

European High Yield & Leveraged Loan Report



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European Leveraged Finance, Third Quarter 2014

Highlights and Market Environment

Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) decreased in 3Q'14 to €38.8 billion, a 58.5% decrease quarter-over-quarter (q-o-q), a 28.9% 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 69.6% drop during the third quarter of 2014; the high yield share of the leveraged finance market declined to 45.6%, down from 62.2% in 2Q'14.

Market and Economic Environment

According to the October 2014 European Central Bank lending survey, credit standards for all loan categories eased in net terms in the third quarter of 2014. More notably, for the second consecutive quarter euro area banks reported a net easing of credit standards on loans to enterprises in the third quarter of 2014. Across firm size, credit standards were eased on loans to large firms while remaining unchanged for loans to small and medium-sized enterprises (SMEs). Overall, developments across countries continued to become less diverse. Among the largest euro area countries, credit standards on loans to enterprises were eased in net terms in France and Germany, while remaining unchanged in Italy and Spain and increasing in the Netherlands. Despite the easing during the quarter the European Central Bank stated that the level of credit standards is still relatively high.

The net demand for loans increased in the third quarter. Net demand for loans to enterprises continued to be positive and recovered further in the third quarter of 2014 to 6%, from 4% in the previous quarter.

Issuance

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, declined in the third quarter to €21.1 billion, down 40.4% q-o-q (€35.4 billion) and 39.1% y-o-y. Amend-and-extend (“A&E”) transactions continue to take place, with slightly more than a tenth of deals in the third quarter structured as such (11.3% by euro amount), a decrease from the second quarter (21.4%).

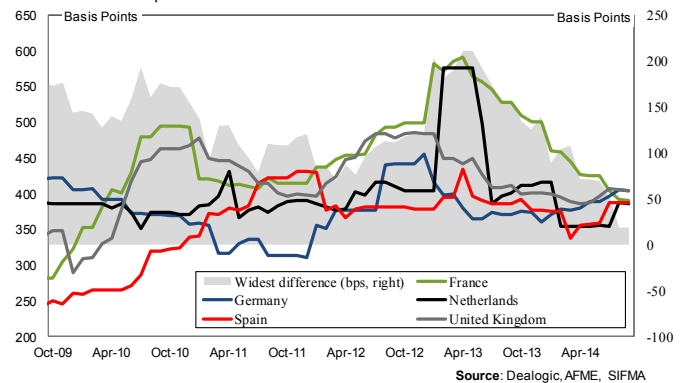
In the third quarter, no mezzanine loans and €1.8 billion in second liens were financed. Spreads at pricing for institutional loans widened by 4.8 basis points (bps) while spreads for pro rata loans widened by 6.8 bps. Mezzanine loan spreads widened to 766.4 bps from 668.7 bps in the second quarter.

According to Dealogic, the leading sector in leveraged loan issuance for the third quarter of 2014 was healthcare (€4.18 billion), followed by construction and building (€2.47 billion) and aerospace (€2.20 billion).

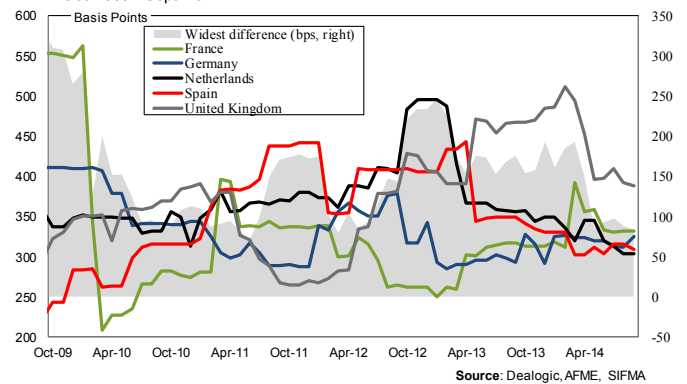
The share of deals aimed to refinance and/or repay debt increased q-o-q and y-o-y, rising to 55.9% of all deals by euro amount in the third quarter, compared to 40.0% in 2Q'14 and 50.5% in 3Q'13.

European CLO outstandings, including SME deals, increased by 2.8% on an annualized basis in the third quarter, ending September 2014 at €187.5 billion. Non-SME CLOs rose at an annualized rate of 4.0% in 3Q'14 while SME CLOs increased by an annualized 1.8%.

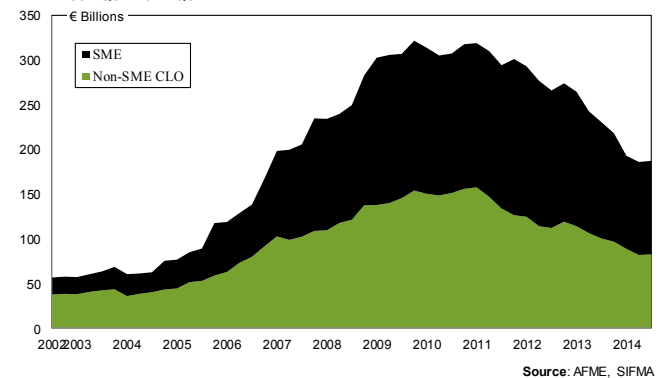
Institutional Spreads
Oct. 2009 - Sept. 2014



Pro Rata Spreads
Oct. 2009 - Sept. 2014



European CLO Outstanding
2002:Q3 - 2014:Q3



Issuance: High Yield Bonds

Primary issuance in 3Q'14 totalled €17.72 billion on 45 deals, a decrease of 69.6% and 11.3%, respectively, q-o-q and y-o-y. Issuance from developed market Europe fell in the third quarter as did issuance from emerging market Europe.

Primary issuance in developed market Europe in the third quarter was €16.95 billion on 41 deals, a decline of 70.4% and 5.5% by euro amount, respectively, q-o-q (€57.2 billion on 102 deals) and y-o-y (€17.9 billion on 42 deals). In emerging market Europe primary issuance in 3Q'14 was €0.77 billion on 4 deals, a decline of 24.1% and 62.2% by euro amount, respectively, q-o-q (€1.0 billion on 5 deals) and y-o-y (€2.0 billion on 6 deals).

In third quarter 2014, average deal sizes from developed market Europe fell from second quarter, with an average of €413.4 million per deal in 3Q'14 (€560.7 million for 2Q'14). Average deal sizes for emerging market Europe also fell to €192.5 million in 3Q'14 from €203.0 million in 2Q'14.

High yield issuance for refinancing and/or repayment of debt in developed market Europe decreased q-o-q and y-o-y, representing 23.9% of all issuance by euro amount in 3Q'14, compared to 54.6% in 2Q'14 and 43.1% in 3Q'13. In emerging market Europe, no debt was issued for refinancing and/or repayment of debt purposes in the third quarter.

The proportion of USD-denominated issuance decreased in 3Q'14, representing 12.5% of all issuance by euro amount, compared to 33.8% in 2Q'14 and 34.8% in 3Q'13. USD-denominated issuance in emerging market Europe rose to represent 48.0% by euro amount, compared to 41.1% in the previous quarter, while USD-denominated issuance in developed market Europe decreased to 10.9% of all issuance by euro amount from 33.7% in the prior quarter.

