

European High Yield & Leveraged Loan Report



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European Leveraged Finance, Fourth Quarter 2013

Highlights and Market Environment

Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) fell in 4Q'13, with €42.87 billion issued, a 21.5% decrease quarter-over-quarter (q-o-q) but a 5.9% increase year-over-year (y-o-y). The decline q-o-q stems from a decrease in leveraged loan lending, which experienced a surge during the third quarter of 2013. Due to the drop in leveraged loan issuance, the high yield share of the leveraged finance market rose to 53.1%, up from 36.6% in 3Q'13.

For the full year 2013, leveraged finance issuance was €210.12 billion, up 55.3% from the prior year (€135.3 billion), and a six year high. While leveraged loan issuance continues to remain below pre-crisis norms, high yield issuance continues to reach new highs, with full year issuance of €105.7 billion exceeding the high of €66.1 billion in 2012.

Market and Economic Environment

According to the January 2014 European Central Bank lending survey, banks reported, on net, a continued tightening of lending standards in the fourth quarter. The net tightening, however, is to a much lesser degree than in prior quarters; lending standards have actually eased in specific subsectors. For small and medium-enterprises (SMEs) and for short-term loans, lending standards have eased from prior quarters, although standards still continue to tighten for long-term loans and large enterprises. The industry outlook is the strongest factor contributing to net tightening, as in the prior quarters, but bank competition and bank liquidity positions contributed the most to easing lending standards.

Loan demand, however, continued to fall in the fourth quarter, particularly for short-term loans and from large enterprise. Debt restructuring continues to be the key (and sole) driver of any continued loan demand, while fixed investment, debt issuance and inventories have also contributed to reductions in loan demand.

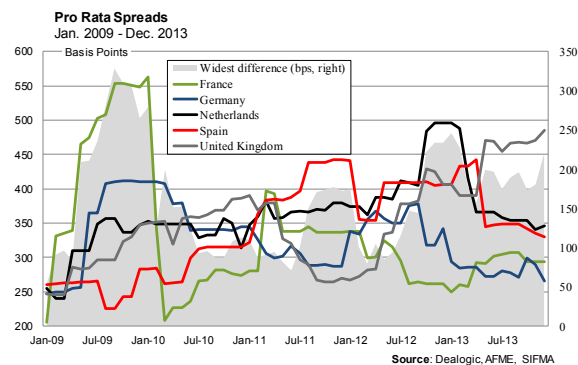
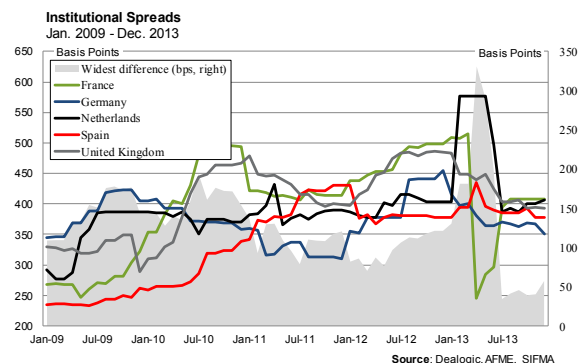
Issuance

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, fell in the fourth quarter to €20.1 billion, down 41.9% q-o-q (€34.6 billion). Amend-and-extend ("A&E") transactions continue to take place, with slightly more than a quarter of deals in the fourth quarter structured as such (26.7% by euro amount), an increase from the third quarter (18.7%). According to S&P, the loan pipeline at the end of December 2013 was €1.15 billion.

In the fourth quarter, €20 million of mezzanine loans and €40.1 million in second liens were financed. Spreads at

pricing for institutional loans tightened by 4.54 basis points (bps) while spreads for pro rata loans widened by 0.16 bps. Mezzanine loan spreads remain unchanged.



According to Dealogic, the leading sector in leveraged loan issuance for the fourth quarter of 2013 was healthcare (€3.1 billion), followed by professional services (€2.9 billion) and transportation (€2.2 billion). The largest deal was a €1.45 billion German refinancing deal by Autobahn Tank & Rast AG, sponsored by Terra Firma Capital Partners.

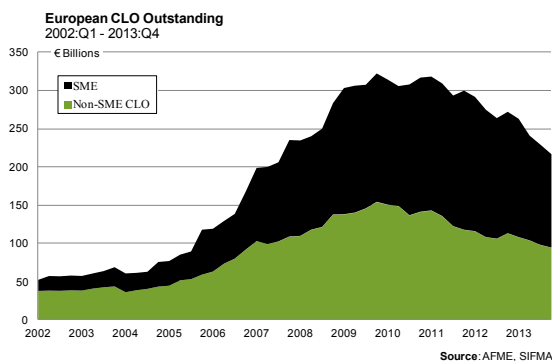
The share of deals aimed to refinance and/or repay debt rose q-o-q but fell y-o-y, rising to 63.8% of all deals by euro amount in the fourth quarter, compared to 50.5% in 3Q'13 and 71.2% in 4Q'12. For the full year three-fifths of all deals (60.7% by euro amount) were used to refinance and/or repay debt.

After the European primary CLO market came to life in the first and second quarters of 2013, €3.9 billion in CLO deals were done in the fourth quarter: Avoca 2013-10 (Avoca Capital), Dryden 2013-29 (Pramerica), Euro Galaxy 2013-3 (PineBridge), Grosvenor Place 2013-1 (CQS), North Westerly (NIBC), Richmond Mark (GSO), and St Paul's CLO (ICG). Several deals were retained by the manager through a vertical slice. For the full year, €8.4 billion in CDOs were issued in Europe, of which €7.9 billion were arbitrage CLOs.

Outside the primary CLO market, €5.7 billion in six SME deals were completed in the fourth quarter, two of which

were placed (abcSME Lease Germany, and Lusitano Synthetic).

European CLO outstandings, including SME deals, declined by 19.9% on an annualized basis in the fourth quarter, ending December 2013 at €216.5 billion. Due in part to the revival of the European CLO market, non-SME CLOs shrank at a slower rate (13.8%, annualized) than SME CLOs (24.3%, annualized).



Issuance: High Yield Bonds

Primary issuance in 4Q'13 totalled €22.8 billion on 75 deals, an increase of 13.9% and a 4.7% increase, respectively, q-o-q and y-o-y. Issuance from developed market Europe rose in the fourth quarter but issuance from emerging market Europe fell. For the full year, issuance totalled €105.7 billion on 274 deals, a new high and 60.0% above the prior high in 2012 (€66.1 billion on 169 deals).

Primary issuance in developed market Europe in the fourth quarter was €20.8 billion on 64 deals, while in emerging market Europe primary issuance was €2.0 billion on 11 deals.

In fourth quarter 2013, average deal sizes from developed market Europe fell from third quarter, with an average of €322.2 million per deal in 4Q'13 (€322.2 million for 3Q'13). For the full year, average deal size came in at €402.5 million, only slightly smaller than the €402.5 million average in 2012. Average deal sizes for emerging market Europe fell as well, down to €204.2 million in 4Q'13 from €339.7 million in 3Q'13. For the full year, average deal size for emerging market Europe came in at €327.7 million.

High yield issuance for refinancing and/or repayment of debt in developed market Europe fell q-o-q and y-o-y, representing 35.8% of all issuance by euro amount in 4Q'13, compared to 43.1% in 3Q'13 and 37.8%, in 4Q'12. In emerging market Europe, refinancing and/or repayment of debt deals rose to represent 44.7% of issuance by euro amount in 4Q'13, up from 14.7% in 3Q'13 and none in 4Q'12.

Secured structures continue to remain prevalent in high yield deals in developed market Europe, representing 25.0% of deals by euro amount in 4Q'13 and a little more than a quarter of all deals for the full year 2013. Secured

structures also played a greater role in emerging market Europe, where they represented 44.7% by euro amount in 4Q'13, up from 14.7% in 3Q'13. For the full year, secured structures represented 16.7% by euro amount in emerging market Europe, and 11.25% in developed and emerging market Europe combined.

The proportion of USD-denominated issuance continued fell in 4Q'13, representing 31.0% of all issuance by euro amount, compared to 34.8% in 3Q'13 and 61.9% in 4Q'12. USD-denominated issuance in emerging market Europe fell to represent 41.1% by euro amount, compared to 50.3% in the previous quarter, while USD-denominated issuance in developed market Europe also fell to 29.8% of all issuance by euro amount from 33.0% in the prior quarter. For the full year 2013, USD-denominated issuance represented 37.0% of all issuance, while in developed and emerging market Europe USD-denominated issuance represented 28.1% and 78.4%, respectively.

Returns & Credit Quality

Equities led returns in the fourth quarter, followed by European high yield (3.9%), US high yield (3.5%), and then European leveraged loans (2.9%).

High-yield bond default rates rose in the fourth quarter, with S&P reporting 3.7% (up from 2.8% end-September) and Moody's reporting 3.6% (up from 3.4% end-September). Six defaults were reported in the fourth quarter, Codere S.A., Songa Offshore S.E., ATU Auto-Telle-Unger Handels GmbH, Co-operative Bank (lower tier bonds only), Zlomrex International, and one confidential name from the Netherlands.

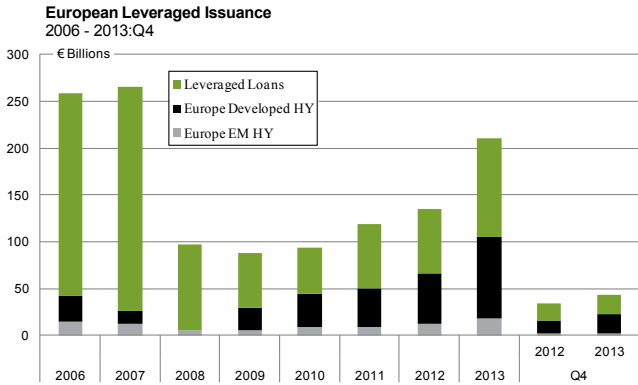
According to S&P, upgrades exceeded downgrades in developed market Europe, with 33 upgrades and 27 downgrades. Upgrades were concentrated largely in the telecommunications sector (6 upgrades), followed by automotive (5 upgrades) and home/real estate (4 upgrades) sectors. Downgrades were concentrated among banks (6 downgrades), while the remainder scattered across sectors.

Conversely, downgrades exceeded upgrades in emerging market Europe, with one upgrade and eight downgrades. Two sovereigns and two bank names were downgraded in the fourth quarter.

