

European High Yield & Leveraged Loan Report



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European Leveraged Finance, Second Quarter 2015

Highlights and Market Environment

Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) decreased in 2Q'15 to €55.0 billion, a 4.8% decrease quarter-over-quarter (q-o-q) and a 41.2% decrease from a record setting €93.5 billion in 2Q'14. The quarterly decrease stems from the large fall in high yield bond issuance, which decreased by 15.6% in the second quarter of 2015 while the leveraged loan issuance increased by 12.4%; the high yield share of the leveraged finance market decreased to 54.2%, down from 61.2% in 1Q'15.

Market and Economic Environment

According to the July 2015 European Central Bank lending survey, credit standards for loans to enterprises, consumer credit and loans to households, both for and other than for house purchase, eased in net terms in the second quarter of 2015, supporting the recovery of loan growth. In 2Q'15, euro area banks reported a net easing of credit standards on loans to enterprises for the fifth consecutive quarter, driven in particular by banks' competition and cost of funds. Looking ahead to the third quarter of 2015, euro area banks expect no further net easing of credit standards on loans to enterprises. Across firm size, credit standards were eased on loans to both large firms and small and medium-sized enterprises (SMEs). Credit standards on loans to enterprises continued to ease in France and, more particularly, Italy. They were unchanged in net terms in Spain and in the Netherlands, while banks in Germany reported a marginal net tightening in standards.

Net demand for loans to enterprises improved significantly in 2Q'15 mostly due to general level of interest rates and fixed investment. The net percentage of banks reporting an increase in demand for loans to enterprises was 13%, up from 1% in the previous quarter. Banks reported a further strong net increase in the demand for housing loans as well. The net percentage of banks reporting an increase in demand for housing loans in the second quarter was 49%, up from 30% in the previous quarter.

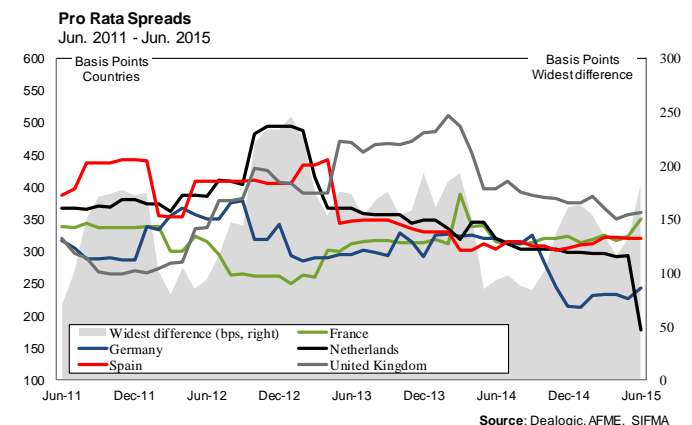
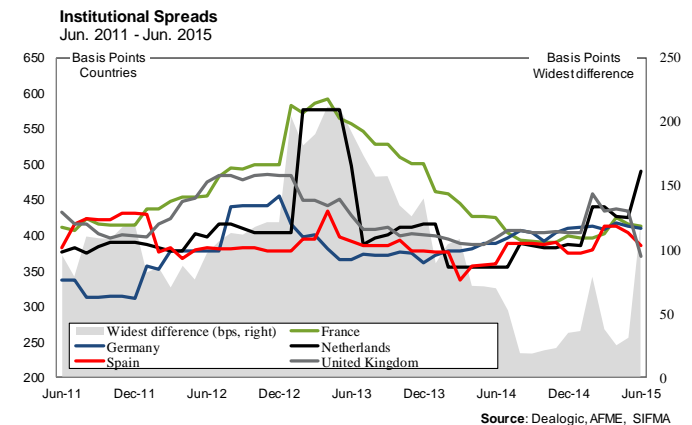
Issuance

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, increased in the second quarter of 2015 to €25.2 billion, up 12.4% q-o-q (€22.4 billion) but down 28.9% y-o-y (€35.4 billion). Amend-and-extend ("A&E") transactions not only continue to take place but accounted for over half of deals in the second quarter of 2015 (€14.7 billion or 58.4% by euro amount), a 143.3% increase from the first quarter's €6.0 billion.

In 2Q'15, no mezzanine loans and €0.1 billion in second liens were financed. Pricing spreads for institutional loans tightened by 15.8 basis points (bps) while spreads for pro

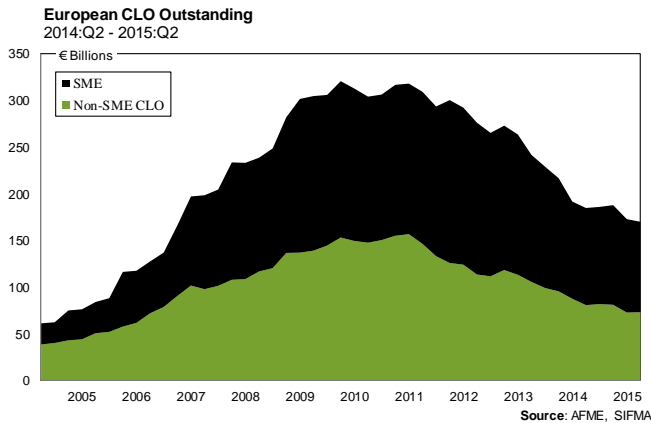
rata loans widened by 3.7 bps. Mezzanine loan spreads remained at 0 bps in the second quarter of 2015 as no mezzanine loans were financed so far in 2015.



According to Dealogic, the top three sectors in leveraged loan issuance for the second quarter of 2015 accounted for almost half of the issues; the leading sector was chemicals (€5.2 billion), followed by food & beverage (€3.7 billion) and forestry & paper (€2.7 billion).

The share of deals aimed to refinance and/or repay debt increased to €16.3 billion or 64.7% of all deals by euro amount in the second quarter of 2015, compared to 44.2% in 1Q'15 and 40.0% in 2Q'14. The second largest use of proceeds in 2Q'15 was leveraged buyouts totalling €5.5 billion or 21.9% of total issuance, down from 28.9% in 1Q'15 but up from 20.2% in 2Q'14.

European CLO outstandings, including SME deals, decreased by an annualized rate of 6.3% in 2Q'15, ending June 2015 at €170.0 billion. Non-SME CLOs increased at an annualized rate of 2.1% in 2Q'15 while SME CLOs decreased by an annualized 12.0%.



Issuance: High Yield Bonds

Primary issuance in 2Q'15 totalled €29.8 billion on 55 deals, a decrease of 15.6% and 48.7%, respectively, from 1Q'15 and 2Q'14. Issuance from developed market Europe decreased in the second quarter of 2015 while the issuance from emerging market Europe increased.

Primary issuance in developed market Europe in the second quarter of 2015 was €29.6 billion on 54 deals, a 15.9% and 48.2% decrease by euro amount, respectively, from 1Q'15 (€35.2 billion on 60 deals) and 2Q'14 (€57.2 billion on 102 deals). In emerging market Europe primary issuance in 2Q'15 was €0.15 billion on 1 deal, an increase of 124.8% but a decrease of 83.2% by euro amount, respectively, from 1Q'15 (€0.07 billion on 1 deals) and 2Q'14 (€0.9 billion on 3 deals).

In second quarter 2015, average deal sizes from developed market Europe decreased by 1.1% to an average of €581.0 million per deal (€587.2 million in 1Q'15). Average deal size for emerging market Europe increased to €150.0 million in 2Q'15 after the lowest average on record in 1Q'15 but still far below the €297.2 million in 2Q'14.

High yield issuance for refinancing and/or repayment of debt in developed market Europe increased q-o-q but decreased y-o-y, representing 28.7% of all issuance by euro

amount in 2Q'15, compared to 14.9% in 1Q'15 and 54.6% in 2Q'14. The only deal issued in emerging market Europe in the second quarter of 2015 was issued for repayment of debt, the first deal issued for this purpose since 2Q'14.

Two sectors accounted for almost half of the total high yield issuance in 2Q'15: auto/truck industry with €8.8 billion issued (29.6% of total) and telecommunications (€5.2 billion, 17.6%). Finance sector ranked third with €2.7 billion (8.9% of total) with the remainder of the issuance in the second quarter split among many industries.

The proportion of USD-denominated issuance increased in 2Q'15, representing 43.7% of all issuance by euro amount, compared to 28.6% in 1Q'15 and 33.8% in 2Q'14. USD-denominated issuance in developed market Europe increased to 43.9% of all issuance by euro amount from 28.5% in 2Q'15, while there were no USD-denominated issues in emerging market Europe in 2Q'15.

Returns & Credit Quality

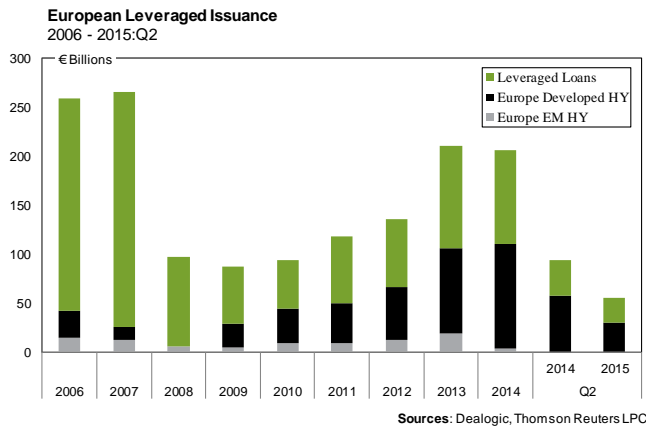
European leveraged loans led returns in the second quarter of 2015 (1.28%) followed by global fallen angel high yield bonds (0.82%) and Russell 2000 (0.09%). All other sectors recorded negative returns in 2Q'15. The worst performing asset classes were: U.S. distressed high yield (2Q'15 return of -3.66%), U.S. corporate bonds (-2.66%), and European Union financial corporate bonds (-2.31%).

