

European High Yield & Leveraged Loan Report



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European Leveraged Finance, Fourth Quarter 2014

Highlights and Market Environment

Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) decreased in 4Q'14 to €27.1 billion, a 30.5% decrease quarter-over-quarter (q-o-q), a 36.8% decrease year-over-year (y-o-y), and the smallest quarterly issuance since 3Q'12. The decrease q-o-q stems from the large decline in high yield bond issuance, which experienced a 54.0% drop during the fourth quarter of 2014; the high yield share of the leveraged finance market declined to 30.4%, down from 45.9% in 3Q'14.

Market and Economic Environment

According to the January 2014 European Central Bank lending survey, credit standards for all loan categories continued to ease in net terms in the fourth quarter of 2014. Despite the easing during the quarter the European Central Bank stated that the level of credit standards is still relatively tight in historical terms. In 4Q'14, for the third consecutive quarter, euro area banks reported a net easing of credit standards on loans to enterprises. Across firm size, credit standards were eased on loans to both large firms and to small and medium-sized enterprises (SMEs). Overall, developments across European countries continued to become less diverse. Among the largest euro area countries, credit standards on loans to enterprises were eased in net terms, particularly in Italy and to a more limited extent in France, while remaining unchanged in Germany and Spain and continuing to tighten in the Netherlands.

The net demand for loans increased in 4Q'14. Net demand for loans to enterprises continued to be positive and recovered further in the fourth quarter of 2014 to 18% from 6% in the previous quarter. The net demand for consumer credit and other lending to households increased as well, to 15% from 10% in 3Q'14.

Issuance

Issuance: Leveraged Loans

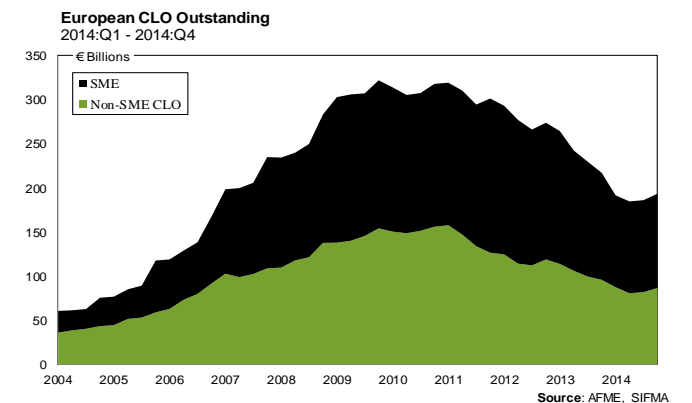
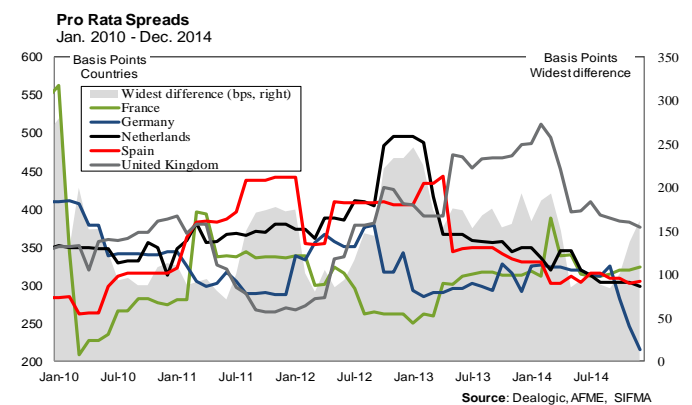
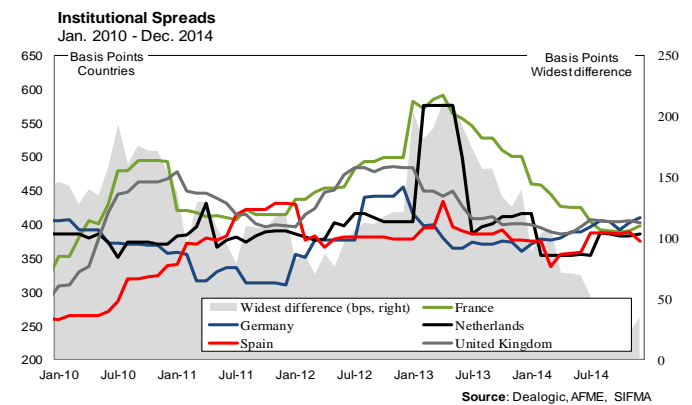
Leveraged loan issuance, including first lien, second lien, and mezzanine financing, declined in the fourth quarter of 2014 to €18.9 billion, down 10.6% q-o-q (€21.1 billion) and down 6.3% y-o-y (€20.1 billion). Amend-and-extend ("A&E") transactions continue to take place, with slightly less than a third of deals in the fourth quarter of 2014 structured as such (€5.8 billion or 30.7% by euro amount), an increase from the third quarter's €2.4 billion.

In 4Q'14, no mezzanine loans and €0.6 billion in second liens were financed. Pricing spreads for institutional loans tightened by 1.0 basis point (bp) while spreads for pro rata loans tightened by 28.2 bps. Mezzanine loan spreads remained at 350.0 bps in the fourth quarter of 2014.

According to Dealogic, the leading sector in leveraged loan issuance for the fourth quarter of 2014 was healthcare (€6.26 billion), followed by machinery (€3.54 billion) and food & beverage (€2.30 billion).

The share of deals aimed to refinance and/or repay debt increased q-o-q and y-o-y, rising slightly to 56.4% of all deals by euro amount in the fourth quarter of 2014, compared to 55.9% in 3Q'14 and 63.8% in 4Q'13.

European CLO outstanding, including SME deals, increased by 16.5% on an annualized basis in 4Q'14, ending December 2014 at €193.5 billion. Non-SME CLOs rose at an annualized rate of 24.2% in 4Q'14 while SME CLOs increased by an annualized 10.7%.



Issuance: High Yield Bonds

Primary issuance in 4Q'14 totalled €8.3 billion on 27 deals, a decrease of 54.0% and 41.3%, respectively, q-o-q and y-o-y. Issuance from developed market Europe fell in the fourth quarter of 2014 as did issuance from emerging market Europe.

Primary issuance in developed market Europe in the fourth quarter of 2014 was €7.57 billion on 23 deals, a sharp decline of 55.9% and 45.2% by euro amount, respectively, q-o-q (€17.15 billion on 42 deals) and y-o-y (€20.80 billion on 64 deals). In emerging market Europe primary issuance in 4Q'14 was €0.68 billion on 4 deals, a decline of 11.4% and 65.0% by euro amount, respectively, q-o-q (€0.77 billion on 4 deals) and y-o-y (€1.95 billion on 11 deals).

In fourth quarter 2014, average deal sizes from developed market Europe fell for the second consecutive quarter to an average of €571.5 million per deal in 4Q'14 (€586.0 million in 3Q'14). Average deal sizes for emerging market Europe also fell to €170.5 million in 4Q'14 from €192.5 million in 3Q'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 34.1% of all issuance by euro amount in 4Q'14, compared to 23.6% in 3Q'14 and 35.8% in 4Q'13. In emerging market Europe, no debt was issued for refinancing and/or repayment of debt purposes in the fourth quarter of 2014.

The proportion of USD-denominated issuance increased sharply in 4Q'14, representing 53.4% of all issuance by euro amount, compared to only 12.4% in 3Q'14 and 31.0% in 4Q'13. USD-denominated issuance in emerging market Europe rose to represent 87.5% by euro amount, compared to 48.0% in 3Q'14, while USD-denominated issuance in developed market Europe increased to 50.3% of all issuance by euro amount from 10.7% in 3Q'14.

Returns & Credit Quality

Russell 2000 led returns in the fourth quarter of 2014 (9.72%) followed by S&P 500 (4.92%) and emerging market European covered bonds (3.16%). U.S. distressed high yield, however, performed poorly, returning negative 15.37% as the worst performing asset class.