ISSUANCE

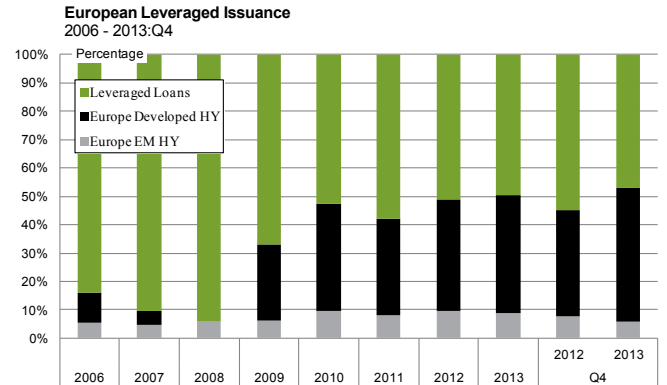
1. Leveraged Finance Overview

1.1. European Leveraged Issuance by Type



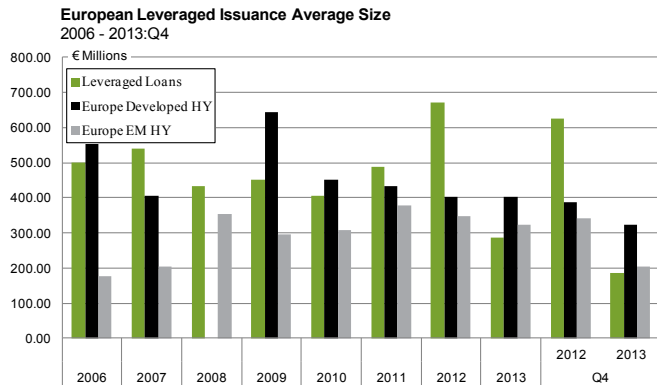
Sources: Dealogic, Thomson Reuters LPC

1.2. European Leveraged Issuance by Percentage



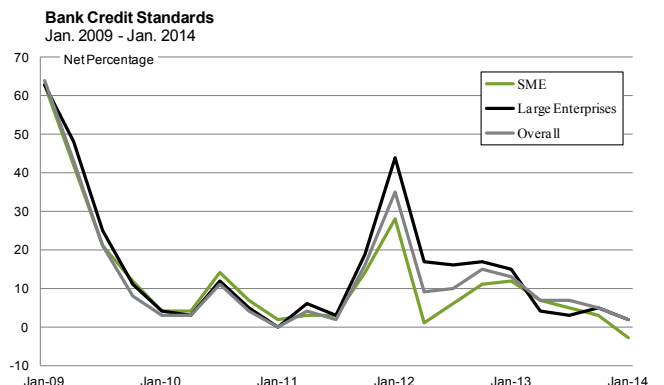
Sources: Dealogic, Thomson Reuters LPC

1.3. European Leveraged Issuance Average Deal Size



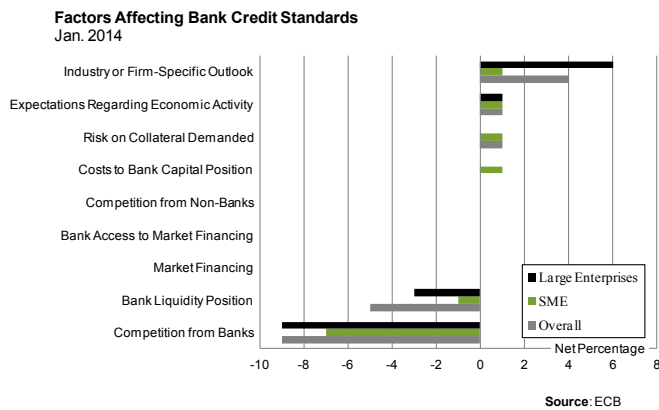
Sources: Dealogic, Thomson Reuters LPC

1.4. Bank Credit Standards¹



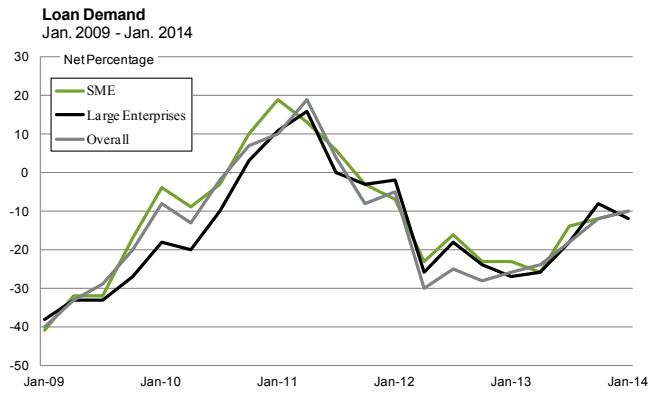
Source: ECB

1.5. Factors Affecting Bank Credit Standards²



Source: ECB

1.6. Loan Demand³



Source: ECB

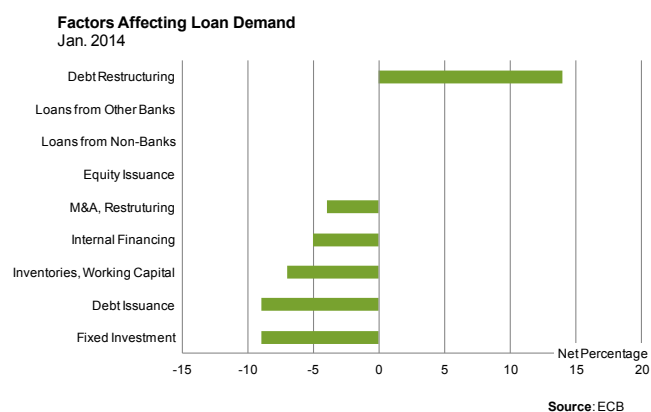
¹ A positive net percentage number signifies tightening bank credit; a negative net percentage number signifies easing credit.

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.

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1.7. Factors Affecting Loan Demand⁴



1.8. Global Comparison – High Yield Issuance

€ Billions	2013				
	Q1	Q2	Q3	Q4	Full Year
United States	48.7	51.9	37.8	16.4	154.7
Asia Pacific	10.8	4.7	8.6	4.5	28.6
Europe	34.4	23.7	26.4	8.6	93.0

2012				
Q1	Q2	Q3	Q4	Full Year
55.8	30.9	64.8	61.4	212.9
9.4	4.7	8.5	7.6	30.2
23.7	13.9	18.7	26.5	82.8

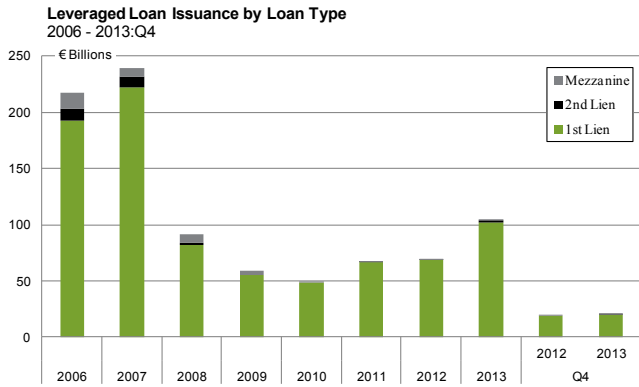
Prior
2011
126.7
36.5
66.2

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.

ISSUANCE

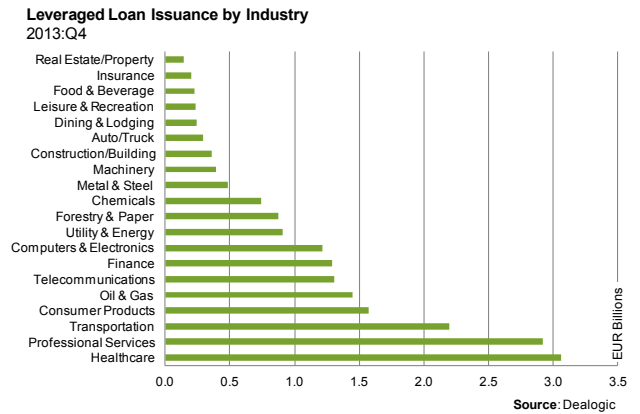
2. Issuance – Leveraged Loans

2.1. European Leveraged Loan Issuance By Loan Type



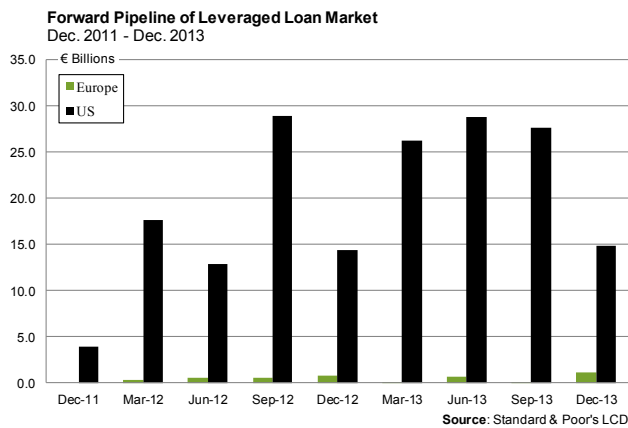
Source: Dealogic, Thomson Reuters LPC

2.2. European Leveraged Loan Issuance by Industry Sector



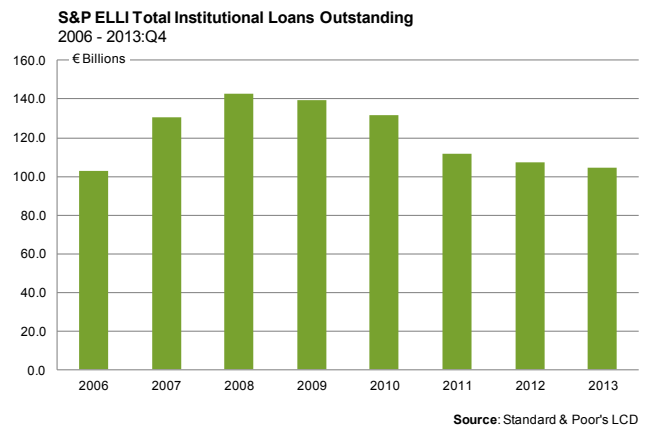
Source: Dealogic

2.3. Forward Pipeline of Leveraged Loan Market



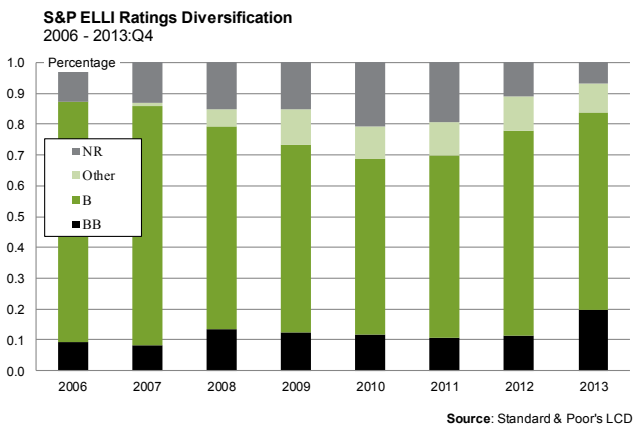
Source: Standard & Poor's LCD

2.4. S&P ELLI Total Institutional Loans Outstanding



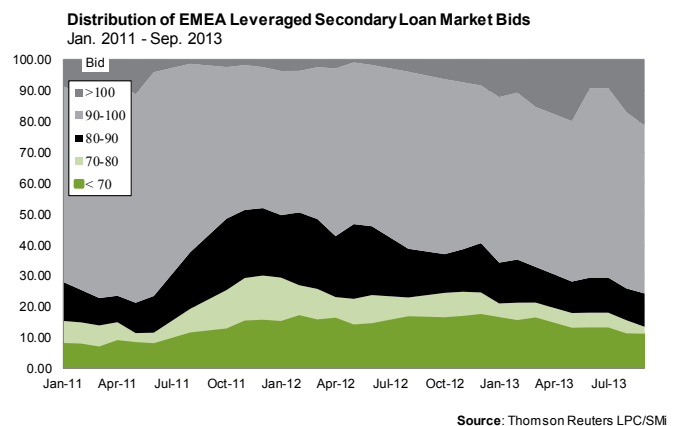
Source: Standard & Poor's LCD

2.5. S&P ELLI Ratings Diversification



Source: Standard & Poor's LCD

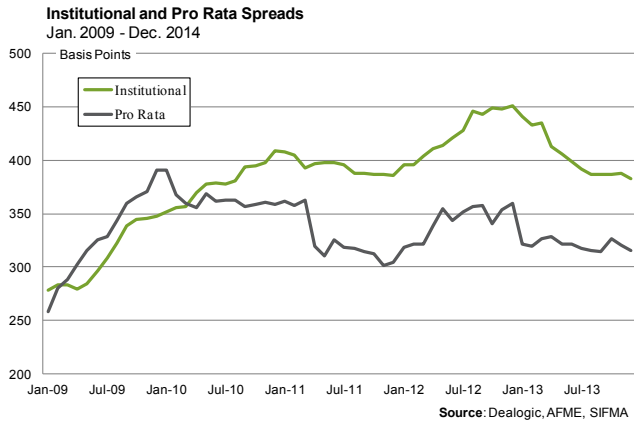
2.6. Distribution of Leveraged Loan Secondary Market Bids



