRA DLD [1.10]

European High Yield Bond spreads widened during Q1 2026

The European high yield option-adjusted spread peaked in April 2025 at 4.1%, the highest value since December 2023, before starting tightening reaching 2.6% in January 2026. In the second part of Q1 2026, HY product spreads partially widened closing the quarter at 3.4%.

The cash relative value in 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. During the first quarter of 2026, the Lev40 Index decreased from 98.2 at the end of December 2025 to 96.51 by the end of March.

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 have consistently decreased quarter over quarter, reaching a first low of 8.48% in Q2 2025. They declined to 8.01% by the end of Q1 2026. Sterling-denominated yields have followed a similar trajectory, reaching a high of 12.8% in Q1 2024 before falling to 9.57% in Q1 2026.

Leveraged Loans

Leveraged Loans

Issuance: Leveraged Loans

Leveraged loan origination reached €81.8bn in Q1 2026, a 10.1% decline compared to Q4 2025 and a 27.1% drop from Q1 2025.

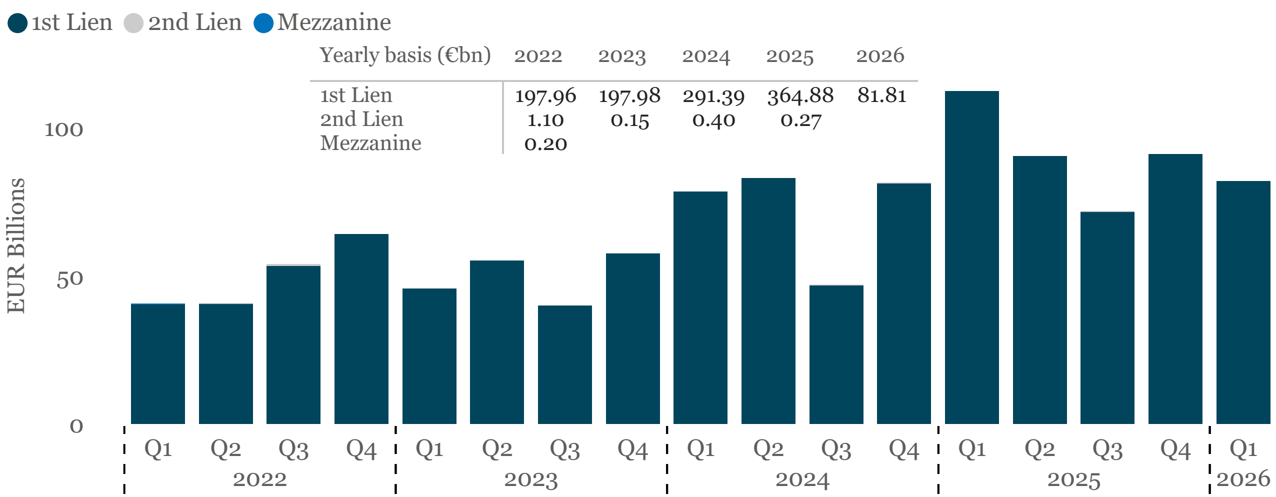
Only 1st lien loans were issued during the quarter. Since 2022, first-lien loans have accounted for 99.81% of the total volume of leveraged loans, with second-lien and mezzanine financing representing 0.17% and 0.02%, respectively.

In Q1 2026, institutional spreads, as measured by a 3-month rolling average, showed an increase from 333.09 basis points in December 2025 to 379.37 basis points in March 2026. Pro-rata spreads decreased form 302.86 basis points at the end of 2025 to 264.25 basis points in March 2026. As a result, the gap between institutional and pro-rata spreads increased during Q1 2026.

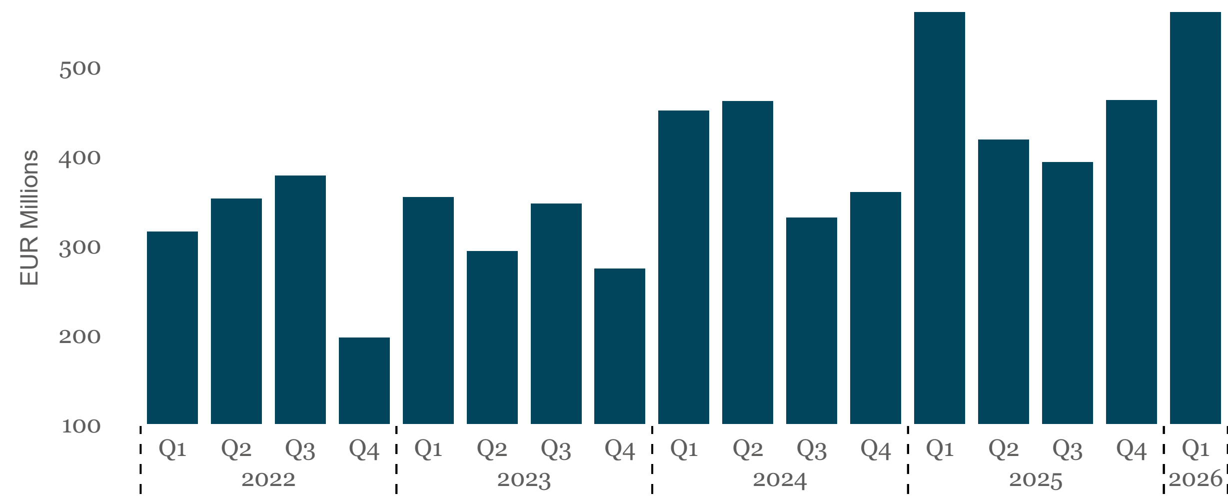
The Professional Services sector emerged as the leading sector by loan origination amount in Q1 2026, reaching €16.3bn. It was followed by Construction/Building and Telecommunications, which originated €11.6bn and €9.4bn in loans, respectively.

afme/ Leveraged Loans

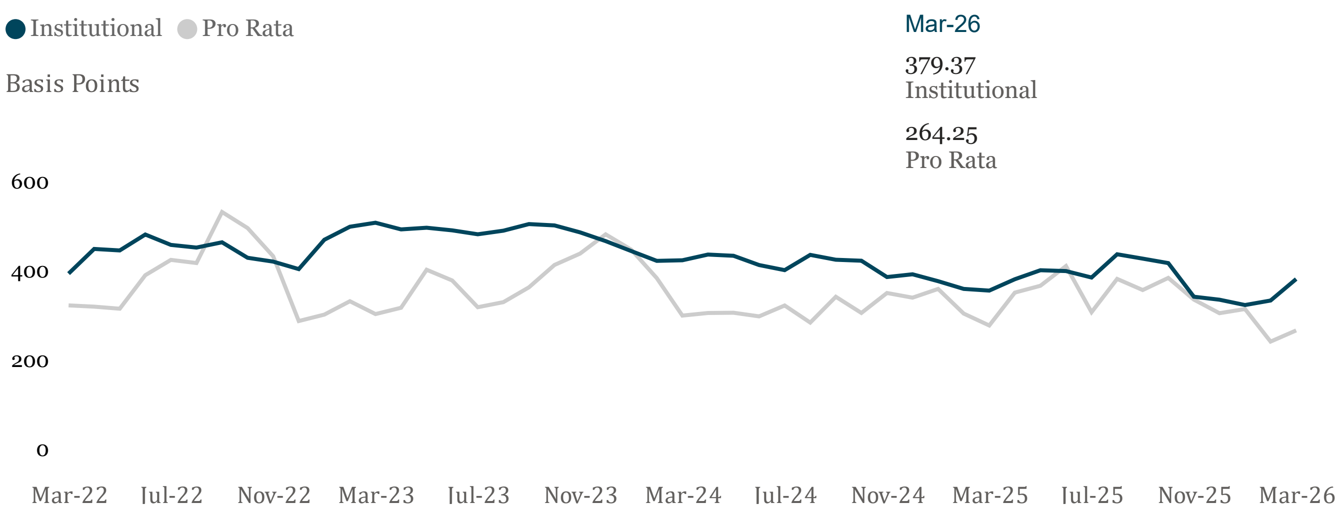
3.1 European Leveraged Loan Issuance by Type



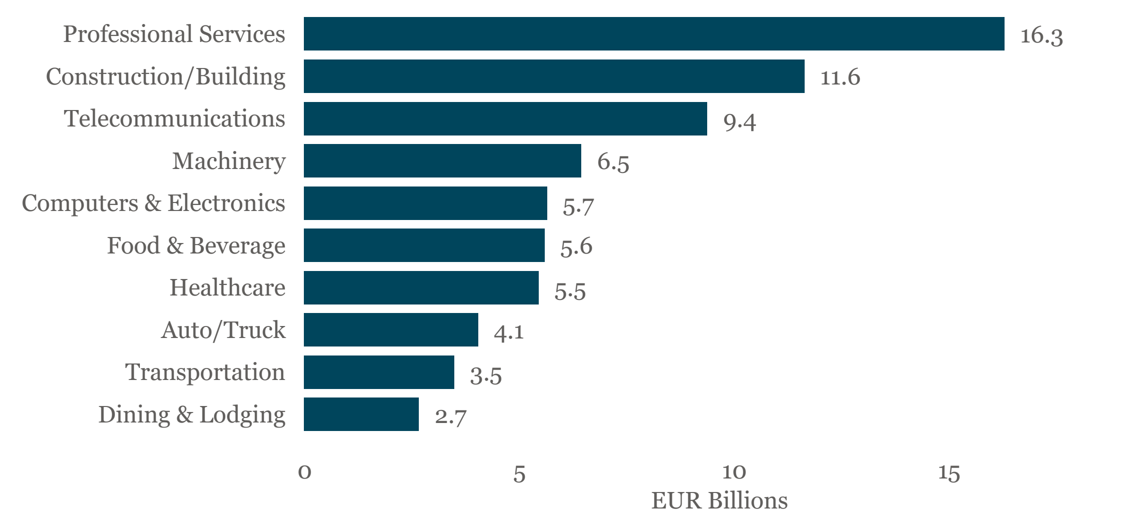
3.2 European Leveraged Loans Average Deal Size



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



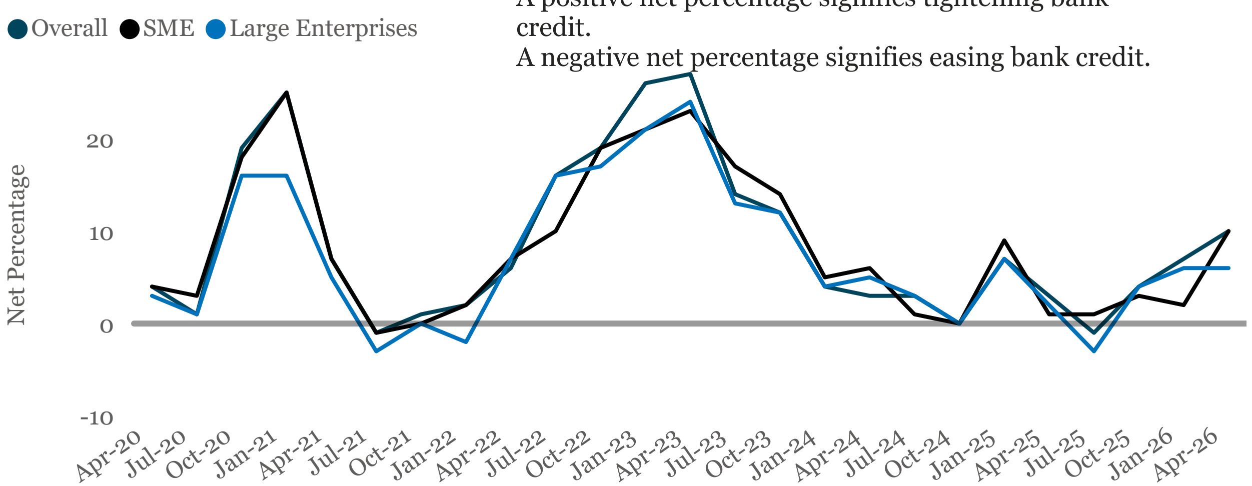
3.4 European Leveraged Loan Issuance by Industry: Q1 2026 (Top 10)



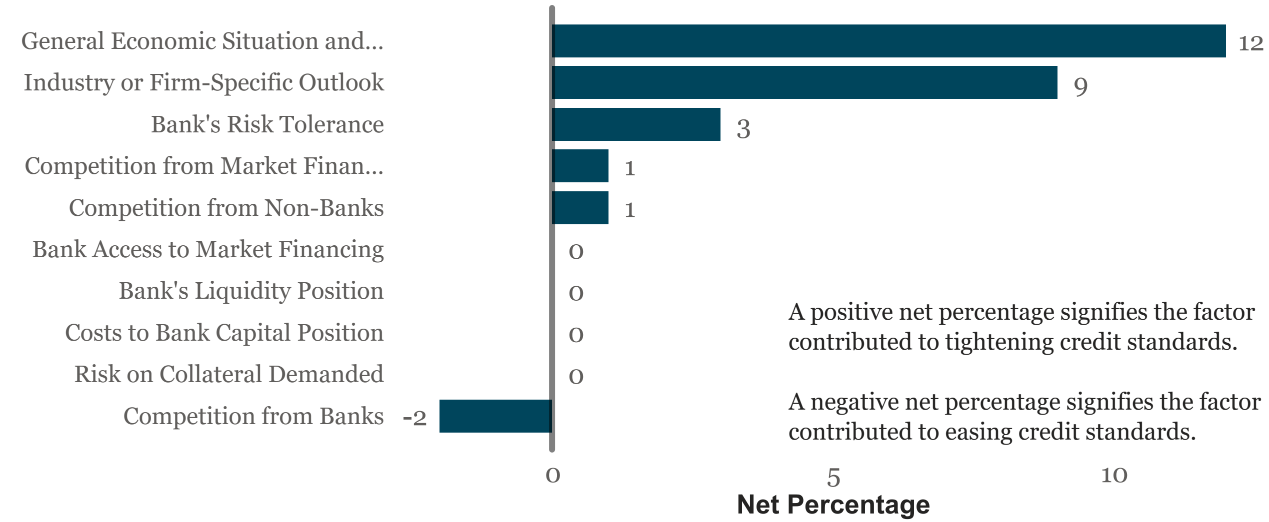
Source: Dealogic

Credit Standards and Loan Demand

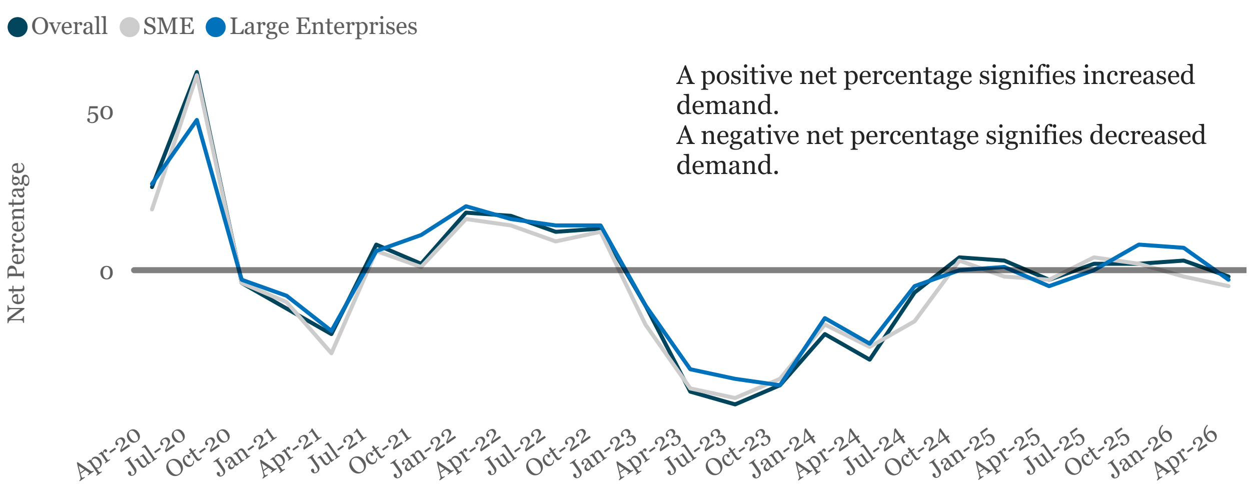
3.5 Bank Credit Standards



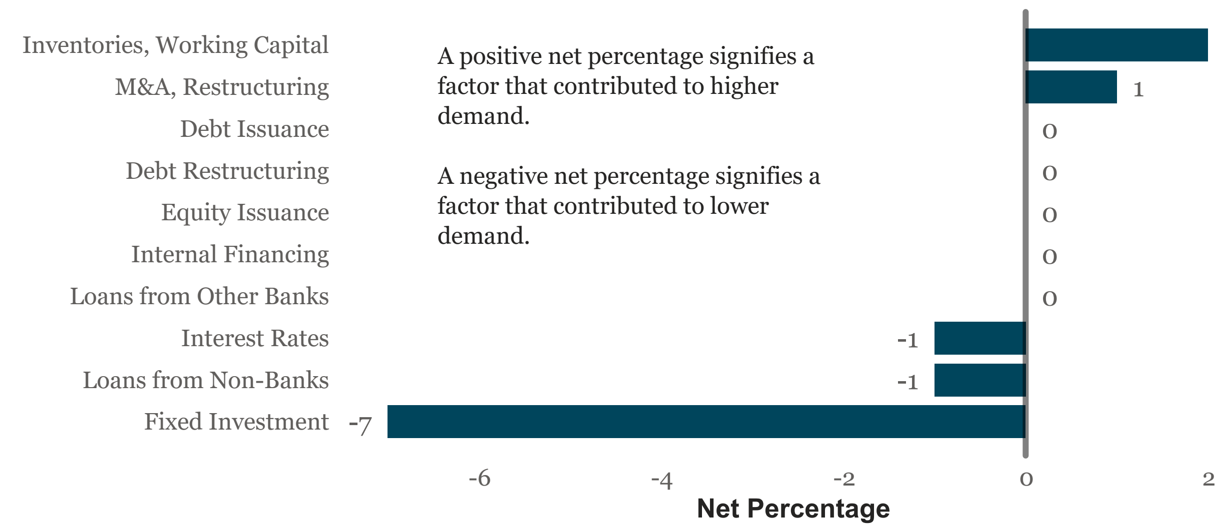
3.6 Factors Affecting Bank Credit Standards: March 2026



3.7 Loan Demand



3.8 Factors Affecting Loand Demand: March 2026



Source: ECB

Direct Lending

Issuance: Direct Lending

European direct lending origination reached €26.4bn in Q1 2026, representing a small decline of 3.6% compared to Q4 2025 and an increase of 39.7% from Q1 2025. By volume, the number of deals decreased from 332 in Q4 2025 to 223 in Q1 2026.

In the US, deal activity has consistently been higher, at times more than double the European origination amount. In Q1 2026, the number of the US deals stood at 494, down from the 731 in the previous quarter and 591 in Q1 2025.

In Q1 2026, the primary use of proceeds was LBO/SBO/P2P, accounting for 29.2% of total issuance, followed by Acquisitions at 25.6% and Refinancing at 23.8%. Capex represented 16.6% of the total share.

The most active sectors over the quarter were Software & Services (18.8%), Business Services-related and Healthcare & Life Sciences, both accounting for 17.5% of the total.

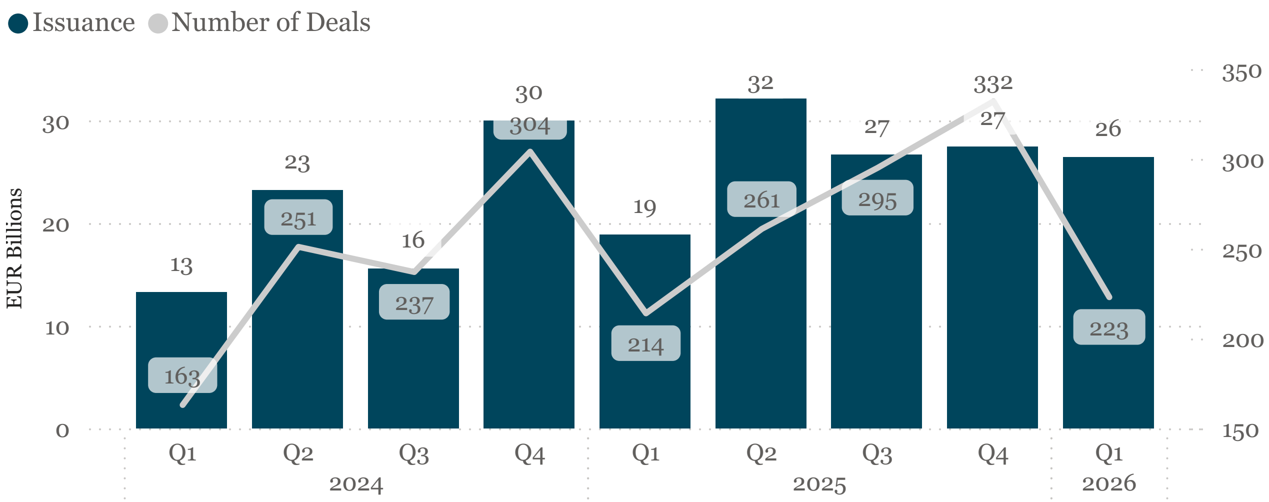
In Q1 2026, UK and Ireland originated the largest share of direct lending, representing 27.8% of the total European origination. This was followed by DACH at 19.7% and Benelux at 15.3%.