High-yield bond default rates increased in November 2014 (latest data available), with S&P reporting 1.6% (up from 1.5% end-June). Two bond-related defaults were reported in the fourth quarter: Banco Espirito Santo, S.A. and OJS Commercial Bank Rost Bank.

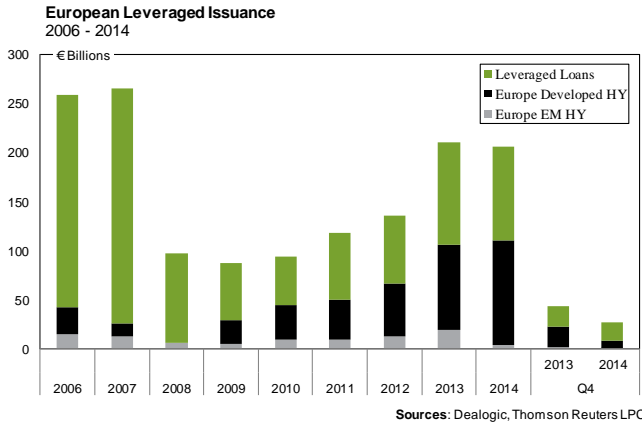
According to S&P, during 4Q'14 downgrades exceeded upgrades in developed market Europe, with 50 downgrades and 30 upgrades. Both upgrades and downgrades were distributed across the sector spectrum. The sector with the most rating actions in fourth quarter 2014 was financial institutions with 18 downgrades and 10 upgrades.

Conversely, there were only one upgrade and one downgrade in the emerging market Europe. One chemicals company from Poland was upgraded in the fourth quarter and there was one sovereign downgrade of Bulgaria.

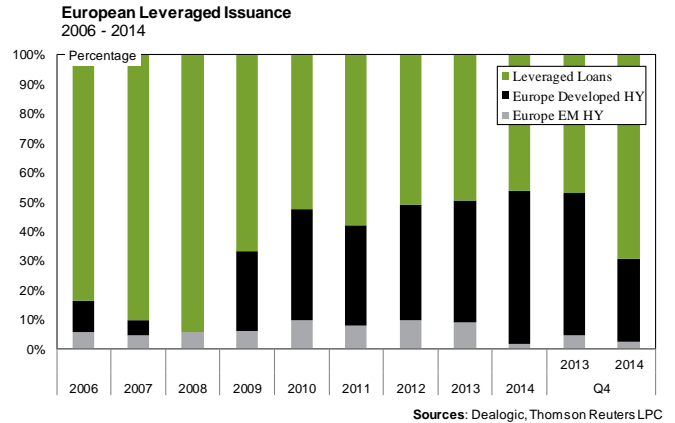
ISSUANCE

1. Leveraged Finance Overview

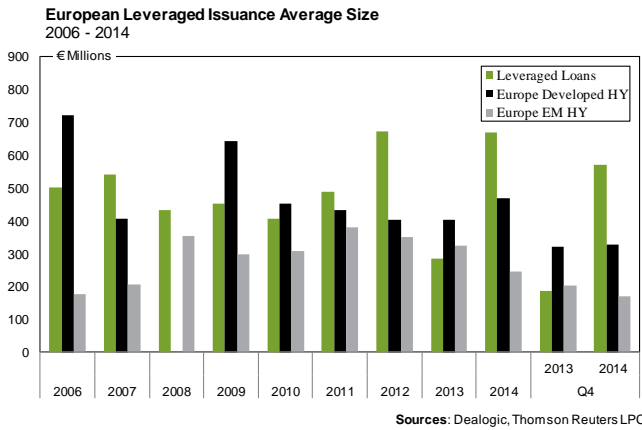
1.1. European Leveraged Issuance by Type



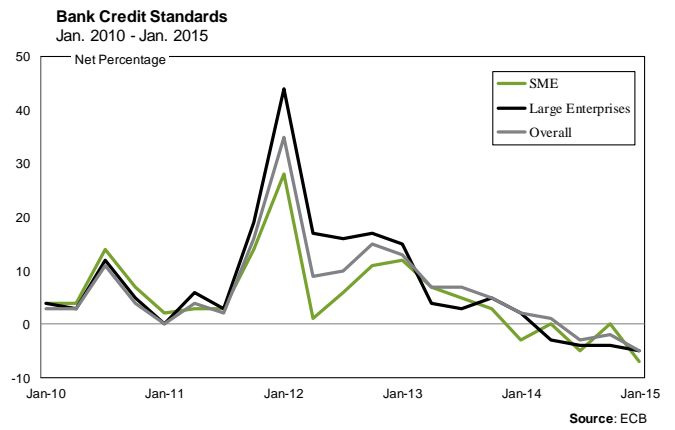
1.2. European Leveraged Issuance by Percentage



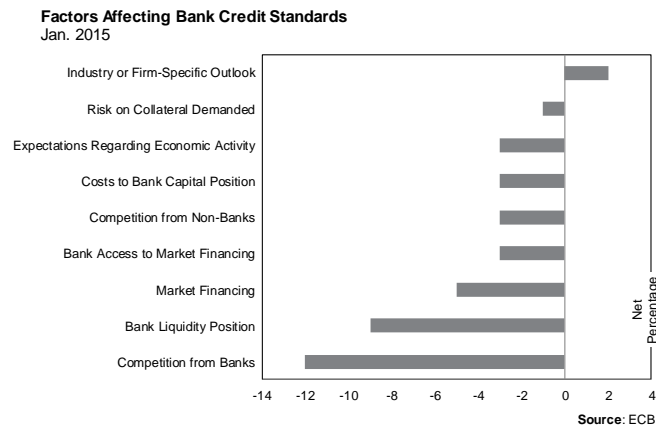
1.3. European Leveraged Issuance Average Deal Size



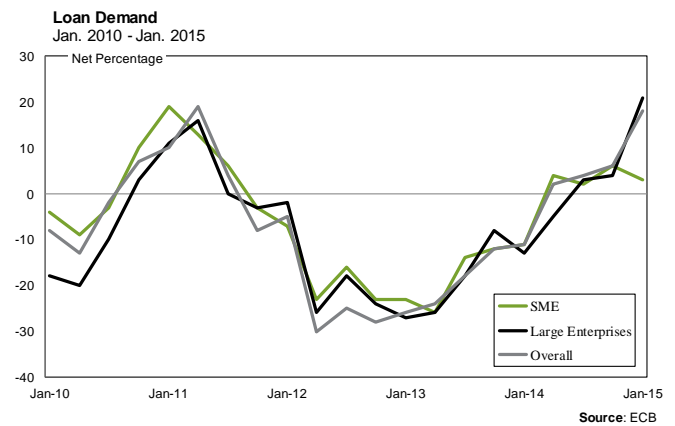
1.4. Bank Credit Standards¹



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.

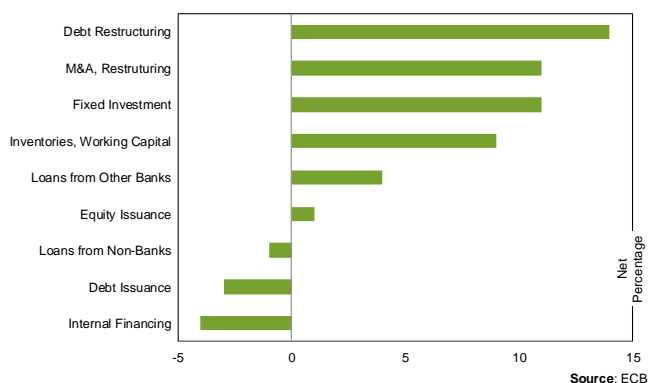
² A positive net percentage signifies the factor contributed to tightening credit standards; a negative net percentage signifies the factor contributed to easing credit standards.