Returns & Credit Quality

Covered bonds led returns in the third quarter (2.04%) followed by US municipal debt (1.64%) and emerging market European financial corporates (1.59%). US distressed high yield, however, performed poorly, returning negative 12.9% as the worst performing asset class.

High-yield bond default rates increased in the third quarter, with S&P reporting 2.0% (up from 1.5% end-June). Four bond-related defaults were reported in the third quarter: Espirito Santo Financial Group S.A., New World Resources N.V., Mriya Argo Holding PLC, and Phones4u Finance PLC.

According to S&P, downgrades exceeded upgrades in developed market Europe, with 25 downgrades and 24 upgrades. Upgrades were distributed across the sector spectrum. Downgrades were concentrated among media and

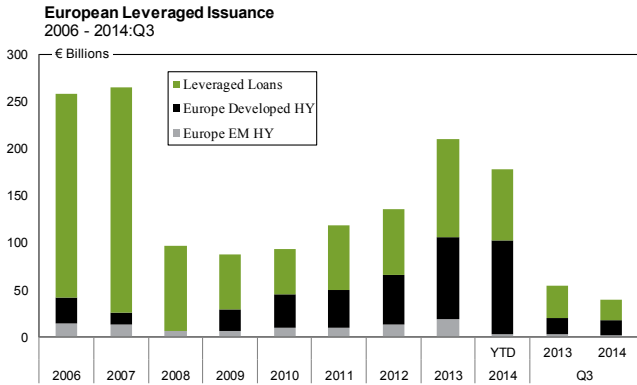
entertainment (4 downgrades), while the remainder distributed across sectors.

Conversely, upgrades exceeded downgrades in emerging market Europe, with four upgrades and no downgrades. Two telecommunications firms, one bank, and one financial institution were upgraded in the third quarter.

ISSUANCE

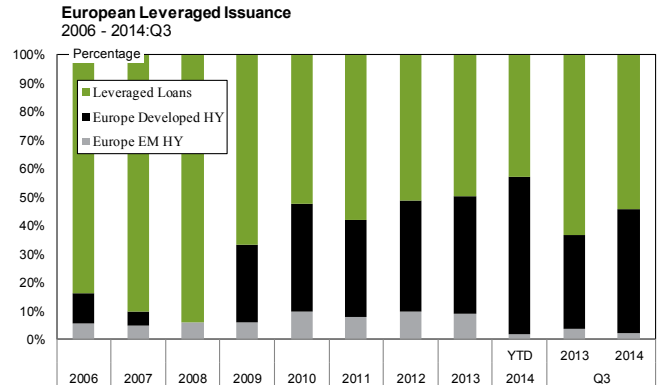
1. Leveraged Finance Overview

1.1. European Leveraged Issuance by Type



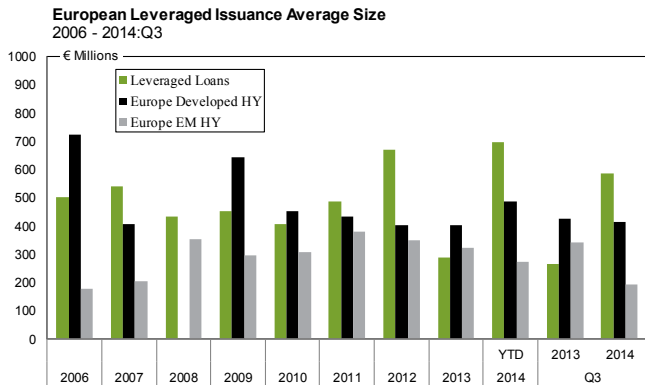
Sources: Dealogic, Thomson Reuters LPC

1.2. European Leveraged Issuance by Percentage



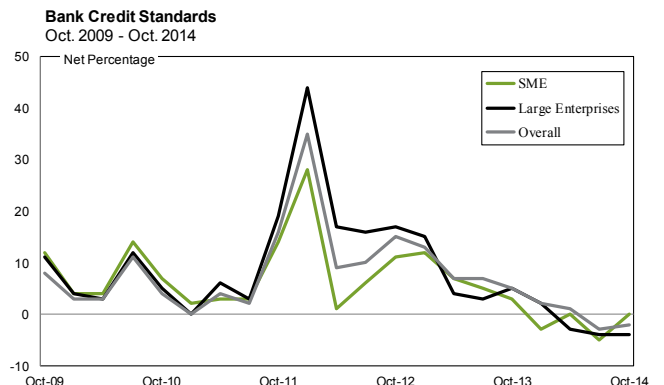
Sources: Dealogic, Thomson Reuters LPC

1.3. European Leveraged Issuance Average Deal Size



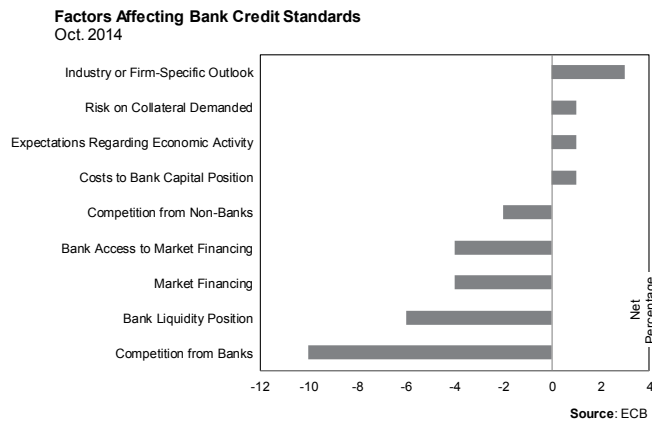
Sources: Dealogic, Thomson Reuters LPC

1.4. Bank Credit Standards¹



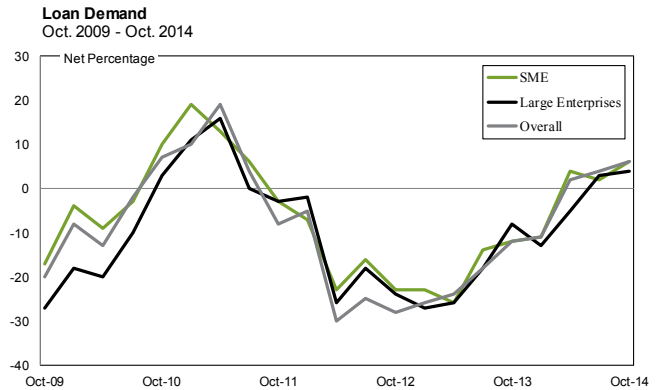
Source: ECB

1.5. Factors Affecting Bank Credit Standards²



Source: ECB

1.6. Loan Demand³



Source: ECB

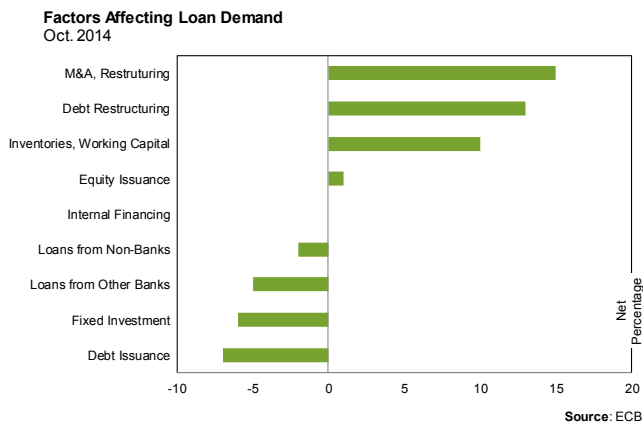
¹ A positive net percentage number signifies tightening bank credit; a negative net percentage number signifies easing credit.