During the same period, 19.7% of the total deals were ESG-compliant, a decrease compared to the previous quarters, primarily due to stricter ESG classification criteria. French firms conducted the highest number of ESG-compliant deals in Q1 2026, followed by Dutch firms. There were a total of 40 European ESG deals.

Europe remains relatively risk-averse, with leverage capped below eight times EBITDA and only a handful of deals priced above 750 bps, indicating limited signs of stressed or complicated credits.

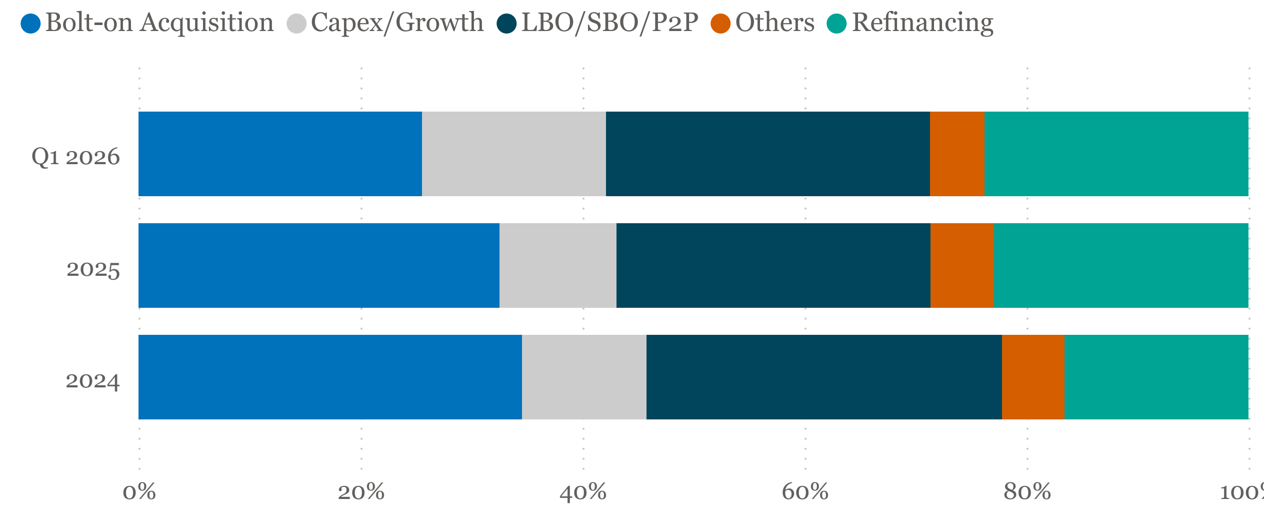
Direct Lending

4.1 European Direct Lending Issuance

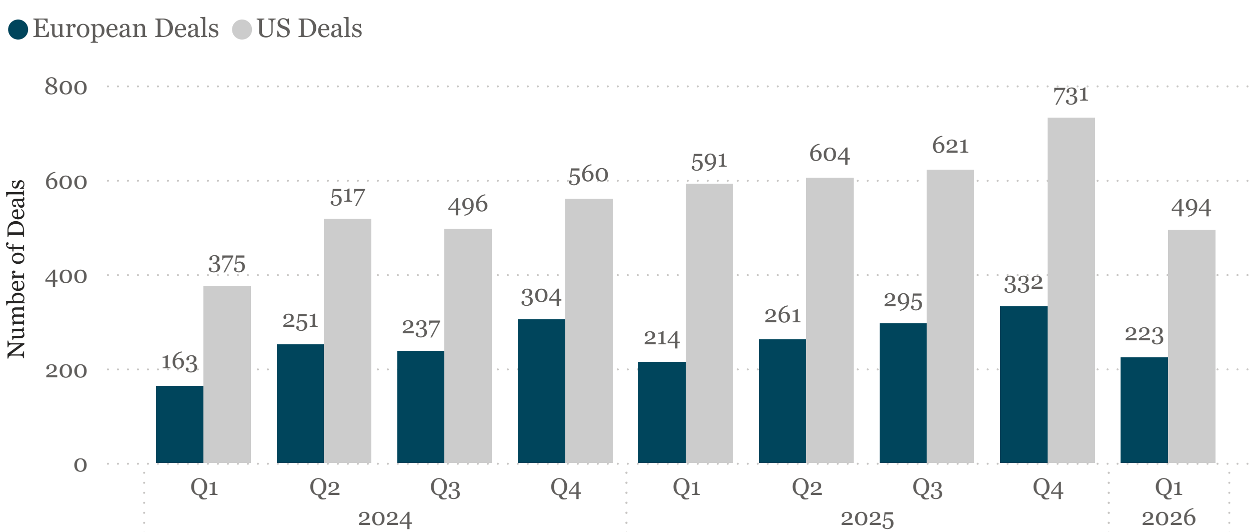


** Direct Lending volumes are derived from estimates based on disclosure*

4.2 Direct Lending Origination by Use of Proceeds



4.3 Comparison of Number of Deals: EU vs US



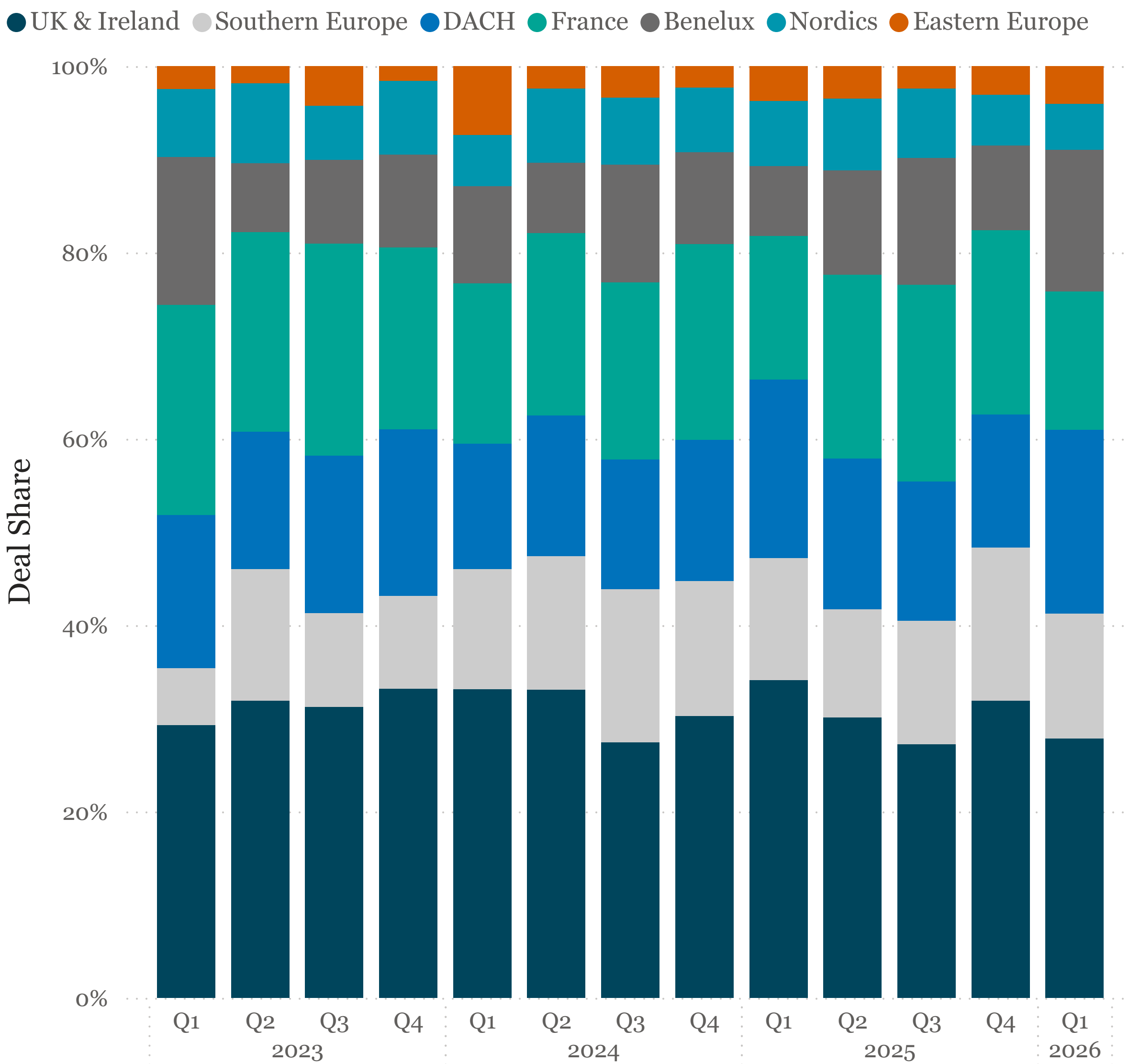
4.4 European Deals by Debt Quantum: Number and Share

Q1 2026

Source: Octus

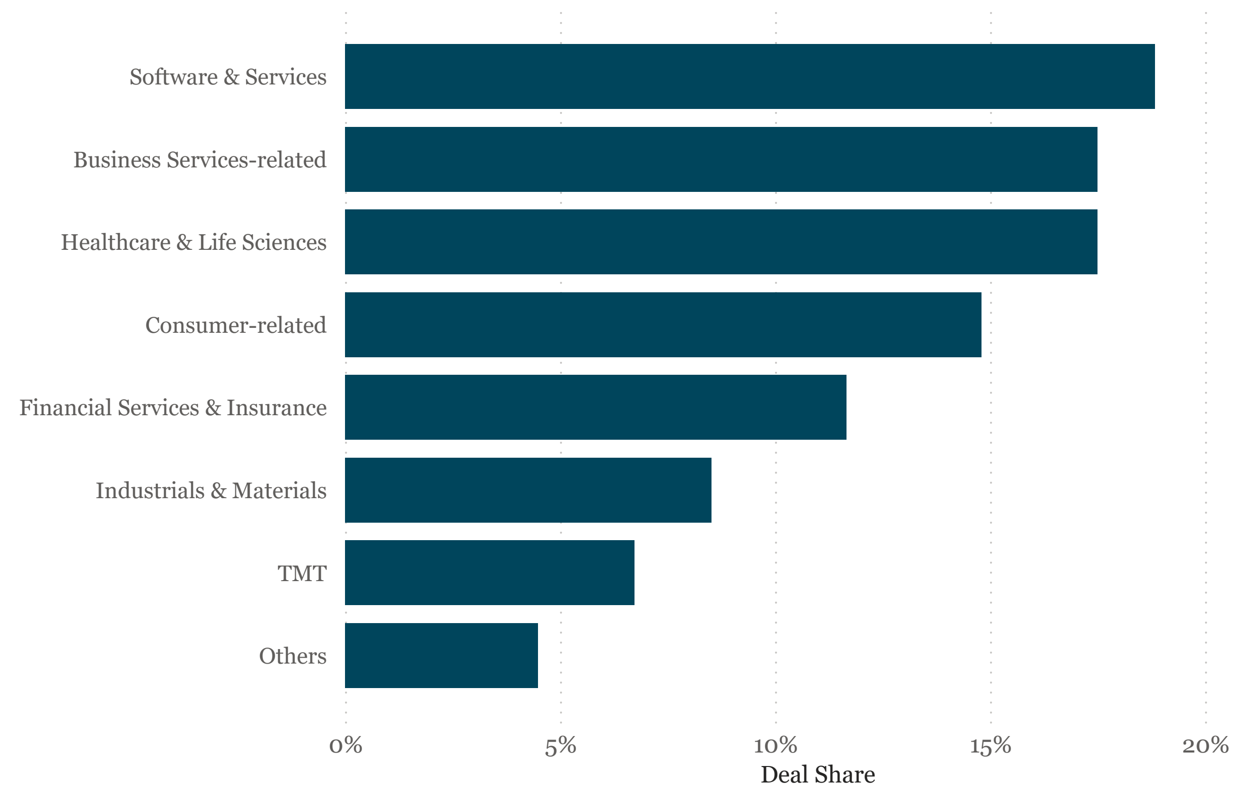
Direct Lending

4.5 European Direct Lending Origination by Country



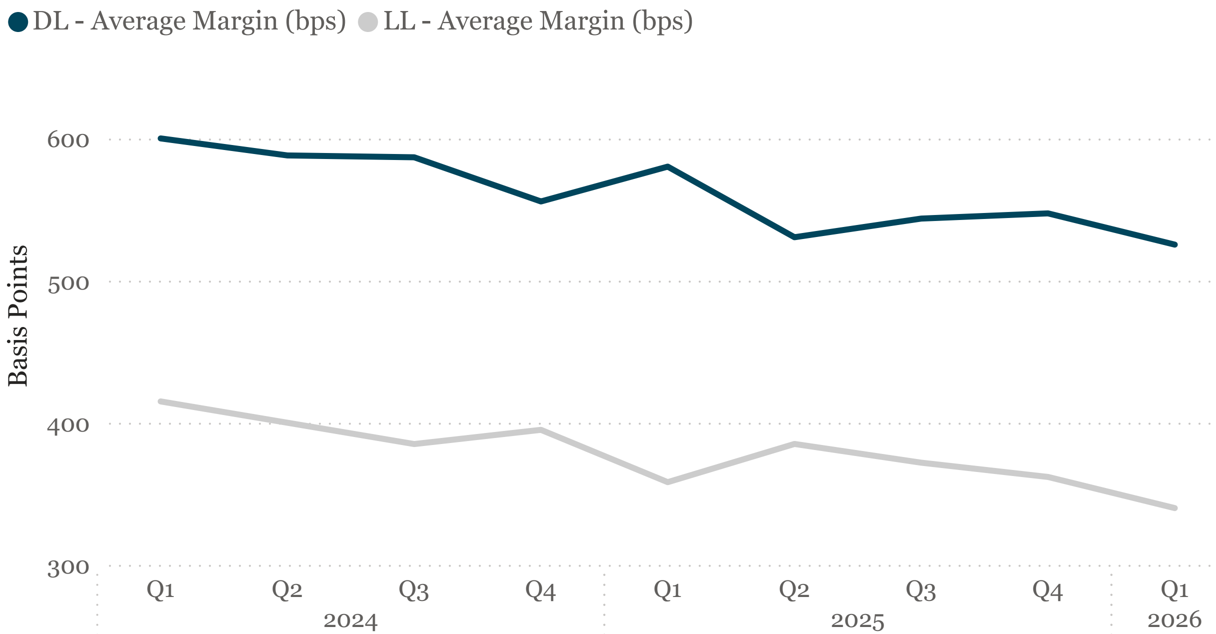
4.6 European Direct Lending Origination by Sector

Q1 2026

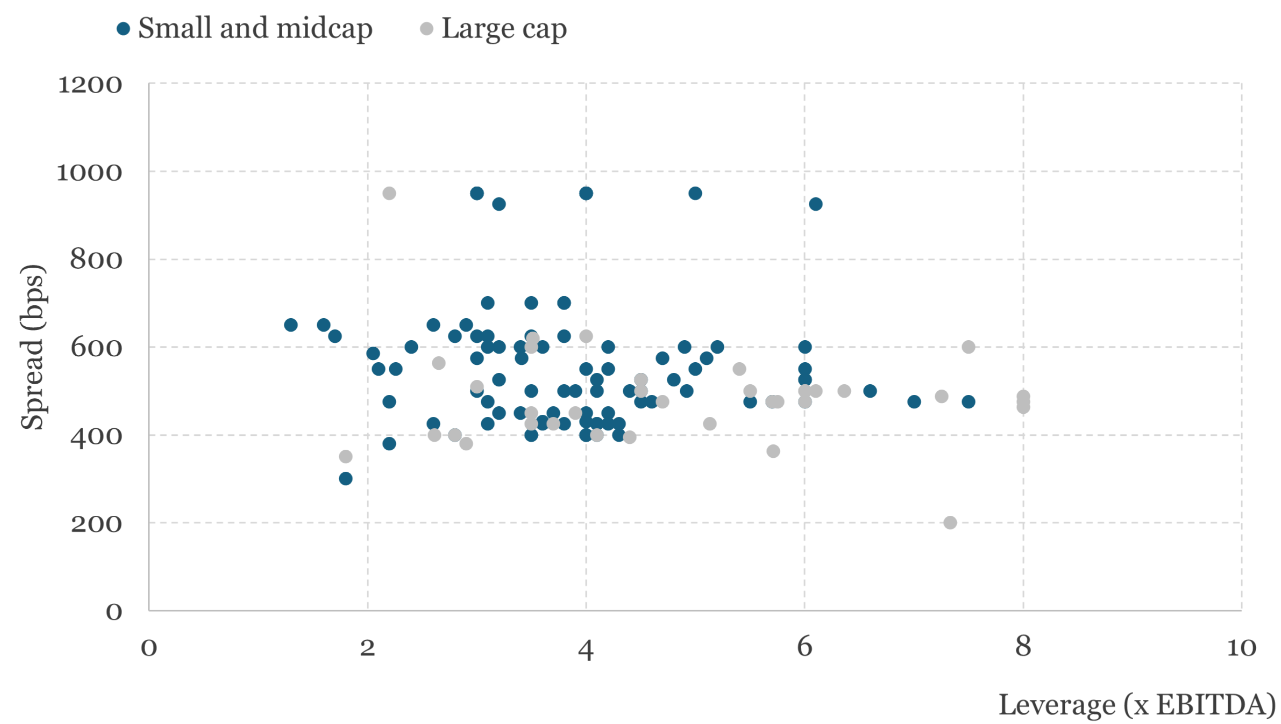


Source: Octus

4.7 Pricing Trends in Europe: Leveraged Loans vs Direct Lending



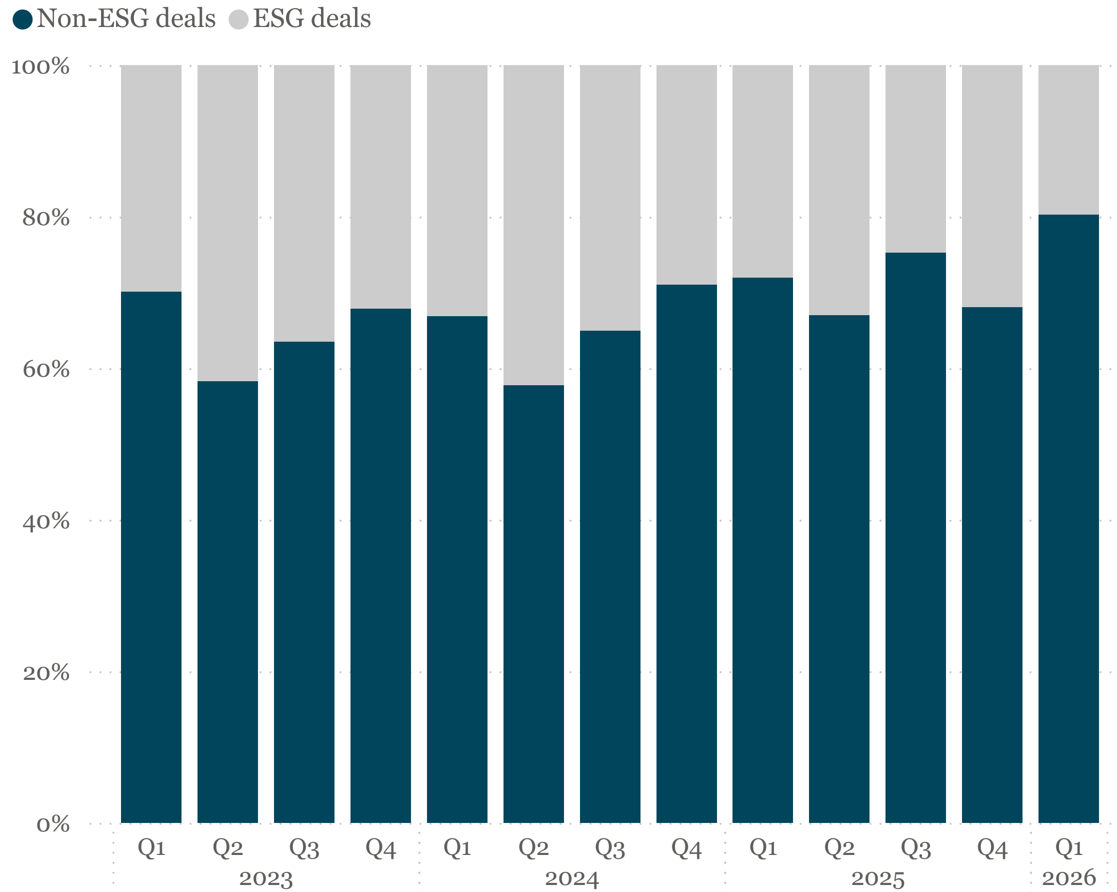
4.8 European Spread vs Leverage on Q1 2026 deals