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

ISSUANCE

1.7. Factors Affecting Loan Demand⁴

Factors Affecting Loan Demand
Jan. 2015



1.8. Global Comparison – High Yield Issuance

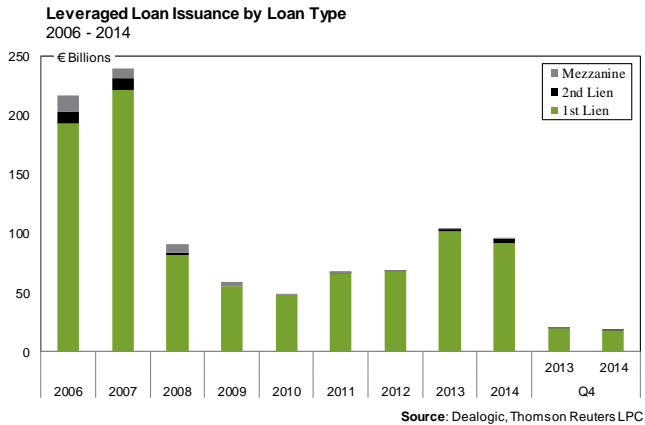
€ Billions	2014					2013					Prior
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	2012
United States	44.7	51.0	48.5	42.9	187.1	57.9	48.7	51.9	37.8	196.3	212.9
Asia Pacific	8.6	8.1	8.7	8.5	33.9	15.6	10.8	4.9	10.2	41.5	30.2
Europe	28.8	61.7	21.7	10.9	123.1	36.9	34.4	23.5	27.0	121.8	82.8

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.

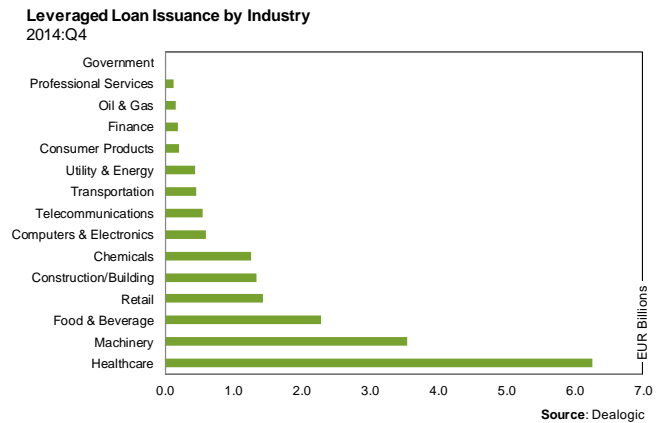
ISSUANCE

2. Issuance – Leveraged Loans

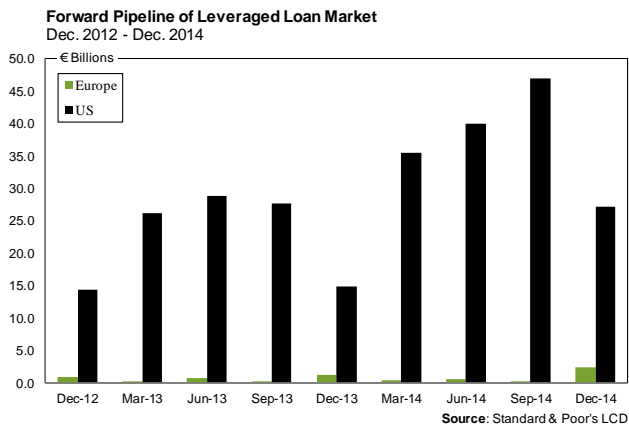
2.1. European Leveraged Loan Issuance By Loan Type



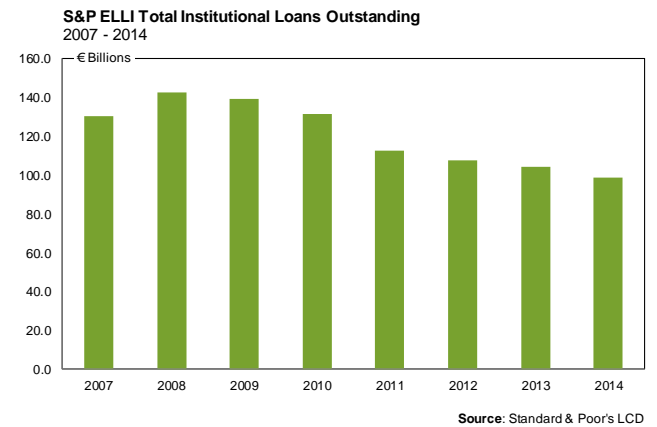
2.2. European Leveraged Loan Issuance by Industry Sector



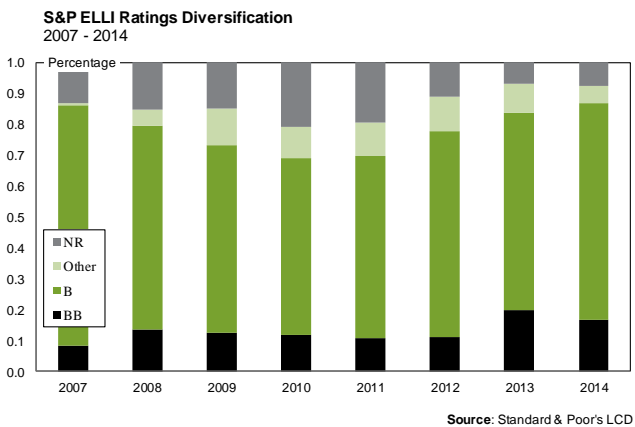
2.3. Forward Pipeline of Leveraged Loan Market



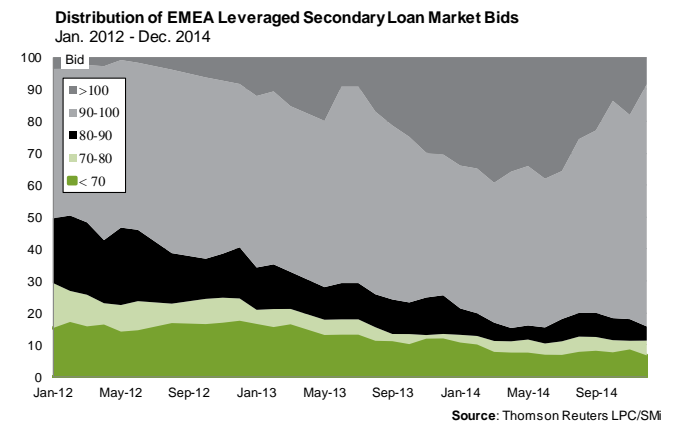
2.4. S&P ELLI Total Institutional Loans Outstanding



2.5. S&P ELLI Ratings Diversification

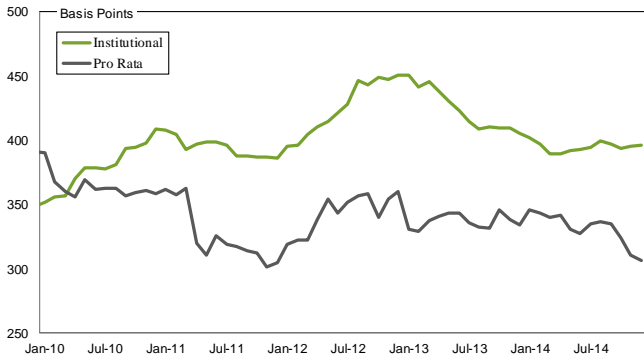


2.6. Distribution of Leveraged Loan Secondary Market Bids



2.7. Institutional and Pro Rata Spreads

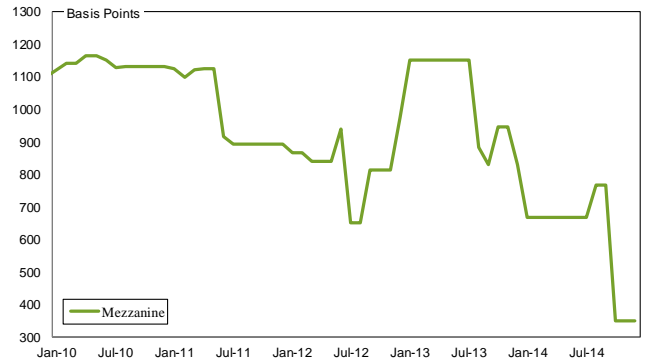
Institutional and Pro Rata Spreads
Jan. 2010 - Dec. 2014