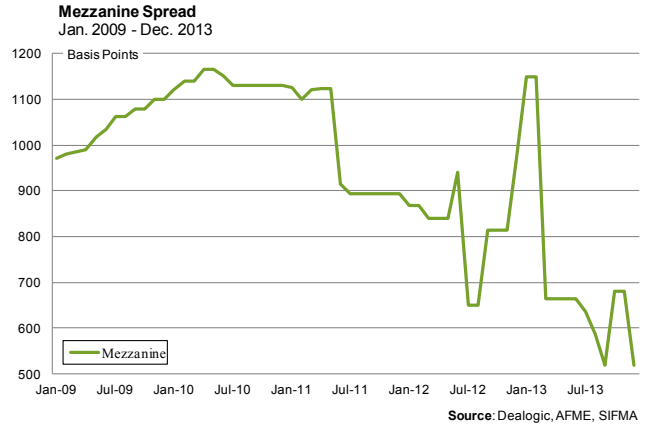
Source: Thomson Reuters LPC/SM

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2.7. Institutional and Pro Rata Spreads



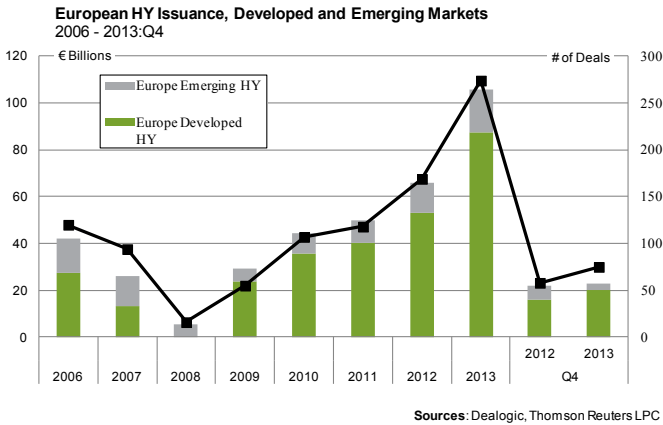
2.8. Mezzanine Spread



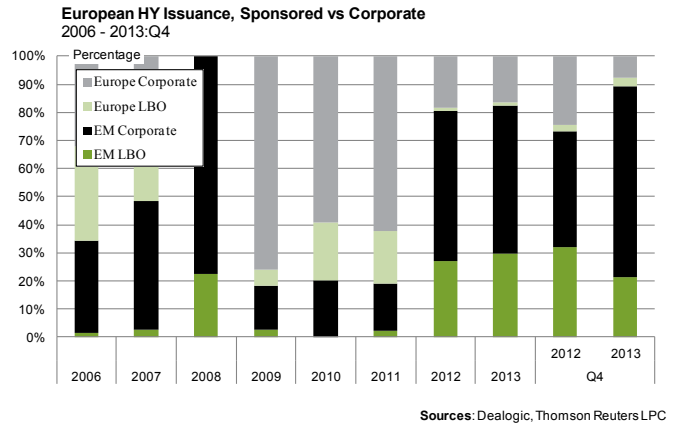
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3. Issuance – High Yield Bonds Overview

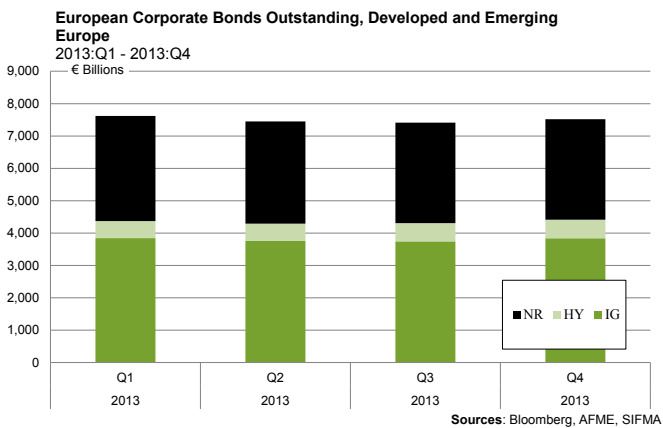
3.1. European HY Bond Issuance, Developed and Emerging Market



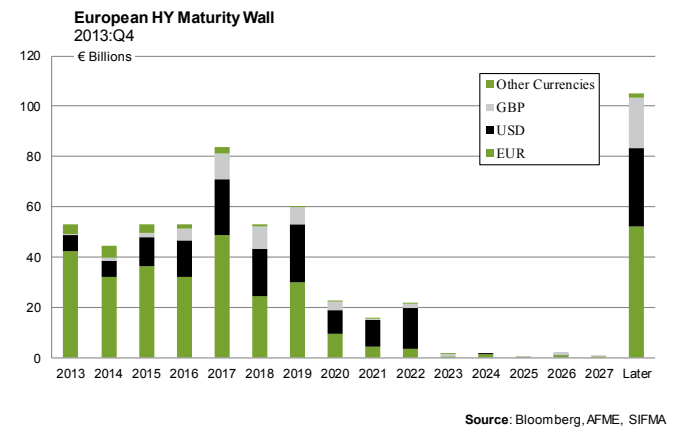
3.2. European HY Bond Issuance, Sponsored vs. Corporate



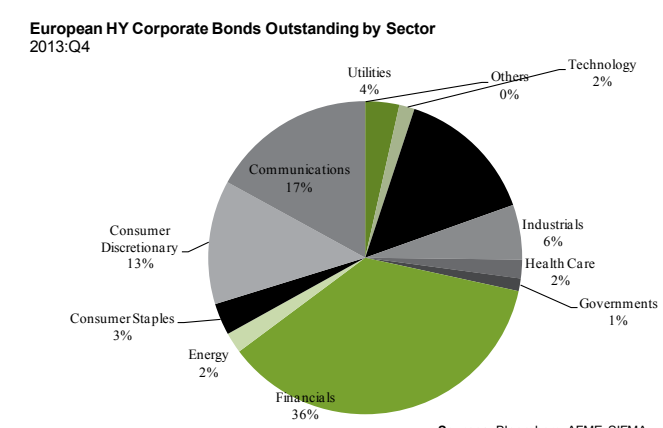
3.3. European Corporate Bonds Outstanding



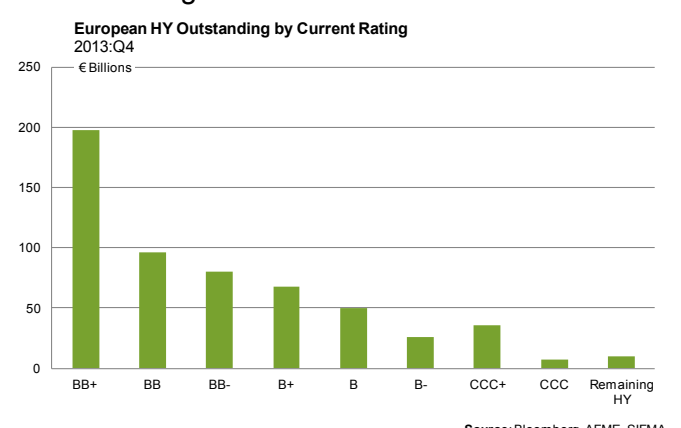
3.4. European Corporate Bonds Maturity Wall



3.5. European Corporate HY Bonds Outstanding by Sector

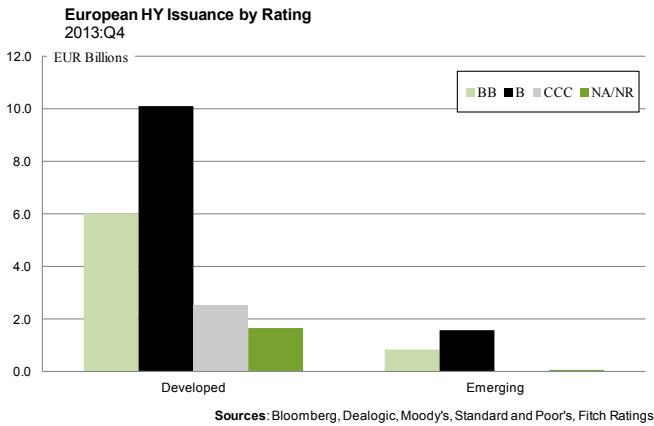


3.6. European Corporate HY Bonds Outstanding by Current Rating

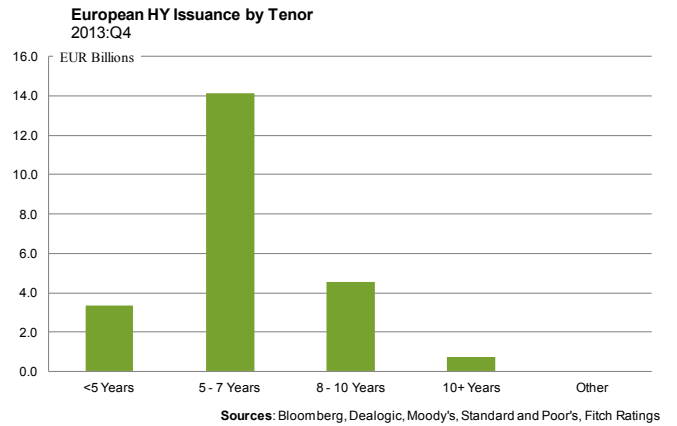


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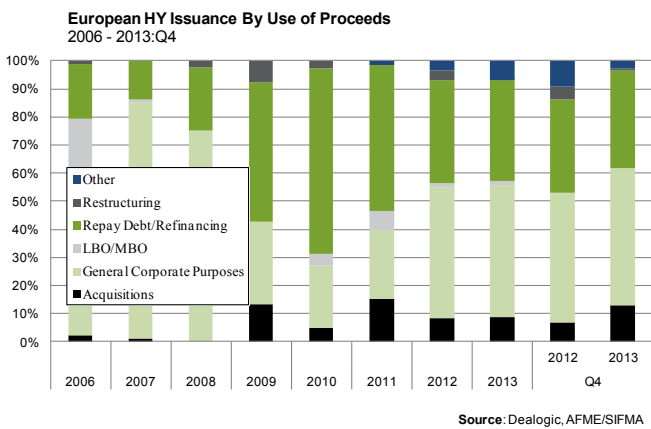
3.7. European Corporate Bond Issuance by Rating



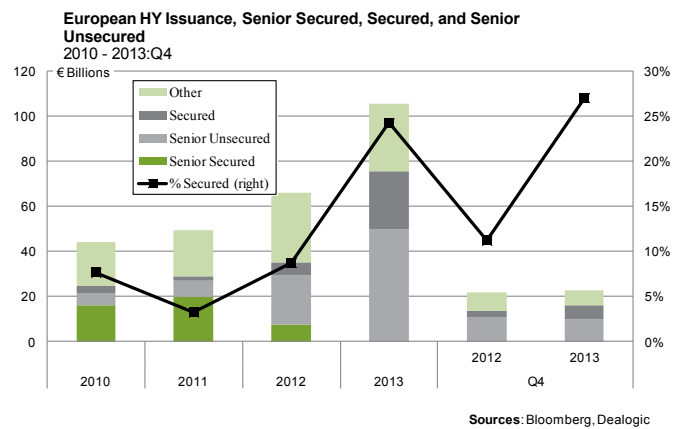
3.8. European Corporate Bond Issuance by Tenor