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.

ISSUANCE

1.7. Factors Affecting Loan Demand⁴



1.8. Global Comparison – High Yield Issuance

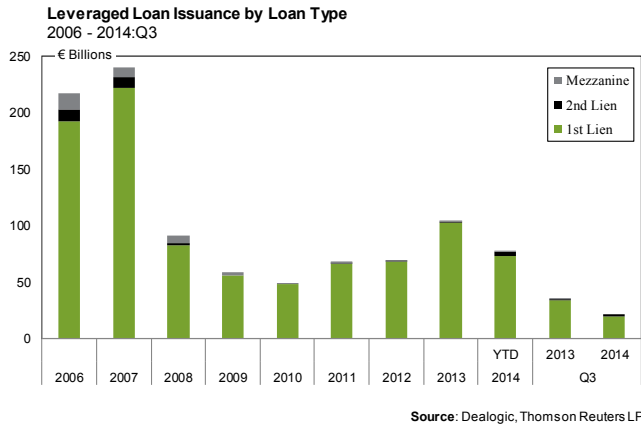
€ Billions	2014					2013					Prior
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year	2012
United States	44.7	50.9	46.9		142.6	57.9	48.7	51.9	37.8	196.3	212.9
Asia Pacific	8.4	7.8	7.4		23.7	15.6	10.8	4.9	10.2	41.4	30.2
Europe	28.5	62.1	20.5		111.1	36.9	34.4	23.5	27.2	122.0	82.8

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.

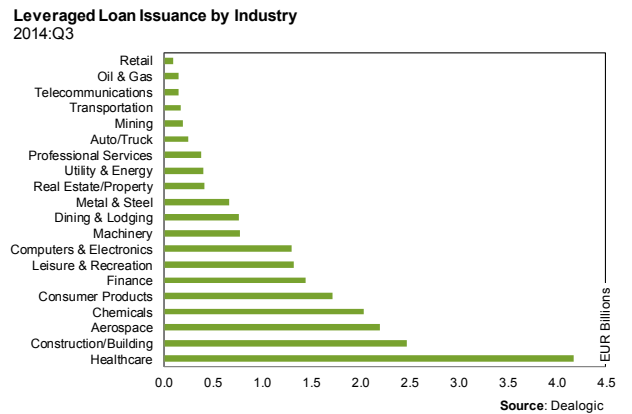
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2. Issuance – Leveraged Loans

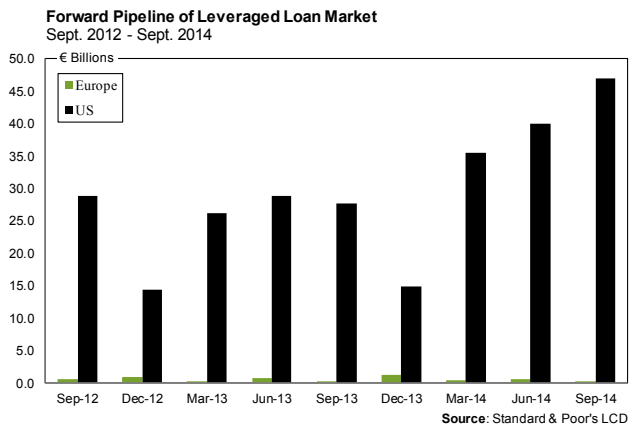
2.1. European Leveraged Loan Issuance By Loan Type



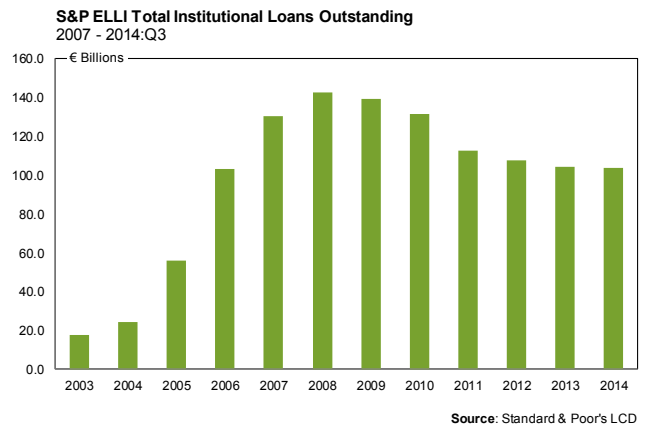
2.2. European Leveraged Loan Issuance by Industry Sector



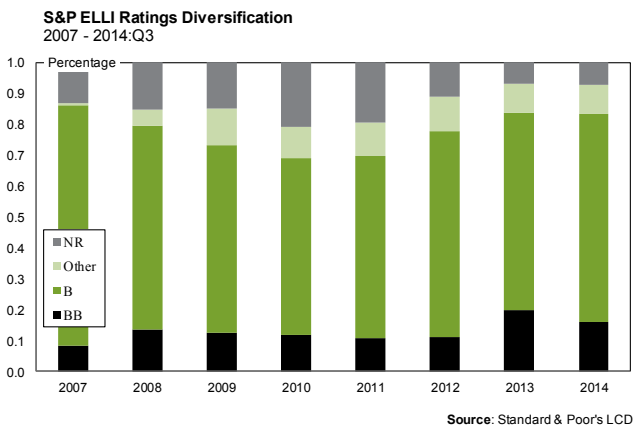
2.3. Forward Pipeline of Leveraged Loan Market



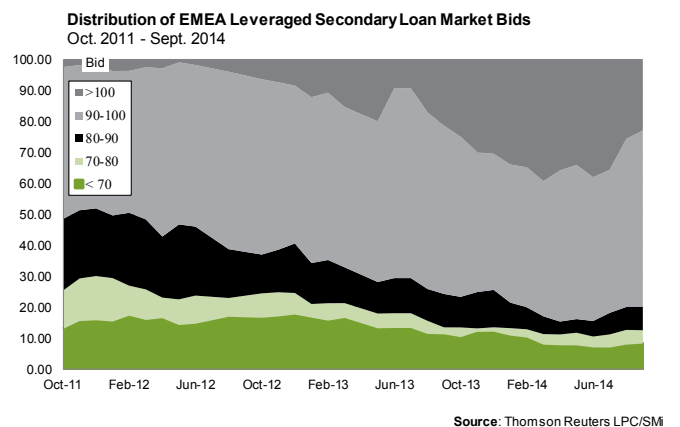
2.4. S&P ELLI Total Institutional Loans Outstanding