Source: Dealogic, AFME, SIFMA

2.8. Mezzanine Spread

Mezzanine Spread
Jan. 2010 - Dec. 2014

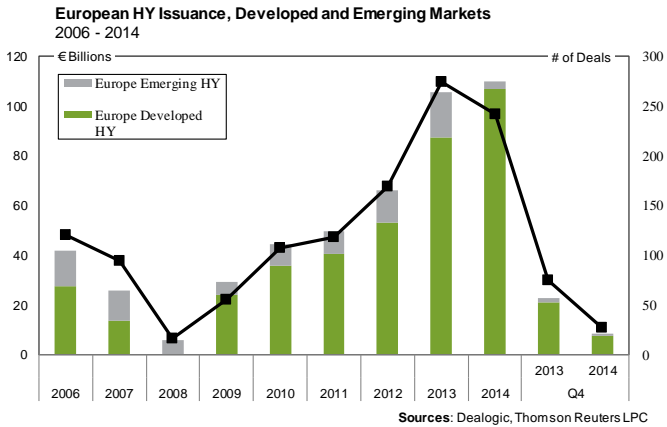


Source: Dealogic, AFME, SIFMA

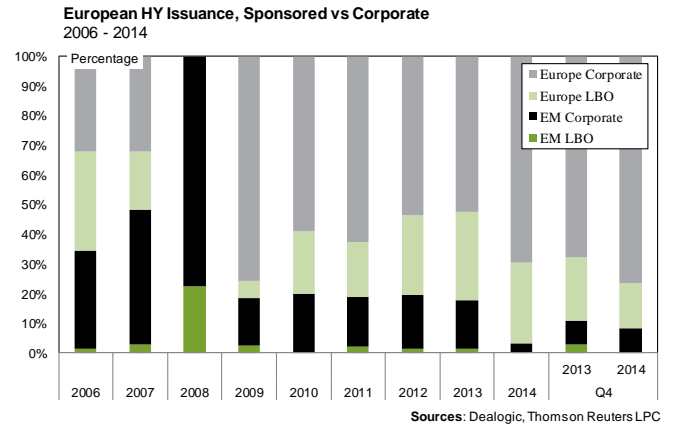
ISSUANCE

3. Issuance – High Yield Bonds Overview

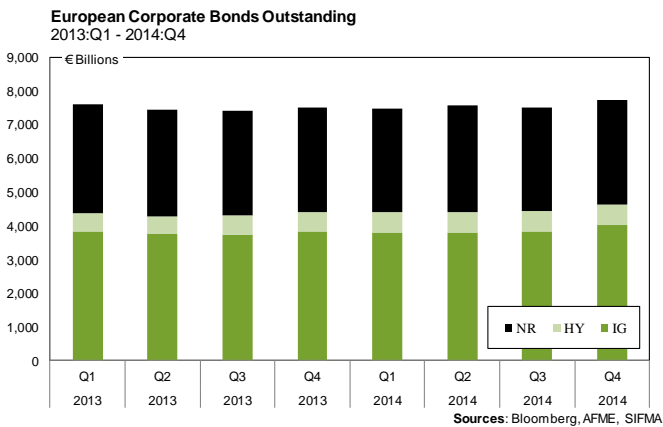
3.1. European HY Bond Issuance, Developed and Emerging Market



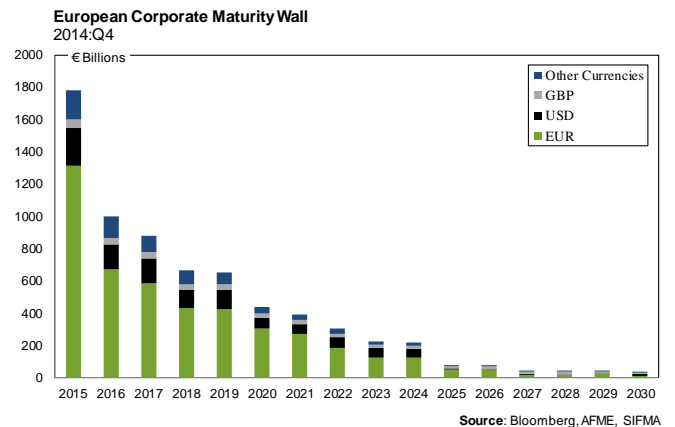
3.2. European HY Bond Issuance, Sponsored vs. Corporate



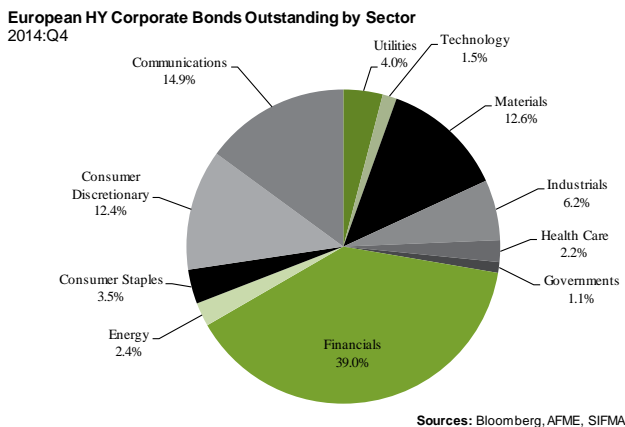
3.3. European Corporate Bonds Outstanding



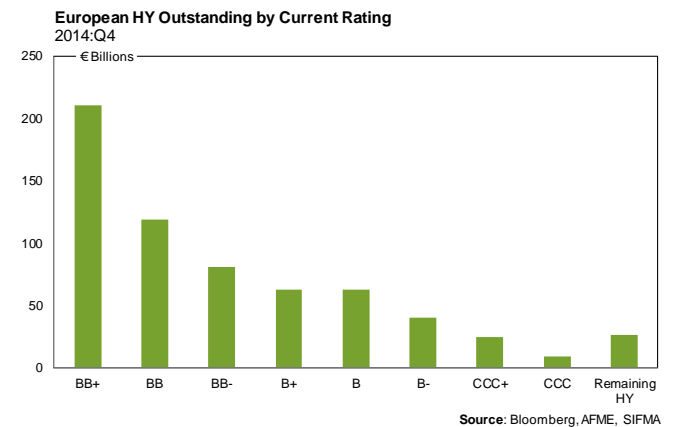
3.4. European Corporate Bonds Maturity Wall