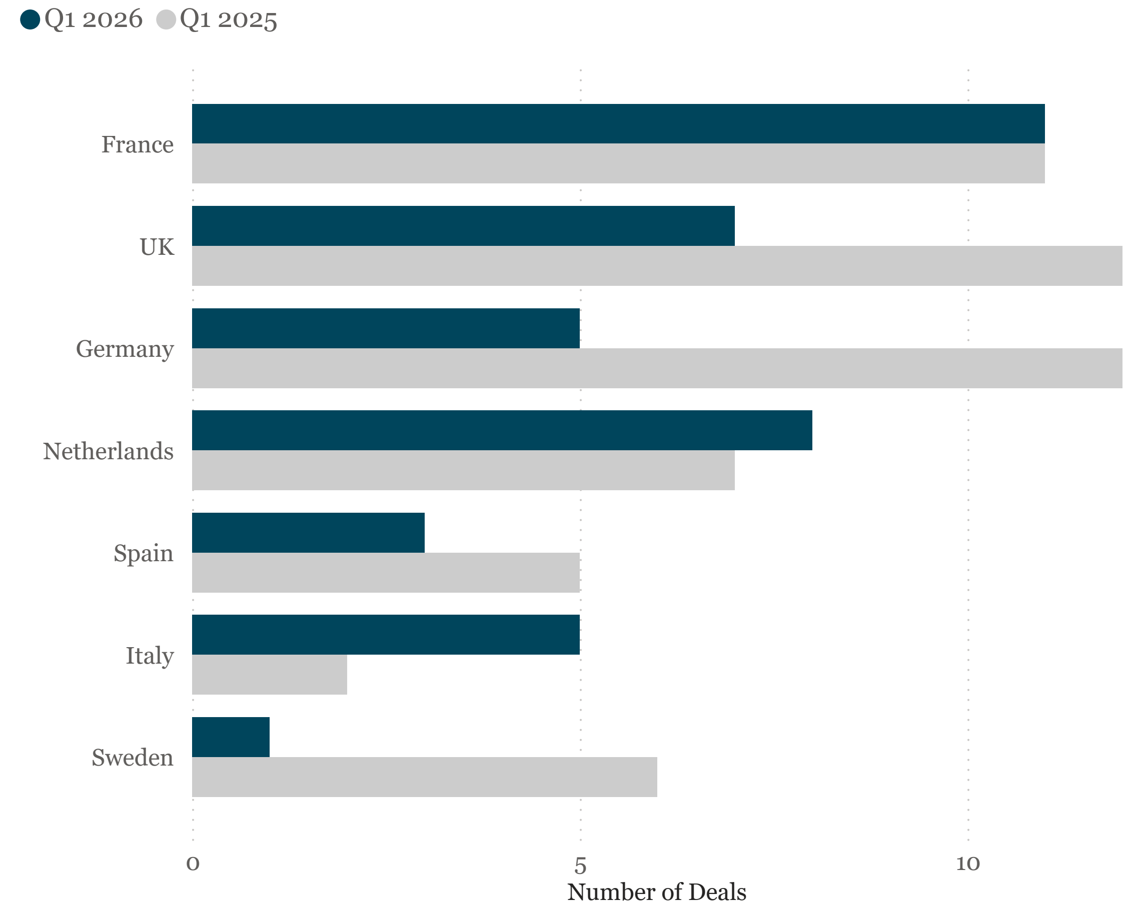
Source: Octus [4.7], 9fin [4.8]

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 Q1 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.

Source: Octus

CLOs

CLOs

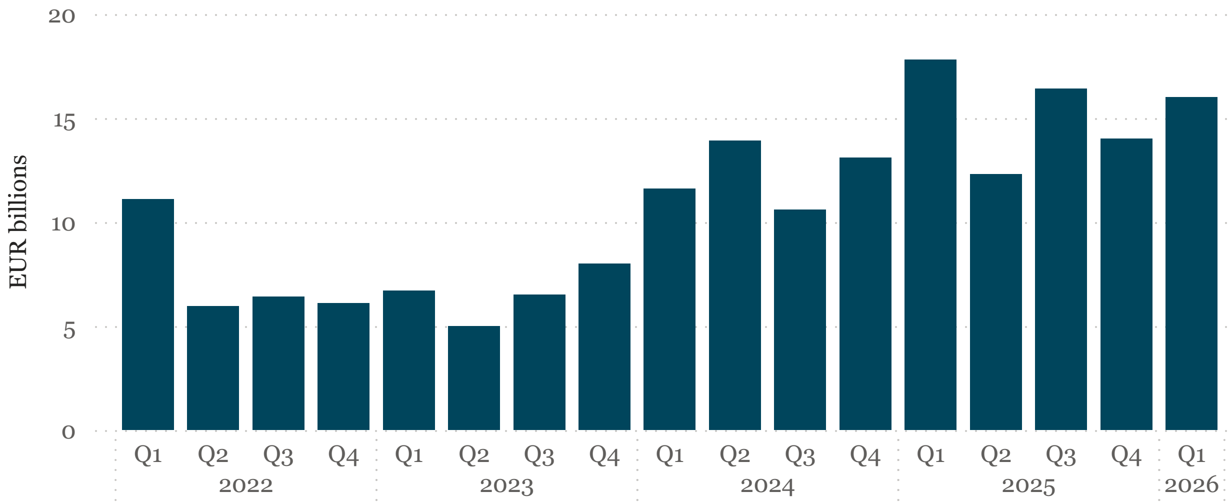
European Collateralised Loan Obligation (CLO) issuance reached €16bn in the first quarter of 2026, representing a 14.3% increase QoQ but a 10.1% decline YoY.

In Q1 2026, CLO Outstanding amount reached €311.9bn, accounting for a 2.9% increase from Q4 2025 and a 13.7% increase from Q1 2025.

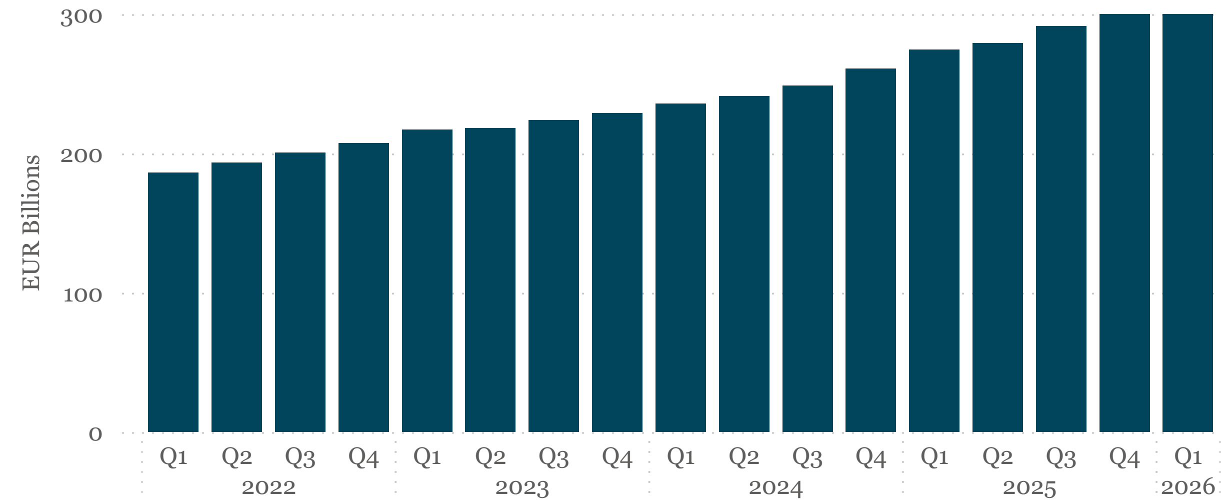
Since 2024, US CLO issuance has consistently exceeded European CLO issuance. In Q1 2026, US issuance reached €30.9bn, while European CLO issuance totalled €16bn accounting for 34% of the combined US and European issuance.

CLOs

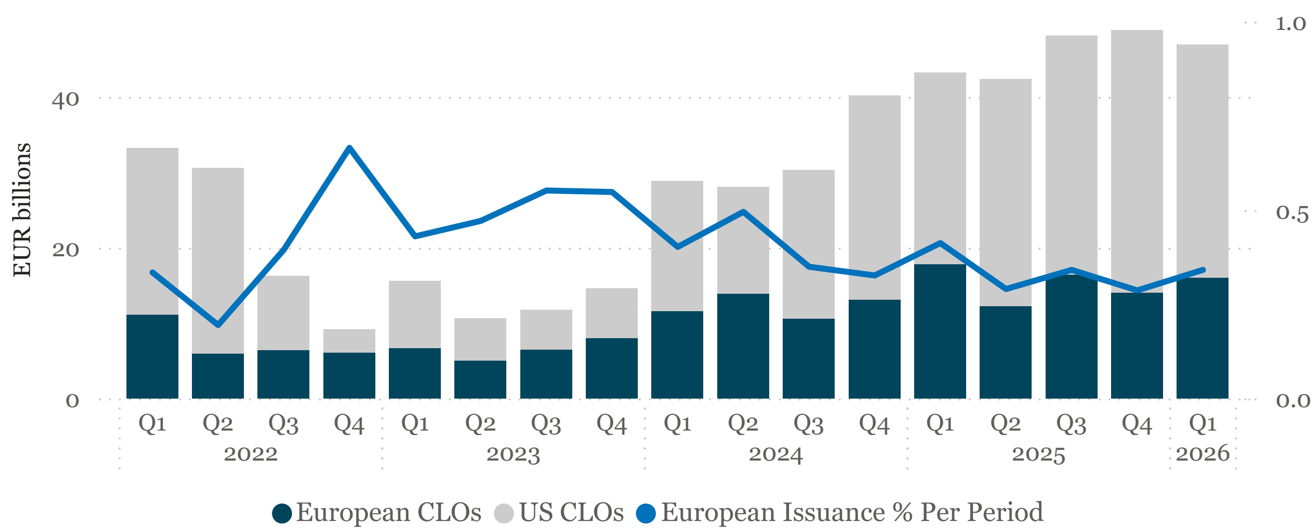
5.1 European CLO Issuance



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

High Yield Bonds Overview

Issuance: High Yield Bonds

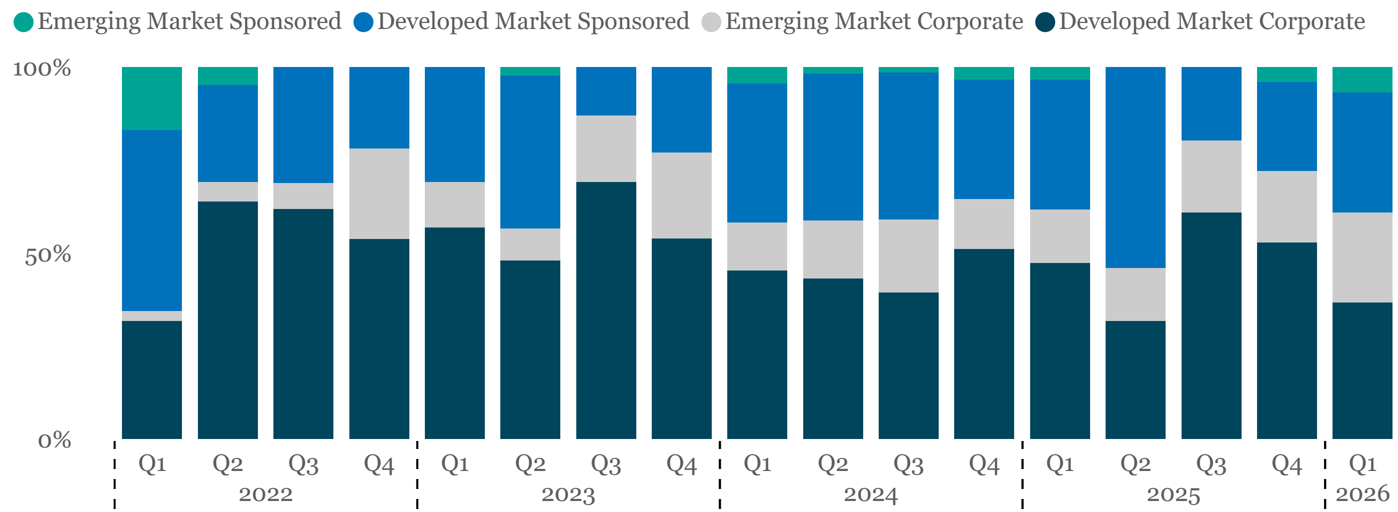
Primary high yield bond issuance totalled €21.8bn (on 55 deals) in Q1 2026, a 40.8% decrease from €36.8bn (on 94 deals) in Q4 2025. During this quarter, issuance by firms located in European developed markets represented approximately 69% of the total (€15bn), while firms in European emerging markets represented the remaining 31% (€6.8bn).

In Q1 2026, the primary use of proceeds was refinancing, which accounted for 50% of total issuance, followed by general corporate purposes at 36%. 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 since Q4 2024.

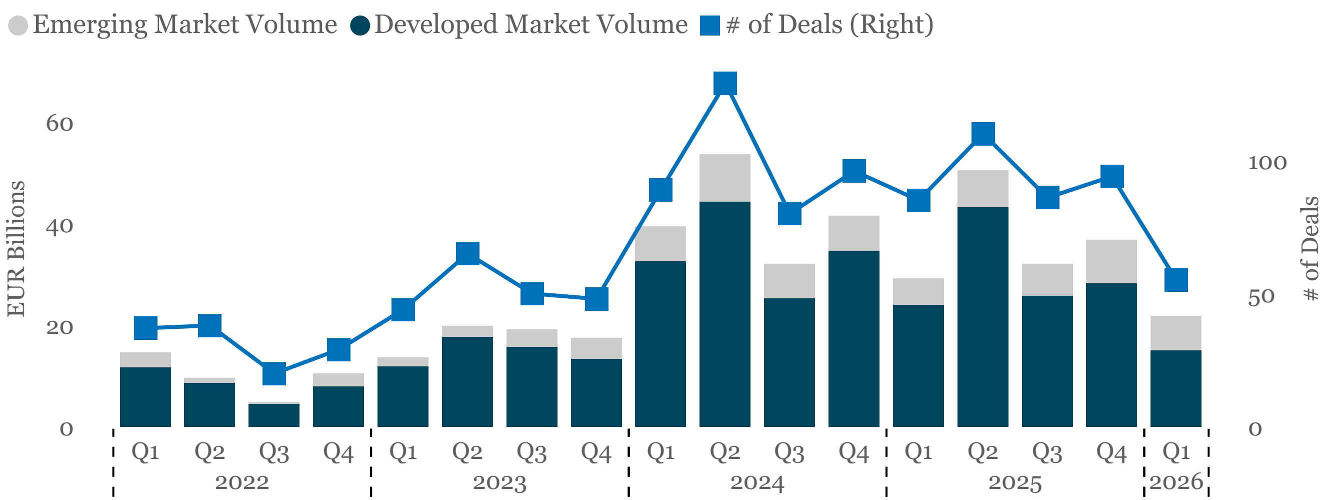
In the first quarter of 2026, three sectors accounted for 54.8% of the high yield market by outstanding amount: Financials, Consumer Discretionary, and Communications with €156.5bn, €134.5bn, and €117.9bn of the total outstanding value respectively.

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)

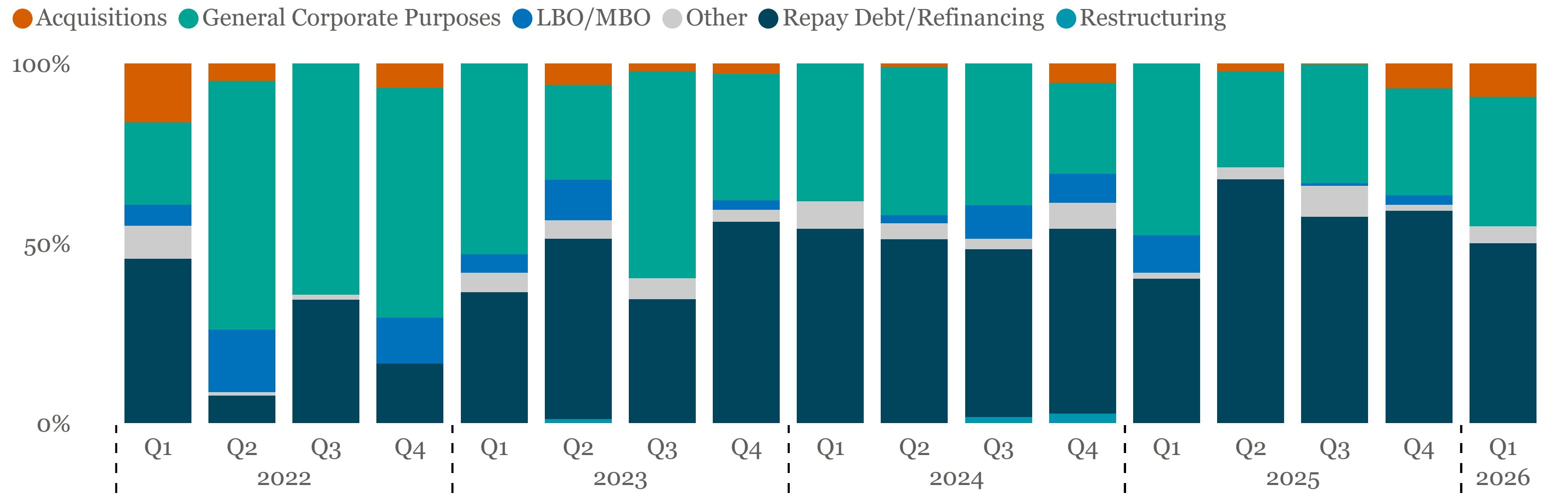
Year	2024				2025				2026
Region	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Americas	67.8	57.0	68.2	43.1	59.8	65.2	90.2	50.6	65.7
Asia	13.9	16.1	16.6	15.1	17.2	10.8	24.1	10.1	6.0
Europe	39.4	54.0	32.1	41.5	29.2	50.5	32.7	36.8	21.8
Total	**121.2**	**127.2**	**116.9**	**99.7**	**106.2**	**126.5**	**147.1**	**97.5**	**93.6**

Region	2022	2023	2024	2025	2026
Americas	96.5	153.7	236.1	265.8	65.7
Asia	23.8	47.8	61.8	62.2	6.0
Europe	39.6	70.2	167.0	149.3	21.8
Total	**159.9**	**271.6**	**464.9**	**477.3**	**93.6**