High-yield bond default rates increased slightly in May 2015 (most recent data available at the time of publication), with S&P reporting 1.6% (up from 1.5% end-March 2015). Five bond-related defaults were reported in the second quarter, four in developed market Europe and one in emerging market Europe. All four defaults in developed market Europe were of Greek banks due to regulatory intervention.

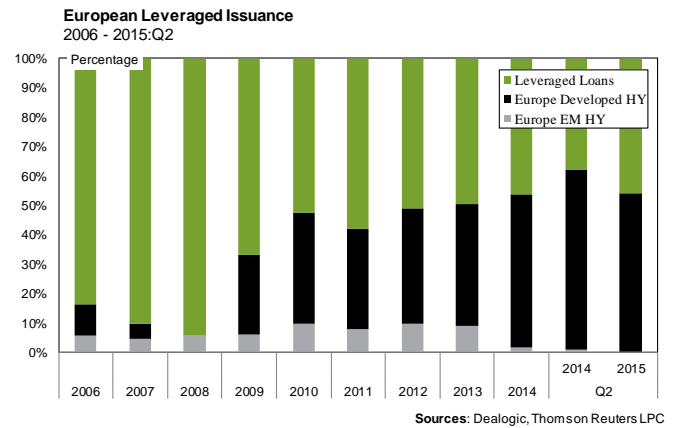
According to S&P, in 2Q'15 downgrades exceeded upgrades in developed market Europe and emerging market Europe, with 61 downgrades to 36 upgrades and 2 downgrades to zero upgrades, respectively. Both upgrades and downgrades were distributed across the sector spectrum. The sector with the most rating actions in second quarter 2015 was banking with 20 downgrades and 2 upgrades in developed market Europe and 2 downgrades in emerging market Europe.

1. Leveraged Finance Overview

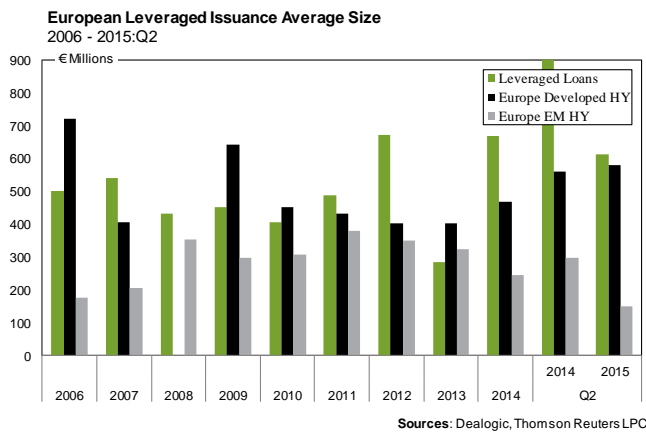
1.1. European Leveraged Issuance by Type



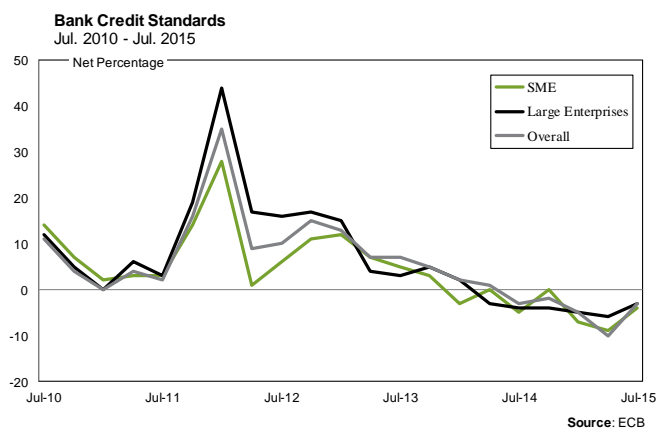
1.2. European Leveraged Issuance by Percentage



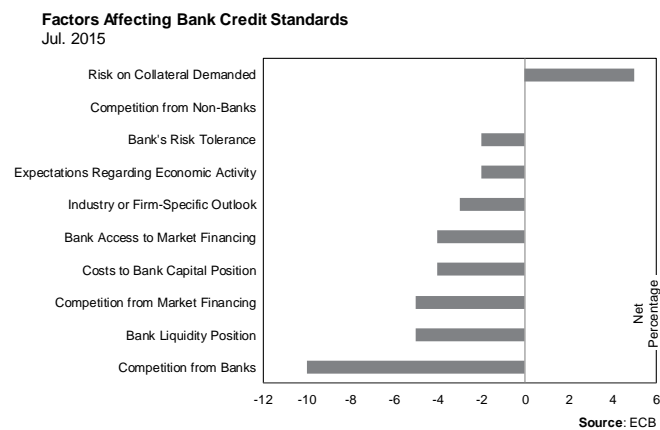
1.3. European Leveraged Issuance Average Deal Size



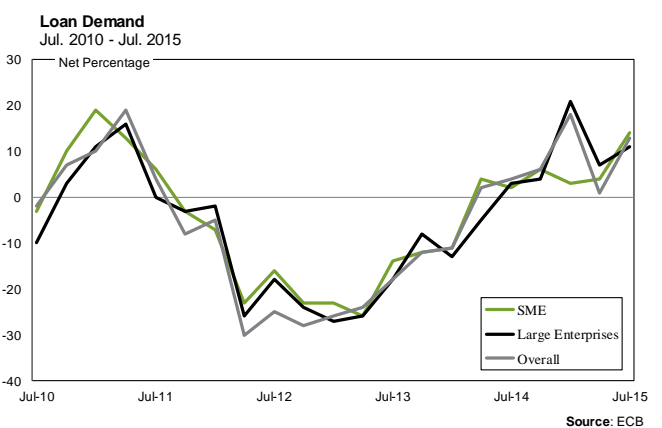
1.4. Bank Credit Standards¹



1.5. Factors Affecting Bank Credit Standards²



1.6. Loan Demand³

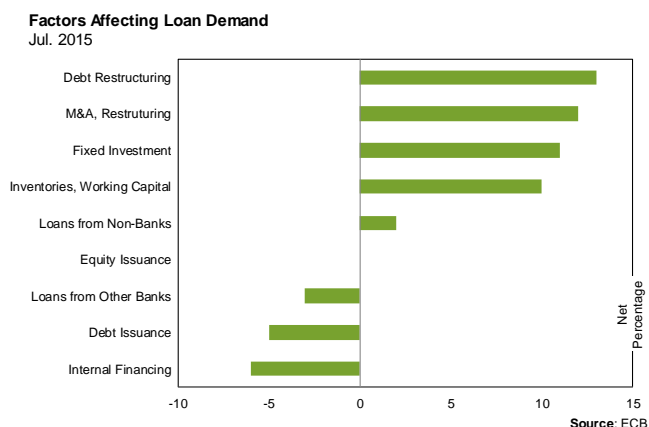


¹ A positive net percentage number signifies tightening bank credit; a negative net percentage number signifies easing credit.

² A positive net percentage signifies the factor contributed to tightening credit standards; a negative net percentage signifies the factor contributed to easing credit standards.

³ A positive net percentage signifies increased demand; a negative net percentage signifies decreased demand.

1.7. Factors Affecting Loan Demand⁴



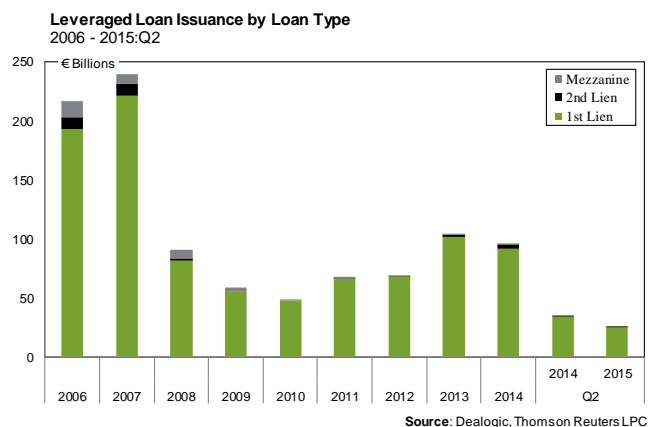
1.8. Global Comparison – High Yield Issuance

€ Billions	2015		2014					Prior	
	Q1	Q2	Q1	Q2	Q3	Q4	Full Year	2012	2013
United States	63.0	69.9	44.7	51.0	48.5	42.9	187.0	212.9	197.0
Asia Pacific	9.3	9.8	8.6	8.1	9.0	8.7	34.4	30.2	41.5
Europe	40.2	33.6	28.8	61.7	21.8	10.8	123.1	82.8	120.9

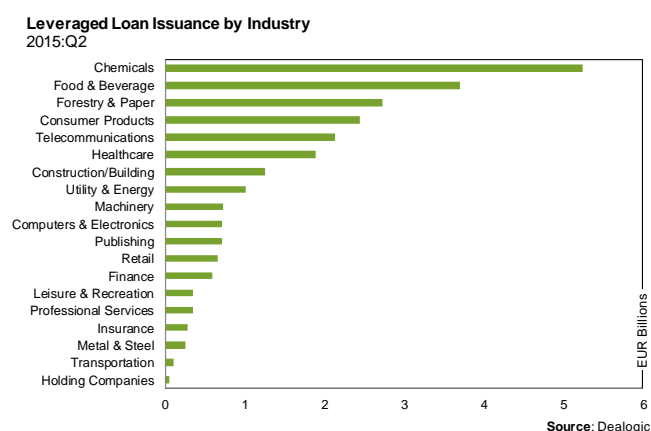
Source: Dealogic

2. Issuance – Leveraged Loans

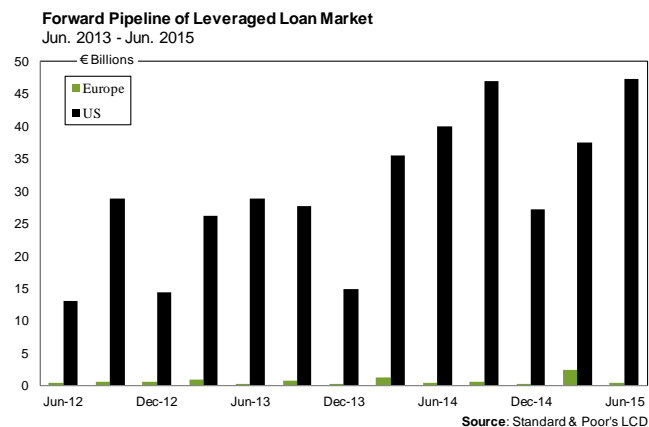
2.1. European Leveraged Loan Issuance By Loan Type