3.9. European HY Use of Proceeds

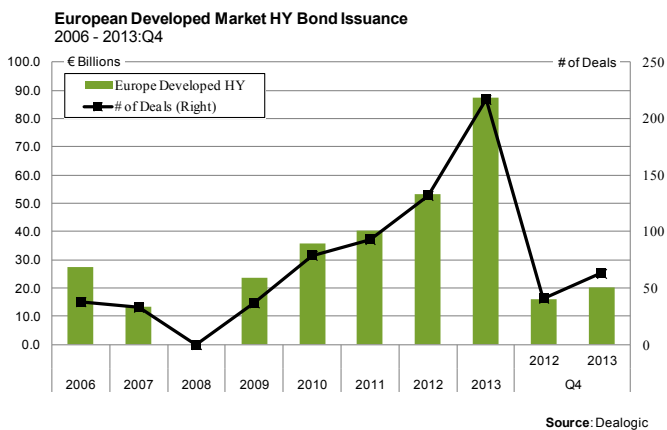


3.10. European HY Issuance, Secured Share

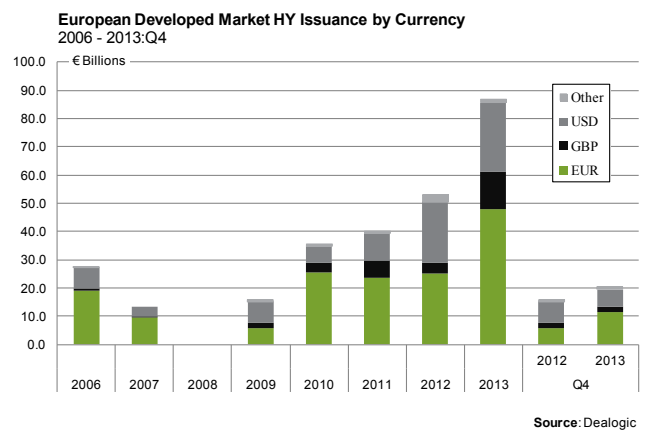


4. Issuance – European Developed Market High Yield Bonds

4.1. European Developed Market HY Bond Issuance

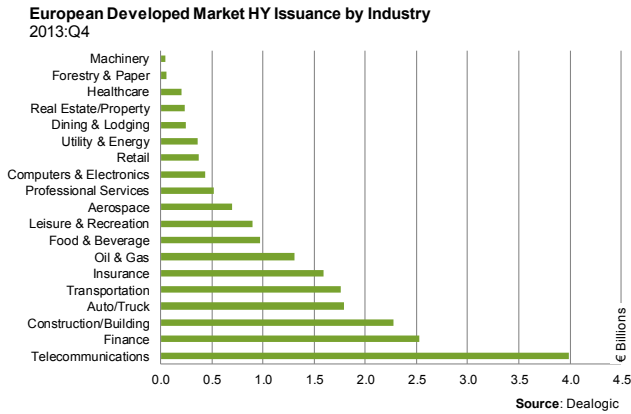


4.2. European Developed Market HY Issuance by Currency

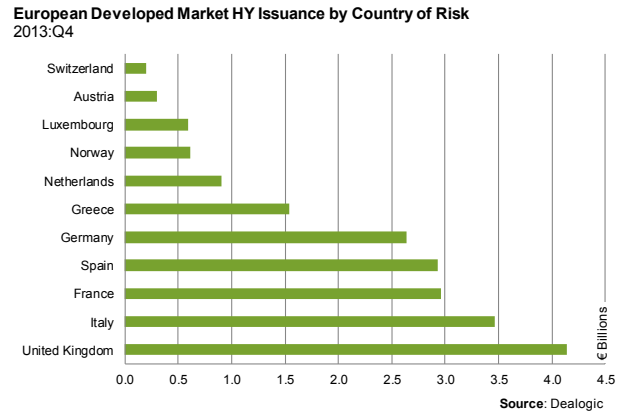


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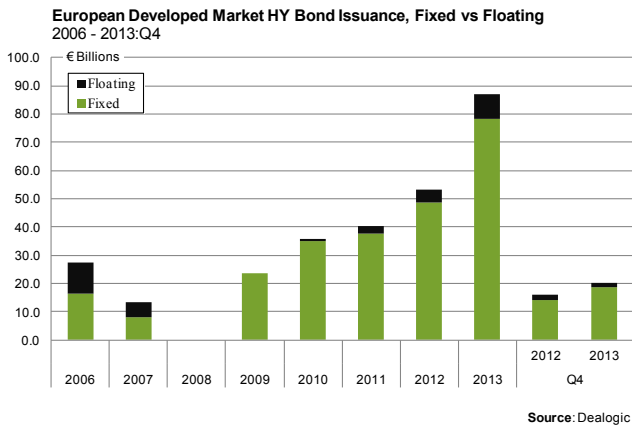
4.3. European Developed Market HY Issuance by Industry



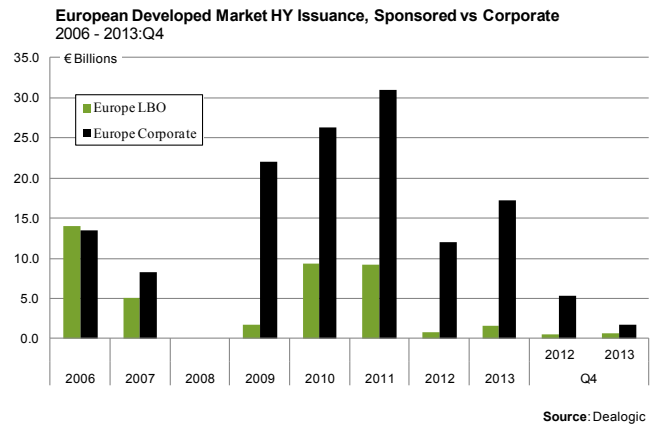
4.4. European Developed Market HY Issuance by Country of Risk



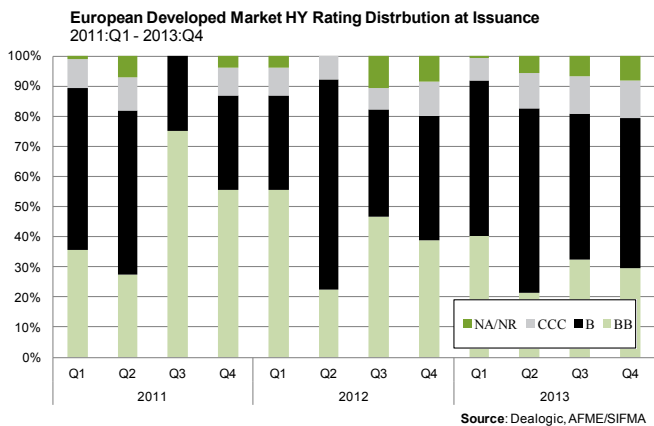
4.5. European Developed Market HY Issuance, Fixed vs. Floating



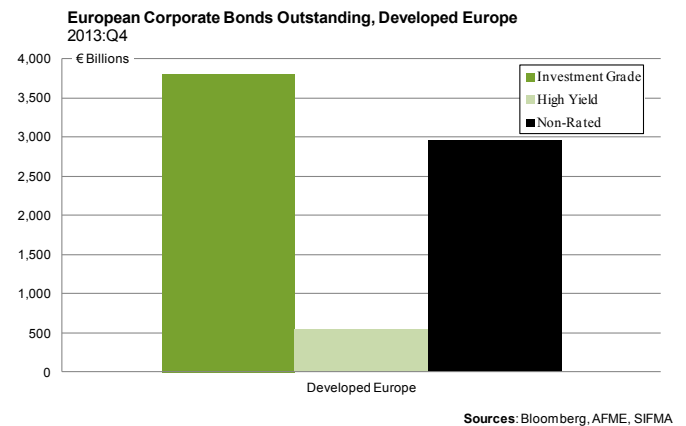
4.6. European Developed Market HY Issuance, Sponsored vs. Corporate



4.7. European Developed Market HY Rating Distribution at Issuance



4.8. European Developed Market Corporate Bonds Outstanding



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4.9. European Developed Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
Fresenius Finance BV	Healthcare	10/01/2013	EUR	500	2.875	Ba1	BB+	
La Financiere Atalian SA - Atalian Global Service:	Professional Services	10/01/2013	EUR	250	7.250	B3	B	
BPE Financiaciones SA	Finance	08/01/2013	EUR	750	4.000	Ba1	BB+	
Banco Espirito Santo SA	Finance	08/01/2013	EUR	500	4.750	Ba3	BB-	
Cerved Group SpA	Professional Services	15/01/2013	EUR	300	6.375	B2	B	
			EUR	230	8.000	B3	CCC+	
			EUR	250	3M EURIBOR + 537.5	B2	B	
Loxam SA	Construction/Building	17/01/2013	EUR	300	7.375		B	
Ardagh Packaging Finance plc	Consumer Products	16/01/2013	EUR	250	5.000	Ba3	B+	
			USD	420	4.875	Ba3	B+	
			USD	850	7.000	B3	CCC+	
Voyage Care Ltd	Healthcare	16/01/2013	GBP	222	6.500	B2	B+	BB
			GBP	50	11.000	Caa1	CCC+	CCC+
KBC Bank NV	Finance	18/01/2013	USD	1,000	8.000		BB+	
Trinseo Materials Operating SCA	Chemicals	24/01/2013	USD	1,325	8.750	B1	B+	
Arrow Global Finance plc	Finance	24/01/2013	GBP	220	7.875	B2	BB-	
GEO Debt Finance SCA	Professional Services	23/01/2013	EUR	325	7.500	B3	B	
Cerba European Lab	Professional Services	18/01/2013	EUR	365	7.000	B2	B+	BB-
Ence Energia y Celulosa SA	Forestry & Paper	25/01/2013	EUR	250	7.250	B1	BB	
Veneto Banca ScpA	Finance	23/01/2013	EUR	400	4.000		BB+	
Smurfit Kappa Acquisitions	Forestry & Paper	25/01/2013	EUR	400	4.125	Ba2	BB	BB+
Jaguar Land Rover Automotive plc	Auto/Truck	23/01/2013	USD	500	5.625	Ba3	BB-	BB-
Abengoa Finance SAU	Construction/Building	25/01/2013	EUR	250	8.875	B2	B	B+
Cirsa Funding Luxembourg SA	Leisure & Recreation	29/01/2013	EUR	100	8.750	B3	B+	
Zobebe Holding SpA	Retail	24/01/2013	EUR	180	7.875	B2	B	
OTE plc	Telecommunications	30/01/2013	EUR	700	7.875	Caa1	B+	
Infinis plc	Utility & Energy	01/02/2013	GBP	350	7.000	Ba3	B+	
Orion Engineered Carbons Finance & Co SCA	Chemicals	24/01/2013	USD	425	9.250	Caa1	CCC+	
Nara Cable Funding II Ltd	Telecommunications	31/01/2013	EUR	260	8.500	B1	B+	BB-
Kelda Finance No 3 plc	Utility & Energy	30/01/2013	GBP	200	5.750		BB-	BB+
Verisure Holding AB	Professional Services	31/01/2013	EUR	100	3M EURIBOR + 650	B2	B	
NXP BV	Computers & Electronics	31/01/2013	USD	500	5.750	B3	B	
Lowell Group Financing plc	Finance	31/01/2013	GBP	75	10.750	B1	BB	
KION Finance SA	Machinery	06/02/2013	EUR	450	6.750	B2	B	
			EUR	200	3M EURIBOR + 450	B2	B	
Labco SAS	Healthcare	05/02/2013	EUR	100	8.500	B3	B+	BB-
Lynx I Corp	Telecommunications	07/02/2013	GBP	1,100	6.000	Ba3	BB-	
			USD	1,000	5.375	Ba3	BB-	
Lynx II Corp	Telecommunications	07/02/2013	GBP	250	7.000	B2	B	
			USD	530	6.375	B2	B	
Italcementi Finance SA	Construction/Building	14/02/2013	EUR	350	6.125	Ba2	BB+	
Telecom Italia SpA	Telecommunications	13/03/2013	EUR	750	7.750	Ba2	BB+	BB+
Ontex IV SA	Forestry & Paper	11/02/2013	EUR	75	7.500	B1	B	
BPE Financiaciones SA	Finance	12/02/2013	EUR	100	4.000	Ba1		BB+
NXP BV	Computers & Electronics	05/03/2013	USD	500	5.750	B3	B	
Arqiva Broadcast Finance plc	Telecommunications	21/02/2013	GBP	600	9.500	B3		B-
DFS Furniture Holdings plc	Retail	01/03/2013	GBP	200	7.625	B2	B	
			GBP	110	3M LIBOR + 600	B2	B	
Peugeot SA	Auto/Truck	28/02/2013	EUR	1,000	7.375	B1	BB-	BB-
Navios South American Logistics Inc	Transportation	07/03/2013	USD	90	9.250	B3		
Koninklijke KPN NV	Telecommunications	07/03/2013	EUR	1,100	6.125	Ba1	BB	BB
			GBP	400	6.875	Ba1	BB	BB
Nwen Finance plc	Utility & Energy	14/03/2013	GBP	180	5.875	BB+		
Mobile Challenger Intermediate Group SA†	Telecommunications	14/03/2013	CHF†	300	8.750		B-	B-
			EUR†	275	8.750		B-	B-
Fiat Finance & Trade Ltd SA	Auto/Truck	12/03/2013	EUR	1,250	6.625	B1	BB-	BB-
Cegecim SA	Computers & Electronics	14/03/2013	EUR	300	6.750		B+	
Takko Luxembourg 2 SCA	Retail	22/03/2013	EUR	380	9.875	B3	B-	
			EUR	145	3M EURIBOR + 700	B3	B-	