2.5. S&P ELLI Ratings Diversification

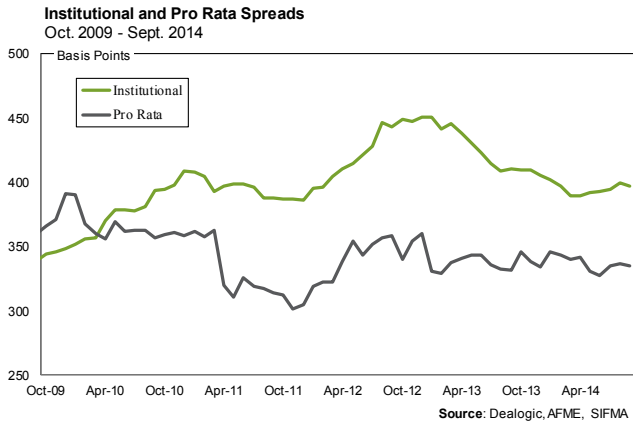


2.6. Distribution of Leveraged Loan Secondary Market Bids

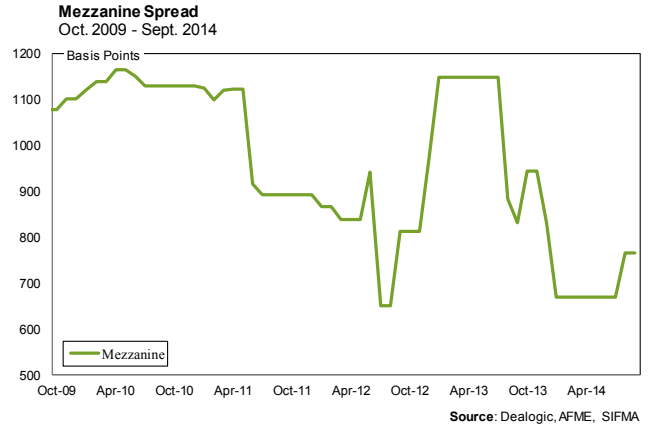


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2.7. Institutional and Pro Rata Spreads



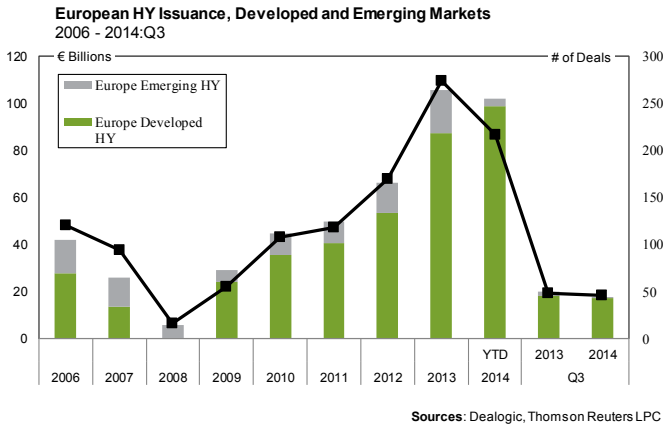
2.8. Mezzanine Spread



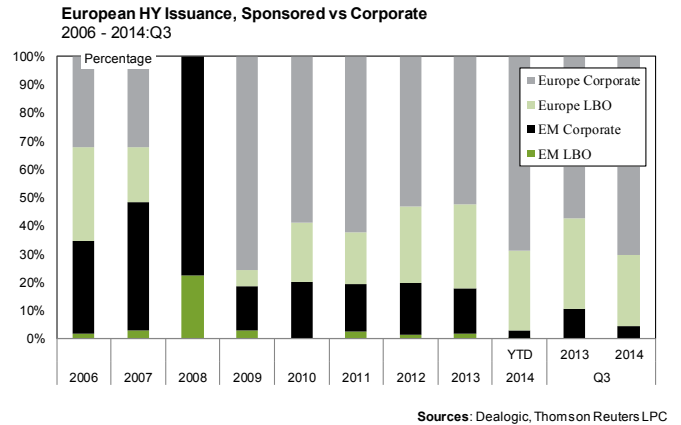
ISSUANCE

3. Issuance – High Yield Bonds Overview

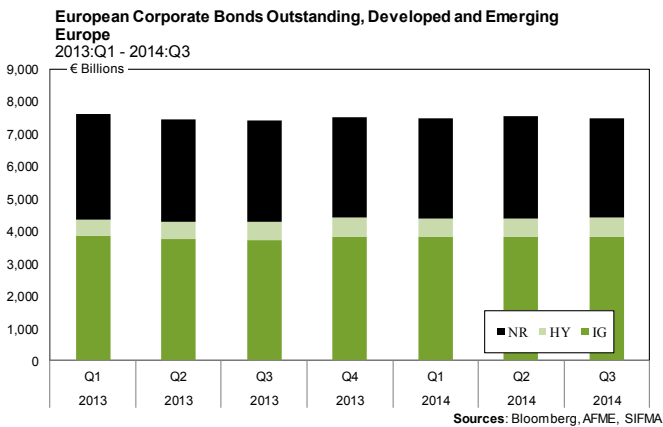
3.1. European HY Bond Issuance, Developed and Emerging Market



3.2. European HY Bond Issuance, Sponsored vs Corporate



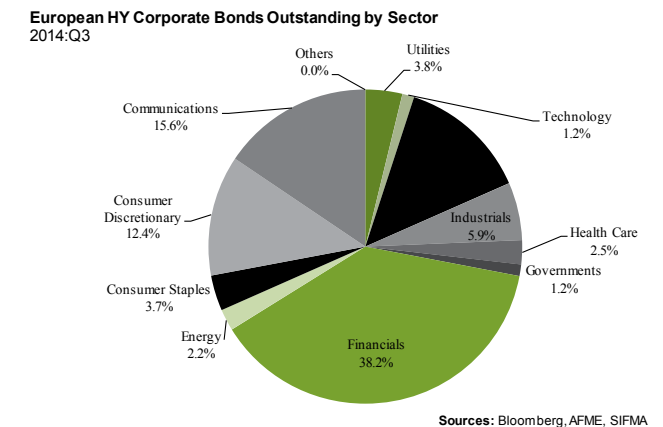
3.3. European Corporate Bonds Outstanding



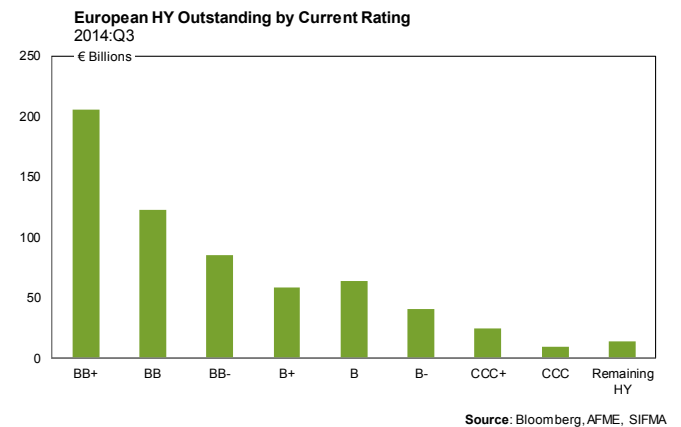
3.4. European Corporate Bonds Maturity Wall