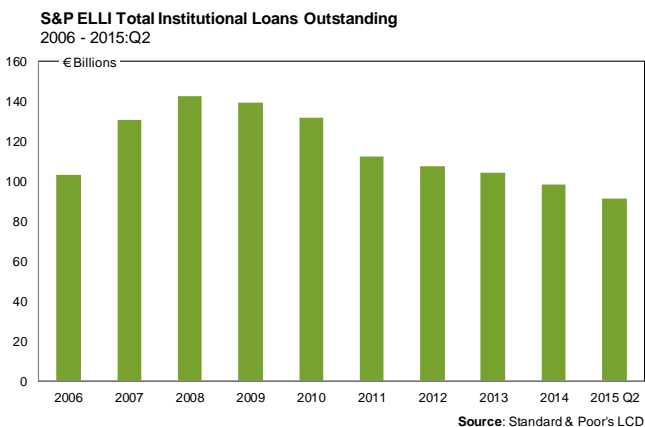
2.2. European Leveraged Loan Issuance by Industry Sector



2.3. Forward Pipeline of Leveraged Loan Market

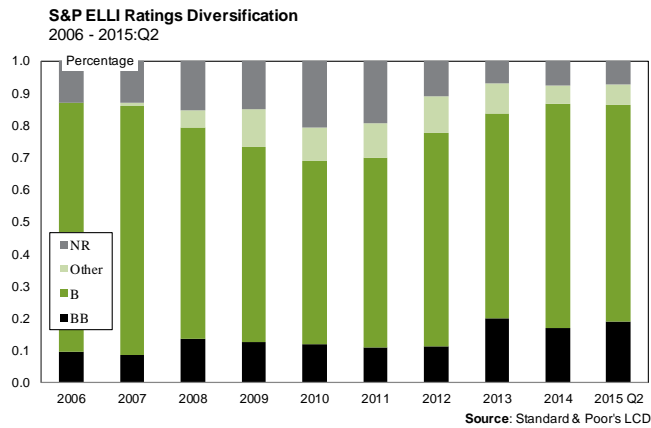


2.4. S&P ELLI Total Institutional Loans Outstanding

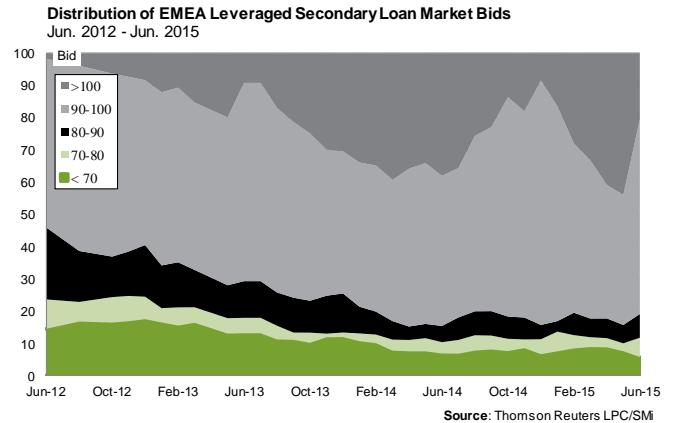


⁴ A positive net percentage signifies a factor that contributed to higher demand; a negative net percentage signifies a factor that contributed to lower demand.

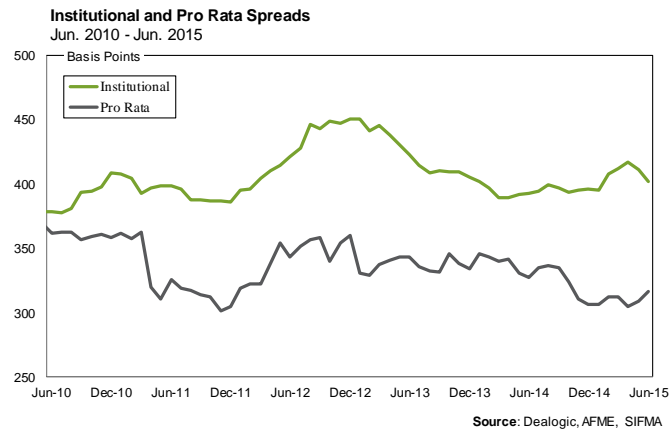
2.5. S&P ELLI Ratings Diversification



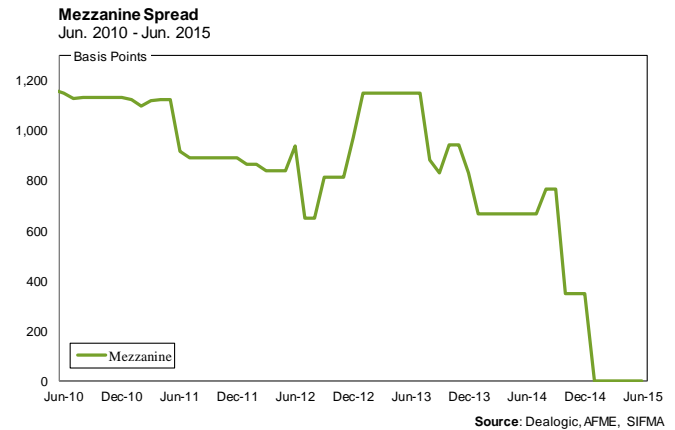
2.6. Distribution of Leveraged Loan Secondary Market Bids



2.7. Institutional and Pro Rata Spreads

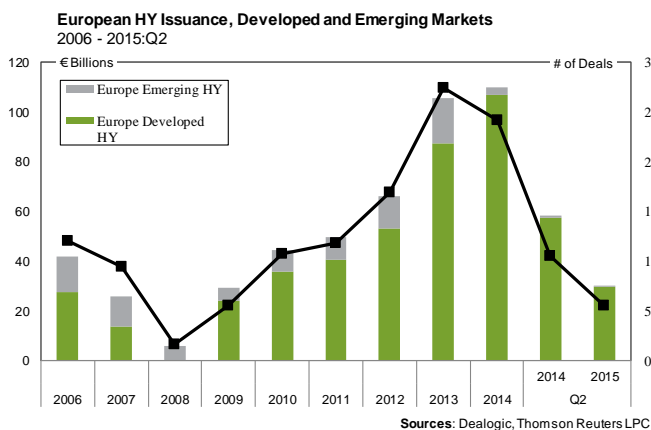


2.8. Mezzanine Spread

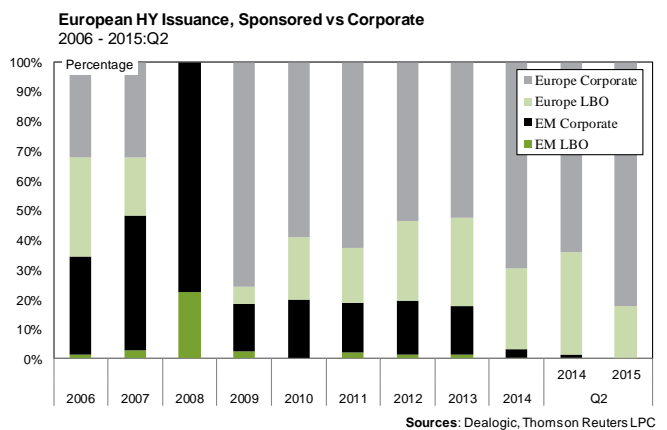


3. Issuance – High Yield Bonds Overview

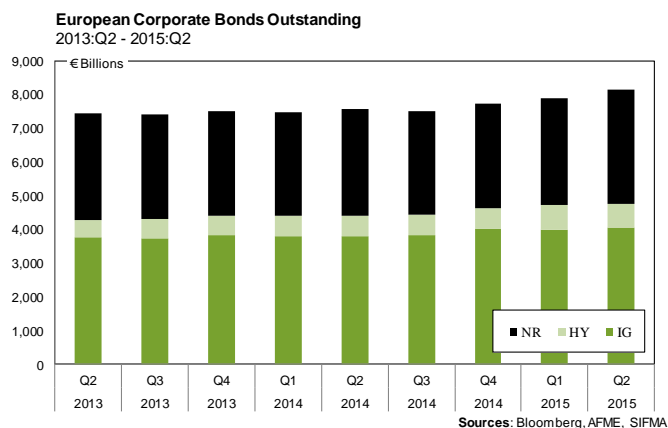
3.1. European HY Bond Issuance, Developed and Emerging Market