†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic

ISSUANCE

Issuer	Industry Group	Date	Currency	Amount		Coupon	Moody's	S&P	Fitch
				(Millions)					
Rexel SA	Computers & Electronics	20/03/2013	EUR	650	500	5.125	Ba3	BB	BB
			USD	500		5.250	Ba3	BB	BB
Koninklijke KPN NV	Telecommunications	21/03/2013	USD	600		7.000	Ba1	BB	BB
Nokia Siemens Networks Finance BV	Telecommunications	22/03/2013	EUR	450		6.750	B2	B+	
			EUR	350		7.125	B2	B+	
Renault SA	Auto/Truck	26/03/2013	CNY	750		4.650	Ba1	BB+	
IVS group SA	Retail	26/03/2013	EUR	200		7.125			
CNH Capital LLC	Finance	03/04/2013	USD	600		3.625	Ba2	BB	
Matterhorn Financing & Cy SCA†	Telecommunications	10/04/2013	EUR	250		9.000		CCC+	
Elior SCA	Dining & Lodging	18/04/2013	EUR	350		6.500	B3	BB-	BB-
Teamsystem SpA	Computers & Electronics		EUR	300		7.375	B2	B	
Wind Acquisition Finance SA	Telecommunications	19/04/2013	USD	550		6.500	Ba3	BB-	BB
			EUR	150		3M EURIBOR + 525	Ba3	BB-	BB
International Personal Finance plc	Finance	22/04/2013	GBP	70		6.125			BB+
Schaeffler Finance BV	Machinery	23/04/2013	EUR	600		4.250	Ba3	B+	
			USD	850		4.750	Ba3	B+	
Wendel SA	Finance	24/04/2013	EUR	200		6.750		BB+	
	Finance		EUR	100		5.875		BB+	
Pendragon plc	Auto/Truck	25/04/2013	GBP	175		6.875	B2	B+	B+
BPE Financiaciones SA	Finance		EUR	100		4.000	Ba3		BB+
Espirito Santo Financiere SA - ESFIL	Finance	26/04/2013	EUR	200		5.250			
Medi-Partenaires SAS	Healthcare	29/04/2013	EUR	385		7.000	B3	B	
Hellenic Petroleum Finance plc	Oil & Gas	30/04/2013	EUR	500		8.000			
Towergate Finance plc	Insurance	01/05/2013	GBP	396		3M LIBOR + 550	B1		BB
Kleopatra Holdings 1 SCA†	Chemicals		EUR	225		10.250	Caa1	CCC	
Gestamp Funding Luxembourg SA	Auto/Truck	02/05/2013	USD	350		5.625	B1	BB	
			EUR	500		5.875	B1	BB	
R&R PIK plc†	Food & Beverage	02/05/2013	EUR	253		9.250	Caa1	CCC+	
WEPA Papierfabrik GmbH & Co KG	Forestry & Paper	02/05/2013	EUR	275		6.500	B2	B+	
Brighthouse Group plc	Retail	02/05/2013	GBP	220		7.875	B2	B-	
Bond Mission Critical Services plc	Transportation	02/05/2013	GBP	200		3M EURIBOR + 575	B2	B	
Sanitec Oyj	Consumer Products	02/05/2013	EUR	250		3M EURIBOR + 475	B1	B+	
Ineos Group Holdings SA	Chemicals	02/05/2013	USD	678		6.125	Caa1	B-	
			EUR	500		6.500	Caa1	B-	
Globe Luxembourg SCA	Oil & Gas	02/05/2013	USD	500		9.625	B3	B	
New Look Bondco I plc	Retail	03/05/2013	USD	250		8.375	B1	B-	B
			GBP	500		8.750	B1	B-	B
			EUR	175		3M EURIBOR + 625	B1	B-	B
NXP BV	Computers & Electronics	06/05/2013	USD	750		3.750	B3	B	
LBC Tank Terminals Holding Netherlands BV	Oil & Gas	08/05/2013	USD	350		6.875	B3	B	
Sisal Holding Istituto di Pagamento SpA	Leisure & Recreation	08/05/2013	EUR	275		7.250	B1	B	
Trionista HoldCo GmbH	Professional Services	08/05/2013	EUR	350		5.000	B1	B+	
Trionista TopCo GmbH	Professional Services	08/05/2013	EUR	525		6.875	Caa1	B-	
Eircom Finance Ltd	Telecommunications	09/05/2013	EUR	350		9.250	Caa1	B	B
Empresa de Celulose e Papel de Portugal SGPS S.	Forestry & Paper	09/05/2013	EUR	350		5.375	Ba3	BB	
ING US Inc	Insurance	13/05/2013	USD	750		5.650	Ba1	BB	BB
Frigoglass Finance BV	Construction/Building	14/05/2013	EUR	250		8.250	B1	BB-	
Italcementi Finance SA	Construction/Building	14/05/2013	EUR	150		6.125	Ba2	BB+	
Gunvor Group Ltd	Oil & Gas	15/05/2013	USD	500		5.875			
Phoenix PIB Finance BV	Healthcare	16/05/2013	EUR	300		3.125		BB	BB
Integrated Dental Holdings Ltd - IDH	Healthcare	22/05/2013	GBP	200		6.000	B2	B	BB-
			GBP	75		8.500	Caa1	CCC+	B-
			GBP	125		3M LIBOR + 500	B2	B	BB-
Polarcus Ltd	Oil & Gas		USD	95		8.000			
Thomas Cook Group plc	Professional Services	23/05/2013	EUR	525		7.750		B	B+
AG Spring Finance Ltd	Transportation	23/05/2013	EUR	315		7.500	B1	B+	
Elan Finance Public Ltd Co	Healthcare	23/05/2013	USD	850		6.250	Ba3	B+	
AG Spring Finance II Ltd	Transportation	23/05/2013	EUR	175		9.500	B2	B-	
Bank of Ireland (Governor & Co of)	Finance	29/05/2013	EUR	500		2.750	Ba2	BB+	BBB
William Hill plc	Leisure & Recreation	31/05/2013	GBP	375		4.250	Ba1	BB+	

†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic

ISSUANCE

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
Novalis SAS	Professional Services	31/05/2013	EUR	450	6.000	B1	B+	
Stabilus GmbH	Auto/Truck	31/05/2013	EUR	315	7.750	B2	B	B+
1st Credit Ltd	Finance	03/06/2013	GBP	100	11.000			
Bravida Holding AB	Construction/Building	04/06/2013	EUR	225	3M EURIBOR + 500	B2	B	B
		04/06/2013	SEK	1,300	3M OTHER + 537.5	B2	B	B
Equiniti Newco 2 plc	Professional Services	04/06/2013	GBP	250	7.125	B3		
		04/06/2013	GBP	190	3M LIBOR + 575	B3		
Bakkavor Finance 2 plc	Food & Beverage	06/06/2013	GBP	150	8.750	B2	B-	
InterGen NV	Utility & Energy	07/06/2013	USD	750	7.000	B1	B+	
		07/06/2013	GBP	175	7.500	B1	B+	
Groupe SMCP SAS	Textile	10/06/2013	EUR	290	8.875	B3	B	
Barry Callebaut Services SA/NV	Food & Beverage	13/06/2013	USD	400	5.500	Ba1	BB+	
Altice Finco SA	Telecommunications	14/06/2013	EUR	250	9.000	B3	B-	
Holdelis SAS	Professional Services	14/06/2013	EUR	380	3M EURIBOR + 700		B-	
Legendre Holding 27†	Professional Services	14/06/2013	EUR	173	12M EURIBOR + 1025		B-	
InterXion Holding NV	Telecommunications	19/06/2013	EUR	325	6.000	B2	B+	
AA Bond Co Ltd	Professional Services	25/06/2013	GBP	655	9.500		BB	
Fiat Finance & Trade Ltd SA	Auto/Truck	09/07/2013	EUR	850	6.750	B1	BB-	BB-
Continental AG	Auto/Truck	09/07/2013	EUR	750	3.000	Baa3	BB+	BBB
Grand City Properties SA	Real Estate/Property	09/07/2013	EUR	100	6.250		BB-	
Unilabs SubHolding AB	Healthcare	10/07/2013	EUR	130	3M EURIBOR + 725	B3	B	
			EUR	355	8.500	B3	B	
Unilabs Midholding AB†	Healthcare	10/07/2013	EUR	200	12.000	Caa2	CCC+	
Vougeot Bidco plc	Real Estate/Property	11/07/2013	EUR	290	3M EURIBOR + 525	B2	B	
			GBP	300	7.875	B2	B	
Expro Finance Luxembourg SCA	Oil & Gas	11/07/2013	USD	100	8.500	B1	B	
Findus Bondco SA	Food & Beverage	12/07/2013	EUR	305	9.125	B3	B-	B+
			GBP	150	9.500	B3	B-	B+
Mercer International Inc	Forestry & Paper	17/07/2013	USD	50	9.500	B3	B	
Marlin Intermediate Holdings plc‡	Finance	18/07/2013	GBP	150	10.500	B2	B	
Schaeffler Holding Finance BV†	Machinery	18/07/2013	EUR	800	6.875	B1	B	
			USD	1,000	6.875	B1	B	
Magnolia (BC) SA‡	Retail	22/07/2013	EUR	325	9.000	B2	B	
Salini SpA	Construction/Building	23/07/2013	EUR	400	6.125		BB-	BB
Travellex Financing plc‡	Finance	24/07/2013	GBP	150	3M LIBOR + 600	B2	B	
			GBP	200	8.000	B2	B	
Gamenet SpA‡	Leisure & Recreation	25/07/2013	EUR	200	7.250	B1	B+	
Picard Groupe SAS	Food & Beverage	25/07/2013	EUR	480	3M EURIBOR + 425	Ba3	BB-	BB
Manutencoop Facility Management SpA‡	Construction/Building	26/07/2013	EUR	425	8.500	B2	B+	
Aguila 3 SA	Transportation	30/07/2013	USD	390	7.875	B2	B	
S&B Industrial Minerals SA	Mining	30/07/2013	EUR	275	9.250	B3	B+	
AlcateL-Lucent USA Inc	Telecommunications	31/07/2013	USD	500	8.875	B3	CCC+	
Intralot Finance Luxembourg SA	Computers & Electronics	01/08/2013	EUR	325	9.750	B1	B+	BB-
Playa Resorts Holding BV	Holding Companies	05/08/2013	USD	300	8.000	Caa1	B-	
ConvaTec Finance International SA	Healthcare	06/08/2013	USD	900	8.250	Caa1	B-	
Springer Science+Business Media AG	Publishing	06/08/2013	EUR	640	3M EURIBOR + 800			
NXP BV	Computers & Electronics	10/09/2013	USD	500	3.500	B3	B+	
Peugeot SA	Auto/Truck	10/09/2013	EUR	600	6.500	B1	BB-	
Renault SA	Auto/Truck	11/09/2013	EUR	600	3.625	Ba1	BB+	BB+
Fiat Finance & Trade Ltd SA	Auto/Truck	12/09/2013	EUR	400	6.750	B1	BB-	BB-
Activision Blizzard Inc	Computers & Electronics	12/09/2013	USD	750	6.125	Ba2	BB+	
			USD	1,500	5.625	Ba2	BB+	
EDU UK BondCo plc	Professional Services	12/09/2013	GBP	205	8.875	B3	B-	
Commerzbank AG	Finance	12/09/2013	USD	1,000	8.125	Ba2	BB+	
FHW Dalmore (Salford Pendleton Housing) plc	Real Estate/Property	12/09/2013	GBP	11	8.350			
			GBP	72	5.414			
European Travel Interactive AB	Professional Services	17/09/2013	EUR	80	3M EURIBOR + 650			
Phosphorus HoldCo plc†	Retail	18/09/2013	GBP	205	10.000	Caa2	CCC+	
Hapag-Lloyd AG	Transportation	20/09/2013	EUR	250	7.750	Caa1	B-	
Lafarge SA	Construction/Building	20/09/2013	EUR	750	4.750	Ba1	BB+	BB+