3.5. European Corporate HY Bonds Outstanding by Sector

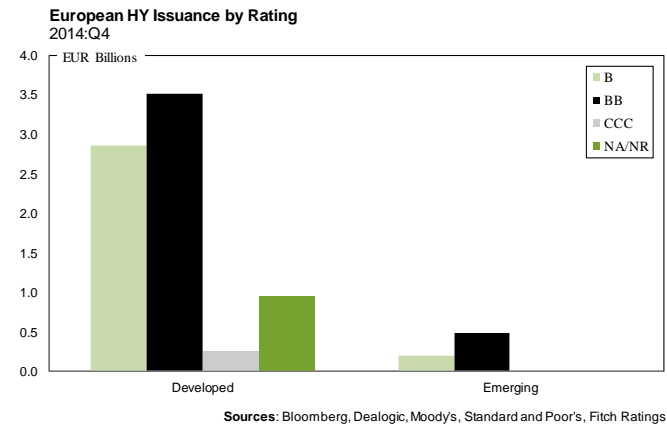


3.6. European Corporate HY Bonds Outstanding by Current Rating

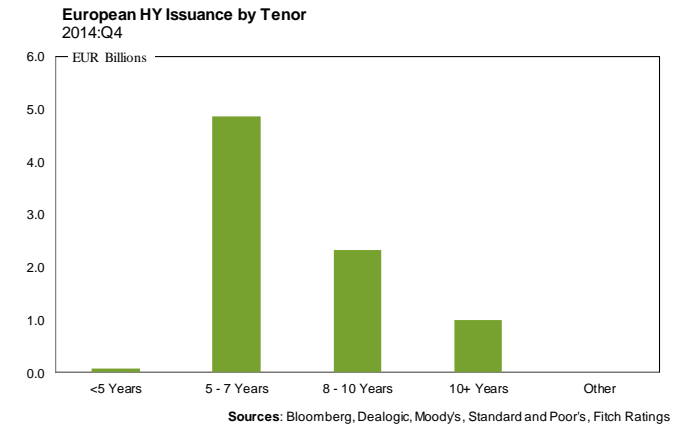


ISSUANCE

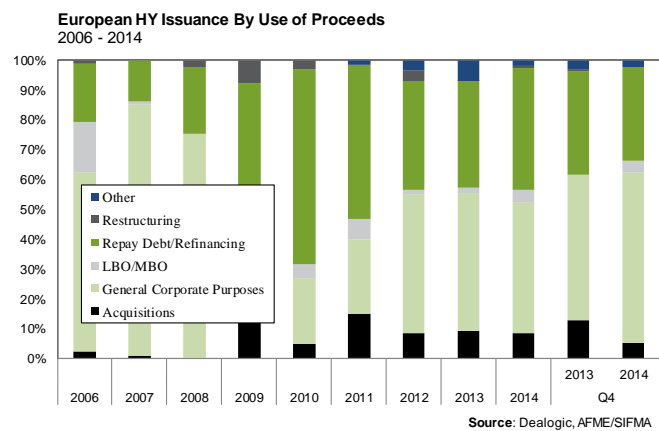
3.7. European Corporate Bond Issuance by Rating



3.8. European Corporate Bond Issuance by Tenor

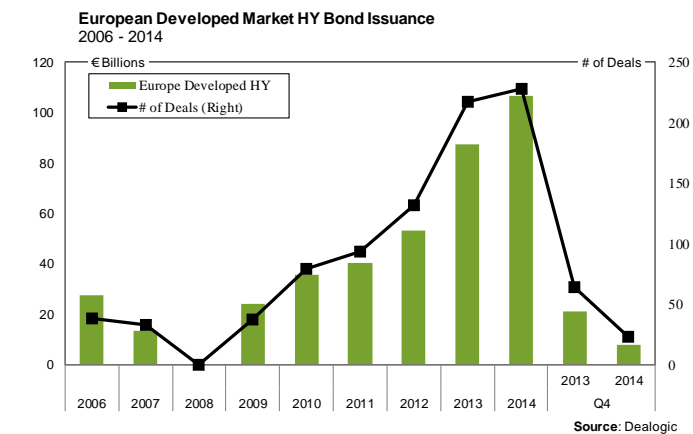


3.9. European HY Use of Proceeds

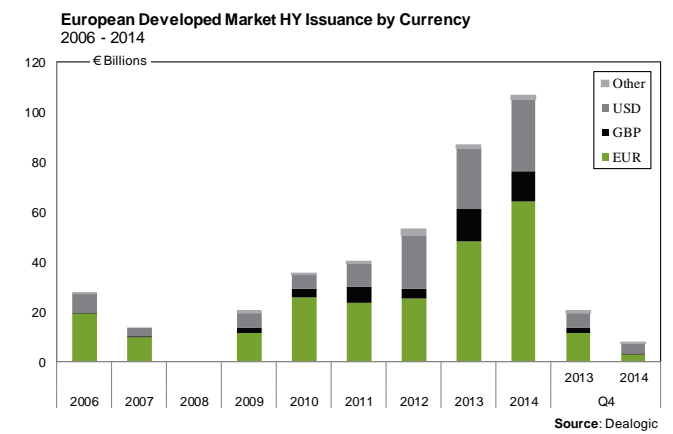


4. Issuance – European Developed Market High Yield Bonds

4.1. European Developed Market HY Bond Issuance

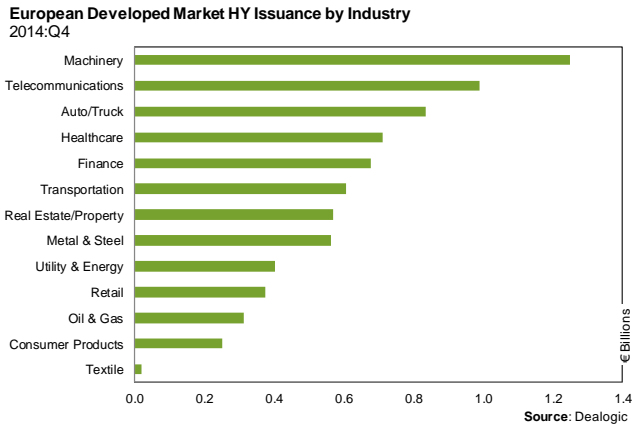


4.2. European Developed Market HY Issuance by Currency

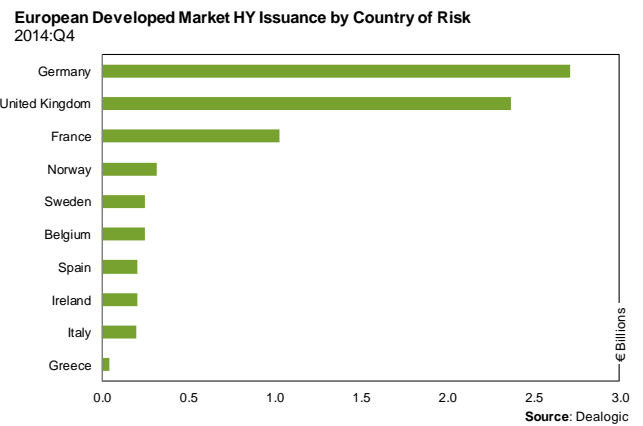


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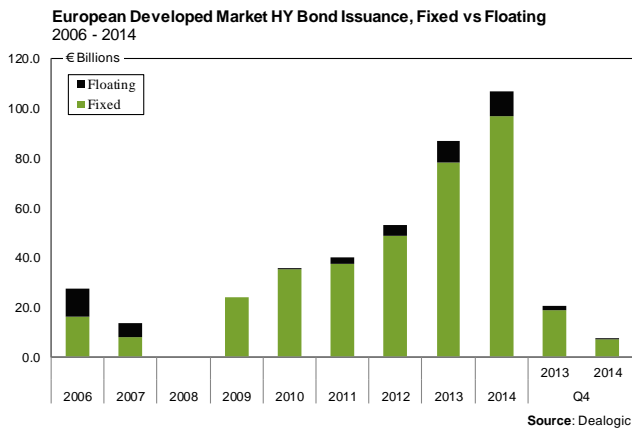
4.3. European Developed Market HY Issuance by Industry



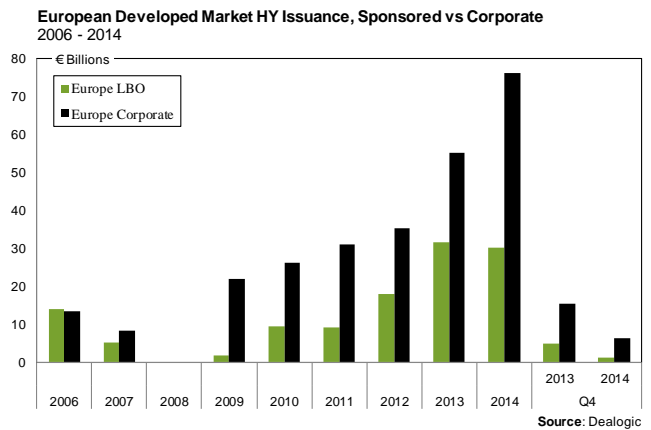
4.4. European Developed Market HY Issuance by Country of Risk