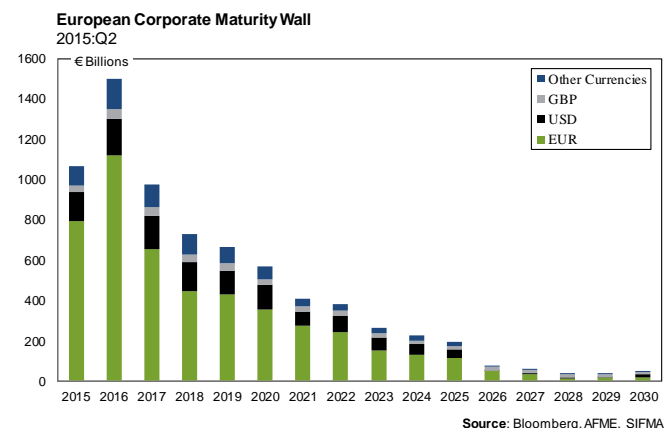
3.2. European HY Bond Issuance, Sponsored vs. Corporate



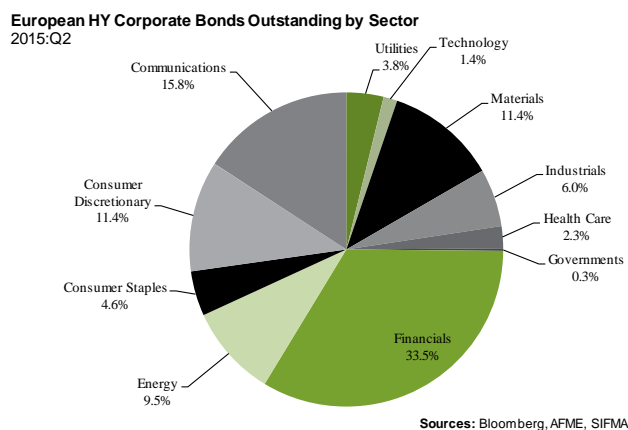
3.3. European Corporate Bonds Outstanding



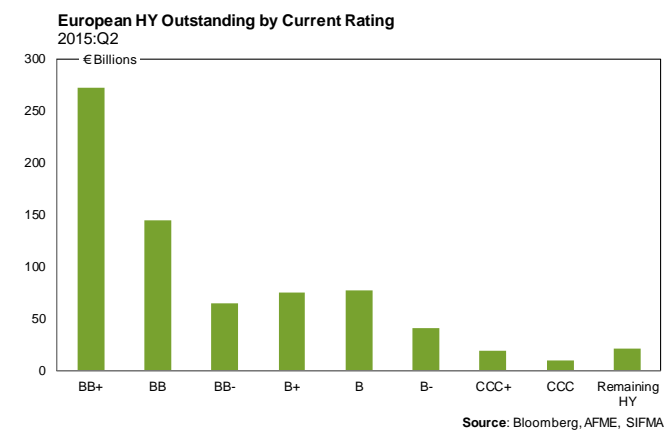
3.4. European Corporate Bonds Maturity Wall



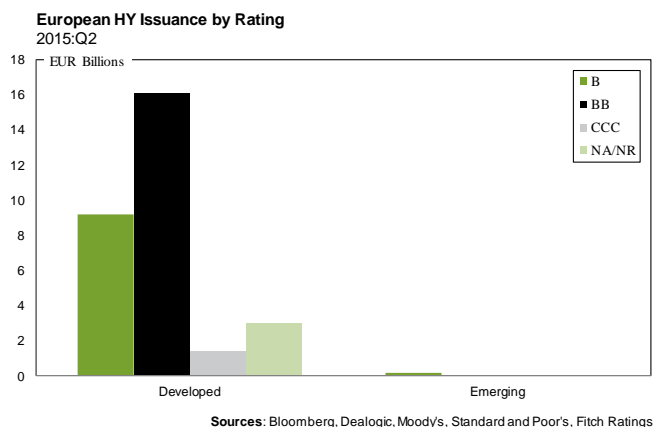
3.5. European Corporate HY Bonds Outstanding By Sector



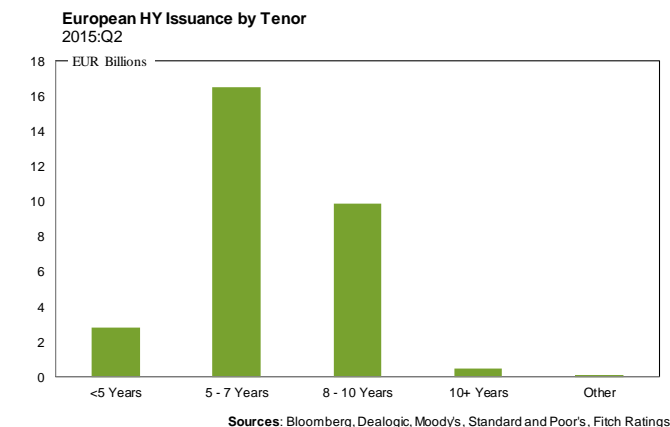
3.6. European Corporate HY Bonds Outstanding by Current Rating



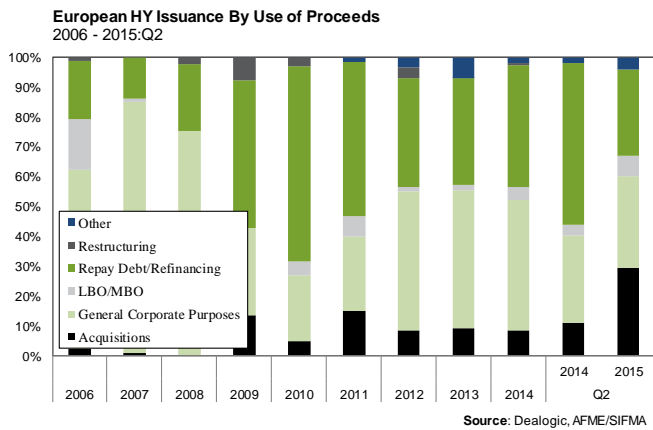
3.7. European Corporate Bond Issuance by Rating



3.8. European Corporate Bond Issuance by Tenor

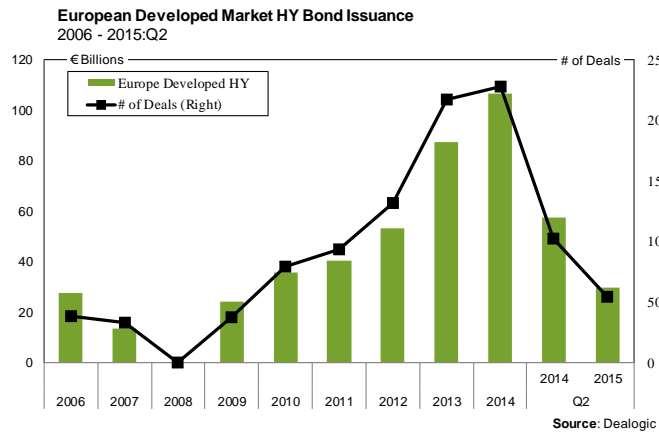


3.9. European HY Use of Proceeds

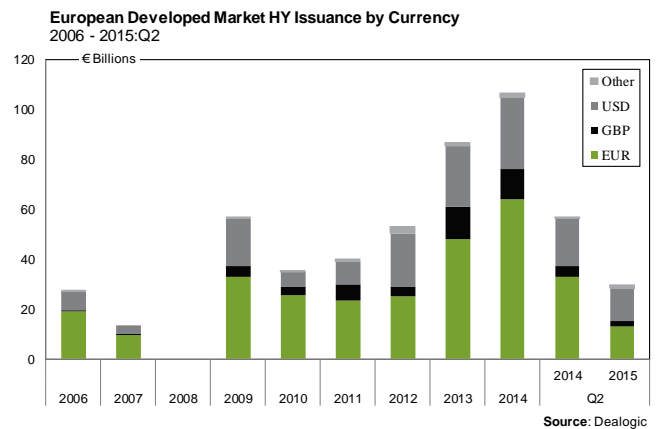


4. Issuance – European Developed Market High Yield Bonds

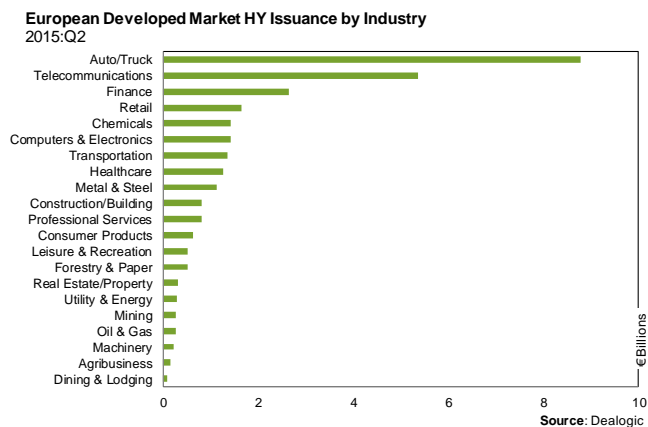
4.1. European Developed Market HY Bond Issuance



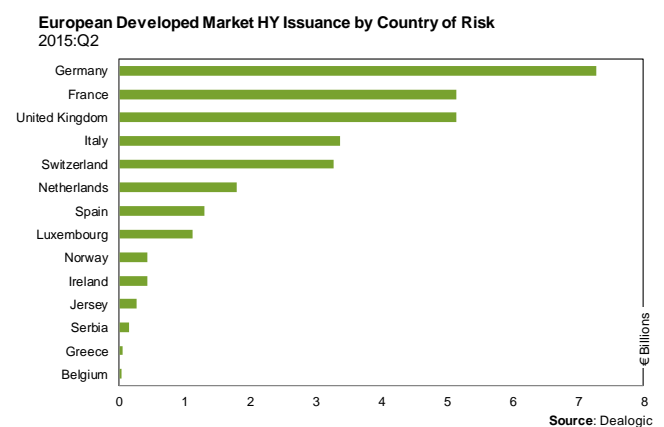
4.2. European Developed Market HY Issuance by Currency