†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic

ISSUANCE

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
SeaDrill Ltd	Oil & Gas	20/09/2013	USD	500	6.125			
Jerrold FinCo plc	Finance	20/09/2013	GBP	200	9.750		B+	B+
Abengoa Finance SAU	Construction/Building	24/09/2013	EUR	250	8.875	B2	B	B+
Veneto Banca ScpA	Finance	25/09/2013	EUR	300	4.250		BB	BB
Avanti Communications Group plc	Telecommunications	26/09/2013	USD	370	10.000	Caa1	B	
Emma Delta Finance plc	Finance	01/10/2013	EUR	150	12.000			
			EUR	250	8.500			
Oberthur Technologies SA	Computers & Electronics	08/10/2013	EUR	190	9.250	Caa1	CCC	CCC+
Hapag-Lloyd AG	Transportation	09/10/2013	EUR	150	7.750	Caa1	B-	
Millicom International Cellular SA	Telecommunications	09/10/2013	USD	800	6.625	Ba2		BB+
IREN SpA	Utility & Energy	09/10/2013	EUR	125	4.370			
Xella HoldCo Finance SA†	Construction/Building	10/10/2013	EUR	200	9.125	B3	B-	
Syncreon Group BV	Professional Services	11/10/2013	USD	225	8.625	Caa1	CCC+	
Bilbao (Luxembourg) SA†	Utility & Energy	14/10/2013	EUR	150	10.500	Caa2	CCC+	
Hastings Insurance Group (Finance) plc	Insurance	14/10/2013	GBP	150	3M LIBOR + 600	B2	B-	
			GBP	267	8.000	B2	B-	
Albain Bidco Norway AS	Food & Beverage	16/10/2013	EUR	225	6.750	B2	B	
			NOK	1,810	3-mth Other +500bp	B2	B	
Banca Popolare di Vicenza Scarl	Finance	17/10/2013	EUR	400	5.000		BB	BB+
HeidelbergCement Finance Luxembourg SA	Construction/Building	21/10/2013	EUR	300	3.375	Ba2		BB+
Bank fuer Arbeit und Wirtschaft AG - BAWAG	Finance	23/10/2013	EUR	300	8.125	Ba3		
Domestic & General Group Ltd	Insurance	24/10/2013	GBP	125	7.875	B3	CCC+	
			GBP	175	3M LIBOR + 500	B2	B	
			GBP	200	6.375	B2	B	
Rhino Bondco SpA	Auto/Truck	25/10/2013	EUR	200	3M EURIBOR + 550	B2		
			EUR	215	7.250	B2		
Cable Communications Systems NV	Telecommunications	28/10/2013	EUR	450	7.500	B1	B+	
Navios Maritime Acquisition Corp	Transportation	29/10/2013	USD	610	8.125	B3	B	
IREN SpA	Utility & Energy	29/10/2013	EUR	85	4.370			
Abengoa Finance SAU	Construction/Building	30/10/2013	EUR	50	8.875	B2	B	B+
AA PIK Co Ltd†	Insurance	31/10/2013	GBP	350	9.500			
NH Hoteles SA	Dining & Lodging	31/10/2013	EUR	250	6.875		B	B+
Stampos BV	Retail	01/11/2013	EUR	200	3M EURIBOR + 500	B2	B+	
Tulow Oil plc	Oil & Gas	01/11/2013	USD	650	6.000	B1	BB-	
ATON Group Finance GmbH	Auto/Truck	04/11/2013	EUR	200	3.875			
Renault SA	Auto/Truck	05/11/2013	EUR	300	3.625	Ba1	BB+	BB+
BPE Financiaciones SA	Finance	06/11/2013	EUR	750	2.875	Ba3		BB+
Unitymedia Hessen GmbH & Co KG	Telecommunications	07/11/2013	EUR	475	6.250	Ba3	BB-	
AlcateLucent USA Inc	Telecommunications	07/11/2013	USD	750	6.750	B3	CCC+	
Marcolin SpA	Healthcare	07/11/2013	EUR	200	8.500	B2	B-	
Global Closure Systems	Professional Services	08/11/2013	EUR	350	6.500	B2	B	
Univeg Holding BV	Food & Beverage	08/11/2013	EUR	285	7.875	B3	CCC+	
Fiat Finance & Trade Ltd SA	Auto/Truck	12/11/2013	CHF	450	4.000	B1	BB-	
Navios Maritime Holdings Inc	Transportation	14/11/2013	USD	650	7.375	B1	BB-	
Brake Bros Ltd	Food & Beverage	20/11/2013	GBP	200	7.125	B3	B-	
Grainger plc	Real Estate/Property	21/11/2013	GBP	200	5.000		BB+	BB+
AlcateLucent USA Inc	Telecommunications	25/11/2013	USD	250	6.750	B3	CCC+	
Salamander Energy plc	Oil & Gas	25/11/2013	USD	150	9.750			
Finmeccanica Finance SA	Aerospace	25/11/2013	EUR	700	4.500	Ba1	BB+	BB+
Afren plc	Oil & Gas	26/11/2013	USD	360	6.625		B+	B+
Banco de Sabadell SA	Finance	26/11/2013	EUR	600	2.500	Ba2	BB	
Autobahn Tank & Rast AG	Oil & Gas	26/11/2013	EUR	460	6.750		B	
SNAI - Sindicato Nazionale Agenzie Ippiche SpA	Leisure & Recreation	27/11/2013	EUR	160	12.000	Caa1	CCC	
			EUR	320	7.625	B1	B-	
Astaldi SpA	Construction/Building	27/11/2013	EUR	500	7.125	B1	B+	B+
Astaldi SpA	Construction/Building	02/12/2013	EUR	100	7.125	B1	B+	B+
HeidelbergCement Finance Luxembourg SA	Construction/Building	03/12/2013	EUR	500	3.250	Ba2		BB+
Alice Financing SA	Telecommunications	05/12/2013	EUR	300	6.500	B1	BB-	
			USD	900	6.500	B1	BB-	
Alice Finco SA	Telecommunications	05/12/2013	USD	400	8.125	B3	B-	

†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic

ISSUANCE

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
Alcatel-Lucent USA Inc	Telecommunications	05/12/2013	USD	650	4.625	B3	CCC+	
Color Group ASA	Transportation	05/12/2013	NOK	700	3-mth NIBOR +450bp			
SGL Carbon SE	Computers & Electronics	05/12/2013	EUR	250	4.875	Ba3	BB+	
Abengoa Finance SAU	Construction/Building	06/12/2013	USD	450	7.750	B2		B+
Kistefos AS	Finance	06/12/2013	NOK	650	3-mth NIBOR +725bp			
WEPA Hygieneprodukte GmbH	Forestry & Paper	09/12/2013	EUR	52	6.500	B2	B+	
Heidelberger Druckmaschinen AG	Machinery	10/12/2013	EUR	51	9.250	Caa1	CCC+	
Jaguar Land Rover Automotive plc	Auto/Truck	10/12/2013	USD	700	4.125	Ba2	BB	BB-
Empark Funding SA	Transportation	11/12/2013	EUR	150	3M EURIBOR + 550	B2	BB-	
			EUR	235	6.750	B2	BB-	
Ashtead Capital Inc	Construction/Building		USD	400	6.500	B1	BB-	
Port Aventura Entertainment Barcelona BV	Leisure & Recreation	12/12/2013	EUR	150	3M EURIBOR + 562.5	B3	B-	
			EUR	270	7.250	B3		
Eletson Holdings Inc	Transportation	12/12/2013	USD	300	9.625	B3	B	
Societa Cattolica di Assicurazioni Scrl	Insurance	12/12/2013	EUR	100	7.250		BB+	
Co-operative Group Ltd	Retail	20/12/2013	GBP	109	11.000			
			GBP	37	ZERO			

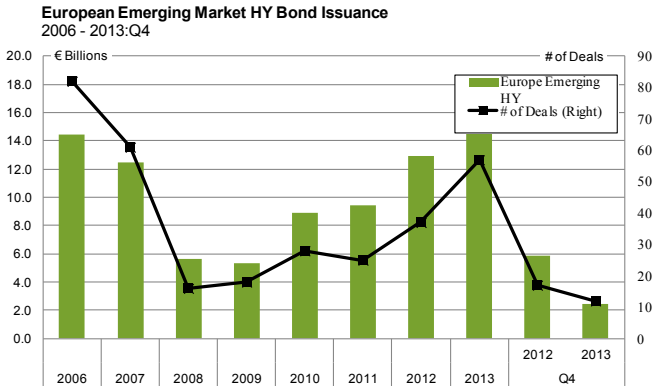
†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic

ISSUANCE

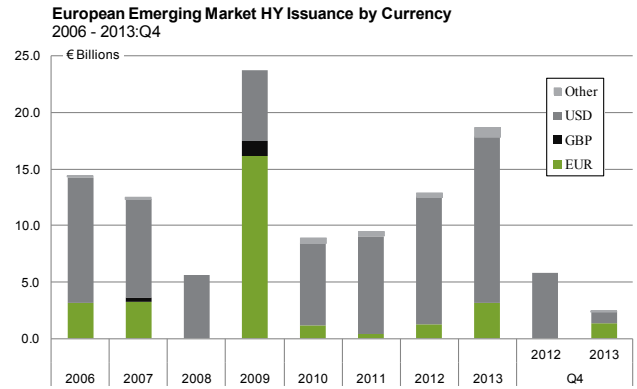
5. Issuance – European Emerging Market High Yield Bonds