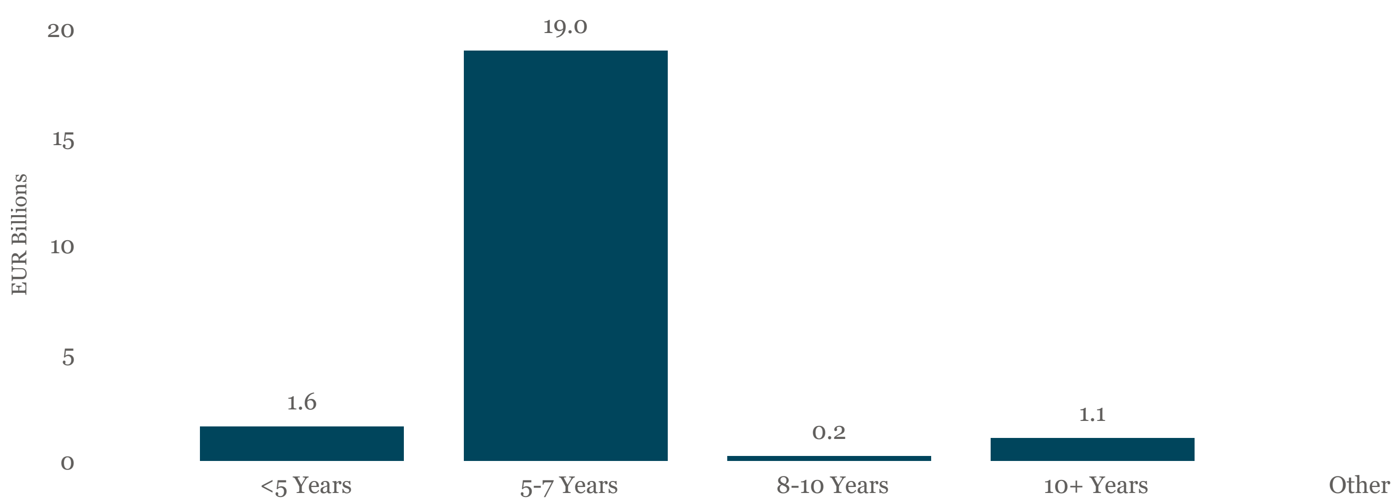
Source: Dealogic

High Yield Bonds Overview

6.4 European High Yield Issuance by Use of Proceeds



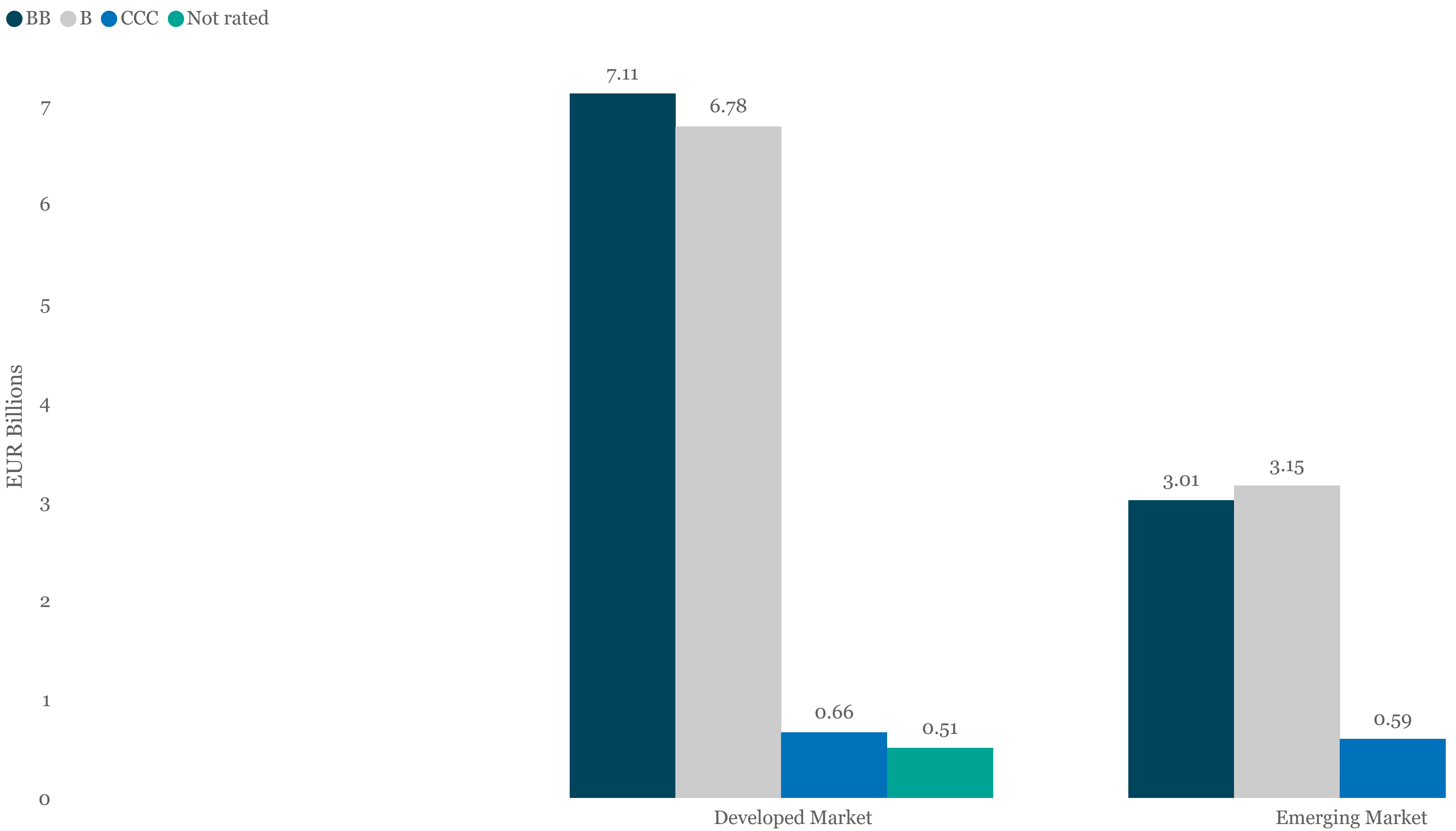
6.5 European High Yield Issuance by Tenor: Q1 2026



Source: Dealogic

High Yield Bonds Overview

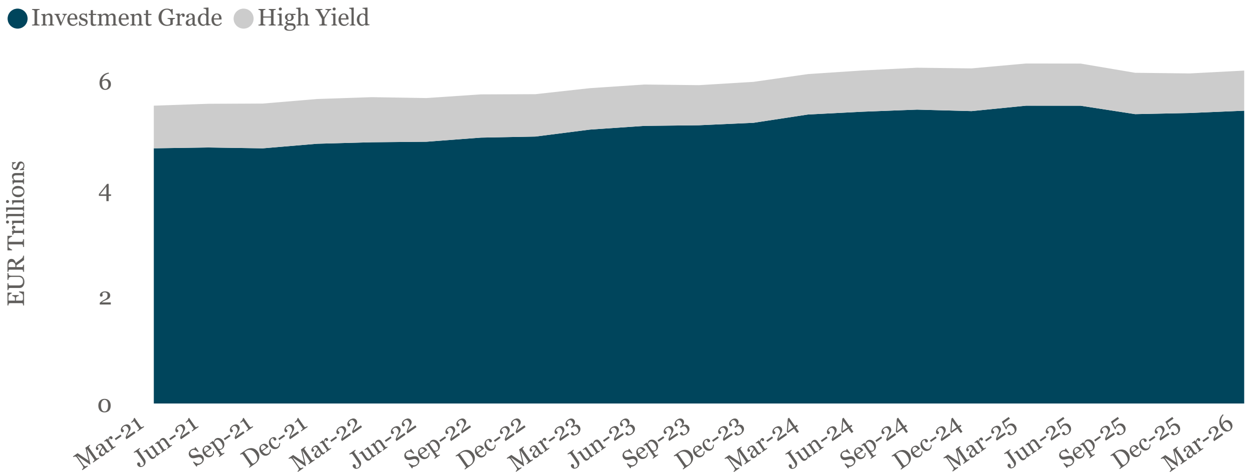
6.6 European High Yield Issuance by Rating: Q1 2026



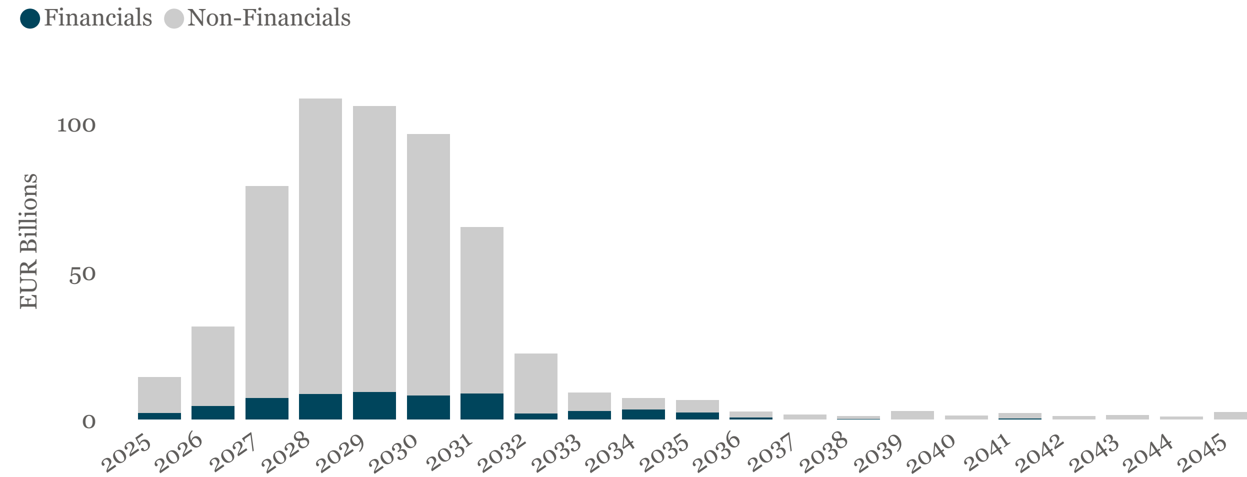
*Corporate Bond Issuance denotes corporate and sponsored bonds, excluding government bonds.

Source: Dealogic

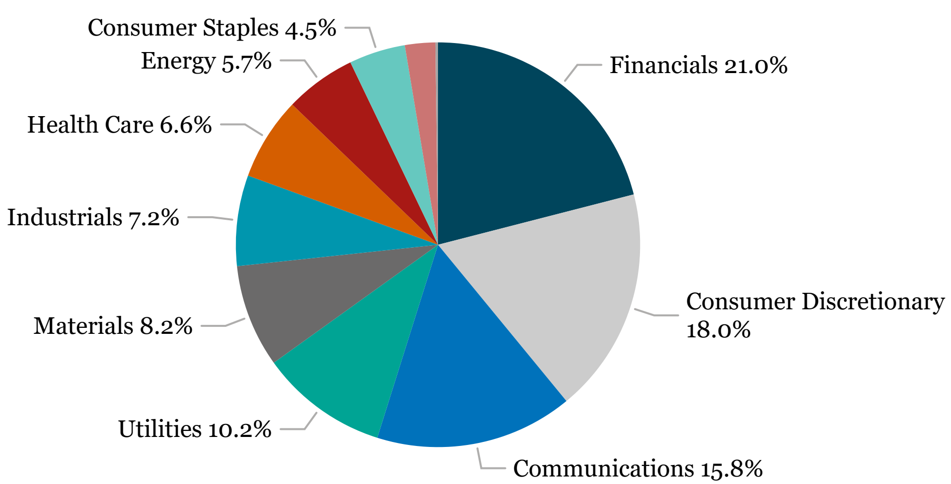
6.7 European Corporate Bonds Outstanding



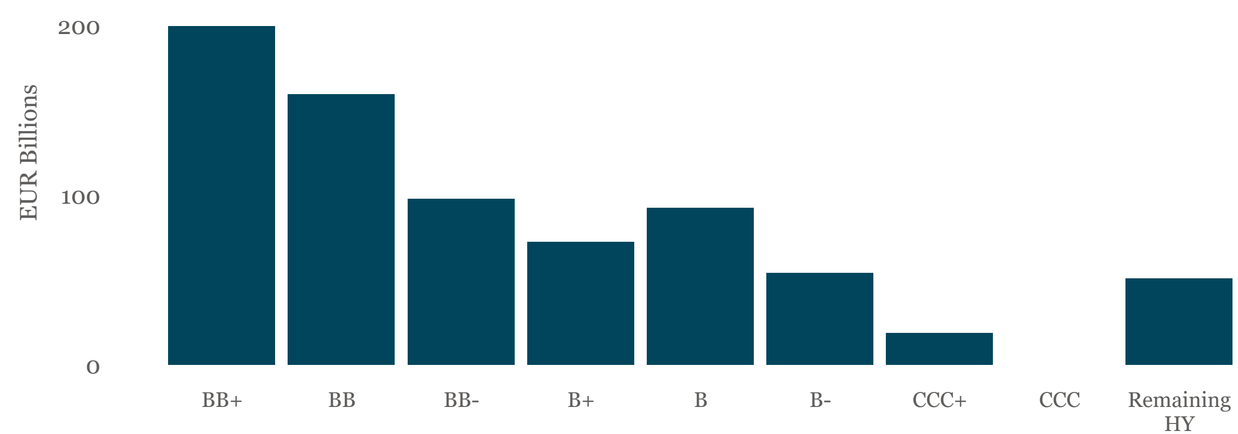
6.8 European Corporate High Yield Maturity Wall



6.9 European Corporate High Yield Outstanding by Sector: March 2026



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

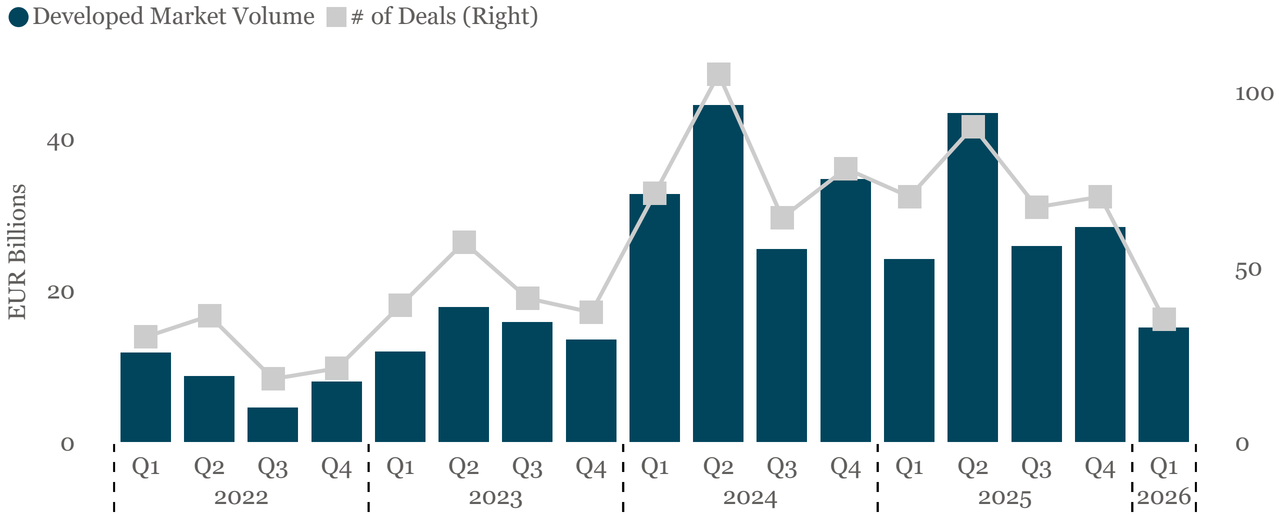


Source: SIFMA

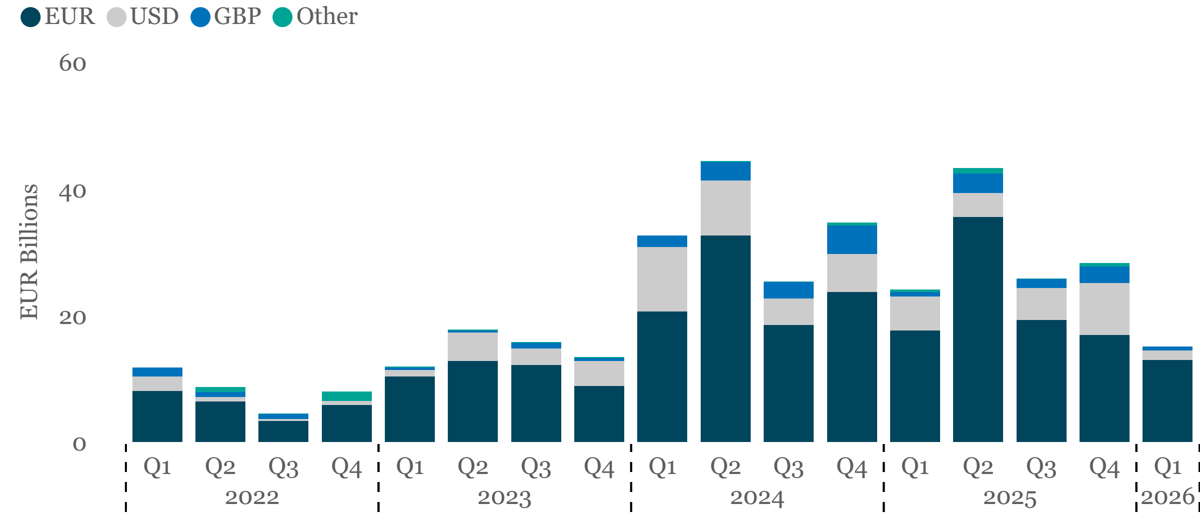
European Developed Market High Yield Bonds

Developed Market High Yield Bonds

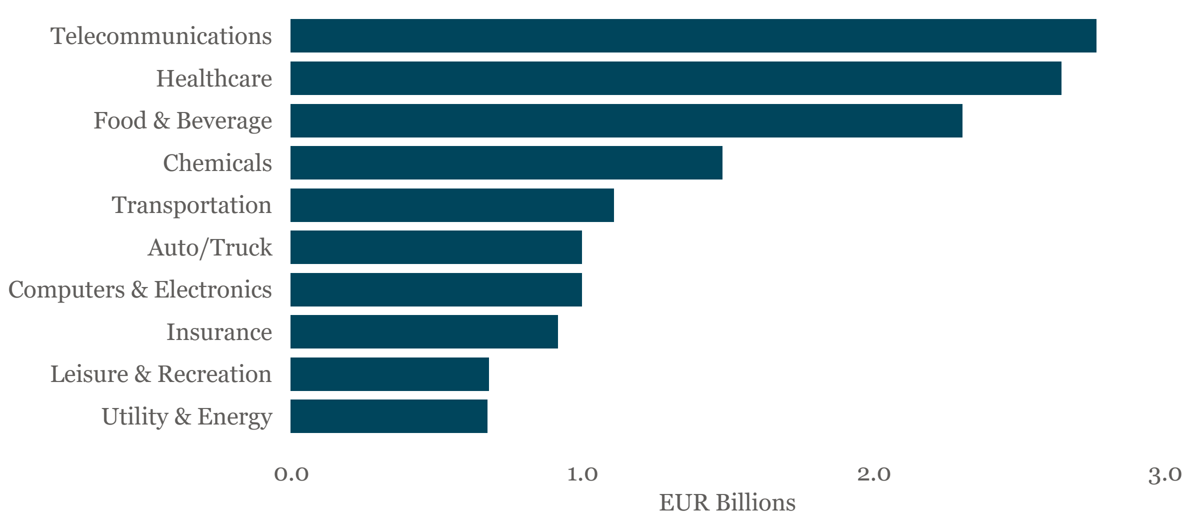
7.1 European Developed Market High Yield Issuance



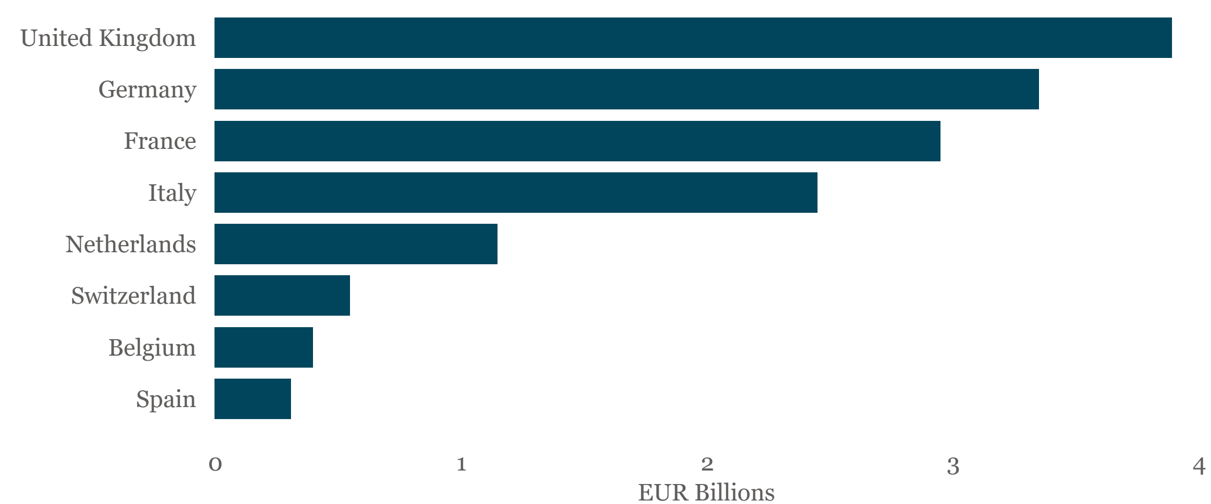
7.2 European Developed Market High Yield Issuance by Currency