3.5. European Corporate HY Bonds Outstanding by Sector

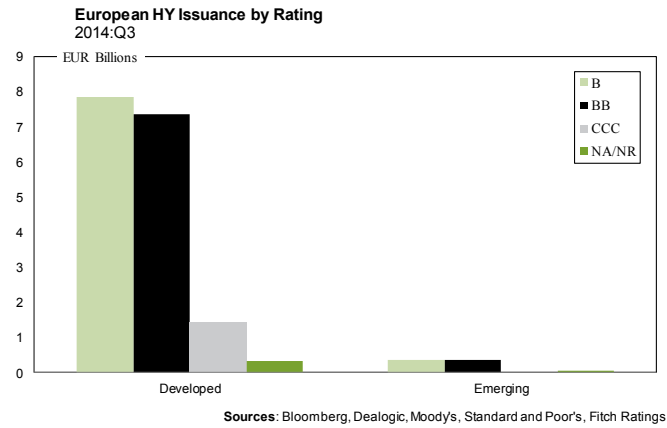


3.6. European Corporate HY Bonds Outstanding by Current Rating

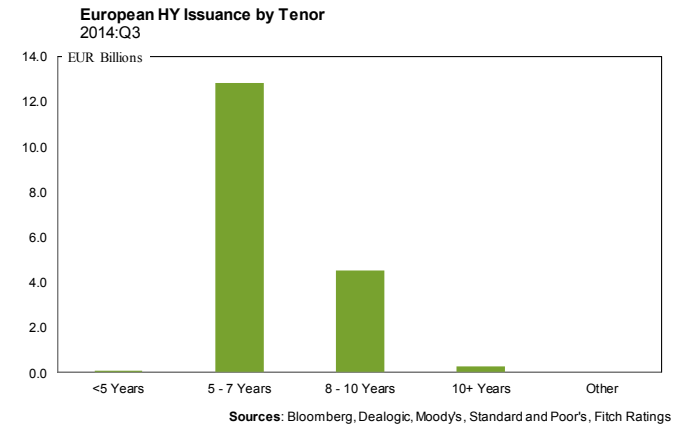


ISSUANCE

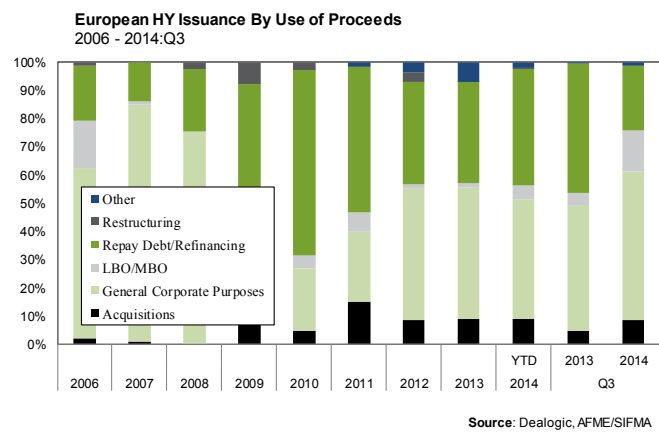
3.7. European Corporate Bond Issuance by Rating



3.8. European Corporate Bond Issuance by Tenor

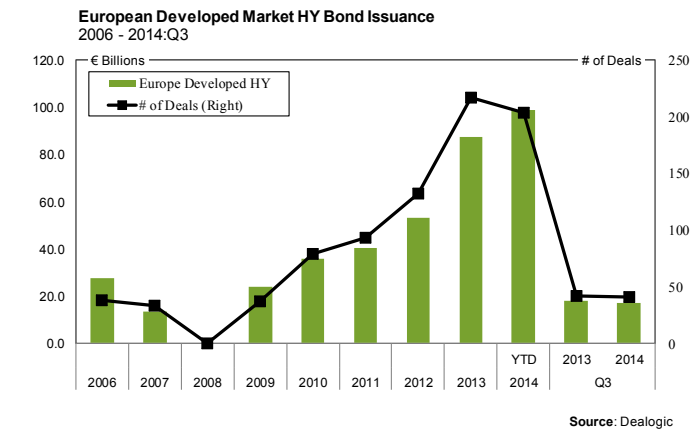


3.9. European HY Use of Proceeds

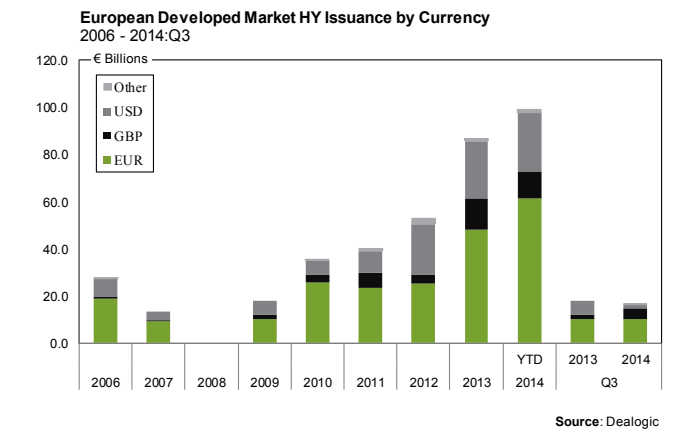


4. Issuance – European Developed Market High Yield Bonds

4.1. European Developed Market HY Bond Issuance

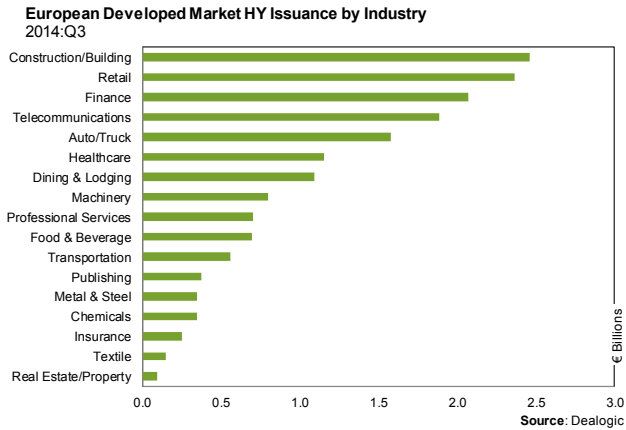


4.2. European Developed Market HY Issuance by Currency

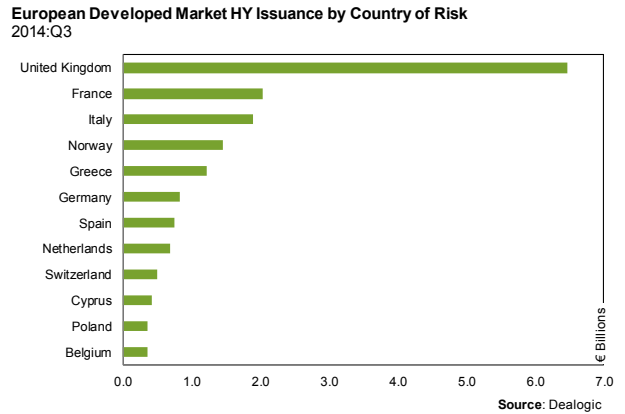


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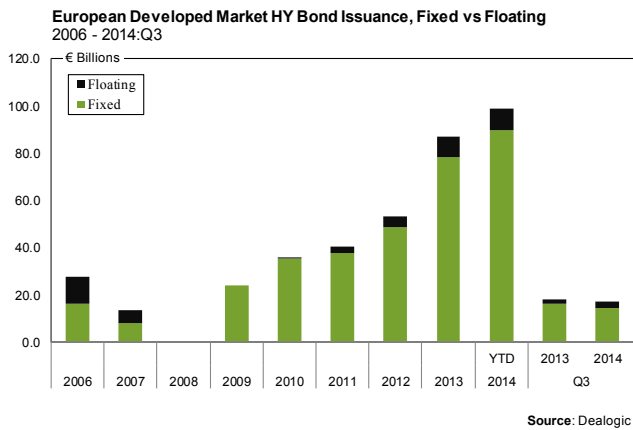
4.3. European Developed Market HY Issuance by Industry