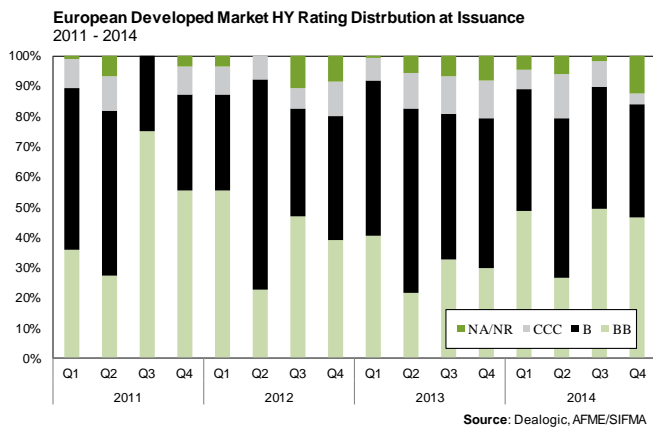
4.5. European Developed Market HY Issuance, Fixed vs. Floating



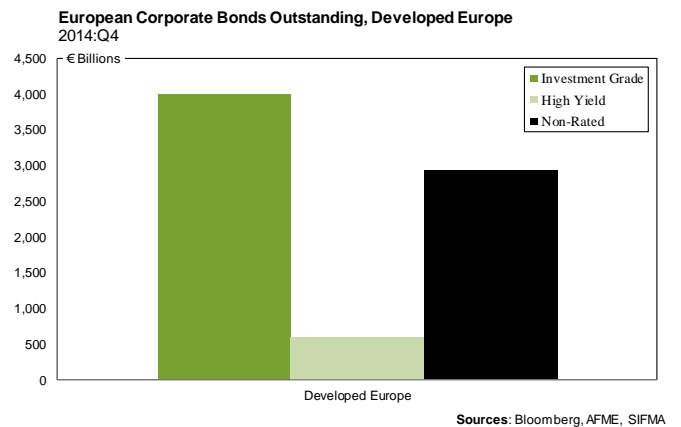
4.6. European Developed Market HY Issuance, Sponsored vs. Corporate



4.7. European Developed Market HY Rating Distribution at Issuance



4.8. European Developed Market Corporate Bonds Outstanding



ISSUANCE

4.9. European Developed Market HY Bond Issuance

Issuer	Industry Group	Date	Amount		Coupon	Moody's	S&P	Fitch
			Currency	(Millions)				
Heathrow Finance plc	Transportation	07/10/2014	GBP	250	5.750	Ba3	NA	BB+
Unitymedia KabelBW GmbH	Telecommunications	07/10/2014	USD	900	6.125	B3	B	NA
Golden Close Maritime Corp Ltd	Oil & Gas	10/10/2014	USD	400	9.000	NA	NA	NA
Schaeffler Holding Finance BV	Machinery	21/10/2014	USD	675	6.750	B1	B	NA
			USD	475	6.250	B1	B	NA
			EUR	350	5.750	B1	B	NA
Norcell Sweden Holding 3 AB	Telecommunications	23/10/2014	SEK	2,500	5.250	Ba3	BB-	NA
Rhino Bondco SpA	Auto/Truck	23/10/2014	EUR	50	7.250	B2	B	NA
Grand City Properties SA	Real Estate/Property	24/10/2014	EUR	500	2.000	NA	BBB-	NA
Fresenius Medical Care US Finance II Inc	Healthcare	24/10/2014	USD	400	4.750	Ba3	BB+	NA
			USD	500	4.125	Ba2	BB+	NA
Jaguar Land Rover Automotive plc	Auto/Truck	28/10/2014	USD	500	4.250	Ba2	BB	NA
Star Bulk Carriers Corp	Transportation	30/10/2014	USD	50	8.000	NA	NA	NA
Arrow Global Finance plc	Finance	30/10/2014	EUR	225	3M EURIBOR + 525	B1	BB-	NA
Orchestra Premaman SA	Textile	03/11/2014	EUR	20	6.500	NA	NA	NA
Lindorff Group AB	Finance	04/11/2014	EUR	100	3M EURIBOR + 550	B3	BB-	NA
			EUR	150	7.000	B2	BB-	NA
Vougeot Bidco plc	Real Estate/Property	04/11/2014	EUR	70	3M EURIBOR + 525	B2	B	NA
Ontex Group NV	Consumer Products	05/11/2014	EUR	250	4.750	Ba3	BB-	NA
Abengoa Yield plc	Utility & Energy	06/11/2014	USD	255	7.000	NA	NA	NA
Alliance Automotive Group SAS	Auto/Truck	12/11/2014	EUR	225	6.250	B2	NA	NA
			EUR	100	3M EURIBOR + 550	B2	B+	NA
Waste Italia SpA	Utility & Energy	13/11/2014	EUR	200	10.500	B2	NA	B-
Hapag-Lloyd AG	Transportation	20/11/2014	EUR	250	7.500	Caa1	NA	NA
Saderea Ltd	Finance	21/11/2014	USD	253	12.500	B2	B-	NA
Renault SA	Auto/Truck	26/11/2014	CNY	500	4.375	Ba1	BB+	BBB-
John Lewis plc	Retail	27/11/2014	GBP	300	4.250	NA	NA	NA
Constellium NV	Metal & Steel	05/12/2014	USD	400	8.000	B2	NA	NA
			EUR	240	7.000	B1	NA	NA

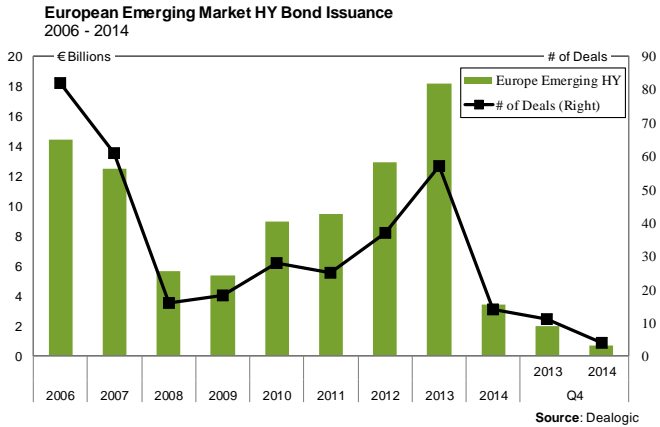
†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic

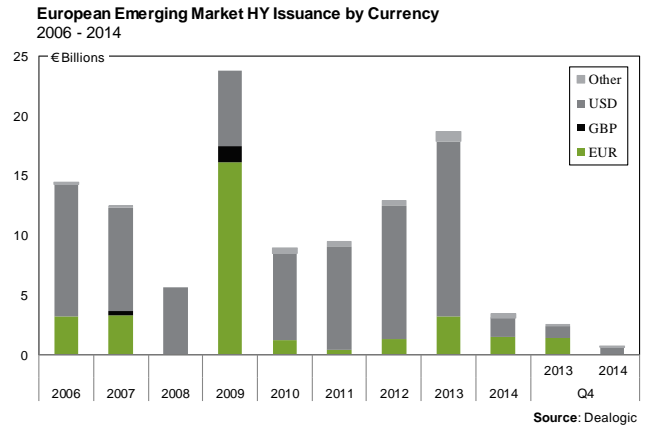
ISSUANCE

5. Issuance – European Emerging Market High Yield Bonds

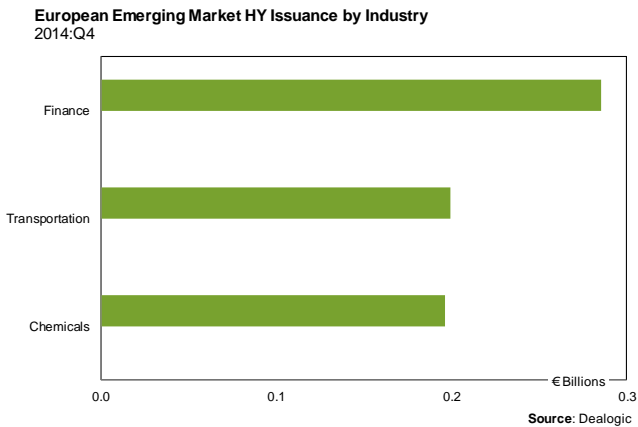
5.1. European Emerging Market HY Bond Issuance