7.3 European Developed Market High Yield Issuance by Industry: Q1 2026 (top 10)



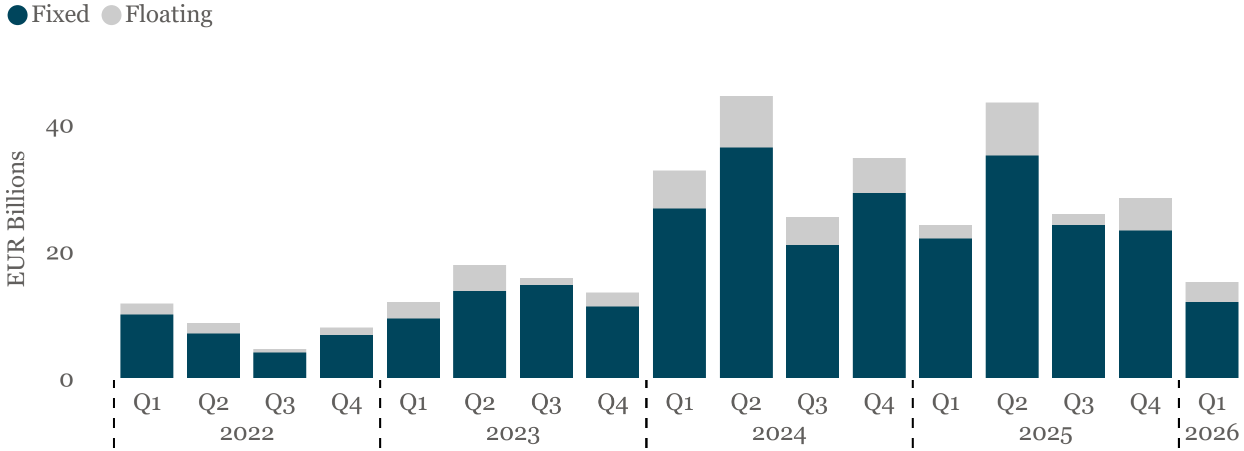
7.4 European Developed Market High Yield Issuance by Country of Risk: Q1 2026



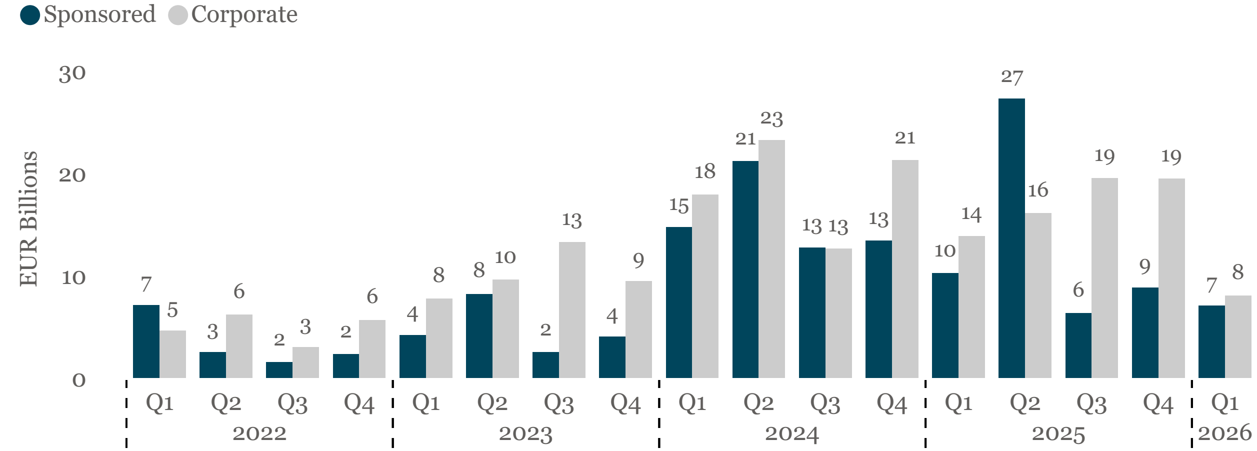
Source: Dealogic

Developed Market High Yield Bonds

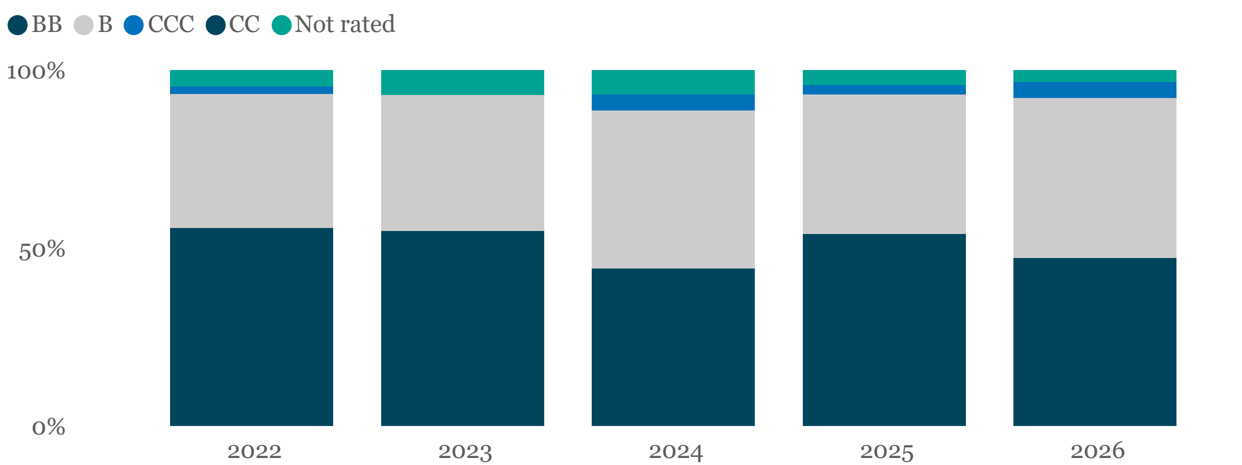
7.5 European Developed Market High Yield Issuance, Fixed vs. Floating



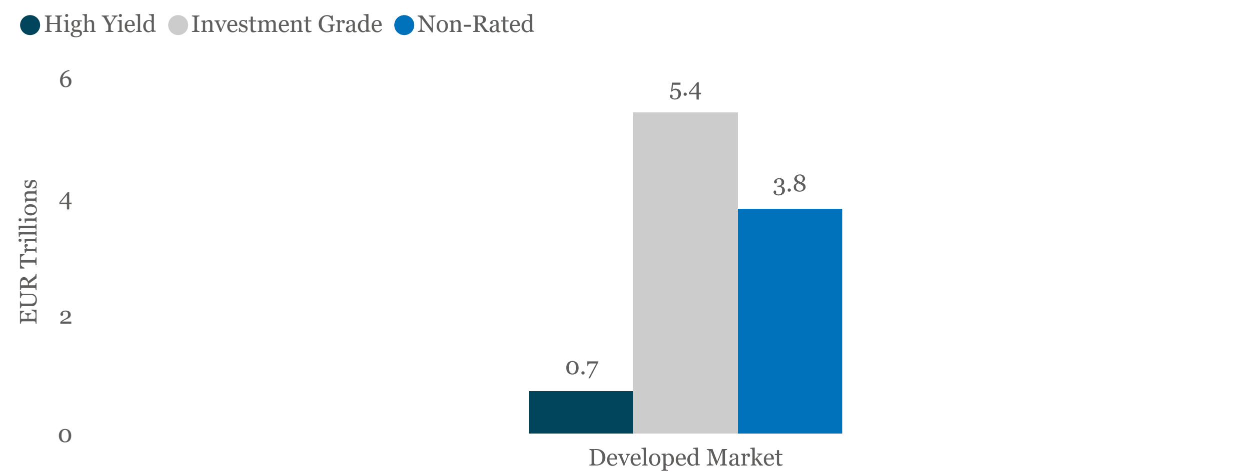
7.6 European Developed Market High Yield Issuance, Sponsored vs. Corporate



7.7 European Developed Market High Yield Rating Distribution at Issuance



7.8 European Developed Market Corporate Bonds Outstanding: Q1 2026



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

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

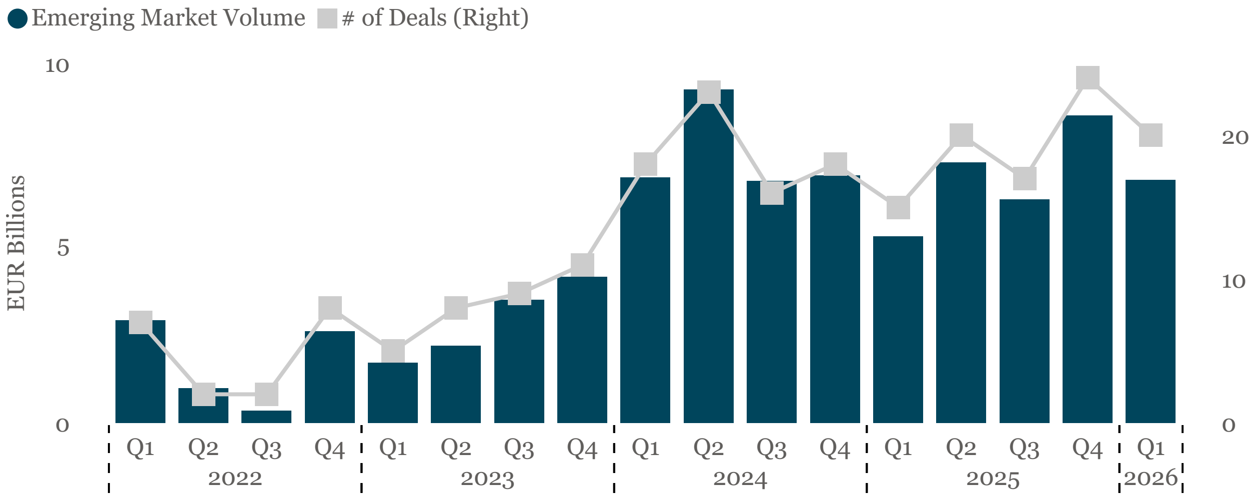
Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moodys	S&P	Fitch
Cirsa group	Leisure & Recreation	23/03/2026	EUR	0.13	8.625		B	
Katjes International GmbH & Co KG	Food & Beverage	03/03/2026	EUR	0.02	6.75			
Maxam Prill Sarl	Chemicals	26/02/2026	EUR	0.18	6		B+	
Elior Group SA	Dining & Lodging	25/02/2026	EUR	0.15	5.625		B+	B+
Eutelsat Grouppe	Telecommunications	25/02/2026	EUR	0.85	5.75	Ba3		BB
Eutelsat Grouppe	Telecommunications	25/02/2026	EUR	0.65	6.25	Ba3		BB
Maison FinCo plc	Real Estate/Property	25/02/2026	GBP	0.32	7.25		B	BB+
Azelis Finance SA/NV	Chemicals	24/02/2026	EUR	0.40	4.125		BB+	BB+
WE Soda Investments Holding plc	Chemicals	20/02/2026	USD	0.21	9.375		BB-	BB-
Allwyn Entertainment Financing (UK) plc	Leisure & Recreation	10/02/2026	EUR	0.55	4.63	Ba2	BB	BB-
ZF Europe Finance BV	Auto/Truck	09/02/2026	EUR	1.00	5.5	Ba2	BB-	
Rota Bidco SpA	Food & Beverage	05/02/2026	EUR	0.49				
Italmatch Chemicals SpA	Chemicals	29/01/2026	EUR	0.39	3-mth Euribor +412.5	B2	B	B
Italmatch Chemicals SpA	Chemicals	29/01/2026	EUR	0.30	6.25	B2	B	B
Howden UK Refinance 2 plc	Insurance	29/01/2026	USD	0.58	8.125	Caa1	CCC+	
Alloheim	Healthcare	28/01/2026	EUR	0.53	3-mth Euribor +362.5	B2	B-	B-
Alloheim	Healthcare	28/01/2026	EUR	0.40	5.625	B2	B-	B-
APCOA Parking	Transportation	28/01/2026	EUR	0.46	3-mth Euribor +325	B3	B	
FIS	Healthcare	28/01/2026	EUR	0.47	3-mth Euribor +325	B2	B	BB-
FIS	Healthcare	28/01/2026	EUR	0.30	5.25	B2	B	BB-

Source: Dealogic

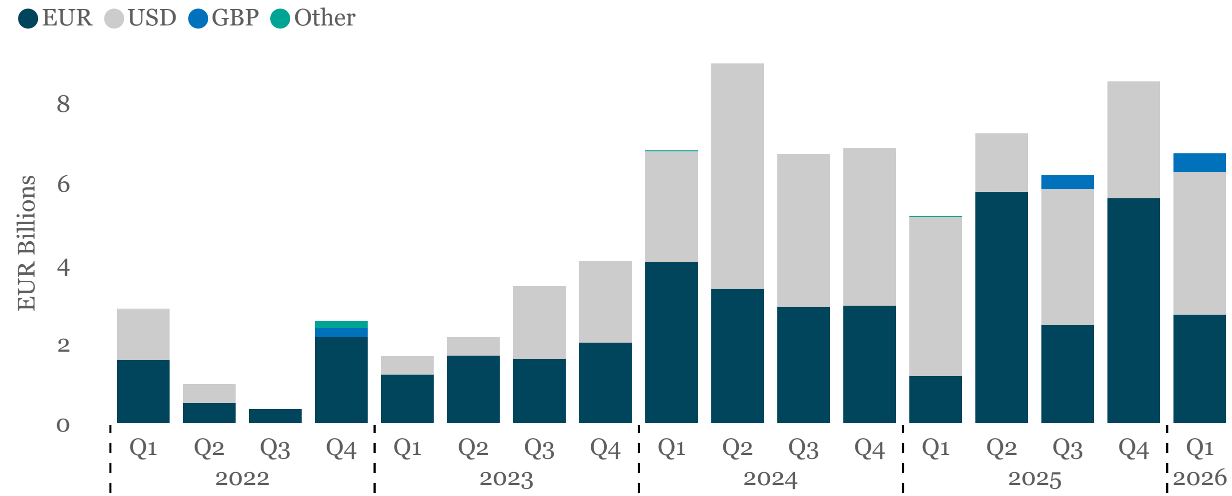
European Emerging Market High Yield Bonds

Emerging Market High Yield Bonds

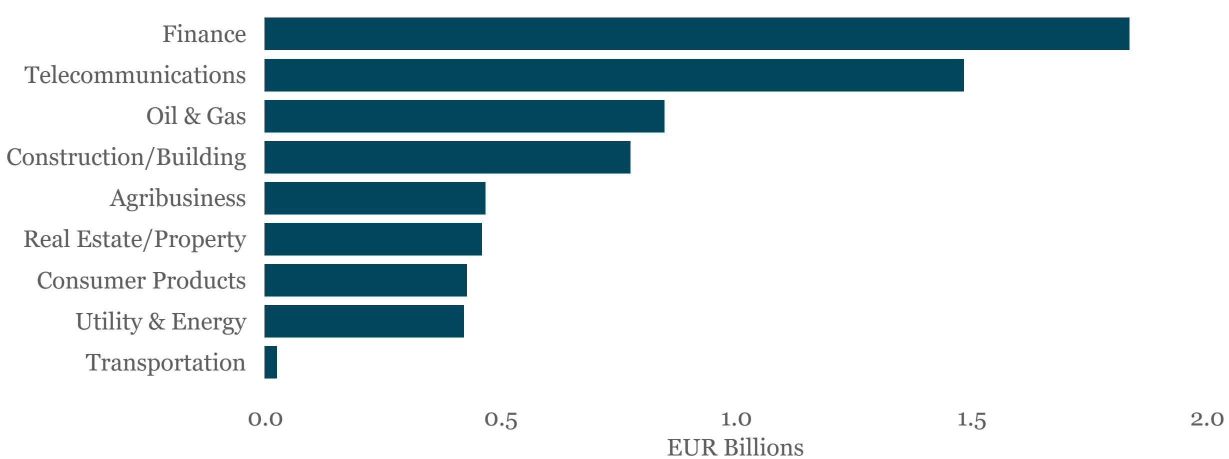
8.1 European Emerging Market High Yield Issuance



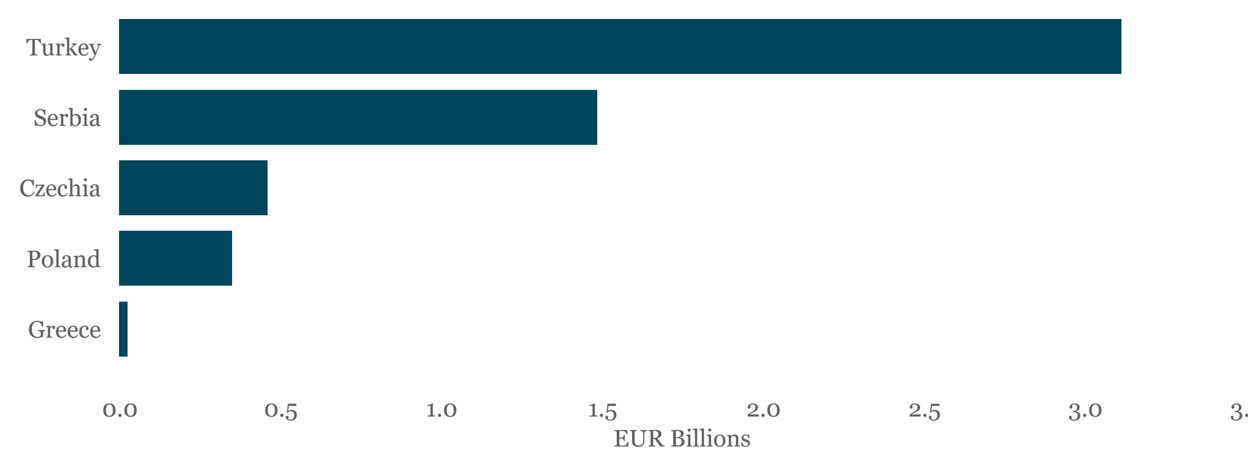
8.2 European Emerging Market High Yield Issuance by Currency



8.3 European Emerging Market High Yield Issuance by Industry: Q1 2026



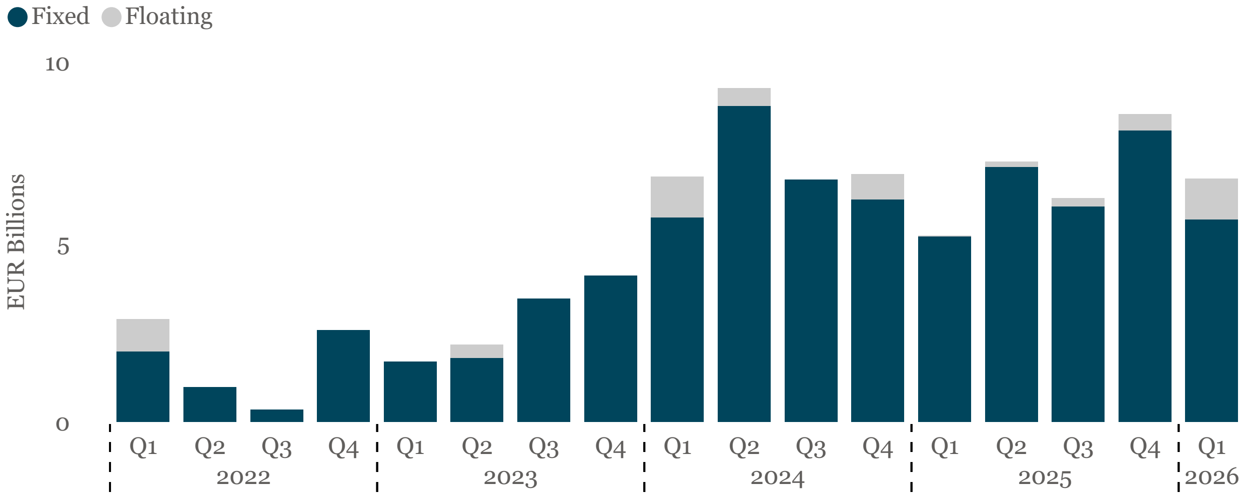
8.4 European Emerging Market High Yield Issuance by Country of Risk: Q1 2026