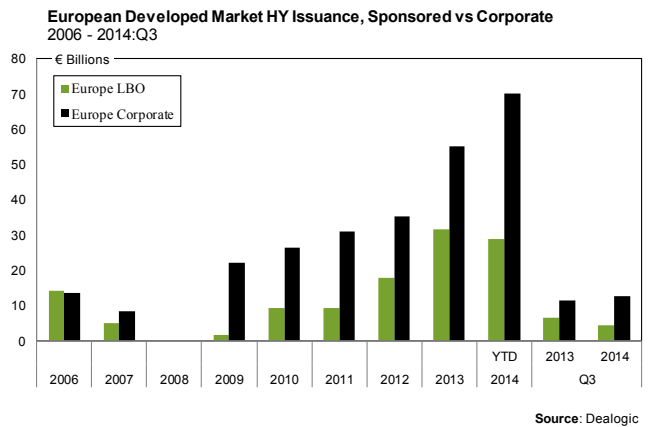
4.4. European Developed Market HY Issuance by Country of Risk



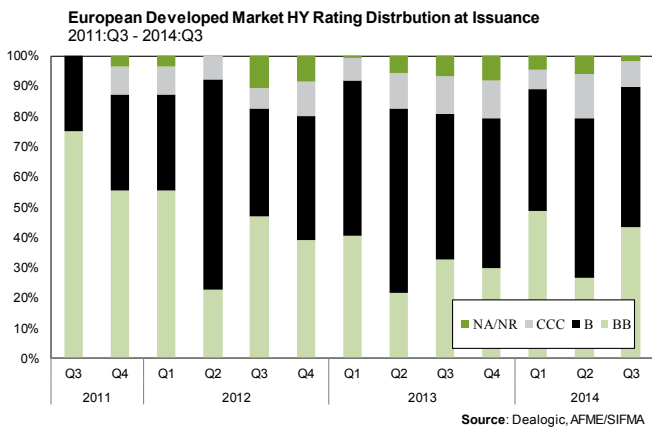
4.5. European Developed Market HY Issuance, Fixed vs. Floating



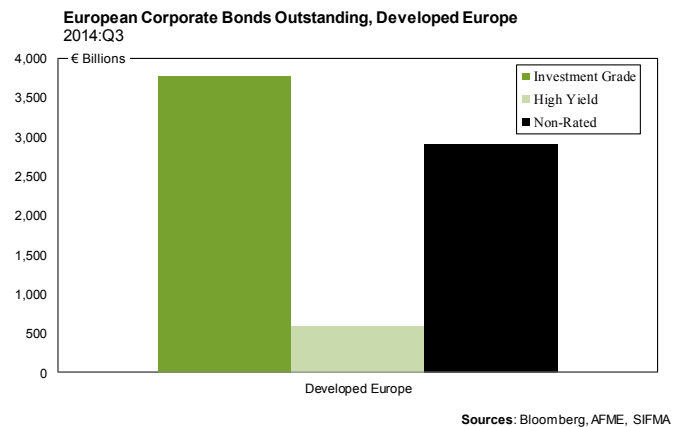
4.6. European Developed Market HY Issuance, Sponsored vs. Corporate



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	Currency	Amount (Millions)	Coupon	Moody's	S&P	Fitch
Titan Global Finance plc	Construction/Building	01/07/2014	EUR	300		4.250 NA	BB	NA
Iglo Foods Group Ltd	Food & Beverage	03/07/2014	EUR	500	3M EURIBOR + 450	B2	NA	NA
Holdikks SAS	Retail	03/07/2014	EUR	320		6.750 NA	B+	B+
Care UK Health & Social Care plc	Healthcare	03/07/2014	GBP	75	3M LIBOR + 750	Caa2	CCC+	NA
		03/07/2014	GBP	325	3M LIBOR + 500	B3	B-	NA
OTE plc	Telecommunications	07/07/2014	EUR	700		3.500 Ba3	BB	NA
TSL Education Ltd	Publishing	10/07/2014	GBP	100	3M LIBOR + 500	B2	B	NA
		10/07/2014	GBP	200		6.750 B2	B	NA
Iceland Foods Ltd	Retail	10/07/2014	GBP	200		6.750 B1	B+	NA
		10/07/2014	GBP	400		6.250 B1	B+	NA
		10/07/2014	GBP	350	6M LIBOR + 425	B1	B+	NA
Fiat Finance & Trade Ltd SA	Auto/Truck	10/07/2014	EUR	850		4.750 B2	BB-	BB-
Dufry Finance SCA	Retail	10/07/2014	EUR	500		4.500 Ba3	BB+	BB
Thom Europe SAS	Retail	11/07/2014	EUR	347		7.375 B2	B	NA
Cooperativa Muratori & Cementisi CMC di Raven	Construction/Building	11/07/2014	EUR	300		7.500 B2	B	NA
Twin Set - Simona Barbieri Srl	Textile	15/07/2014	EUR	150	3M EURIBOR + 587.5	B1	B	NA
EC Finance plc	Transportation	17/07/2014	EUR	350		5.125 B3	B	NA
Loxam SA	Construction/Building	18/07/2014	EUR	250		7.000 NA	B	NA
		18/07/2014	EUR	410		4.875 NA	BB-	NA
TMF Group BV	Professional Services	22/07/2014	EUR	20		9.875 Caa1	CCC+	NA
		22/07/2014	EUR	45	3M EURIBOR + 537.5	B1	B	NA
HP Pelzer Holding GmbH	Auto/Truck	22/07/2014	EUR	230		7.500 B2	B+	BB
Findus PIK SCA	Food & Beverage	23/07/2014	EUR	200		8.250 NA	CCC	NA
Twinkle Pizza plc	Dining & Lodging	24/07/2014	GBP	410		6.625 B2	B	NA
		24/07/2014	GBP	200		8.625 Caa1	CCC+	NA
Phoenix PIB Finance BV	Healthcare	24/07/2014	EUR	300		3.625 NA	BB	BB
Play Topco SA	Telecommunications	30/07/2014	EUR	415		7.750 Caa1	CCC+	NA
HomeVi SAS	Healthcare	31/07/2014	EUR	355		6.875 B3	B	NA
Grainger plc	Real Estate/Property	31/07/2014	GBP	75		5.000 NA	BB+	BB+
Lindorff Group AB	Finance	01/08/2014	SEK	1,850	3M STIB + 877.5	Caa1	NA	NA
		01/08/2014	EUR	250		9.500 Caa1	B-	NA
		01/08/2014	EUR	550		7.000 B4	BB-	NA
		01/08/2014	EUR	253	3M EURIBOR + 550	B3	BB-	NA
		01/08/2014	NOK	1,680	3M NIBOR + 575	B2	BB-	NA
Paragon Shipping Inc	Transportation	06/08/2014	USD	25		8.375 NA	NA	NA
Fiat Finance & Trade Ltd SA	Auto/Truck	04/09/2014	EUR	500		4.750 B2	BB-	BB-
Travis Perkins plc	Construction/Building	08/09/2014	GBP	250		4.375 NA	BB+	NA
Dynagas LNG Partners LP	Transportation	08/09/2014	USD	250		6.250 NA	NA	NA
Nyrstar Netherlands (Holdings) BV	Metal & Steel	09/09/2014	EUR	350		8.500 B3	NA	NA
Ashtead Capital Inc	Construction/Building	10/09/2014	USD	500		5.625 Ba3	BB-	NA
Atradius Finance BV	Insurance	16/09/2014	EUR	250		5.250 Ba1	NR	NA
TUI AG	Professional Services	19/09/2014	EUR	300		4.500 B2	B+	NA
CNH Industrial Finance Europe SA	Machinery	22/09/2014	EUR	700		2.875 Ba2	BB+	NA
Virgin Media Finance plc	Telecommunications	23/09/2014	GBP	300		6.375 B2	NA	NA
		23/09/2014	USD	500		6.000 B2	B	NA
Coesia SpA	Machinery	23/09/2014	EUR	100		3.000 NA	NA	NA
Synthos Finance AB	Chemicals	24/09/2014	EUR	350		4.000 Ba2	NA	NA
AerCap Ireland Capital Ltd	Finance	24/09/2014	USD	800		5.000 Ba2	BB+	BB+
Abengoa Greenfield SA	Construction/Building	24/09/2014	USD	300		6.500 B2	B	B+
		24/09/2014	EUR	265		5.500 B2	B	B+
Keystone Financing plc	Professional Services	26/09/2014	GBP	263		9.500 B3	B-	NA
Enterprise Inns plc	Dining & Lodging	30/09/2014	GBP	250		6.000 NA	BB-	NA

