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European Leveraged Finance, First Quarter 2015

Highlights and Market Environment

Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) more than doubled in 1Q’15 to €57.7 billion, a 112.8% increase quarter-over-quarter (q-o-q) and a 25.2% increase year-over-year (y-o-y). The increase q-o-q stems from the large rise in high yield bond issuance, which more than quadrupled in the first quarter of 2015; the high yield share of the leveraged finance market increased to 61.2%, up from 30.4% in 4Q’14.

Market and Economic Environment

According to the April 2015 European Central Bank lending survey, credit standards for loans to enterprises, consumer credit and loans to households other than for house purchase continued to ease in net terms in the first quarter of 2015, while the credit standards for loans to households for house purchase tightened slightly in net terms. Despite the easing in most categories during the quarter the European Central Bank stated that the level of credit standards is still relatively tight in historical terms. In 1Q’15, euro area banks reported a net easing of credit standards on loans to enterprises for the fourth consecutive quarter driven in particular by banks’ cost of funds and balance sheet constraints and competition. 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 have improved in all large euro area countries except for Spain, in particular in Italy, and switched from a net tightening to a net easing in the Netherlands.

Net loan demand continued to be positive for loans to enterprises, but fell back from the high level reported in the fourth quarter of 2014. Net demand for loans to enterprises continued to improve, however at a slower pace. The net increase in demand was 6% in 1Q’15, down from 18% in the previous quarter. Net demand for housing loans continued to increase at a fast pace (29%, up from 24% in the previous quarter), while it remained broadly stable for consumer credit (13%, after 14%).

Issuance

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, increased in the first quarter of 2015 to €22.4 billion, up 18.7% q-o-q (€18.9 billion) and up 10.8% y-o-y (€20.2 billion). Amend-and-extend (“A&E”) transactions continue to take place, with slightly more than a quarter of deals in the first quarter of 2015 structured as such (€6.0 billion or 27.0% by euro amount), a slight increase from the fourth quarter’s €5.8 billion.

In 1Q’15, no mezzanine loans and €0.3 billion in second liens were financed. Pricing spreads for institutional loans widened by 15.8 basis points (bps) while spreads for pro rata loans widened by 6.2 bps. Mezzanine loan spreads remained at 0 bps in the first quarter of 2015 as no mezzanine loans were financed so far in 2015.

According to Dealogic, the leading sector in leveraged loan issuance for the first quarter of 2015 was construction/building (€3.54 billion), followed by telecommunications (€3.30 billion) and computers & electronics (€3.28 billion).

The share of deals aimed to refinance and/or repay debt decreased q-o-q and y-o-y, dropping to 44.2% of all deals by euro amount in the first quarter of 2015, compared to 56.4% in 4Q’14 and 62.0% in 1Q’14.
European CLO outstandings, including SME deals, decreased by an annualized rate of 28.6% in 1Q’15, ending March 2015 at €178.4 billion. Non-SME CLOs fell at an annualized rate of 35.5% in 1Q’15 while SME CLOs decreased by an annualized 22.6%.

Issuance: High Yield Bonds
Primary issuance in 1Q’15 totalled €35.3 billion on 61 deals, an increase of 327.9% and 36.5%, respectively, q-o-q and y-o-y. Issuance from developed market Europe increased in the first quarter of 2015 while the issuance from emerging market Europe fell.

Primary issuance in developed market Europe in the first quarter of 2015 was €35.2 billion on 60 deals, a sharp increase of 365.6% and 42.1% by euro amount, respectively, q-o-q (€4.6 billion on 23 deals) and y-o-y (€24.8 billion on 61 deals). In emerging market Europe primary issuance in 1Q’15 was €0.07 billion on 1 deal, a decline of 90.2% and 93.8% by euro amount, respectively, q-o-q (€0.68 billion on 4 deals) and y-o-y (€1.08 billion on 3 deals).

In first quarter 2015, average deal sizes from developed market Europe increased by 15.2% to an average of €658.6 million per deal (€571.5 million in 4Q’14). Average deal sizes for emerging market Europe fell for the fourth consecutive quarter to €66.7 million in 1Q’15, down 60.9% from €170.5 million in 4Q’14.

High yield issuance for refinancing and/or repayment of debt in developed market Europe decreased q-o-q and y-o-y, representing 14.9% of all issuance by euro amount in 1Q’15, compared to 34.1% in 4Q’14 and 27.7% in 1Q’14. In emerging market Europe, no debt was issued for refinancing and/or repayment purposes in the first quarter of 2015.