5.1. European Emerging Market HY Bond Issuance



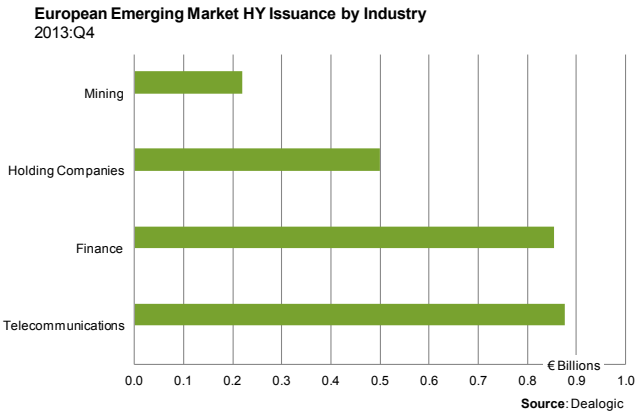
Source: Dealogic

5.2. European Emerging Market HY Bond Issuance by Currency



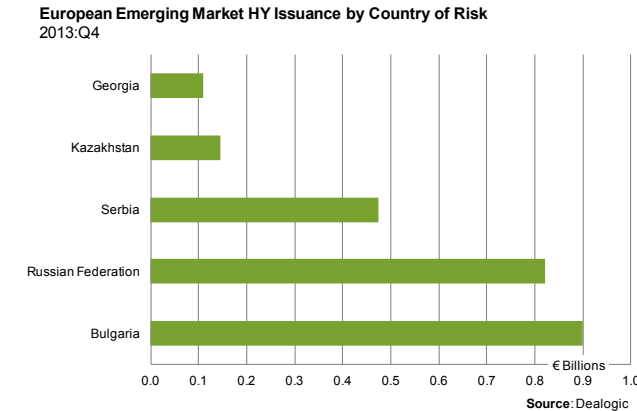
Source: Dealogic

5.3. European Emerging Market HY Issuance by Industry



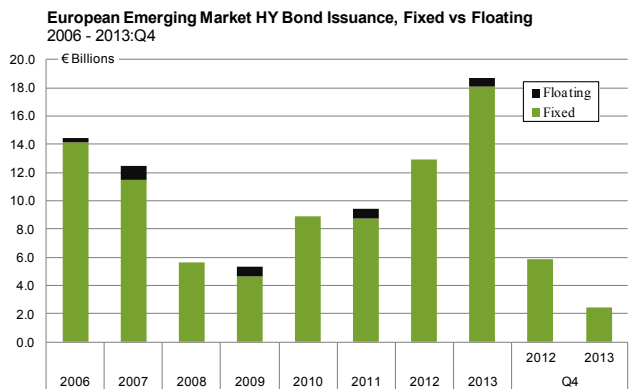
Source: Dealogic

5.4. European Emerging Market HY Issuance by Country of Risk



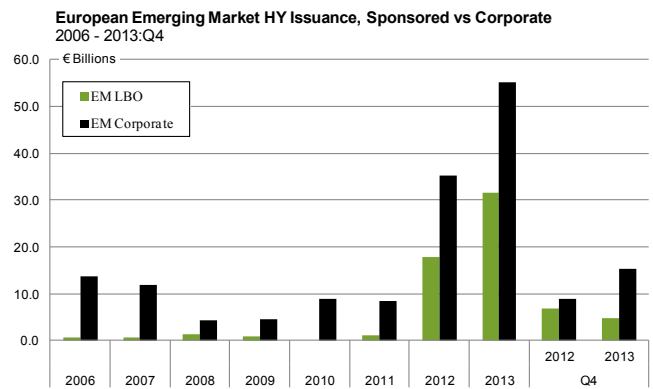
Source: Dealogic

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



Source: Dealogic

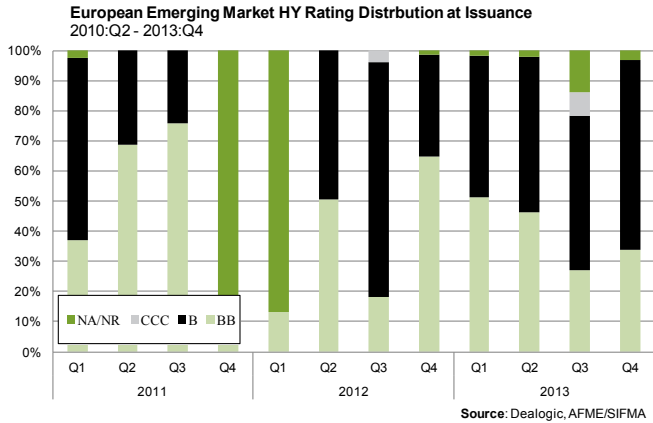
5.6. European Emerging Market HY Issuance, Sponsored vs. Corporate



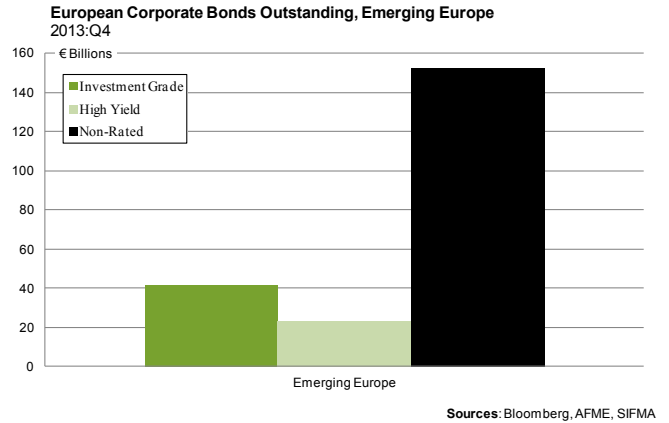
Source: Dealogic

ISSUANCE

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
New World Resources NV	Mining	16/01/2013	EUR	275	7.875	B3	B-	
Credit Europe Bank NV	Finance	17/01/2013	USD	400	8.000	Ba3	BB-	
Credit Bank of Moscow OAO - MKB	Finance	25/01/2013	USD	500	7.700	B1	B+	BB-
Sibur Holding ZAO	Oil & Gas	24/01/2013	USD	1,000	3.914	Ba1		BB+
Bite Finance International BV	Telecommunications	30/01/2013	EUR	200	3M EURIBOR + 750	B3	B	B-
VimpelCom Holdings BV	Telecommunications	07/02/2013	RUB	12,000		Ba3	BB	
			USD	600	5.200	Ba3	BB	
			USD	1,000	5.950	Ba3	BB	
Promsvyazbank OAO	Finance	15/02/2013	USD	200	10.200	Ba3		B+
Russian Standard Bank ZAO	Finance	13/03/2013	CNY	750	8.000	Ba3	B+	B+
SeverStal OAO	Metal & Steel	13/03/2013	USD	600	4.450	Ba1	BB+	BB
State Savings Banks of Ukraine - OSCHADBAN!	Finance	13/03/2013	USD	500	8.875	B3		B
Ukrlandfarming plc	Agribusiness	21/03/2013	USD	275	10.875		B-	B
Ak Bars Bank OAO	Finance	20/03/2013	RUB	5,000	9.200	NR		
MHP SA	Food & Beverage	22/03/2013	USD	750	8.250		B	B
PrivatBank ZAT	Finance	22/02/2013	USD	175	10.875	B3		B
Asya Sukuk Company Ltd	Finance	21/03/2013	USD	250	7.500	Ba3		
Arcelik AS	Consumer Products	25/03/2013	USD	500	5.000		BB+	BB+
DTEK Finance plc	Utility & Energy	27/03/2013	USD	600	7.875	B3	AN	B
TMK OAO - Pipe Metallurgical Works OAO	Metal & Steel	26/03/2013	USD	500	6.750	B1	B+	
Metalloinvest Finance Ltd	Mining	11/04/2013	USD	1,000	5.625	Ba3	BB-	BB-
Mriya Agro Holding plc	Agribusiness	12/04/2013	USD	400	9.450		B	B
Eastcomtrans	Transportation	12/04/2013	USD	100	7.750	B3		B
EDC Finance Ltd	Oil & Gas	12/04/2013	USD	600	4.875		BB+	BB
Evrast Group SA	Metal & Steel	12/04/2013	USD	1,000	6.500		B+	BB-
Nomos-Bank OAO	Finance	19/04/2013	USD	500	7.250	Ba3		BB
RPG Byty sro	Real Estate/Property	19/04/2013	EUR	400	6.750	Ba3		BB-
DTEK Finance plc	Utility & Energy	23/04/2013	USD	150	7.875	B3		B
Far Eastern Shipping Co OAO - FESCO	Transportation	23/04/2013	USD	500	8.000		BB-	B+
			USD	300	8.750		BB-	B+
Alliance Oil Co Ltd	Oil & Gas	24/04/2013	USD	500	7.000		B+	B
Credit Bank of Moscow OAO - MKB	Finance	25/04/2013	USD	500	8.700			B+
Nord Gold NV	Mining	30/04/2013	USD	500	6.375	Ba3		BB-
Türkiye Sise ve Cam Fabrikalari AS - Sisecam	Consumer Products	03/05/2013	USD	500	4.250	Ba1	BB+	
Nitrogenmuvек Zrt	Chemicals	13/05/2013	EUR	200	7.875		BB-	BB-
Ukrlandfarming plc	Agribusiness	13/05/2013	USD	150	10.875		B-	B
Ukraine Railways - Ukrzaliznytsia	Transportation	14/05/2013	USD	500	9.500		B	B-
Far Eastern Shipping Co OAO - FESCO	Transportation	17/05/2013	USD	50	8.000		BB-	B+
			USD	25	8.750		BB-	B+
CB Renaissance Credit LLC	Finance	22/05/2013	USD	350	7.750	B2	B+	B
Mobile TeleSystems OAO - MTS	Telecommunications	23/05/2013	USD	500	5.000	Ba2	BB	BB+
Nomos-Bank OAO	Finance	04/06/2013	USD	300	10.000	B1		BB-
Khanty-Mansiysk Bank OAO	Finance	13/06/2013	USD	200	9.150			
Ukrlandfarming plc	Agribusiness	27/06/2013	USD	75	10.875		B-	B

†PIK (Payment in Kind); #Debut issue

Source: Bloomberg, Dealogic

ISSUANCE

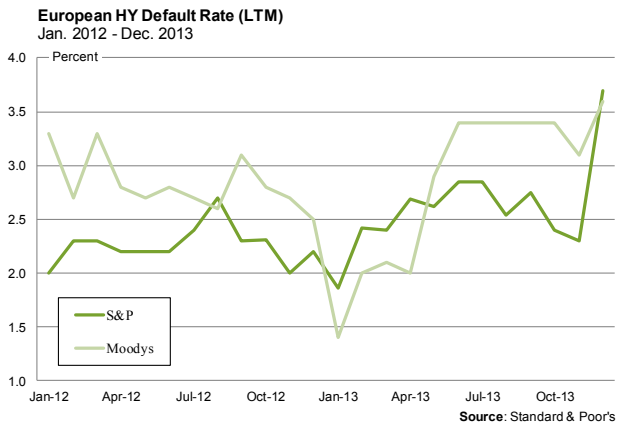
Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
Russian Standard Bank ZAO	Finance	10/07/2013	USD	200	11.500	Caa1		B
Uranium One Inc	Mining	21/08/2013	RUB	12,500	10.250			
TVN Finance Corporation III AB	Telecommunications	06/09/2013	EUR	430	7.375	B1	B+	
Polish Television Holding BV	Telecommunications	11/09/2013	EUR	300	11.000		B-	
Borets Finance Ltd	Oil & Gas	19/09/2013	USD	420	7.625	B1	BB	
Gazprombank OAO	Finance	24/09/2013	USD	750	7.496			BB-
Home Credit & Finance Bank OOO - HCFB	Finance	10/10/2013	USD	200	10.500			BB-
Bank Saint Petersburg OAO	Finance	15/10/2013	USD	100	10.750			B+
Kaspi Bank AO	Finance	24/10/2013	USD	200	9.875	B1	BB-	
Bank of Georgia Holdings plc	Finance	29/10/2013	USD	150	7.750	Ba3	BB-	BB-
Bulgarian Energy Holding EAD‡	Holding Companies	31/10/2013	EUR	500	4.250			BB+
Foreign Economic Industrial Bank OOO - Vneshpi	Finance	07/11/2013	USD	200	9.000	B2	B+	
Adria Bidco BV	Telecommunications	07/11/2013	EUR	475	7.875	B2	B	
CB Renaissance Credit LLC	Finance	15/11/2013	USD	100	13.500			
Bulgarian Telecommunications Co - BTC (Vivaco)	Telecommunications	15/11/2013	EUR	400	6.625	B1	BB-	
ABH Financial Ltd	Finance	20/11/2013	CHF	85	4.000		BB-	BB+
Orient Express Bank OAO	Finance	29/11/2013	USD	120	12.000	B1		
Uranium One Investments Inc	Mining	06/12/2013	USD	300	6.250	Ba3	B+	BB-