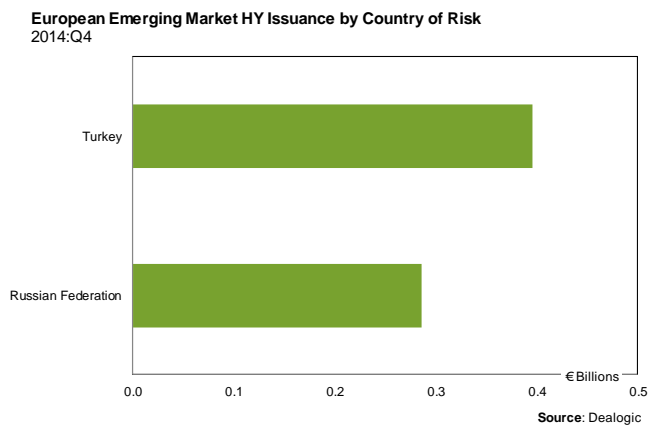
5.2. European Emerging Market HY Bond Issuance by Currency



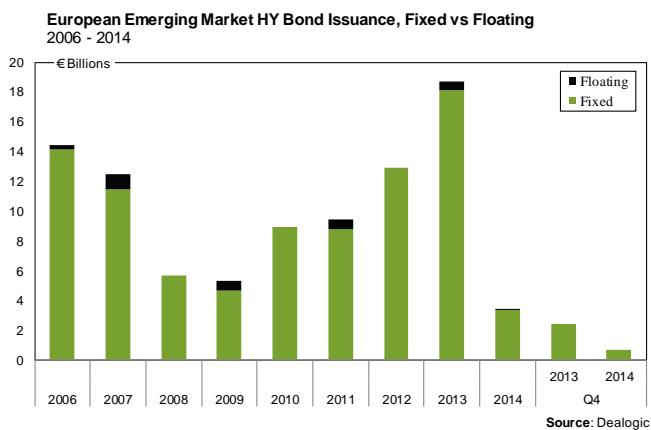
5.3. European Emerging Market HY Issuance by Industry



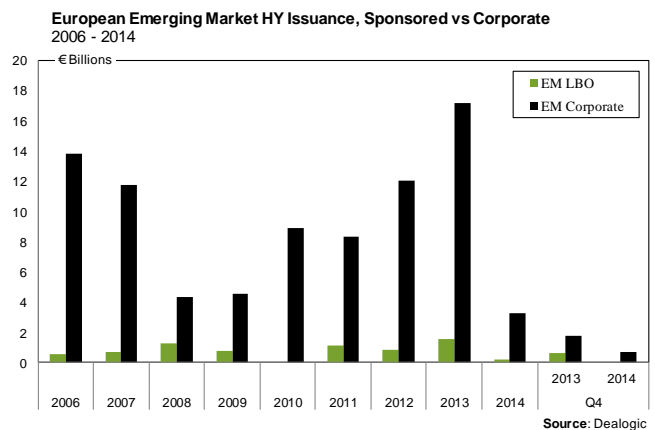
5.4. European Emerging Market HY Issuance by Country of Risk



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

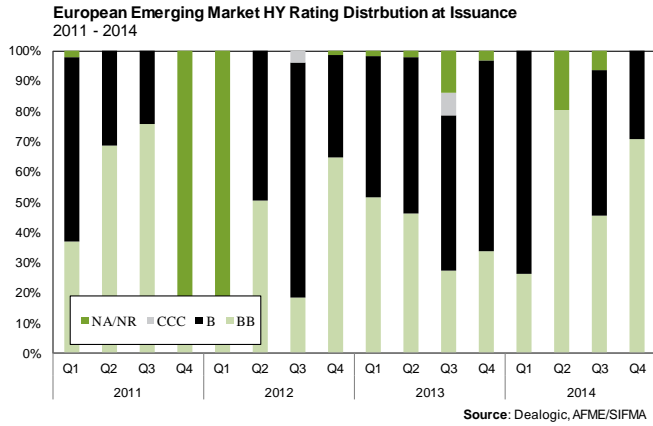


5.6. European Emerging Market HY Issuance, Sponsored vs. Corporate

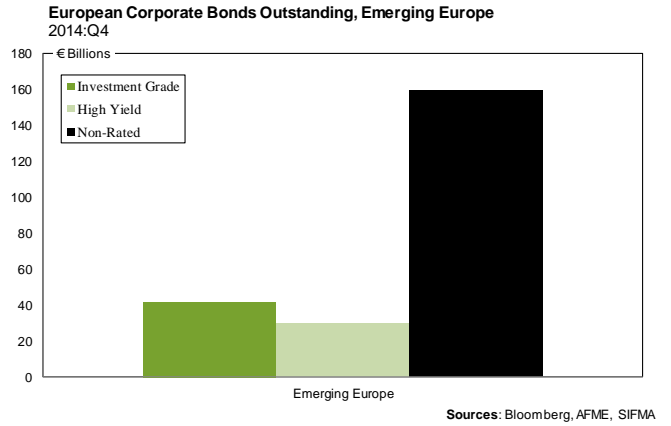


ISSUANCE

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

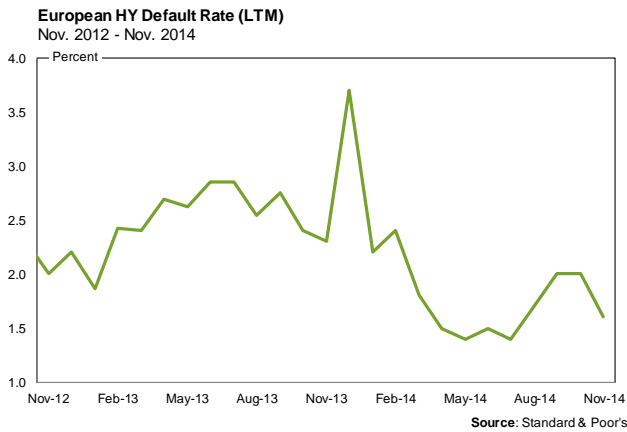
Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moodys	S&P	Fitch
Yasar Holdings SA	Chemicals	30/10/2014	USD	250	8.875	B2	NA	B
Global Liman Isletmeleri AS	Transportation	07/11/2014	USD	250	8.125	B1	NA	BB-
Alfa Bank OAO	Finance	13/11/2014	USD	250	9.500	NA	NA	BB+
Credit Bank of Moscow OAO - MKB	Finance	25/11/2014	RUB	5,000	16.500	NA	NA	BB-