Two sectors accounted for almost half of the total high yield issuance in 1Q’15: telecommunications with €12.4 billion issued (35.1% of total) and leisure & recreation (€4.9 billion, 13.8%). Finance sector ranked third with €3.2 billion (9.0% of total) with the remainder of the issuance in the first quarter split among many industries.

The proportion of USD-denominated issuance decreased in 1Q’15, representing 28.6% of all issuance by euro amount, compared to 53.4% in 4Q’14 but increased y-o-y (17.2% in 1Q’14). USD-denominated issuance in developed market Europe decreased to 28.5% of all issuance by euro amount from 50.3% in 4Q’14, while USD-denominated issuance in emerging market Europe rose to represent 100% by euro amount, compared to 87.5% in 4Q’14.

Returns & Credit Quality
Euro B-rated high yield bonds led returns in the first quarter of 2015 (4.57%) followed by Russell 2000 (3.99%) and global fallen angel high yield bonds (3.56%). U.S. distressed high yield, however, performed poorly, returning negative 0.72% as the worst performing asset class.

High-yield bond default rates increased in March 2015, with S&P reporting 1.5% (up from 1.0% end-December 2014). Five bond-related defaults were reported in the first quarter, three in developed market Europe and two in emerging market Europe (Talon PIKco, Afren, Commercial Bank Sudostraiteln Bank, Bank Tavridhesky and Norske Skogindustrier).

According to S&P, in 1Q’15 downgrades exceeded upgrades in developed market Europe and emerging market Europe, with 36 downgrades to 14 upgrades and 28 downgrades to zero upgrades, respectively. Both upgrades and downgrades were distributed across the sector spectrum. The sector with the most rating actions in first quarter 2015 was banks with 9 downgrades in developed market Europe and 9 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 Standards

1.5. Factors Affecting Bank Credit Standards

1.6. Loan Demand

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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 Demand

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

1.8. Global Comparison – High Yield Issuance

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</table>
ISSUANCE

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

2.5. S&P ELLI Ratings Diversification

2.6. Distribution of Leveraged Loan Secondary Market Bids

Source: Dealogic, Thomson Reuters LPC

Source: Standard & Poor’s LCD

Source: Thomson Reuters LPC/SMi
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

**European HY Issuance by Rating**

2015 Q1

- **Developed**
- **Emerging**

Sources: Bloomberg, Dealogic, Moody’s, Standard and Poor’s, Fitch Ratings

3.8. European Corporate Bond Issuance by Tenor

**European HY Issuance by Tenor**

2015 Q1

- <5 Years
- 5 - 7 Years
- 8 - 10 Years
- 10+ Years
- Other

Sources: Bloomberg, Dealogic, Moody’s, Standard and Poor’s, Fitch Ratings

3.9. European HY Use of Proceeds

**European HY Use of Proceeds**

2006 - 2015 Q1

- General Corporate Purposes
- Acquisitions
- LBO/MBO
- Restructuring
- Repay Debt/Refinancing
- Other

Source: Dealogic, AFME/SIFMA

4. Issuance – European Developed Market High Yield Bonds

4.1. European Developed Market HY Bond Issuance

**European Developed Market HY Bond Issuance**

2006 - 2015 Q1

- Billion
- # of Deals (Right)