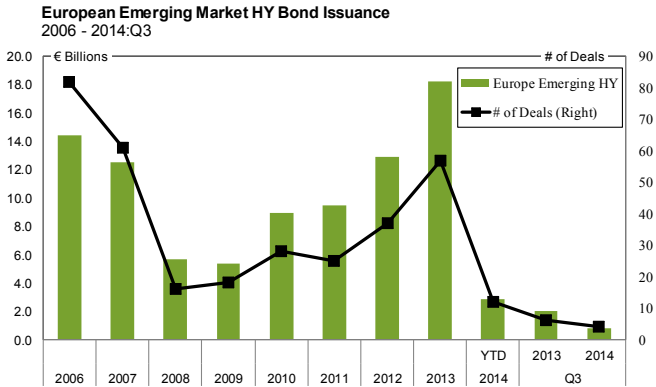
†PIK (Payment in Kind); ‡Debut issue

Source: Bloomberg, Dealogic

ISSUANCE

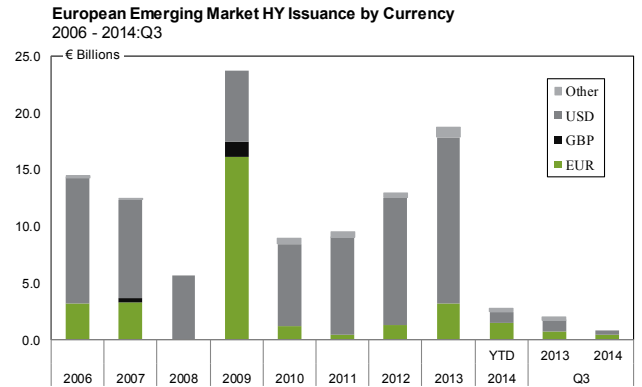
5. Issuance – European Emerging Market High Yield Bonds