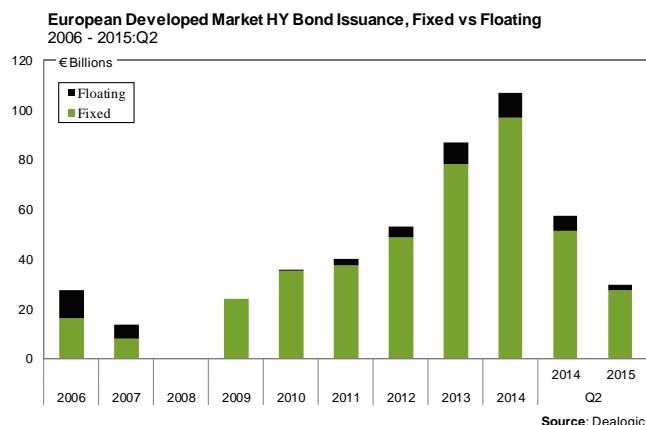
4.3. European Developed Market HY Issuance by Industry



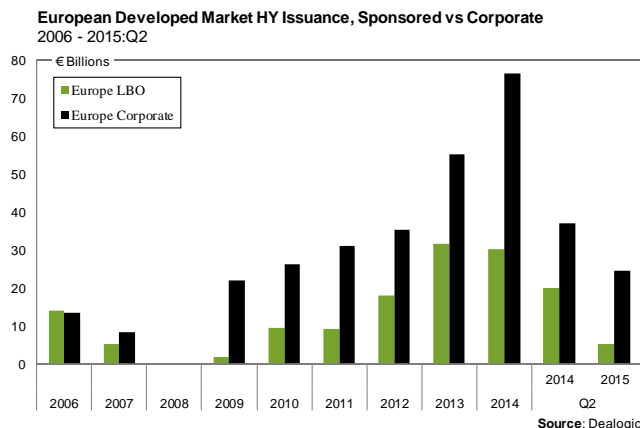
4.4. European Developed Market HY Issuance by Country of Risk



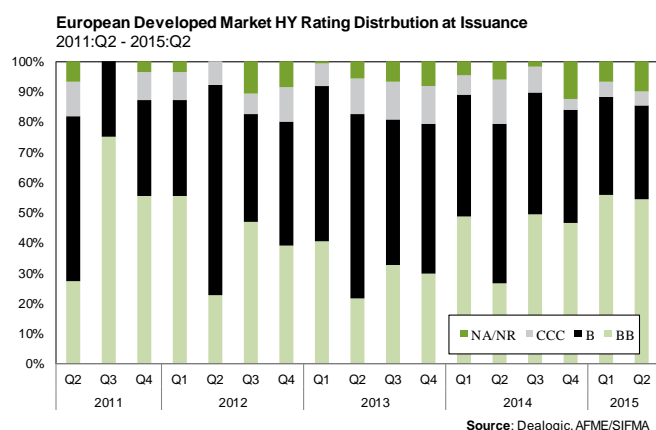
4.5. European Developed Market HY Issuance, Fixed vs. Floating



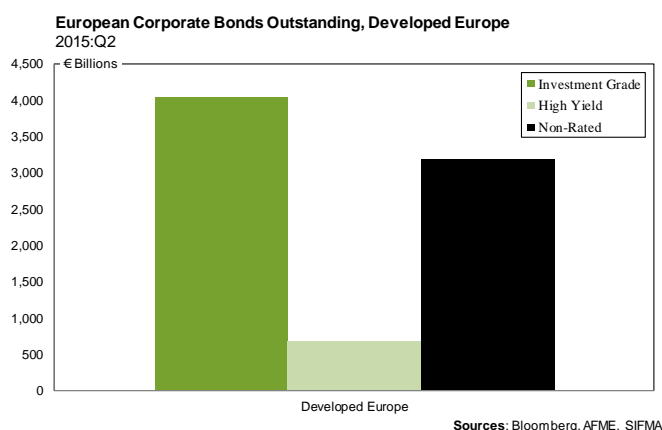
4.6. European Developed Market HY Issuance, Sponsored vs. Corporate



4.7. European Developed Market HY Rating Distribution at Issuance



4.8. European Developed Market Corporate Bonds Outstanding



4.9. European Developed Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moodys	S&P	Fitch
Co-operative Bank plc	Finance	26/06/2015	GBP	250	8.500			
ArcelorMittal SA	Metal & Steel	25/06/2015	CHF	225	2.500	Ba1	BB	BB+
Kirk Beauty One GmbH	Consumer Products	24/06/2015	EUR	335	8.750	Caa1	CCC+	
			EUR	300	6.250	B1		
CNH Industrial Capital LLC	Finance	23/06/2015	USD	600	3.875	Ba1	BB	
AerCap Ireland Capital Ltd	Finance	22/06/2015	USD	500	4.625	Ba2	BB+	BB+
			USD	500	4.250	Ba2	BB+	BB+
WFS Global SAS	Transportation	19/06/2015	EUR	225	9.500	B2	B	
New Look Secured Issuer plc	Retail	12/06/2015	GBP	200	8.000	Caa1	CCC	
			EUR	415	6.500	B1	B	
			GBP	700	6.500	B1	B	
Ephios Bondco plc	Healthcare	12/06/2015	EUR	300	6.250	B3	B	
			EUR	500	6.250	B3	B	
Grupo Antolin Dutch BV	Auto/Truck	10/06/2015	EUR	400	5.125	B1	BB-	
PizzaExpress Financing 2 plc	Dining & Lodging	02/06/2015	GBP	55	6.625	B2	B	
NXP BV	Computers & Electronics	02/06/2015	USD	600	4.125	Ba3	BB	
			USD	400	4.625	Ba3	BB	
Alice US Finance SA	Telecommunications	29/05/2015	USD	320	7.750	Caa2	CCC+	
			USD	300	7.750	Caa1	B-	
			USD	1,100	5.375	Ba3	BB-	

Source: Bloomberg, Dealogic

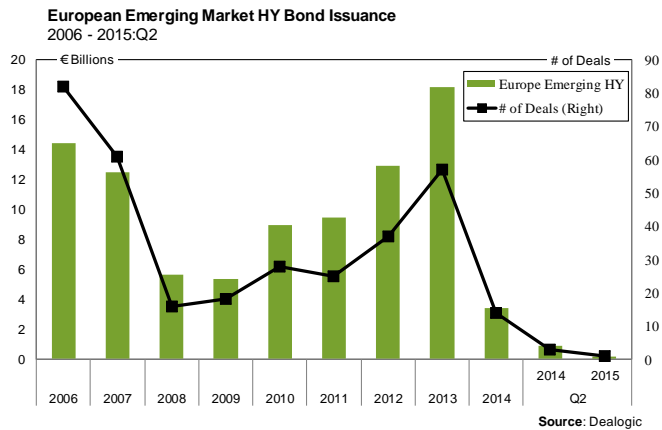
ISSUANCE

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moodys	S&P	Fitch
Europcar Groupe SA	Transportation	27/05/2015	EUR	475	5.750	B3	B-	
ArcelorMittal SA	Metal & Steel	27/05/2015	USD	500	6.125	Ba1	BB	BB+
			USD	500	5.125	Ba1	BB	BB+
Color Group ASA	Transportation	26/05/2015	NOK	700	5.860			
Novacap International SAS	Chemicals	21/05/2015	EUR	95	4.995	B2	B	
Color Group ASA	Transportation	21/05/2015	NOK	700	6.300			
Vistajet	Transportation	20/05/2015	USD	300	7.750	B-		B
Rexel SA	Computers & Electronics	20/05/2015	EUR	500	3.250	Ba3	BB	BB
Diana Shipping Inc	Transportation	20/05/2015	USD	55	8.500			
Permanent tsb plc	Finance	18/05/2015	EUR	300	2.375	B2	B+	
Veneto Banca ScpA	Finance	13/05/2015	EUR	40	6.944			
UPCB Finance IV Ltd	Telecommunications	13/05/2015	USD	340	5.375	Ba3	BB	
Det norske oljeselskap ASA - DETNOR	Oil & Gas	13/05/2015	USD	300	10.250			
Golar LNG Partners LP	Transportation	11/05/2015	USD	150	4.684			
Autodis SA	Auto/Truck	11/05/2015	EUR	60	6.500	B2	B+	
Petra Diamonds US\$ Treasury plc	Mining	06/05/2015	USD	300	8.250	B2	B+	
Alliance Automotive Group SAS	Auto/Truck	06/05/2015	EUR	65	6.250	B2	B+	
Exmar NV	Transportation	04/05/2015	NOK	300	5.800			
Cirsa Funding Luxembourg SA	Leisure & Recreation	28/04/2015	EUR	500	5.875	B3	B+	
Permanent tsb plc	Finance	27/04/2015	EUR	125	8.625			
ZF North America Capital Inc	Auto/Truck	24/04/2015	USD	1,500	4.750	Ba2	BB	
			USD	1,000	4.500	Ba2	BB	
			USD	1,000	4.000	Ba2	BB	
Sacyr SA	Construction/Building	24/04/2015	EUR	26	4.500			
Rapid Holding AG	Construction/Building	24/04/2015	EUR	400	6.625	B2	B+	
Virgin Media Secured Finance plc	Telecommunications	23/04/2015	USD	500	5.250	Ba3	BB-	
Progroup AG	Forestry & Paper	23/04/2015	EUR	250	5.125	B1	B+	
			EUR	250	5.125	B1	B+	
JH-Holding Finance SA	Finance	23/04/2015	EUR	125	8.250			
INEOS Finance plc	Chemicals	23/04/2015	EUR	770	4.000	Ba3	BB-	
Novalis SAS	Professional Services	22/04/2015	EUR	800	3.000	Ba2	BB	
ZF North America Capital Inc	Auto/Truck	20/04/2015	EUR	1,100	2.750	Ba2	BB	
			EUR	1,150	2.250	Ba2	BB	
Jerrold FinCo plc	Finance	17/04/2015	GBP	100	9.750		BB-	BB-
Heidelberger Druckmaschinen AG	Machinery	17/04/2015	EUR	205	8.000	Caa1	CCC+	
Anglian Water (Osprey) Financing plc	Utility & Energy	17/04/2015	GBP	210	5.000	Ba3		BB+
Matterhorn Financing & Cy SCA	Telecommunications	16/04/2015	CHF	450	4.875	B2	B	
			EUR	1,000	3.875	B2	B	
			CHF	450	3.625	B2	B	
			EUR	1,000	3.875	B2	B	
International Personal Finance plc	Finance	16/04/2015	EUR	100				BB+
Abengoa Finance SAU	Construction/Building	16/04/2015	EUR	375	7.000	B2	B+	B
Unipol Banca SpA	Finance	15/04/2015	EUR	65	3.150	Ba2	NR	
SPCM SA	Chemicals	15/04/2015	EUR	550	2.875		BB+	NR
Moy Park (Bondco) plc	Agribusiness	14/04/2015	GBP	100	6.250	B1	B+	
Fiat Chrysler Automobiles NV	Auto/Truck	09/04/2015	USD	1,500	5.250			
			USD	1,500	4.500	B2	BB-	BB-
Hikma Pharmaceuticals plc	Healthcare	08/04/2015	USD	500	4.250	Ba1	BB+	
Adler Real Estate AG	Real Estate/Property	02/04/2015	EUR	300	4.750			