Source: Dealogic

4.2. European Developed Market HY Issuance by Currency

**European Developed Market HY Issuance by Currency**

2006 - 2015 Q1

- Billion
- # USD
- # GBP
- # EUR

Source: Dealogic
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

Source: Dealogic, AFME/SIFMA
## European Developed Market HY Bond Issuance

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<th>Industry Group</th>
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<th>Amount (Millions)</th>
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<td></td>
</tr>
<tr>
<td>Unitymedia KabellBw GmbH</td>
<td>Telecommunications</td>
<td>02/03/2015</td>
<td>EUR 700</td>
<td>3.750 B3</td>
<td>B</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jaguar Land Rover Automotive plc</td>
<td>Auto/Truck</td>
<td>03/03/2015</td>
<td>USD 500</td>
<td>3.500 Ba2</td>
<td>BB-</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of Ireland Mortgage Bank</td>
<td>Finance</td>
<td>03/03/2015</td>
<td>EUR 750</td>
<td>1.250 Ba1</td>
<td>BB+</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arion Banki hf</td>
<td>Finance</td>
<td>03/03/2015</td>
<td>EUR 300</td>
<td>3.125 NA</td>
<td>BB-</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faurecia SA</td>
<td>Auto/Truck</td>
<td>10/02/2015</td>
<td>EUR 500</td>
<td>3.125 B1</td>
<td>NA</td>
<td>BB-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merlin Entertainments plc</td>
<td>Leisure &amp; Recreation</td>
<td>11/03/2015</td>
<td>EUR 500</td>
<td>2.750 Ba2</td>
<td>BB-</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moto Finance plc</td>
<td>Dining &amp; Lodging</td>
<td>11/03/2015</td>
<td>EUR 175</td>
<td>6.375 NA</td>
<td>NA</td>
<td>B+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millicom International Cellular SA</td>
<td>Telecommunications</td>
<td>11/03/2015</td>
<td>USD 500</td>
<td>6.000 Ba2</td>
<td>NA</td>
<td>BB+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Play Finance 2 SA</td>
<td>Telecommunications</td>
<td>12/03/2015</td>
<td>EUR 125</td>
<td>5.250 B1</td>
<td>B-</td>
<td>BB+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Autostrada Brescia Verona Vicenza Padova SpA</td>
<td>Construction/Building</td>
<td>12/03/2015</td>
<td>EUR 600</td>
<td>2.375 NA</td>
<td>BBB-</td>
<td>BB+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wind Acquisition Finance SA</td>
<td>Telecommunications</td>
<td>12/03/2015</td>
<td>EUR 400</td>
<td>3M EURIBOR + 412.5 Ba3</td>
<td>NA</td>
<td>BB-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banca Popolare di Vicenza Srl</td>
<td>Finance</td>
<td>12/03/2015</td>
<td>EUR 750</td>
<td>4.000 NA</td>
<td>BB-</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vint Ltd</td>
<td>Computers &amp; Electronics</td>
<td>13/03/2015</td>
<td>USD 113</td>
<td>3M LIBOR</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virgin Media Secured Finance plc</td>
<td>Telecommunications</td>
<td>17/03/2015</td>
<td>USD 500</td>
<td>5.250 Ba3</td>
<td>BB-</td>
<td>BB-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obrascon Huarte Lain SA - OHL</td>
<td>Construction/Building</td>
<td>17/03/2015</td>
<td>GBP 325</td>
<td>4.875 Ba3</td>
<td>BB-</td>
<td>BB-</td>
<td></td>
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<tr>
<td>Beni Stabil Ssp SiQ</td>
<td>Real Estate/Property</td>
<td>17/03/2015</td>
<td>EUR 125</td>
<td>2.125 NA</td>
<td>NA</td>
<td>NA</td>
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<tr>
<td>Paprec France SAS</td>
<td>Utility &amp; Energy</td>
<td>20/03/2015</td>
<td>EUR 295</td>
<td>5.250 B1</td>
<td>B+</td>
<td>NA</td>
<td></td>
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</tbody>
</table>

*PIK (Payment in Kind); †Debut issue

Source: Bloomberg, Dealogic
<table>
<thead>
<tr>
<th>Issuer</th>
<th>Industry Group</th>
<th>Date</th>
<th>Currency</th>
<th>Amount ( Millions )</th>
<th>Coupon</th>
<th>Moodys</th>
<th>S&amp;P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercon SpA</td>
<td>Consumer Products</td>
<td>23/03/2015</td>
<td>EUR</td>
<td>120</td>
<td>3.875</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Genel Energy Finance 3 Ltd</td>
<td>Oil &amp; Gas</td>
<td>26/03/2015</td>
<td>USD</td>
<td>230</td>
<td>7.500</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>AA Bond Co Ltd</td>
<td>Professional Services</td>
<td>27/03/2015</td>
<td>GBP</td>
<td>735</td>
<td>5.500</td>
<td>NA</td>
<td>BB-</td>
<td>NA</td>
</tr>
<tr>
<td>Schaeffler Finance BV</td>
<td>Machinery</td>
<td>27/03/2015</td>
<td>USD</td>
<td>600</td>
<td>4.750</td>
<td>Ba2</td>
<td>BB-</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>EUR</td>
<td>600</td>
<td>3.250</td>
<td>Ba2</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>EUR</td>
<td>400</td>
<td>2.500</td>
<td>Ba2</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>ArcelorMittal SA</td>
<td>Metal &amp; Steel</td>
<td>30/03/2015</td>
<td>EUR</td>
<td>500</td>
<td>3.000</td>
<td>Ba1</td>
<td>BB</td>
<td>BB+</td>
</tr>
<tr>
<td>UPCB Finance IV Ltd</td>
<td>Telecommunications</td>
<td>31/03/2015</td>
<td>EUR</td>
<td>400</td>
<td>3M EURIBOR + 203</td>
<td>Ba1</td>
<td>BB</td>
<td>BB+</td>
</tr>
<tr>
<td>Faurecia SA</td>
<td>Auto/Truck</td>
<td>31/03/2015</td>
<td>USD</td>
<td>800</td>
<td>5.375</td>
<td>Ba3</td>
<td>BB</td>
<td>NA</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>EUR</td>
<td>200</td>
<td>3.125</td>
<td>B1</td>
<td>NA</td>
<td>BB-</td>
</tr>
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</table>