‡PIK (Payment in Kind); †Debut issue

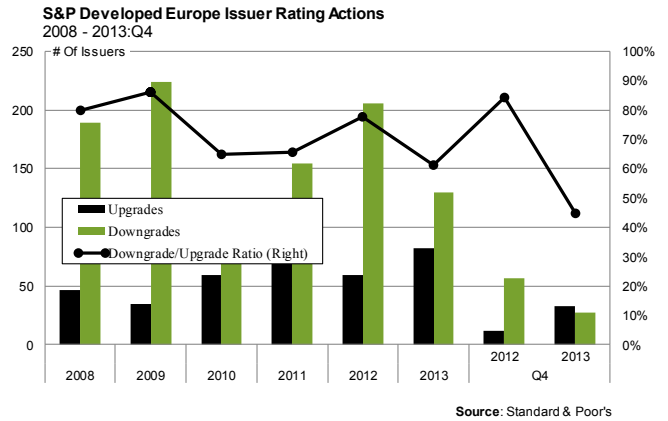
Source: Bloomberg, Dealogic

6. Credit Quality

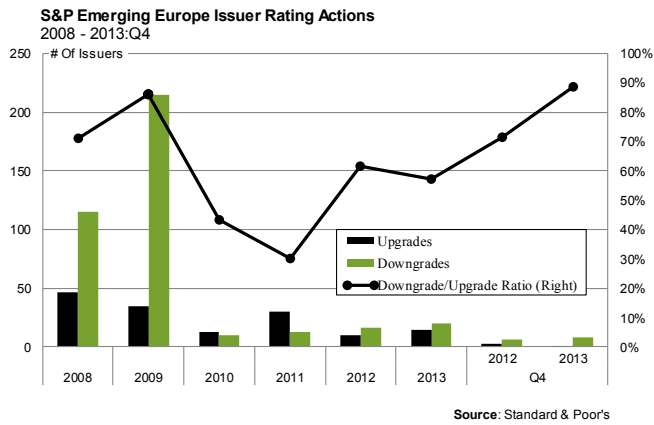
6.1. European HY Default Rate



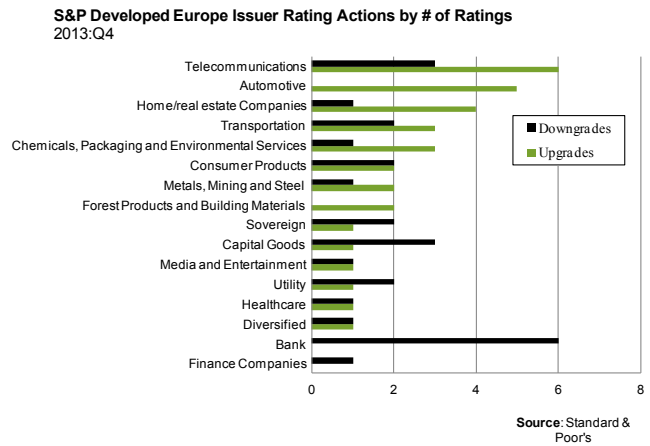
6.2. Developed Europe Issuer Rating Actions¹



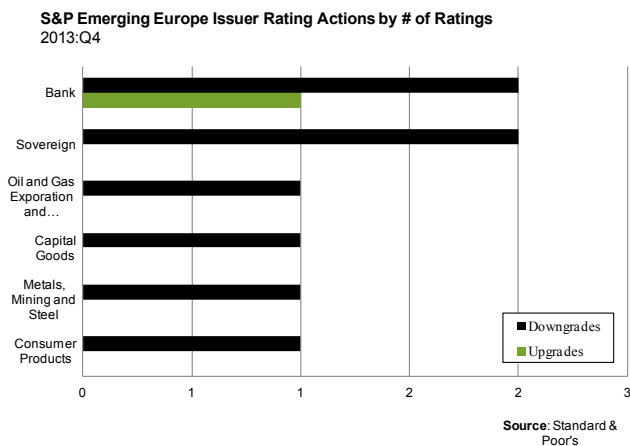
6.3. Emerging Europe Issuer Rating Actions²



6.4. Developed European Industry Rating Actions by # of Ratings



6.5. Emerging European Industry Rating Actions by \$ Amount



¹ Numbers include both corporate and sovereigns.

² Numbers include both corporate and sovereigns.

CREDIT QUALITY

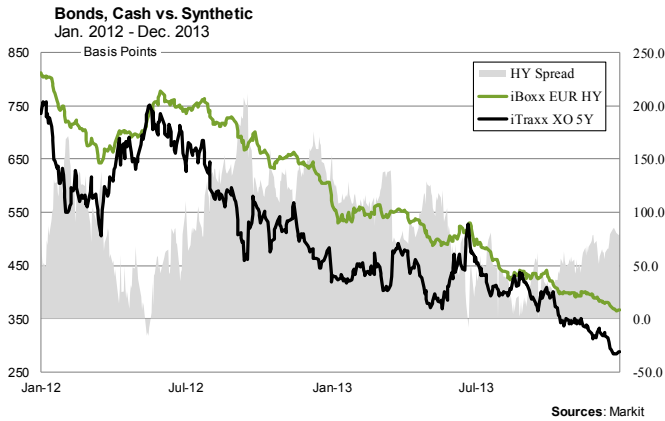
6.6. European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
SEAT PagineGialle SpA	Media and Entertainment	Italy	February 2013	S&P, Moodys	Missed Interest Payment
SNS Bank N.V.	Bank	Netherlands	February 2013	Moodys	Distressed Exchange
SNS Reaal N.V.	Insurance	Netherlands	February 2013	Moodys	Distressed Exchange
Irish Bank Resolution Corporated Limited	Bank	Ireland	February 2013	Moodys	Liquidation
Norske Skogindustrier ASA	Forest Products and Building Materials	Norway	February 2013	S&P	Subpar Bond Buybacks
Yioula Glassworks SA	Chemicals, Packaging and Environmental Services	Greece	February 2013	S&P	Distressed Exchange
Bank of Cyprus Public Co Ltd	Bank	Cyprus	March 2013	Moodys	Administration
Central European Distribution Corp	Beverage, Food & Tobacco	Poland	March 2013	Moodys	Missed principal payment
Cyprus Popular Bank Public Co Ltd	Bank	Cyprus	March 2013	Moodys	Administration
hibu PLC	Media and Entertainment	UK	March 2013	S&P	Missed Interest Payment
Northland Resources A.B.	Metals, Mining and Steel	Sweden	March 2013	S&P, Moodys	Missed Interest Payment
CEVA Group PLC	Transportation	Netherlands	April 2013	S&P, Moodys	Missed Interest Payment/Distressed Exchange
Confidential	Transportation	Greece	May 2013	S&P	Missed Principal Payment
Banco CEISS	Bank	Spain	May 2013	Moodys	Distressed Exchange (subordinated debt only)
Banco Financiero y de Ahorros	Bank	Spain	May 2013	Moodys	Distressed Exchange (subordinated debt only)
Liberbank	Bank	Spain	May 2013	Moodys	Distressed Exchange (subordinated debt only)
Codere S.A.	Media and Entertainment	Spain	June 2013	S&P	Missed Interest Payment
Magyar Telecom BV	Telecommunications	Netherlands	June 2013	S&P, Moodys	Missed Interest Payment
Agroton Public Ltd	Consumer Products	Ukraine	July 2013	S&P	Missed Interest Payment
Schoeller Arca Systems Holding B.V.	Chemicals, Packaging and Environmental Services	Netherlands	August 2013	Moodys	Distressed Exchange
Codere S.A.	Media and Entertainment	Spain	August 2013	S&P, Moodys	Missed Interest Payment
Confidential	Home/real estate Companies	Netherlands	November 2013	S&P	Distressed Exchange
Codere S.A.	Media and Entertainment	Spain	December 2013	S&P	Missed Interest Payment
Songa Offshore SE	Oil & Gas Exploration and Production	Cyprus	December 2013	S&P	Distressed Exchange
ATU Auto-Telle-Unger Handels GmbH & Co. KG	Retail	Germany	December 2013	Moodys	Missed interest payment
Co-Operative Bank PLC	Bank	UK	December 2013	Moodys	Distressed Exchange
Zlomrex International Finance S.A.	Metals, Mining and Steel	France	December 2013	Moodys	Bankruptcy

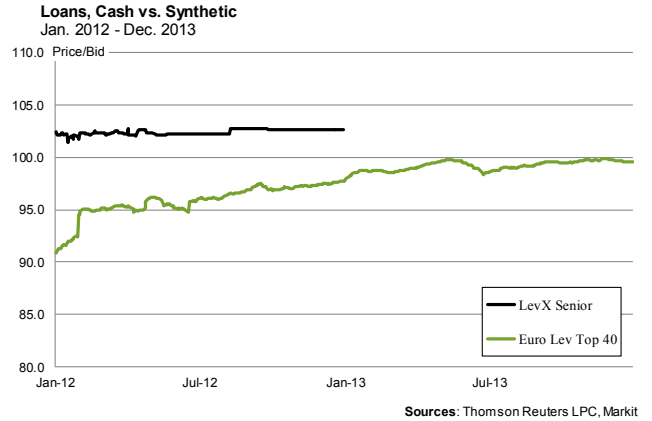
Source: Moody's, Standard & Poor's

7. Relative Value

7.1. European HY Bonds, Cash vs. Synthetic

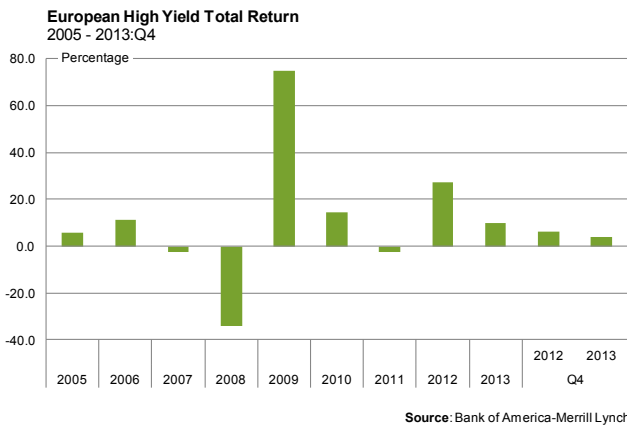


7.2. European Leveraged Loans, Cash vs. Synthetic

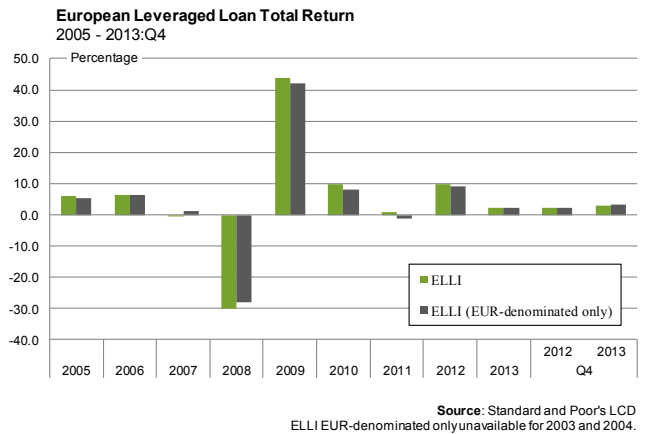


8. Total Return

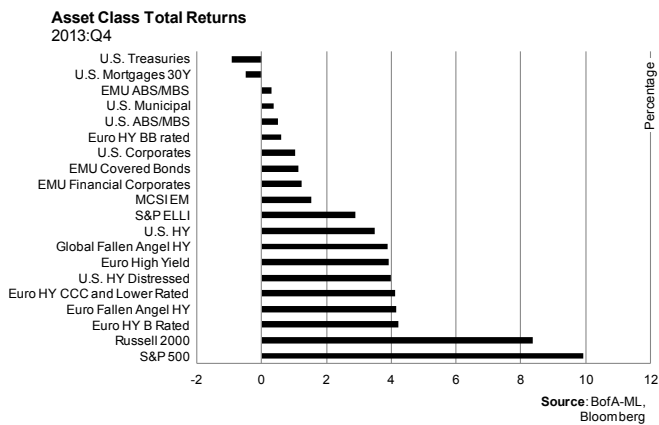
8.1. European HY Bond Total Return



8.2. European Leveraged Loan Total Return



8.3. Asset Class Total Return



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 (T1a).

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. AFME and SIFMA will make every effort to include updated information as it becomes available and in subsequent reports. 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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