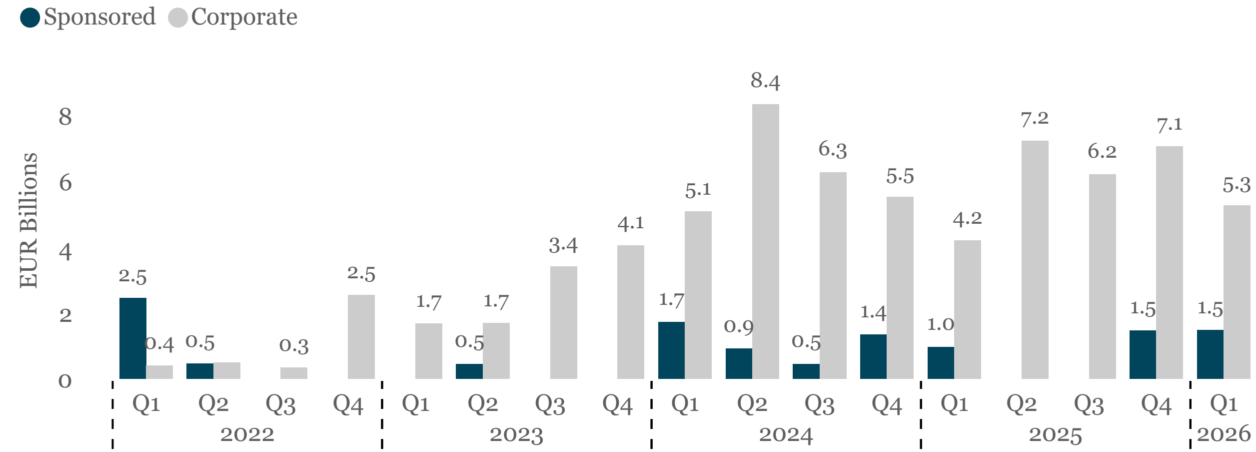
Source: Dealogic

Emerging Market High Yield Bonds

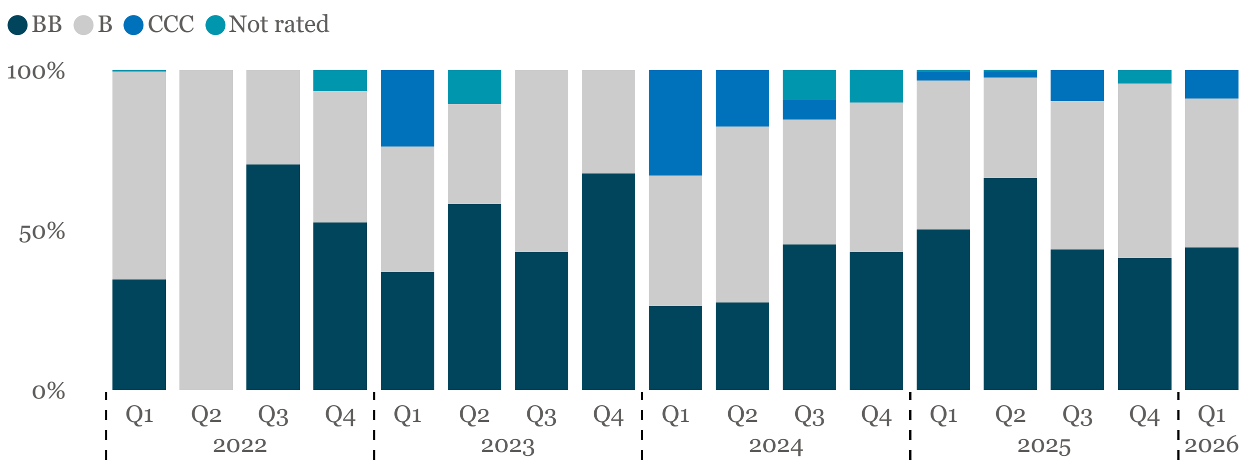
8.5 European Emerging Market High Yield Issuance, Fixed vs. Floating



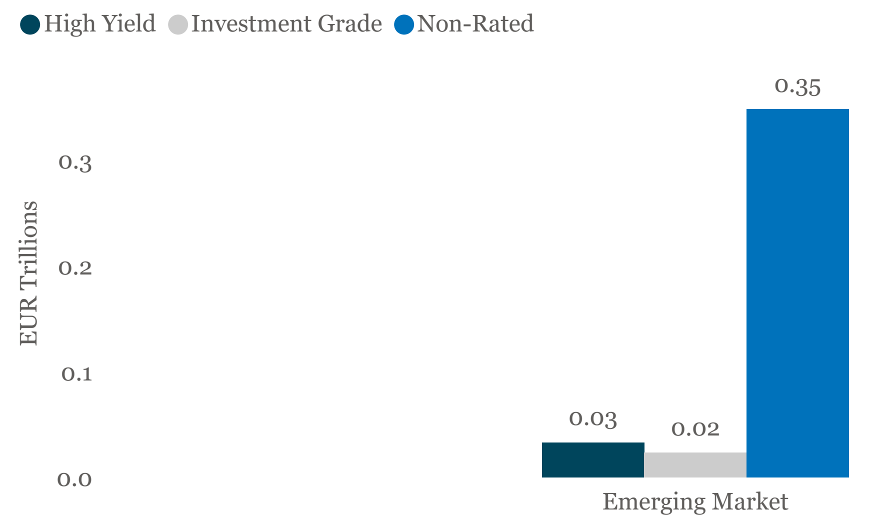
8.6 European Emerging Market High Yield Issuance, Sponsored vs. Corporate



8.7 European Emerging Market High Yield Rating Distribution at Issuance



8.8 European Emerging Market Corporate Bonds Outstanding: Q1 2026



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

8.9 European Emerging Market High Yield Issuance

Issuer	Industry Group	Date	Currency	Amount (billion)	Coupon	Moodys	S&P	Fitch
NSAL	Transportation	11/03/2026	USD	0.03	8.875	B1	B	
Yapi ve Kredi Bankasi AS	Finance	10/03/2026	EUR	0.03	3.45	Ba3		BB-
Yapi ve Kredi Bankasi AS	Finance	03/03/2026	USD	0.04	5.75			
Cimko Cimento ve Beton Sanayi ve Ticaret AS	Construction/Building	27/02/2026	USD	0.04	10.75	B2		B+
TPAO Varlik Kiralama AS	Oil & Gas	25/02/2026	USD	0.85	6.3			BB-
Akbank	Finance	12/02/2026	USD	0.50	7.95			B-
MHP Lux SA	Agribusiness	03/02/2026	USD	0.08	10.5		CCC+	
CPI Property Group SA	Real Estate/Property	29/01/2026	GBP	0.46	6.875	Ba2	BB+	
Titan Global Finance plc	Construction/Building	28/01/2026	EUR	0.35	3.5		BB+	BB+
Sekerbank TAS	Finance	28/01/2026	USD	0.13	9.45			CCC+
Yapi ve Kredi Bankasi AS	Finance	27/01/2026	USD	0.21	7.55			B
ADM Elektrik Dagitim AS	Utility & Energy	26/01/2026	USD	0.42	9.5	B2	BB-	BB-
Cimko Cimento ve Beton Sanayi ve Ticaret AS	Construction/Building	26/01/2026	USD	0.04	10.75	B2		B+
Isbank	Finance	26/01/2026	USD	0.42	7.575			B
MBH Bank Nyrt	Finance	23/01/2026	EUR	0.50	4.75	Ba2		
MHP Lux SA	Agribusiness	21/01/2026	USD	0.38	10.5		CCC+	
Summer BidCo BV	Telecommunications	15/01/2026	EUR	0.36	8.875		B-	
United Group BV	Telecommunications	15/01/2026	EUR	1.13	3-mth Euribor +325	B2	B	
Sisecam UK plc	Consumer Products	15/01/2026	USD	0.43	8.375	B2		B
MLP Group SA	Construction/Building	13/01/2026	EUR	0.35	4.75	Ba2	BB+	BB+

Source: Dealogic

Credit Quality

afme/ Credit Quality

High Yield bonds

The S&P's trailing 12-month speculative-grade bond default rate declined during the first quarter of 2026, from 4% at the end of December 2025 to 3.3% observed at the end of March 2026. Moody's default rate declined slightly from 3.9% in Q4 2025 to 3.8% in Q1 2026, following an uptrend trend observed throughout 2025.

S&P reported 13 upgrades and 31 downgrades during Q1 2026 in Developed European markets. Upgrades were mostly related to Utility, Homebuilders/Real estate, and Transportation. While downgrades were mostly related to Chemicals, Packaging & Environmental Services, followed by three sectors: Consumer Products, Banks, and Forest Products and Building Materials. In contrast, in Emerging European markets, S&P issued two upgrades - in the Consumer Products and in the Sovereign sectors - and two downgrades - in the Consumer Products and in the Transportation sectors.

Leveraged Loans

European Leveraged Loan default rates by volume decreased from 2.6% 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.

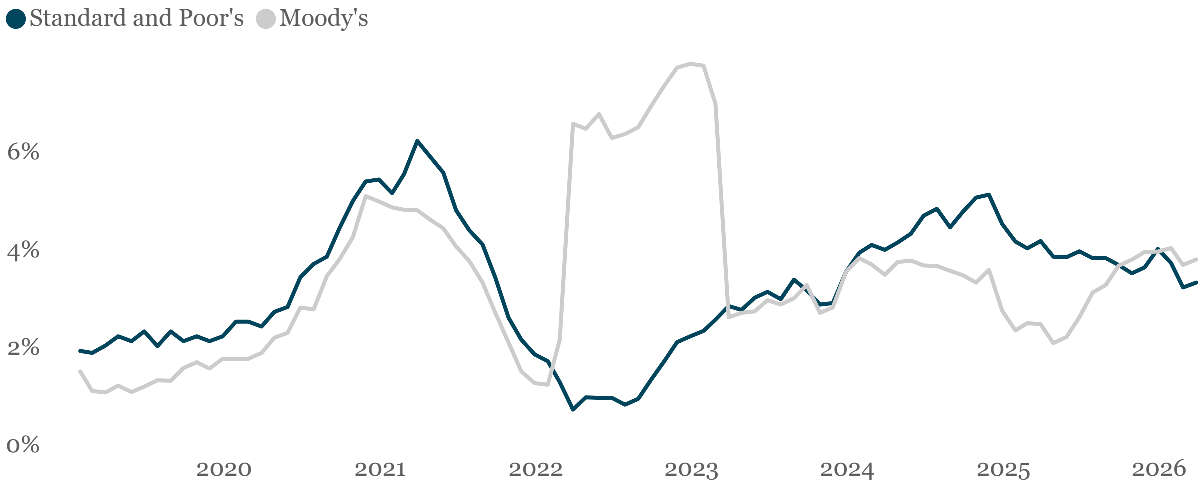
Direct Lending

According to *KBRA DLD*, as of April 2026, the trailing twelve month (TTM) default rate stood at 1% by volume and at 2% by count, in both cases unchanged from 2025. KBRA DLD expects direct lending default rates by count to increase to 2.25% in 2026.

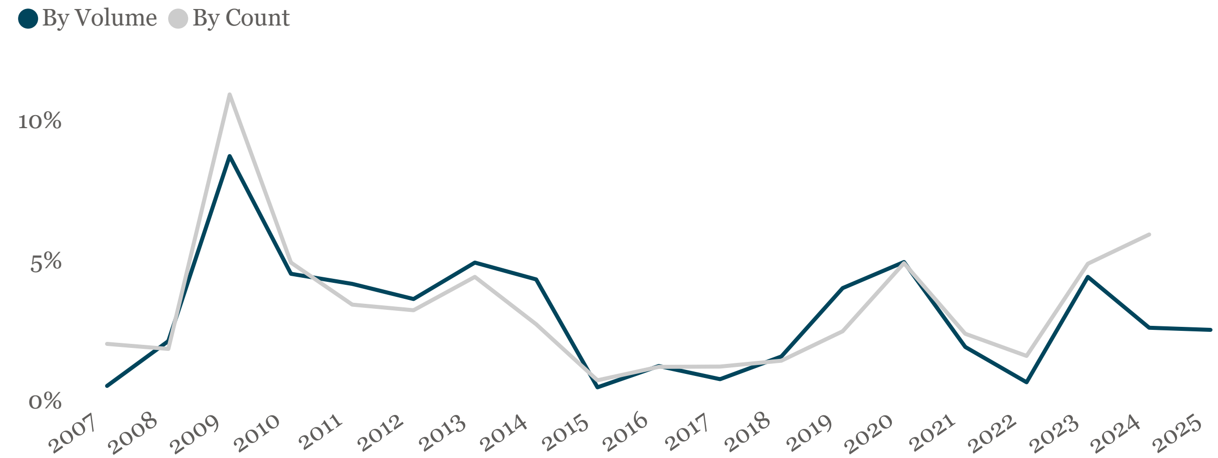
KBRA DLD estimates an implied recovery rate at default date for European direct lending at 24.4%, which is lower than the value estimated in February (29.7%) and below the 46.9% estimate for US direct lending at default date.
In Q1 2026, single covenant structures represented 47% of covenant packages of direct lending products, followed by packages with two or more covenants at 42%. Cov-lite structures accounted for the remaining 11%. For Issuers with an EBITDA below €50m, the most common covenant structure was a single covenant (50%), followed by 2 or more covenants (46%), while Cov-lite accounted for the remaining 4%.

afme/ Credit Quality

9.1 European High Yield Default Rates

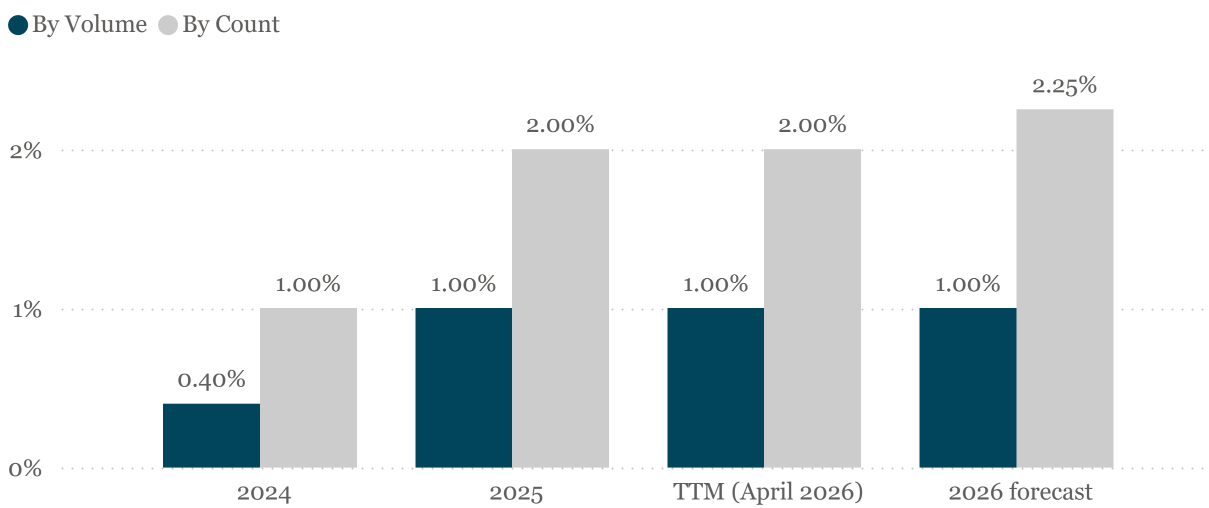


9.2 European Leveraged Loan Default Rates

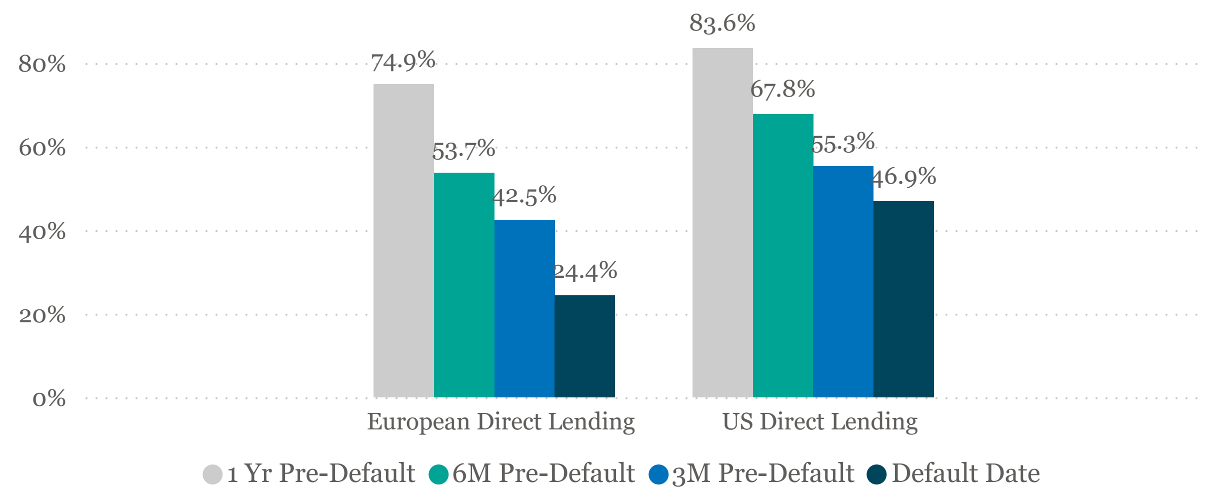


Adjusted includes c and cc* rated issuers as if those had already defaulted.
**Note: the latest data available are as of June 2025.