†PIK (Payment in Kind); ‡Debut issue

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

Source: Dealogic
### 5.7. European Emerging Market HY Rating Distribution at Issuance

![European Emerging Market HY Rating Distribution at Issuance](image)

Source: Dealogic, AFME/SIFMA

### 5.8. European Emerging Market Corporate Bonds Outstanding

![European Corporate Bonds Outstanding, Emerging Europe](image)

Source: Bloomberg, AFME, SIFMA

### 5.9. Emerging Market HY Bond Issuance

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Industry Group</th>
<th>Date</th>
<th>Currency</th>
<th>Amount (Millions)</th>
<th>Coupon</th>
<th>Moodys</th>
<th>S&amp;P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank URALSIB OAO</td>
<td>Finance</td>
<td>22/1/2015</td>
<td>USD</td>
<td>77</td>
<td>10.500</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic
6. Credit Quality

6.1. European HY Default Rate

European HY Default Rate (LTM)
Mar. 2010 - Mar. 2015

6.2. Developed Europe Issuer Rating Actions¹

S&P Developed Europe Issuer Rating Actions
2008 - 2015:Q1

6.3. Emerging Europe Issuer Rating Actions²

S&P Emerging Europe Issuer Rating Actions
2008 - 2015:Q1

6.4. Developed European Industry Rating Actions by # of Ratings

S&P Developed Europe Issuer Rating Actions by # of Ratings
2015:Q1

6.5. Emerging European Industry Rating Actions by # of Ratings

S&P Emerging Europe Issuer Rating Actions by # of Ratings
2015:Q1

¹ Numbers include both corporate and sovereigns.
² Numbers include both corporate and sovereigns.
6.6. European Defaults

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Industry Group</th>
<th>Country</th>
<th>Date</th>
<th>Reported By</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talon PKco N.V.</td>
<td>Entertainment/Media</td>
<td>Belgium</td>
<td>January 2015</td>
<td>S&amp;P</td>
<td>Distressed Exchange</td>
</tr>
<tr>
<td>Afren PLC</td>
<td>Energy and Natural Resources</td>
<td>U.K.</td>
<td>February 2015</td>
<td>S&amp;P</td>
<td>Missed amortization payment</td>
</tr>
<tr>
<td>Commercial Bank Sadostrachy Bank LLC</td>
<td>Bank</td>
<td>Russia</td>
<td>February 2015</td>
<td>S&amp;P</td>
<td>Regulatory Intervention</td>
</tr>
<tr>
<td>Bank Tavridhesky</td>
<td>Bank</td>
<td>Russia</td>
<td>February 2015</td>
<td>S&amp;P</td>
<td>Regulatory Intervention</td>
</tr>
<tr>
<td>Norske Skogindustrier ASA</td>
<td>Forest Products and Building Materials</td>
<td>Norway</td>
<td>February 2015</td>
<td>S&amp;P</td>
<td>Debt Exchange</td>
</tr>
</tbody>
</table>

Source: Moody’s, Standard & Poor’s

7. Relative Value
7.1. European HY Bonds, Cash vs. Synthetic

![Bonds, Cash vs. Synthetic](image)

8. Total Return
8.1. European HY Bond Total Return

![European High Yield Total Return](image)

8.2. European Leveraged Loan Total Return

![European Leveraged Loan Total Return](image)

8.3. Asset Class Total Return, Quarter

![Asset Class Total Returns](image)

Source: Bank of America-Merrill Lynch, Standard and Poor’s LCD
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

AFME High Yield Division
First Quarter 2015
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
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