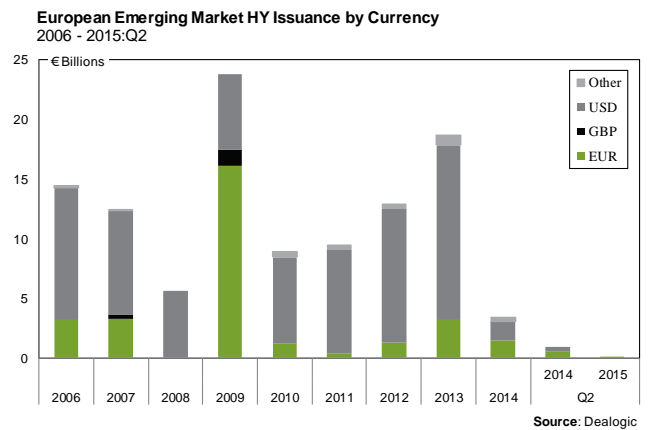
Source: Bloomberg, Dealogic

5. Issuance – European Emerging Market High Yield Bonds

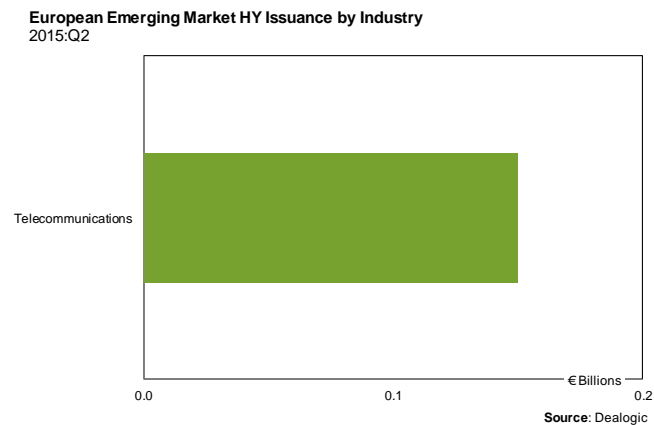
5.1. European Emerging Market HY Bond Issuance



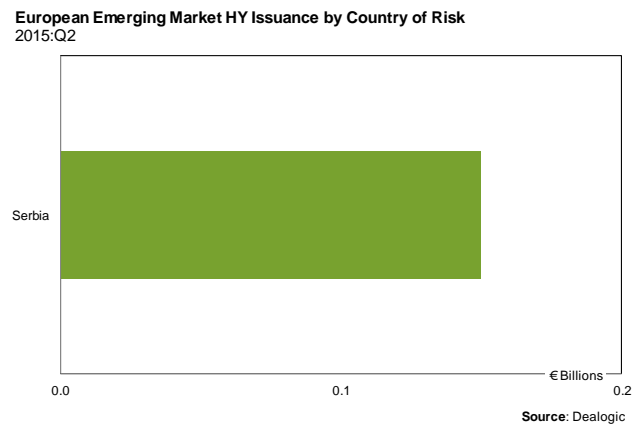
5.2. European Emerging Market HY Bond Issuance by Currency



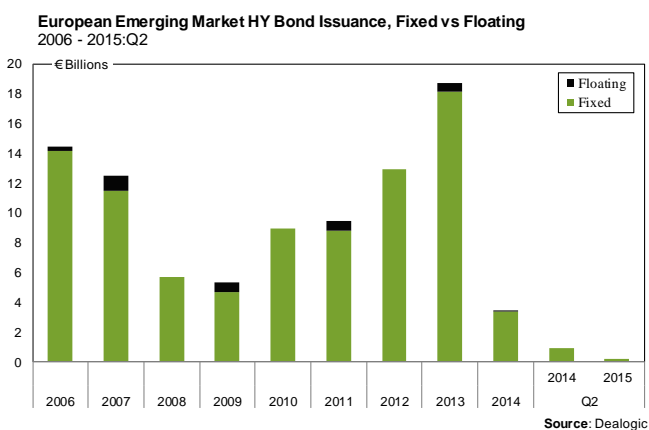
5.3. European Emerging Market HY Issuance by Industry



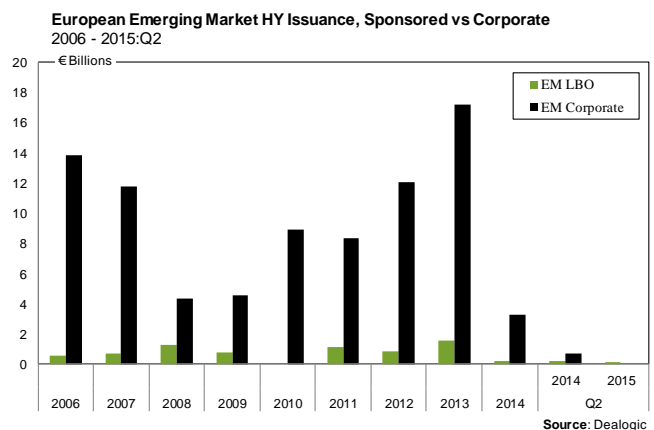
5.4. European Emerging Market HY Issuance by Country of Risk



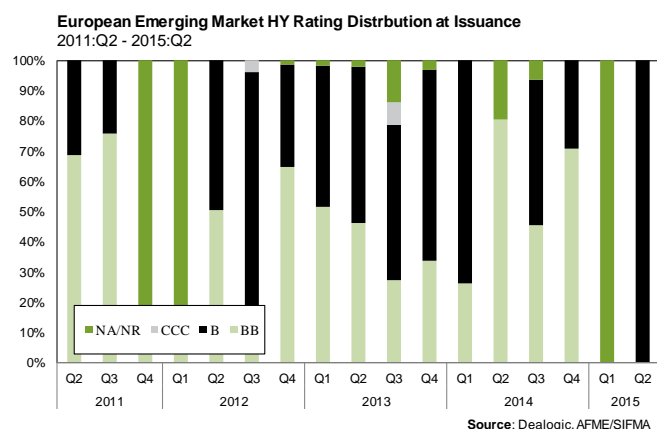
5.5. European Emerging Market HY Issuance, Fixed vs. Floating



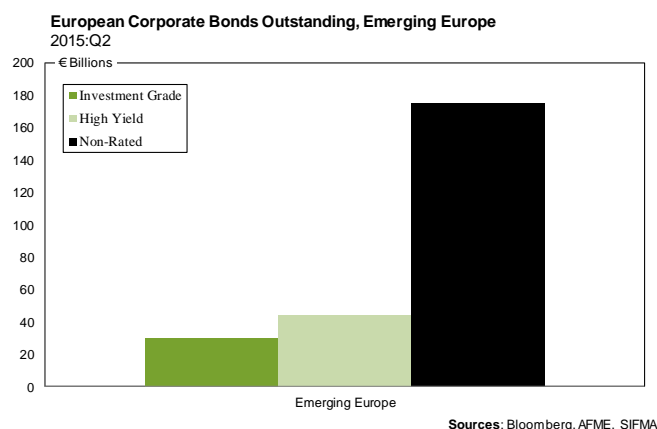
5.6. European Emerging Market HY Issuance, Sponsored vs. Corporate



5.7. European Emerging Market HY Rating Distribution at Issuance



5.8. European Emerging Market Corporate Bonds Outstanding



5.9. Emerging Market HY Bond Issuance

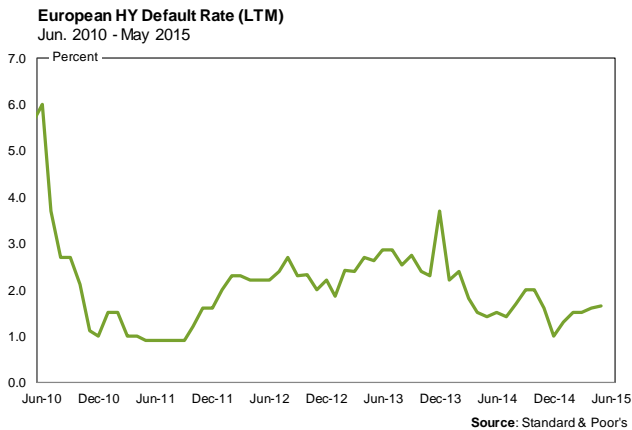
Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
United Group BV	Telecommunications	21/04/2015	EUR	150	7.875	B2	B	NA