9.3 European Direct Lending Default Rates



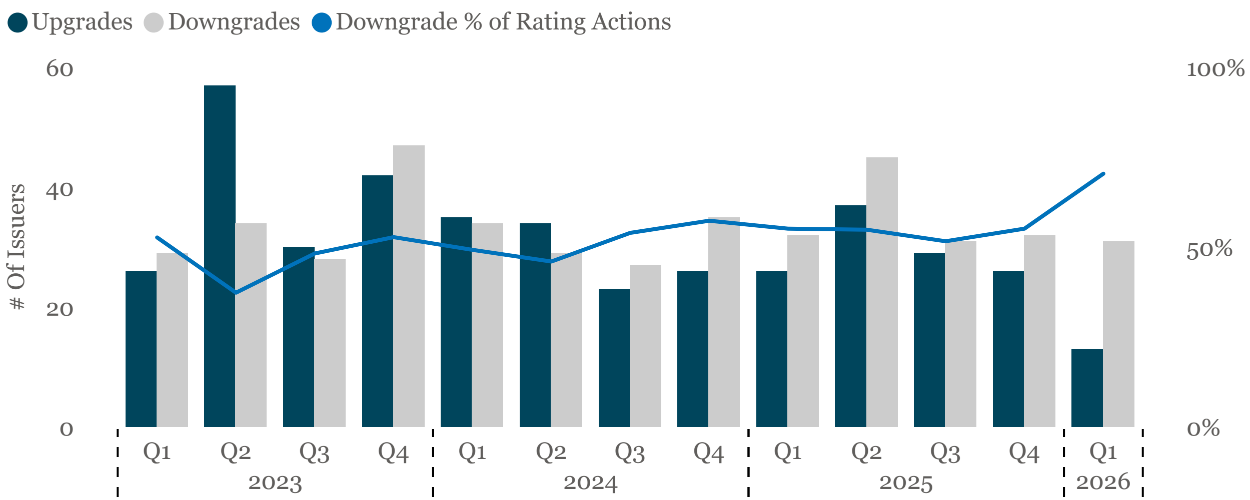
9.4 Direct Lending: Average Implied Recovery (Weighted)



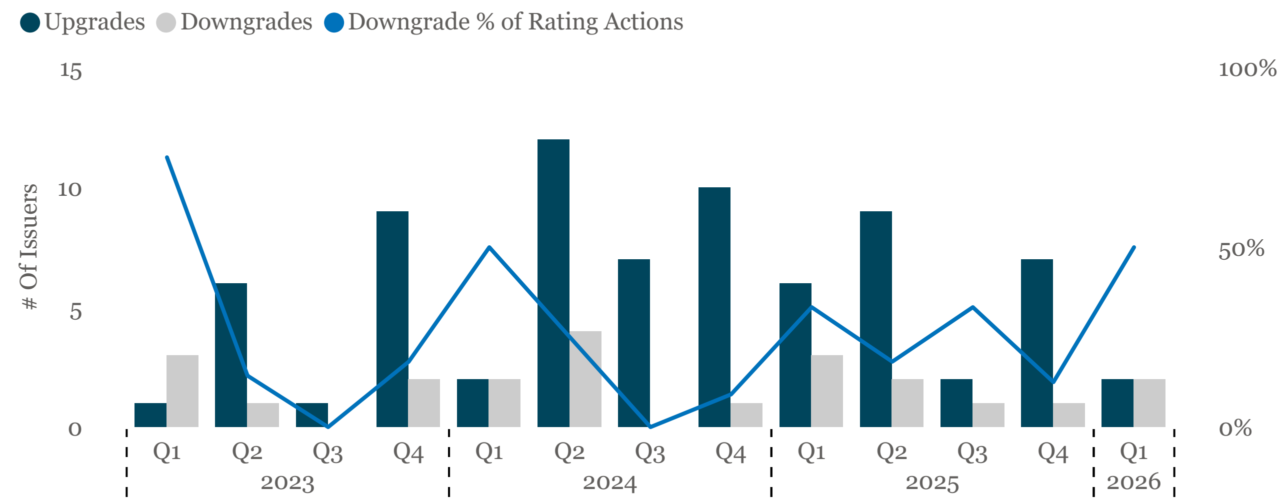
Source: Moody's and S&P [9.1], Fitch [9.2], KBRA DLD [9.3] and [9.4]

afme/ Credit Quality - High Yield Bonds

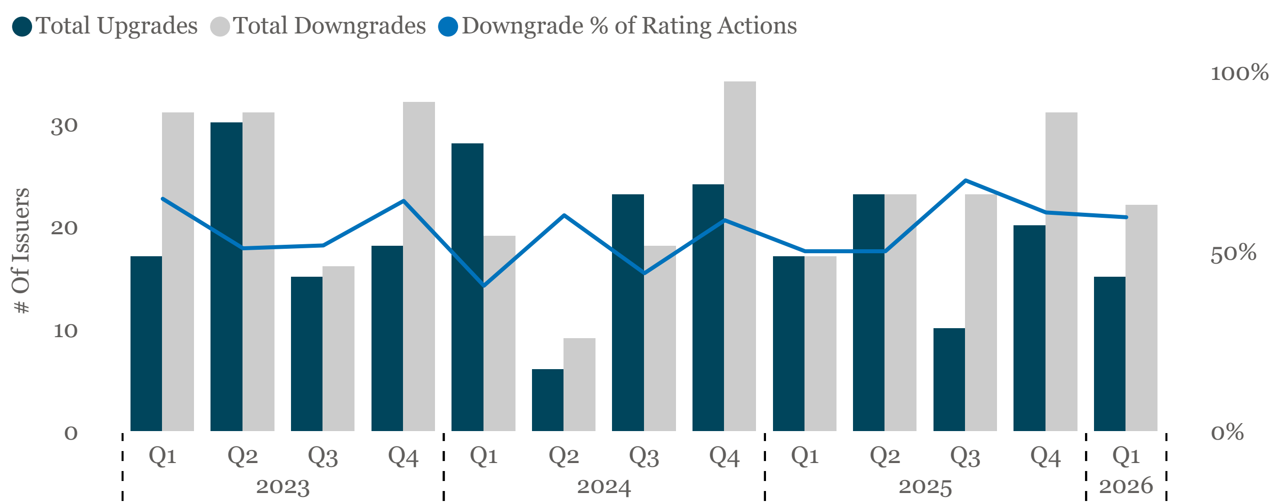
9.5 S&P Developed Europe Issuer Rating Actions



9.6 S&P Emerging Europe Issuer Rating Actions



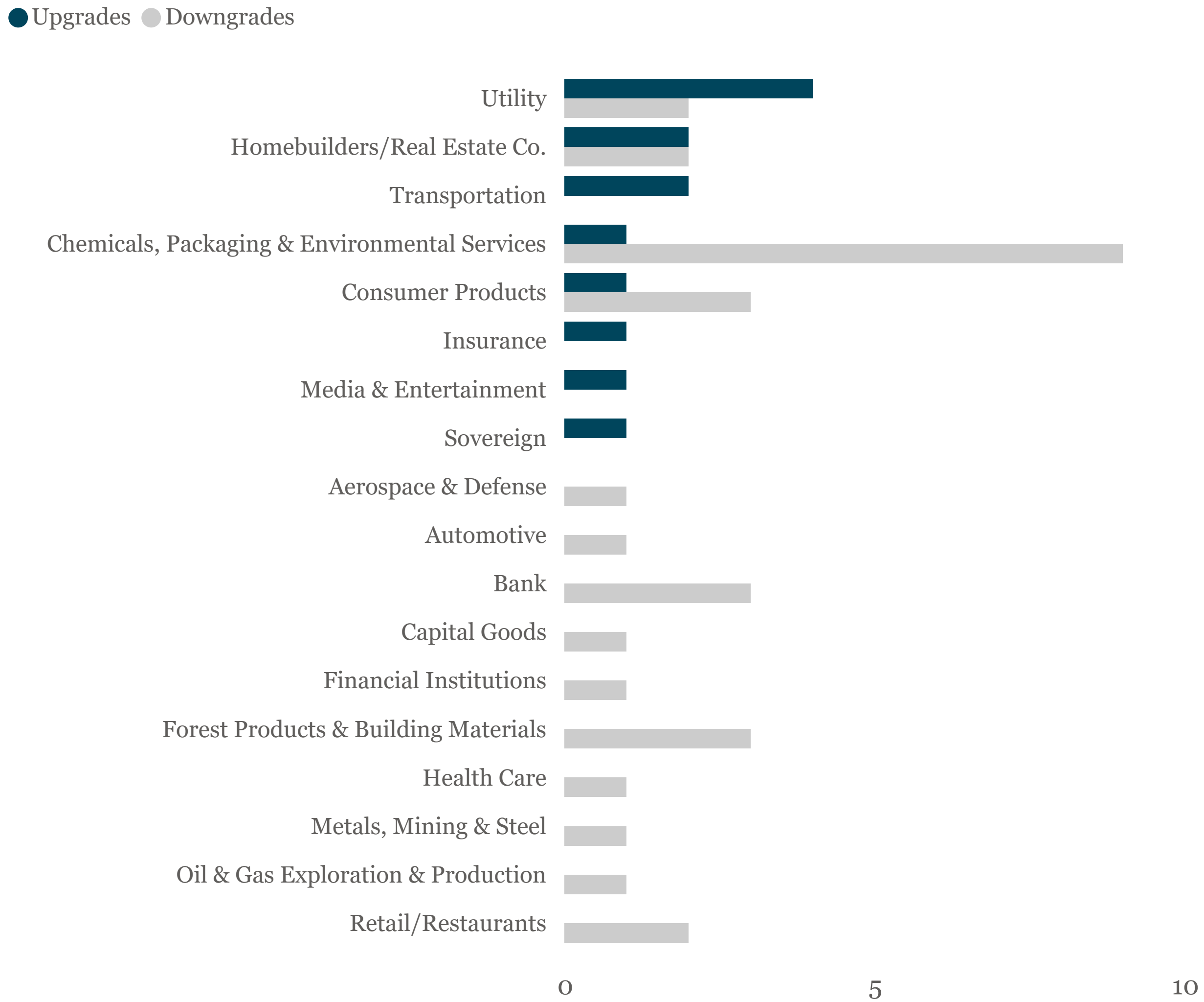
9.7 Moody's: Europe Issuer Rating Actions (corporate)



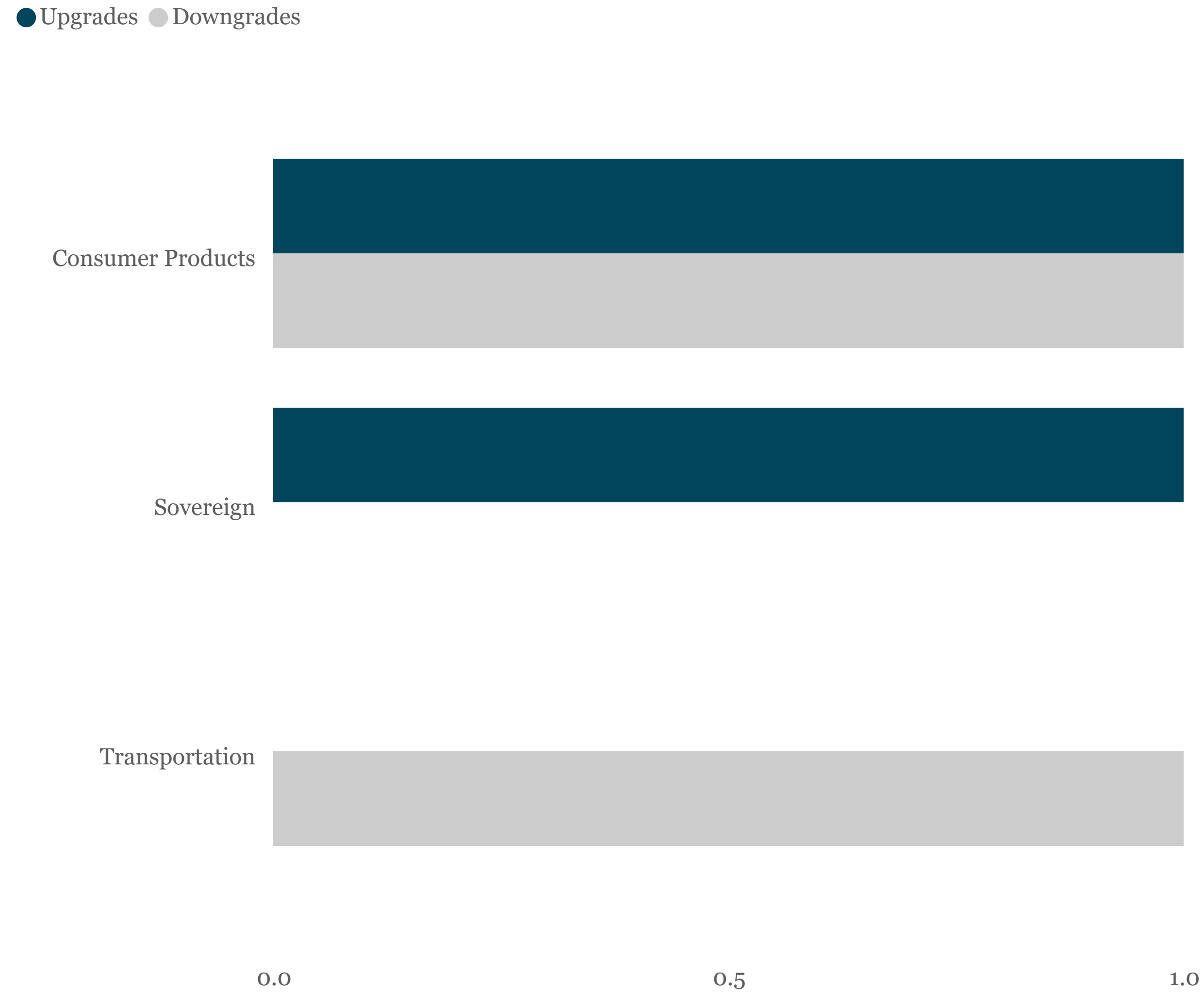
Source: S&P [9.5] and [9.6], Moody's [9.7]

Credit Quality - High Yield Bonds

9.8 S&P Developed European Industry Rating Actions by # of Ratings: Q1 2026



9.9 S&P Emerging European Industry Rating Actions by # of Ratings: Q1 2026



Source: S&P

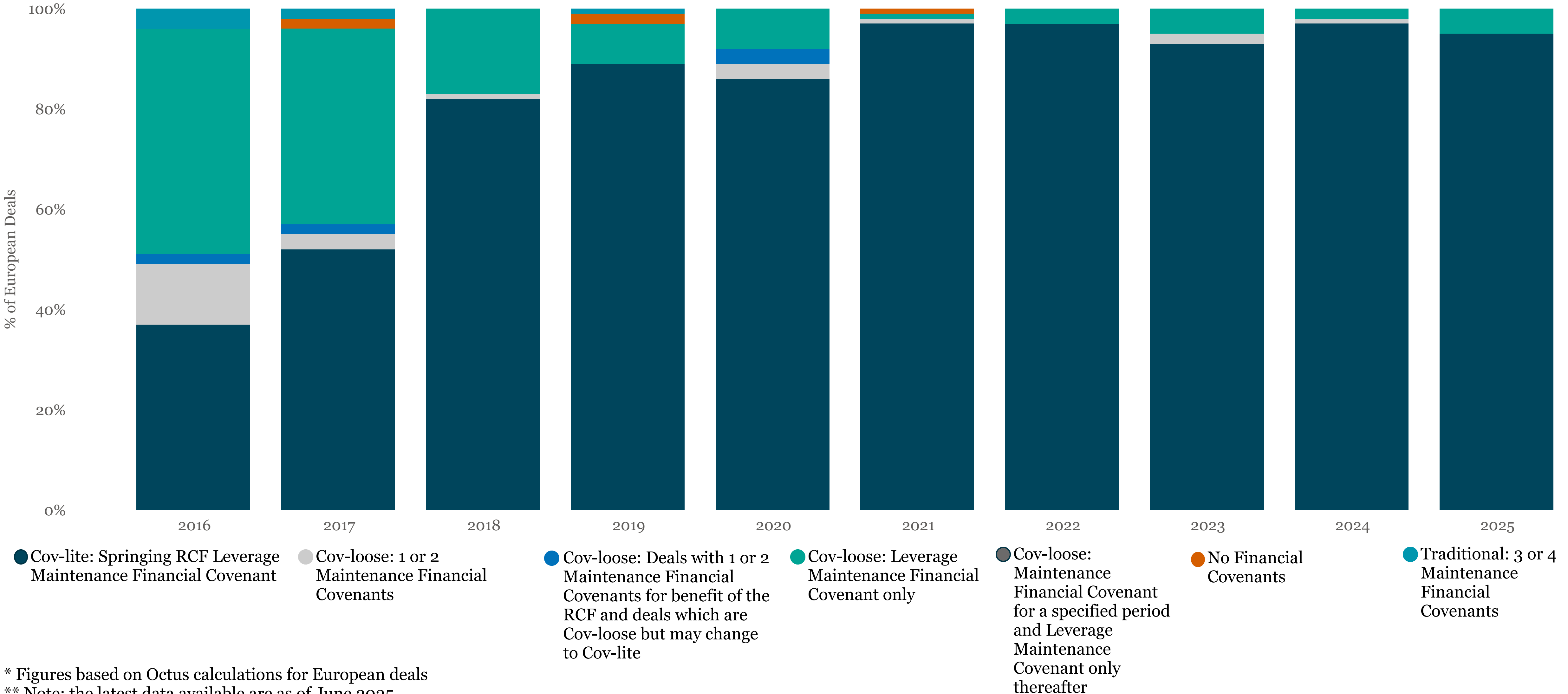
Credit Quality- High Yield Bonds

9.10 European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Arvos HoldCo S.a.r.l.	Capital Goods	Germany	Mar-2026	S&P	Distressed Exchange
Trinseo PLC	Chemicals, packaging, and environmental services	Ireland	Mar-2026	S&P	Missed Payments
Maxeda DIY Holding B.V.	Retail: specialty	Netherlands	Mar-2026	Moody's	Distressed Exchange
Vue Entertainment International Limited	Leisure & entertainment: movie theatres	United Kingdom	Mar-2026	Moody's	Distressed Exchange
Arvos BidCo S.a.r.l.	Manufacturing: finished products	Germany	Feb-2026	Moody's	Distressed Exchange
Eos Finco S.a r.l.	Consumer Products	Luxembourg	Feb-2026	S&P	Distressed Exchange
Garfunkelux Holdco 2 S.A.	Financial institutions	Luxembourg	Feb-2026	S&P	Missed Payments
Sprint BidCo B.V.	Consumer products: durables	Netherlands	Feb-2026	Moody's	Distressed Exchange
Eos Finco S.a.r.l.	Whlsl dstrbtn: industrial products - ms	France	Jan-2026	Moody's	Distressed Exchange
Ukrainian Railways JSC	Transportation	Ukraine	Jan-2026	S&P	Missed Payments

Source: S&P, Moody's

9.11 Financial Covenant Packages in European Leveraged Loans 2016 - 2025



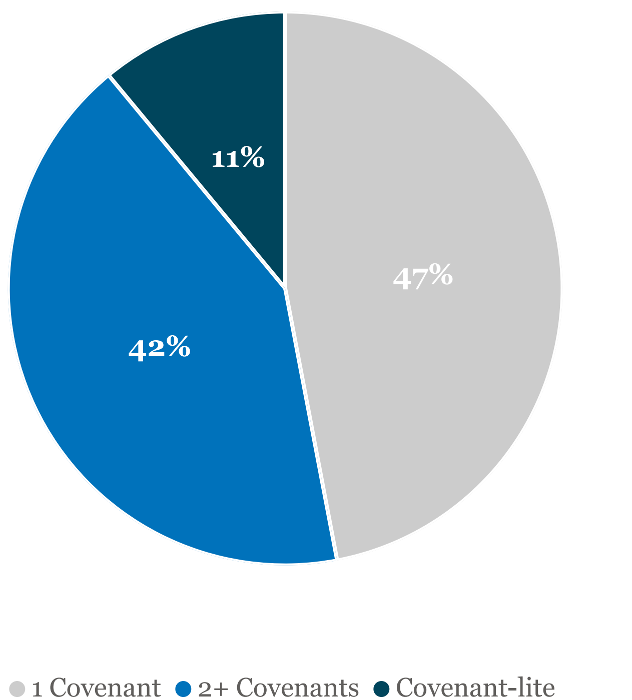
* Figures based on Octus calculations for European deals
** Note: the latest data available are as of June 2025