†PIK (Payment in Kind); ‡Debut issue

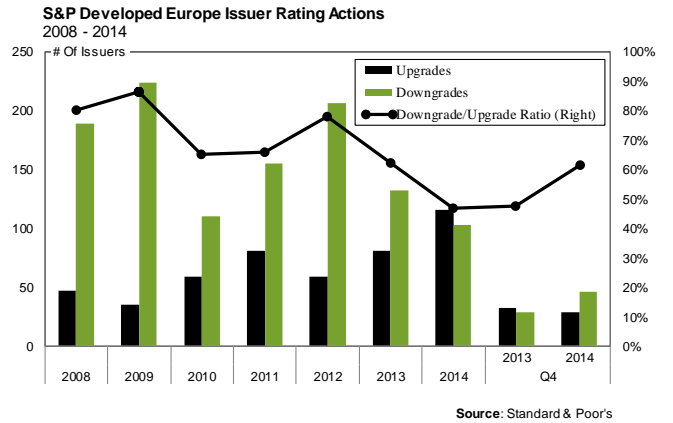
Source: Bloomberg, Dealogic

6. Credit Quality

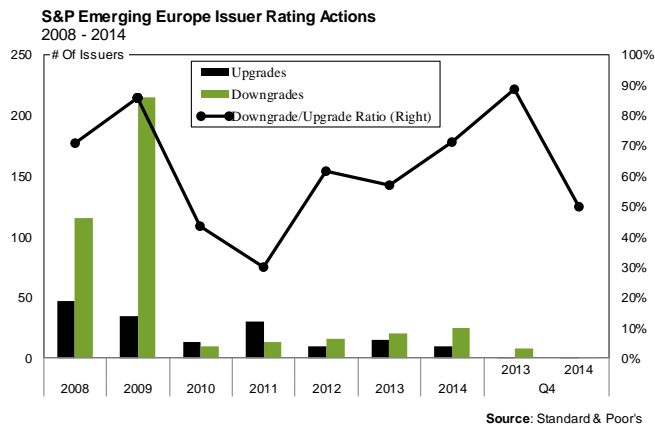
6.1. European HY Default Rate



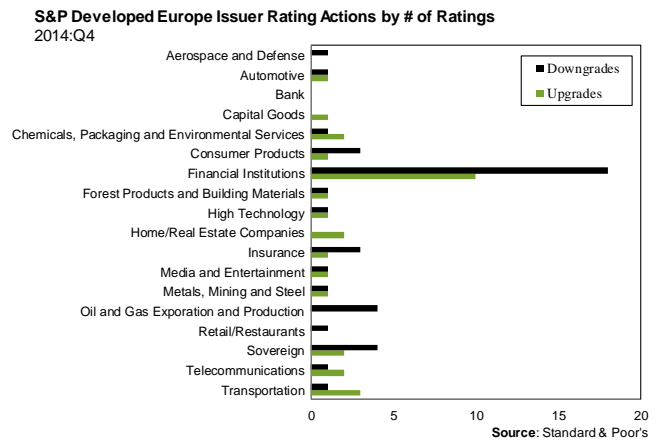
6.2. Developed Europe Issuer Rating Actions¹



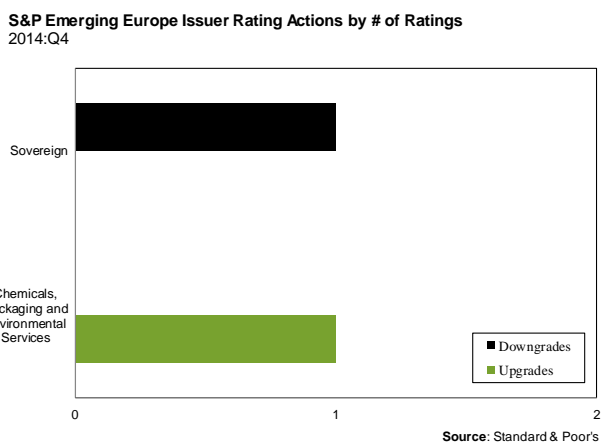
6.3. Emerging Europe Issuer Rating Actions²



6.4. Developed European Industry Rating Actions by # of Ratings



6.5. Emerging European Industry Rating Actions by # of Ratings



¹ Numbers include both corporate and sovereigns.

² Numbers include both corporate and sovereigns.

RELATIVE VALUE

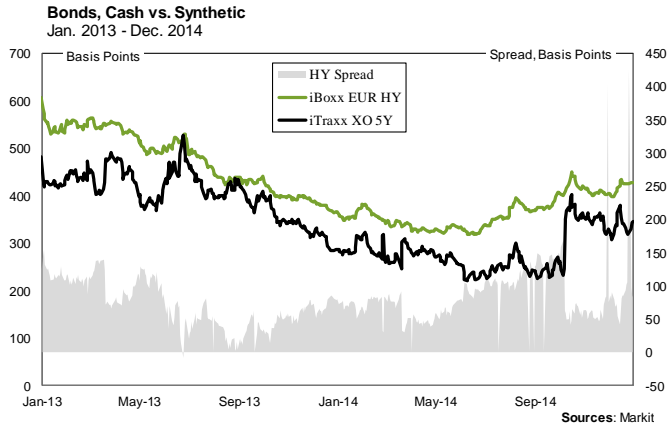
6.6. European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Banco Espirito Santo, S.A.	Bank	Portugal	October 2014	S&P	Regulatory Supervision
OJS Commercial Bank Rost Bank	Bank	Russia	December 2014	S&P	Regulatory Supervision

Source: Moody's, Standard & Poor's

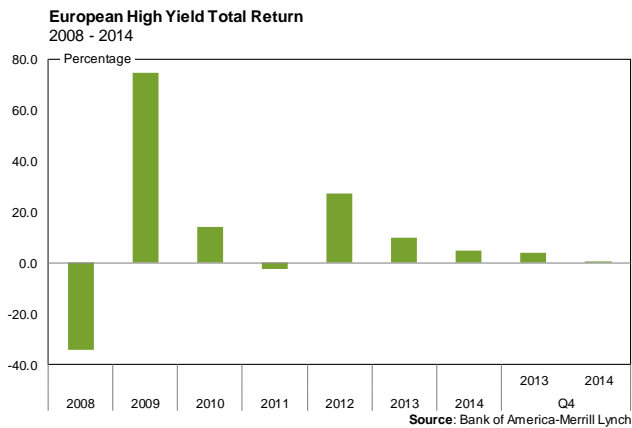
7. Relative Value

7.1. European HY Bonds, Cash vs. Synthetic

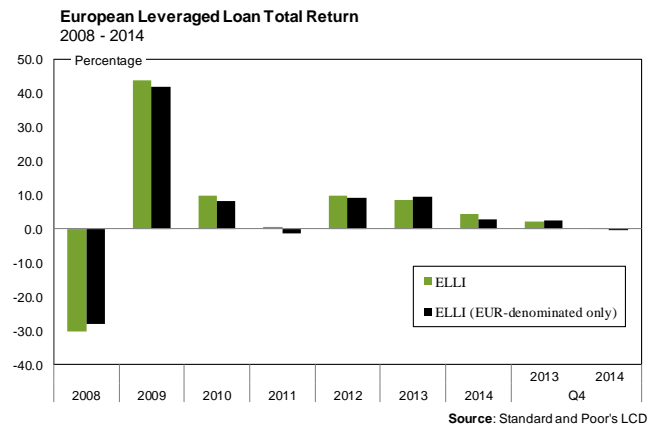


8. Total Return

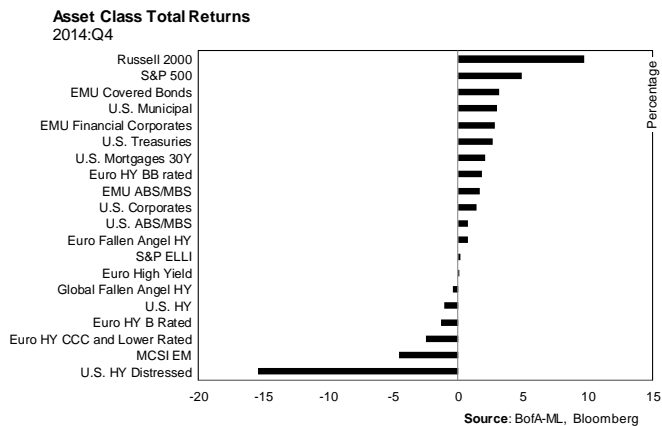
8.1. European HY Bond Total Return



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 (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

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