†PIK (Payment in Kind); ‡Debut issue

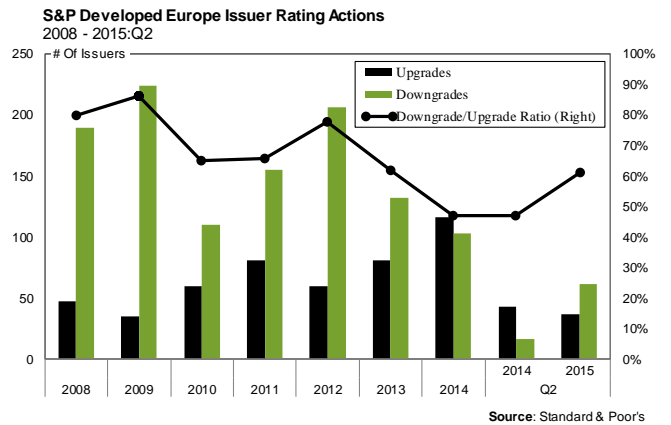
Source: Bloomberg, Dealogic

6. Credit Quality

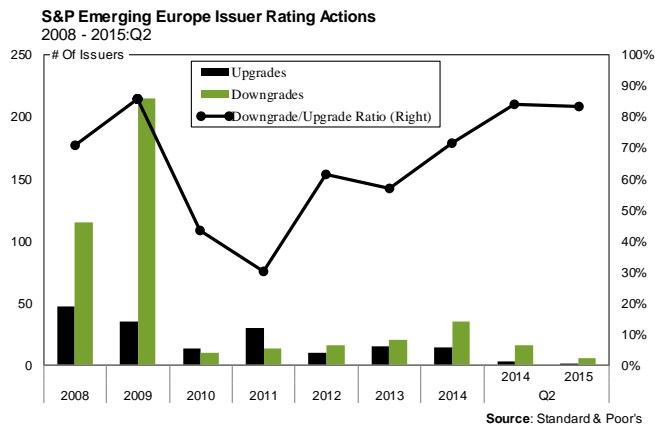
6.1. European HY Default Rate



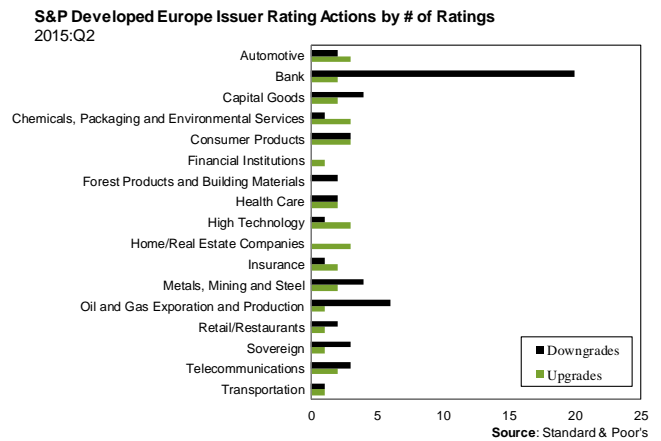
6.2. Developed Europe Issuer Rating Actions¹



6.3. Emerging Europe Issuer Rating Actions²

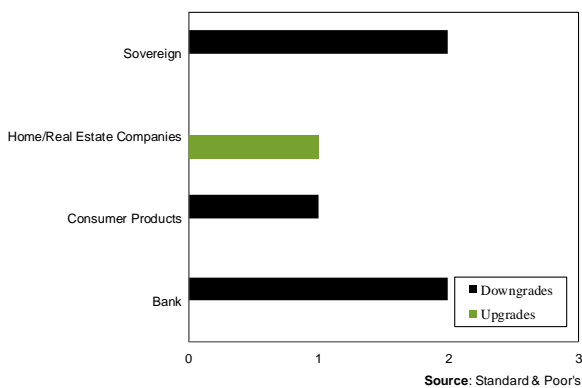


6.4. Developed European Industry Rating Actions by # of Ratings



6.5. Emerging European Industry Rating Actions by # of Ratings

S&P Emerging Europe Issuer Rating Actions by # of Ratings
2015:Q2



¹ Numbers include both corporate and sovereigns.

² Numbers include both corporate and sovereigns.

CREDIT QUALITY

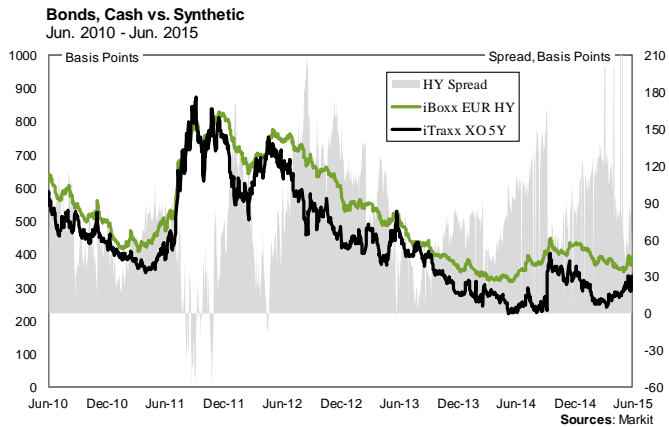
6.6. European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Far-Eastern Shipping Co. PLC	Transportation	Russia	May 2015	S&P	Debt Exchange
Piraeus Bank S.A.	Bank	Greece	June 2015	S&P	Regulatory Intervention
Eurobank Ergasias S.A.	Bank	Greece	June 2015	S&P	Regulatory Intervention
Alpha Bank A.E.	Bank	Greece	June 2015	S&P	Regulatory Intervention
National Bank of Greece S.A.	Bank	Greece	June 2015	S&P	Regulatory Intervention

Source: Moody's, Standard & Poor's

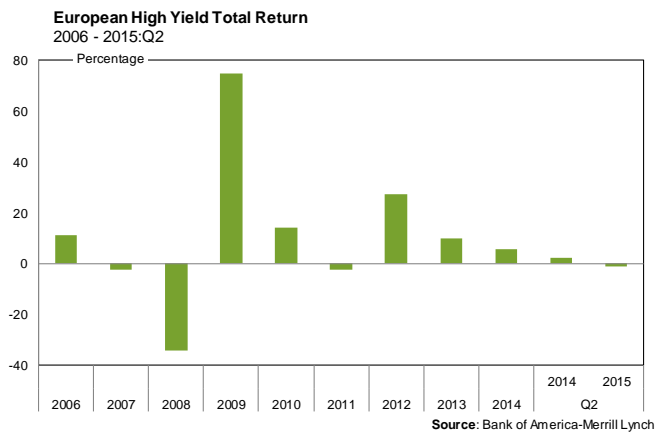
7. Relative Value

7.1. European HY Bonds, Cash vs. Synthetic

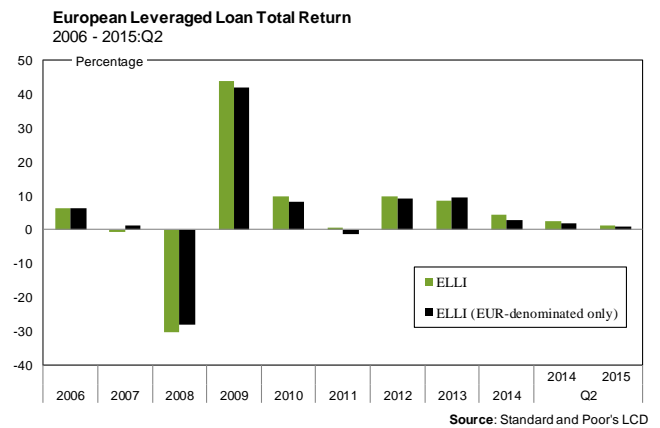


8. Total Return

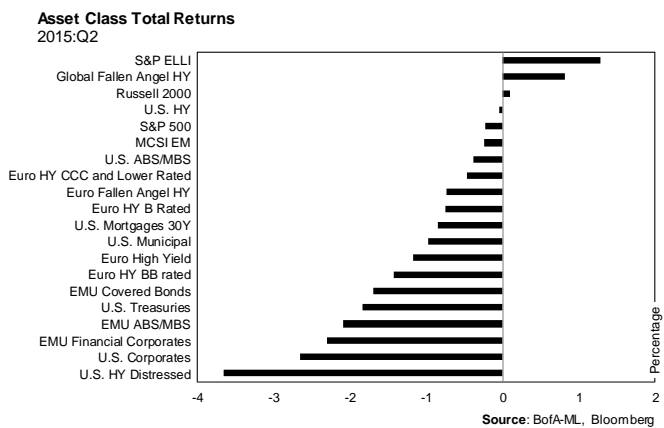
8.1. European HY Bond Total Return



8.2. European Leveraged Loan Total Return



8.3. Asset Class Total Return, Quarter



Summary of the Methodologies Adopted for this Report

1. Leveraged Issuance – Overview

1.1. – 1.3. Leveraged Loans and High Yield

Bonds

Leveraged loan data are sourced from Thomson Reuters LPC and Dealogic.

Leveraged loan data from Thomson Reuters LPC are defined primarily as having sub-investment grade ratings and/or a margin spread minimum of 200 basis points (spread minimums will vary from year to year to make Thomson LPC's cutoff). Leveraged loan aggregates will include first lien, second lien, and mezzanine financing. Discrepancies in Thomson Reuters LPC data are due to rounding and/or currency rate of exchange.

Leveraged loan data from Dealogic are defined primarily as coming from a leveraged or highly leveraged European deal; loan tranches must have sub-investment grade ratings, or, if unrated, a margin spread minimum of 125 basis points over a benchmark (e.g., Euribor, LIBOR). Under these guidelines, sub-investment grade-rated loans with a margin spread of less than 125 basis points are included. Deals must be European and are inclusive of both developed and emerging market Europe as defined in high yield criteria in Section 3. Deals must also be marketed either in Europe or in the United States. Loans not EUR-denominated are converted to EUR as of credit date for purposes of aggregation. Aggregates include new money as well as non-new money deals.