Source : Octus

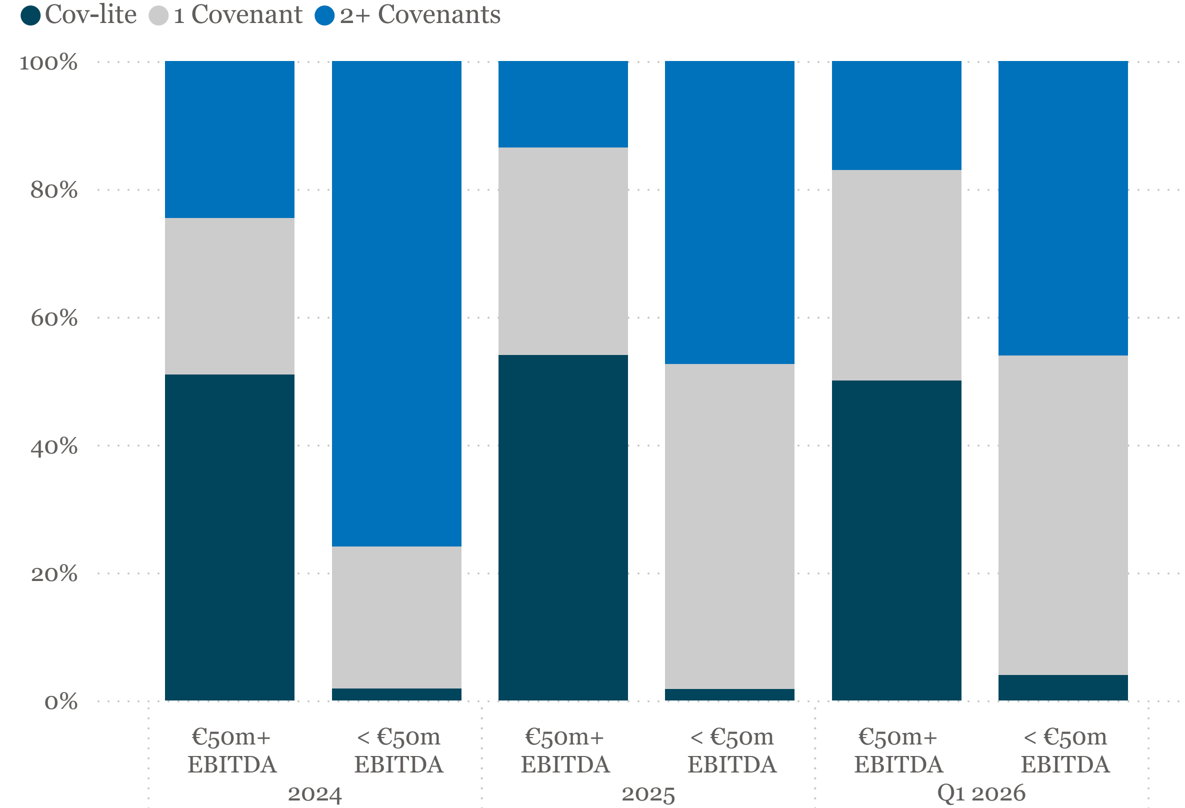
European Direct Lending Covenants

9.12 All Private Deals: Level of Covenants

Q1 2026



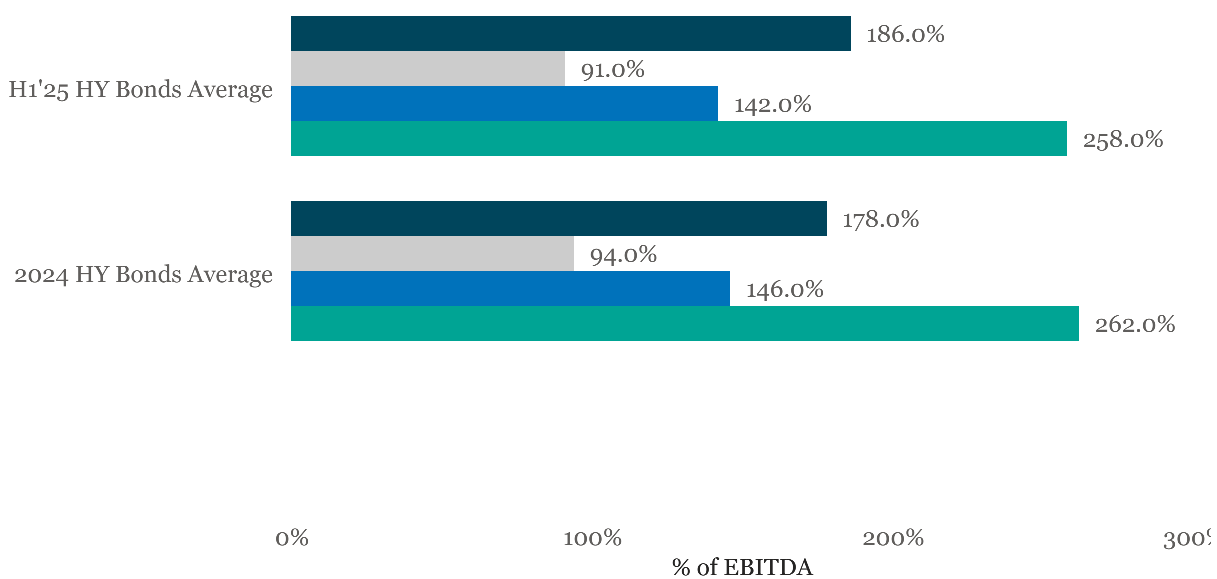
9.13 Number of Covenants by Private Issuer Size



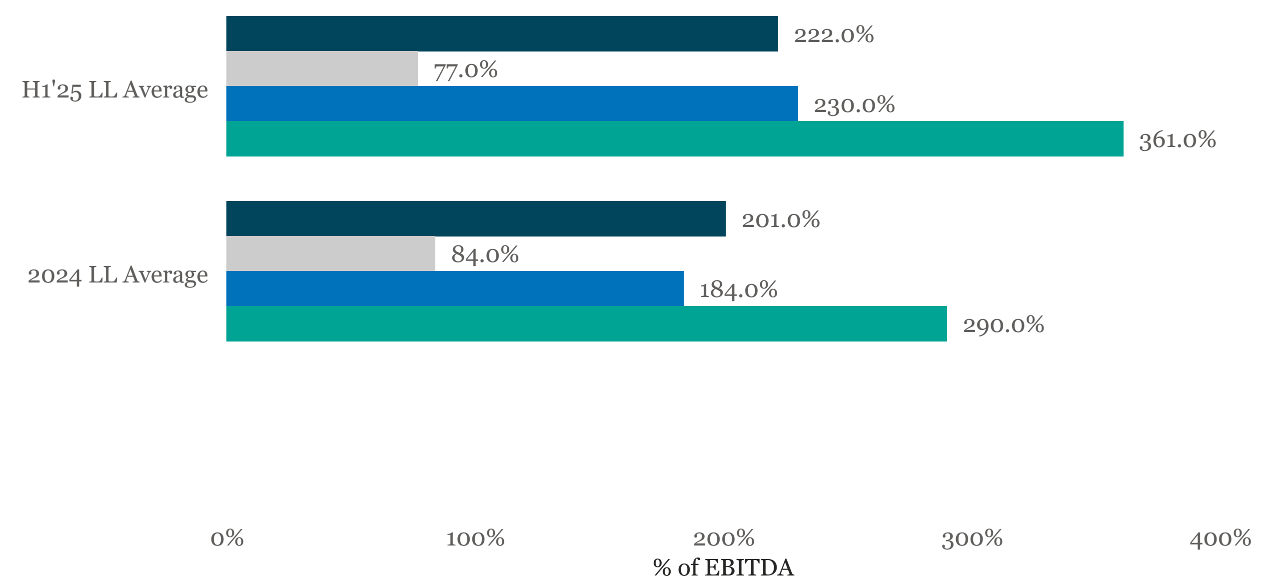
Source : KBRA DLD

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

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

Source: Octus

Relative Value and Total Return

Relative Value and Return

Returns and asset pricing

In Q1 2026, the Leveraged loan Lev40 Index decreased from 98.2 at the end of December 2025 to 96.5 at the end of March 2026.

Euro denominated AAA-A CLO spreads peaked in 17 April 2025 and subsequently tightened over the year, before widening again in the first quarter of 2026. As of March 2026, EURO CLO AAA 5-6 years spreads stood at 122.5 bps, EURO CLO AA 7-8 years spread stood at 207.5 bps, while EURO CLO A 7-8 years spread stood at 252.5 bps.

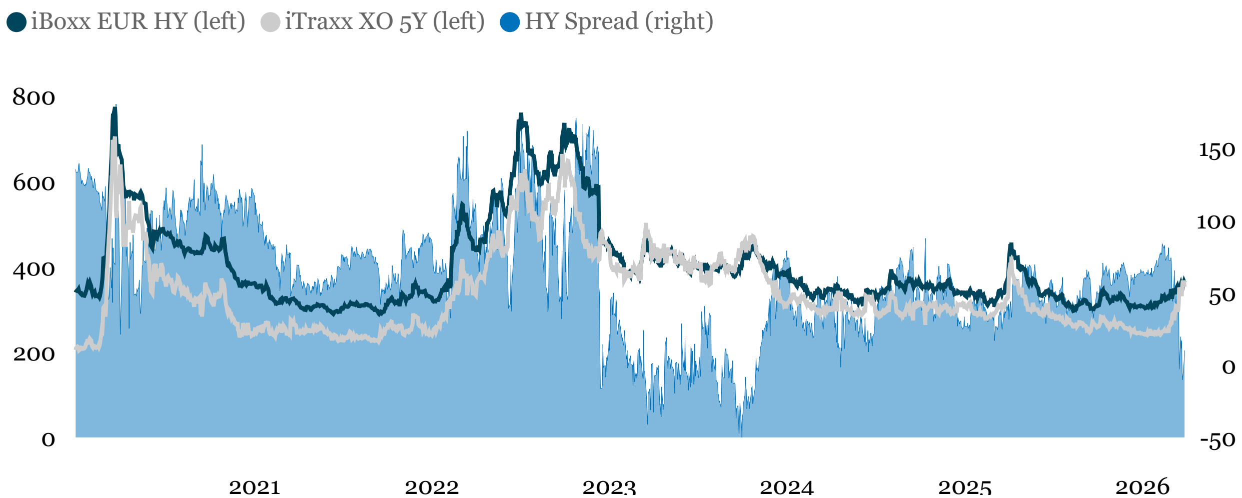
During Q1 2026, a majority of the asset classes analysed experienced a quarter-on-quarter price decrease (14 out of the 19). The top performer was the US Mortgage 30Y with a total return of 0.59%, closely followed by the Russell 2000 that recorded a gain of 0.58%. The highest losses were incurred by S&P 500 (-4.63%) and by U.S. HY Distressed (-4.44%).

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 8.01% in Q1 2026.
Sterling-denominated yields have followed a similar trajectory, reaching a high of 12.8% in Q1 2024 before falling to 9.57% in Q1 2026.

Relative Value and Total Return

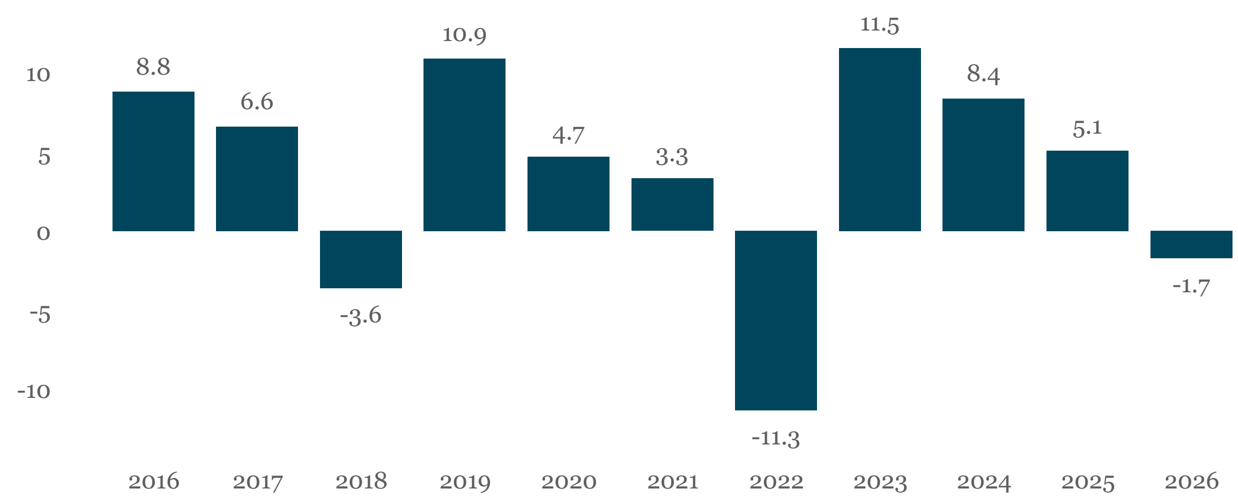
10.1 Relative value: European High Yield Bonds, Cash vs. Synthetic

Basis Points



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

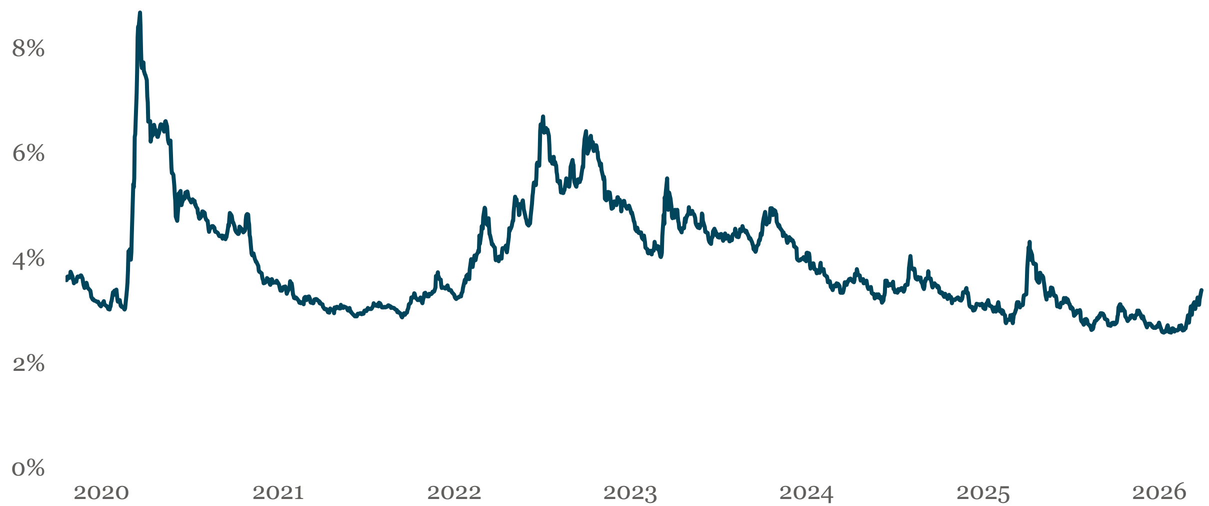
10.3 European High Yield Bonds Total Return



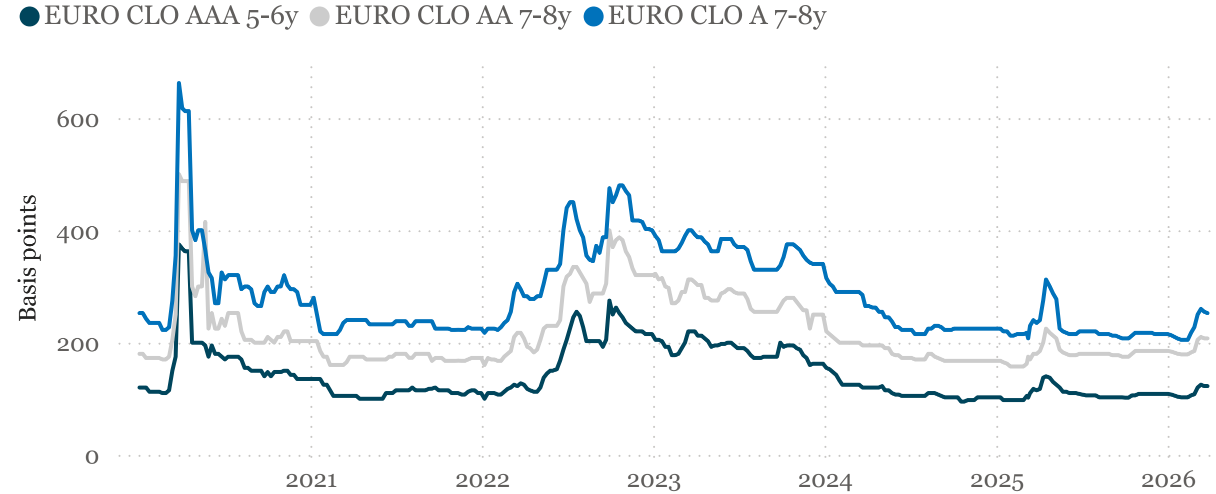
Source: LSEG [10.1] and [10.2], SIFMA [10.3]

Spreads and Yields

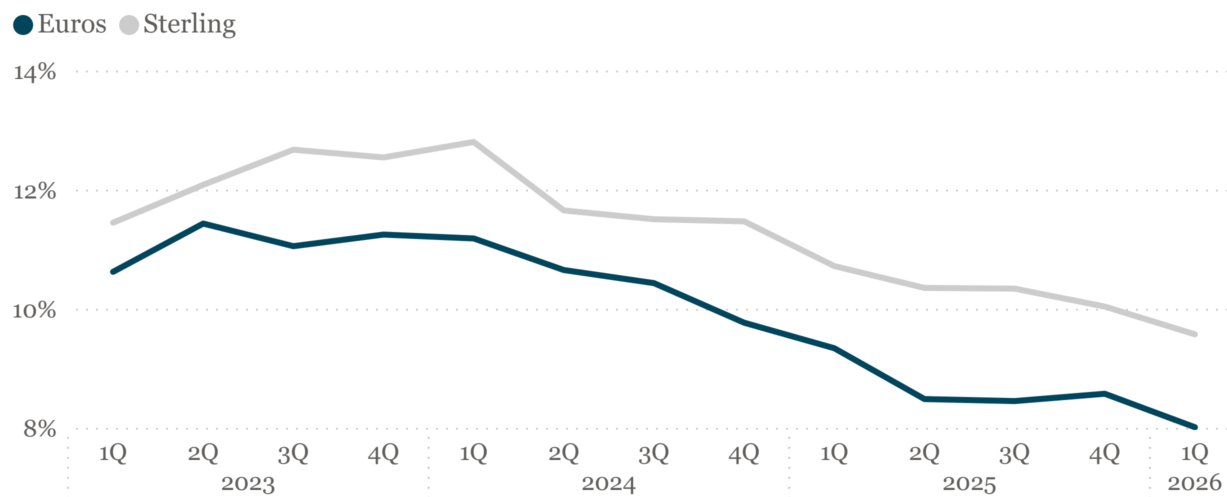
10.4 ICE BofA Euro High Yield Index Option-Adjusted Spread (%)



10.5 EURO 5-10 Yr AAA-A CLO Spreads



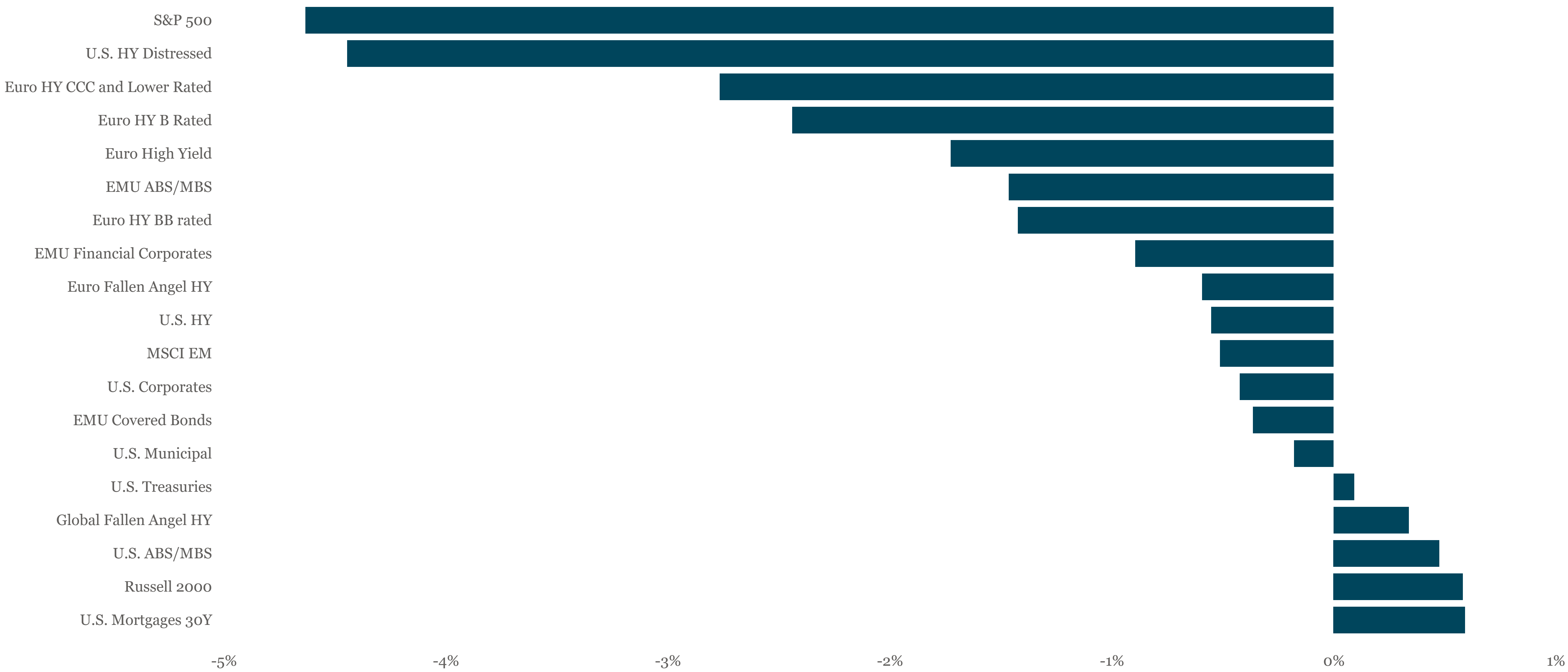
10.6 Yields of Private Credit Loan Origination



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

Total Return

10.7 Asset Class Total Return: Q1 2026



Source: LSEG and S&P

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.

Source: Octus (Direct Lending & ESG) and KBRA DLD (Credit Quality and Yields)

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