Criteria for high yield bond transactions can be found in Section 3, 4, and 5.

1.4. – 1.7. Bank Lending Surveys

Data for loan demand and credit standards are sourced from the ECB's bank lending survey. Graph numbers are net percentages of reporting banks.

1.8. Global Comparison – High Yield Issuance

Data for global high yield issuance are sourced from Dealogic. Asian deals are inclusive of Japan and Australia.

2. Issuance – Leveraged Loans

2.1. – 2.2.

Leveraged loan issuance data are sourced primarily from Dealogic and Thomson Reuters LPC. For more details on qualifying criteria, please refer to section 1.

2.3. Forward Pipeline of Leveraged Loan Market

Forward leveraged loan pipeline data are sourced from S&P LCD.

2.4. S&P ELLI Total Institutional Loans Outstanding

Total institutional loan outstanding data are sourced from S&P LCD and are outstanding loans in the S&P ELLI index.

2.5. S&P ELLI Ratings Diversification

S&P ELLI ratings diversification are the percentages of currently outstanding loans in S&P's ELLI index that are rated accordingly. Data are provided by S&P LCD.

2.6. Leveraged Loan Secondary Market Bids

European leveraged trading volumes are sourced from Thomson Reuters LPC and are percentage of volume by bid price.

2.7. – 2.8. Loan Spreads

Loan spread data are sourced from Dealogic under our criteria for leveraged loans (see Section 1). For purposes of loan spread calculations, deals marketed in the US are excluded. Spreads are a weighted average of spread margin on new leveraged issuance on a rolling twelve months basis, and are typically benchmarked to LIBOR or EURIBOR. Institutional loan spread data are inclusive of 2nd lien; pro rata spreads include all revolvers and term loan A (Tla).

3. Issuance – High Yield Bonds Overview

High yield bond transactions are sourced primarily from Dealogic, with supplemental information sourced from Bloomberg. High yield transactions are defined as transactions with a Dealogic "effective" rating of equal or less than BB+, and may include unrated transactions based on issuer and desk notes. Split-junk rated transactions are generally excluded.

European issuance, inclusive of both emerging market Europe and developed market Europe, are defined as an issue having a Dealogic "deal nationality" as well as "nationality of risk" within Europe issued in the euro, foreign, and global markets; deals marketed locally are excluded. Sovereign, sub-sovereign, and supranational parent issuers are excluded from issuance, as well as ABS/MBS issuers.

Emerging market Europe and developed market European issuance are defined by nationality of risk, rather than nationality of deal, and although primarily sourced from Dealogic, are ultimately subject to AFME's discretion. Emerging and developed market issuance are mutually exclusive and will contain no overlap unless otherwise mentioned.

European emerging market bonds are further defined with having a minimum deal size of €75.0 million; deals on the same day from the same issuer are aggregated for the purpose of meeting this minimum. Russian ruble (RUB)-denominated issuance are excluded due to differences in

terms and documentation; as of 4Q'10 this criteria no longer applies and may be included on a case by case basis.

3.2. European HY Issuance by Sponsor

Data for high yield issuance by sponsor are sourced from Dealogic. LBO deals are defined as all high yield transactions whose issuer parent is a public or private finance entity (i.e., a financial sponsor), regardless of use of proceeds.

3.3. – 3.6. European Corporate Bonds Outstanding

Data for European corporate outstanding are sourced from Bloomberg and AFME/SIFMA estimates. Criteria for European corporate bonds are: bonds must be placed in the domestic, euro, foreign, and global markets with nationality of incorporation from a European developed or emerging market country as defined by AFME. Corporate bonds exclude all structured notes, covered bonds, warrants, deposit notes, receipts, and certificates of deposit. All currencies are included and have been converted to EUR at time of pricing and/or issue.

High-yield ratings are sourced from Bloomberg's composite rating, which is an average of all available ratings from four rating agencies: Moody's, Standard and Poor's, Fitch Ratings, or DBRS. Split-rated securities may be included in high yield numbers due to this.

Corporate bonds outstanding include certain securities that may be considered corporate securitisations or structured finance securities; while all effort is made to exclude the latter, the former will be counted toward the corporate bonds outstanding total, and will subsequently overlap to some extent to AFME structured finance outstanding numbers.

3.7. European Corporate Bond Issuance by Rating

Data for HY issuance by rating are sourced from Dealogic, Bloomberg, and the three rating agencies. The composite rating is determined by the lowest rating assigned by either Moody's, Standard and Poor's, or Fitch Ratings.

3.8. European Corporate Bond Issuance by Tenor

Data for HY issuance by tenor are sourced from Dealogic. "Other" includes perpetuals.

3.9. European HY Issuance By Use of Proceeds

Data for HY issuance by use of proceeds are sourced from Dealogic and aggregated for the purposes of this calculation. Please refer to Section 3 for criteria on high yield issue inclusion.

3.10. European HY Issuance, Senior Secured Share

Data for HY issuance by seniority are sourced from Dealogic and Bloomberg. "Senior Unsecured" totals include all bonds that are senior but not senior secured.

4. Issuance – European Developed Market High Yield Bonds

4.1. – 4.7., 4.9

High yield bond issuance data are sourced from Dealogic. For further criteria on how high yield issuance are defined, please refer to section 3.

Developed European issuance are deals predominantly from western Europe and includes deals from Andorra, Austria, Belgium, Bulgaria, Cyprus, Switzerland, Germany, Denmark, Spain, Estonia, Finland, France, Faroe Islands, United Kingdom, Guernsey, Gibraltar, Greenland, Greece, Isle of Man, Ireland, Iceland, Italy, Jersey, Liechtenstein, Luxembourg, Monaco, Malta, Montenegro, Netherlands, Norway, Portugal, San Marino, and Sweden.

4.8. European Developed Market Corporate Bonds Outstanding

Data for corporate bonds outstanding are sourced from Bloomberg. Please refer to Section 3 for criteria and methodology.

5. Issuance – European Emerging Market High Yield Bonds

5.1. – 5.7., 5.9.

High yield bond issuance data are sourced from Dealogic. Criteria for all high yield issuance are found in section 3.

Emerging market European issuance deals are predominantly from Eastern Europe but will also additionally include Turkey, the Russian Federation, Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Azerbaijan, and Kyrgyzstan. Certain sub-investment grade countries are not included in the emerging market total, including, among others, Iceland and Greece.

5.8. European Emerging Market Corporate Bonds Outstanding

Data for corporate bonds outstanding are sourced from Bloomberg. Please refer to Section 3 for criteria and methodology.

6. Credit Quality

6.1. European HY Default Rate

European HY bond default rates are sourced from S&P and are on a trailing 12 month basis.

"Europe" for the S&P default rate is defined to include Austria, Belgium, Bulgaria, Channel Islands, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. Countries are subject to revision.

6.2. – 6.3. European Issuer Rating Actions

European issuer upgrades and downgrades are sourced from S&P. The breakdown by emerging market and developed Europe are from AFME's definition of developed and emerging markets and would be, under S&P's guide-

lines, a combination of both European and EMEA rating actions. Multiple downgrades of a single issuer are counted separately. Rating actions are inclusive of both corporate (both credit and merger-related) as well as sovereign ratings.

6.4. – 6.5. European Issuer Rating Actions by # of Rating Actions

Rating actions are sourced from S&P. Breakdown by emerging market and developed Europe are from AFME's definition of developed and emerging markets and would be, under S&P's guidelines, a combination of both European and EMEA rating actions.

6.6. European Defaults

Defaults reported by either Moody's or Standard and Poor's in the European bond markets and loan markets, when available.

7. Cash and Synthetic

7.1. – 7.2. Loans and Bonds, Cash and Synthetic

Data are sourced from Markit and Thomson Reuters LPC. High yield bond cash and synthetic spreads from Markit; European leveraged loan cash bid prices from Thomson Reuters LPC, and European leveraged loans synthetic prices from Markit.

8. Total Return

8.1. European HY Bond Total Return

European HY bond total return data are sourced from the Bank of America-Merrill Lynch's Euro High Yield Index (HE00). The index tracks the performance of EUR-denominated below-investment-grade corporate debt publicly issued in the euro domestic or Eurobond markets. Qualifying securities must have a below-investment-grade rating and an investment-grade rated country of risk. Qualifying securities must have at least one year remaining term to maturity, fixed coupon schedule and minimum amount outstanding of €100 million. Original issue zero coupon bonds, "global securities" (debt issued simultaneously in the Eurobond and euro domestic markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Defaulted, warrant-bearing and euro legacy currency securities are excluded from the index.

8.2. European Leveraged Loan Total Return

Total return data are provided by S&P LCD and are total returns from S&P's ELLI index, both ELLI and EUR-denominated ELLI. Total returns for ELLI EUR-denominated data are unavailable for 2003 and 2004.

8.3. Asset Class Total Return (Cash Basis)

Total returns are sourced from respective index owners and Bank of America-Merrill Lynch's indices.

Disclaimer

The information and opinion commentary in this High Yield and Leveraged Loan Report (Report) was prepared by the leveraged finance division of the Association for Financial Markets in Europe (AFME) and the Securities Industry and Financial Markets Association (SIFMA). AFME and SIFMA believe that the information in the Report, which has been obtained from multiple sources believed to be reliable, is reliable as of the date of publication. In no event, however, does either of AFME and SIFMA make any representation as to the accuracy or completeness of such information. AFME and SIFMA have no obligation to update, modify or amend the information in this Report or to otherwise notify readers if any information in the Report becomes outdated or inaccurate. As information is collected from multiple sources and estimates by the individual sources may differ from one another, estimates for similar types of data could vary within the Report.

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