5.1. European Emerging Market HY Bond Issuance



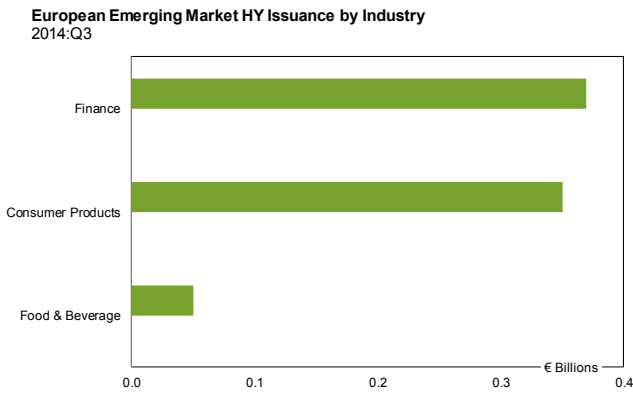
Source: Dealogic

5.2. European Emerging Market HY Bond Issuance by Currency



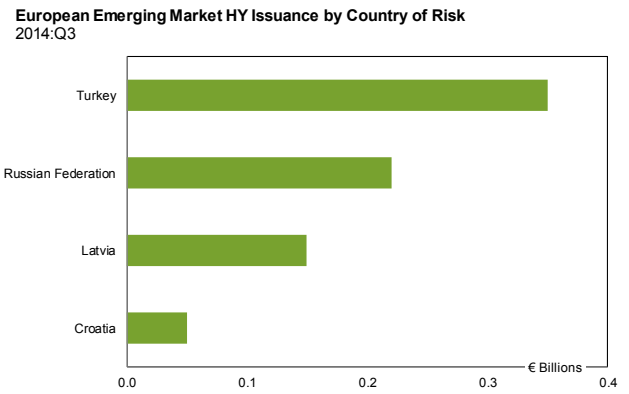
Source: Dealogic

5.3. European Emerging Market HY Issuance by Industry



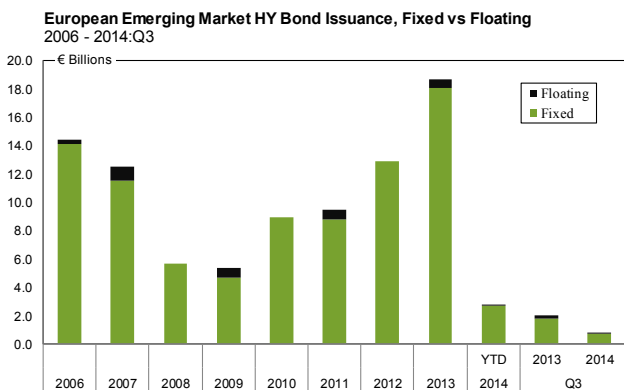
Source: Dealogic

5.4. European Emerging Market HY Issuance by Country of Risk



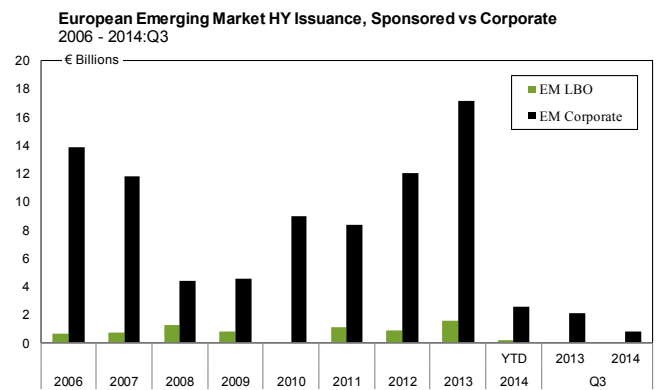
Source: Dealogic

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



Source: Dealogic

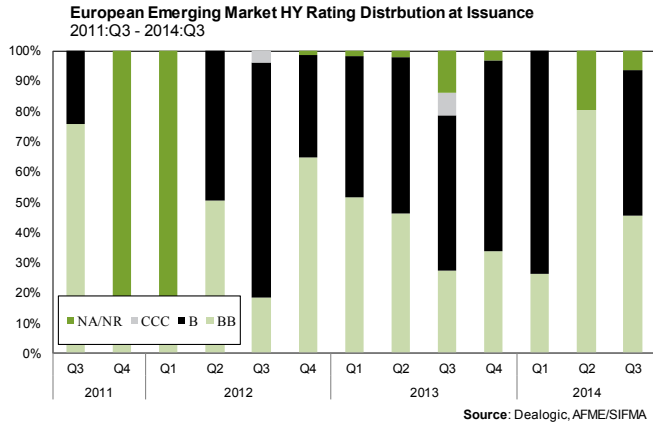
5.6. European Emerging Market HY Issuance, Sponsored vs. Corporate



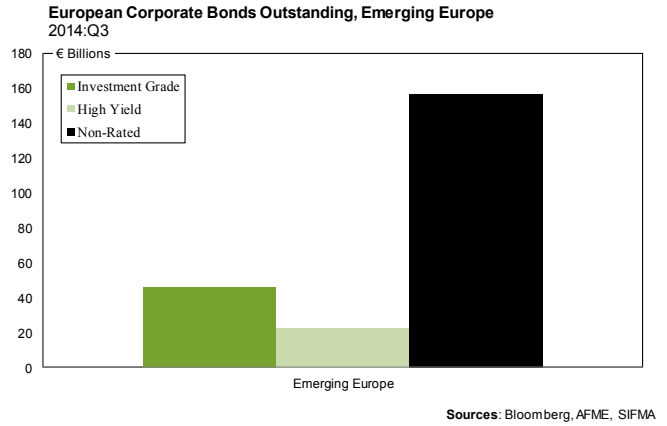
Source: Dealogic

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

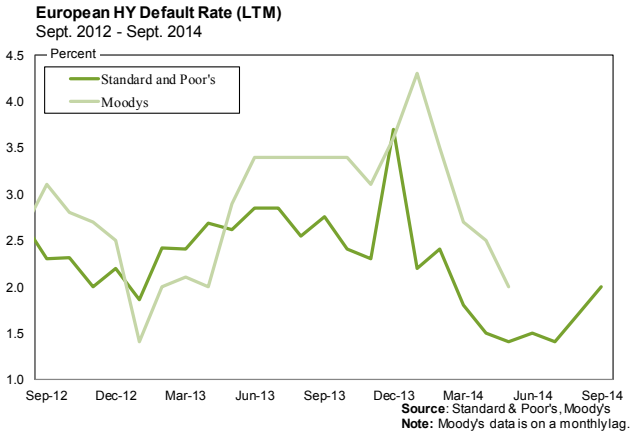
Issuer	Industry Group	Date	Currency	Amount		Coupon	Moody's	S&P	Fitch
				(Millions)					
Promsvyazbank OAO	Finance	16/07/2014	USD	300		10.500	NA	NA	B
Agrokor dd	Food & Beverage	04/08/2014	EUR	50		3M EURIBOR + 525	NA	NA	NA
4Finance SA	Finance	08/08/2014	USD	200		11.750	B3	B	NA
Arcelik AS	Consumer Products	09/09/2014	EUR	350		3.875	NA	BB+	BB+

†PIK (Payment in Kind); #Debut issue

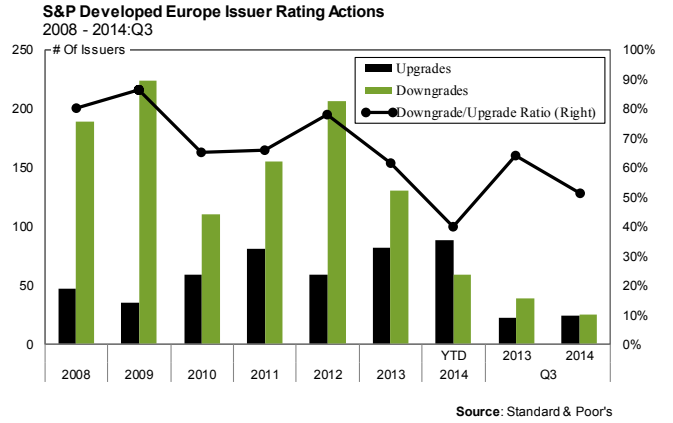
Source: Bloomberg, Dealogic

6. Credit Quality

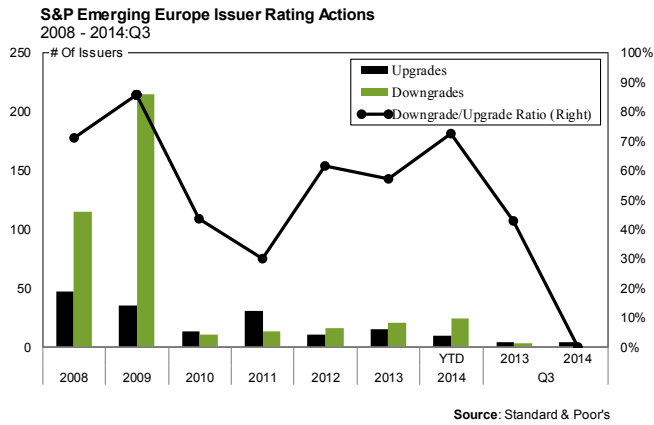
6.1. European HY Default Rate



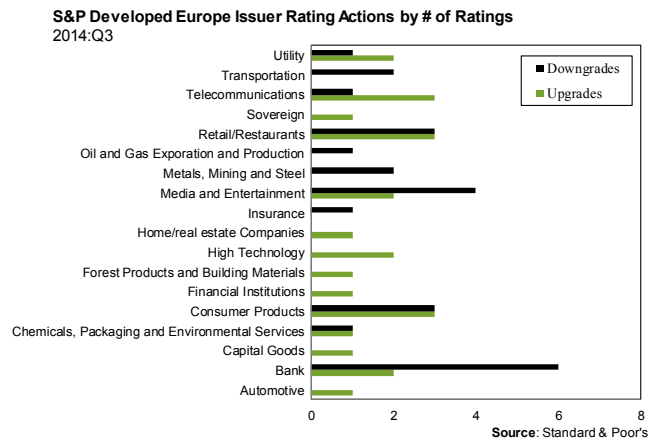
6.2. Developed Europe Issuer Rating Actions¹



6.3. Emerging Europe Issuer Rating Actions²

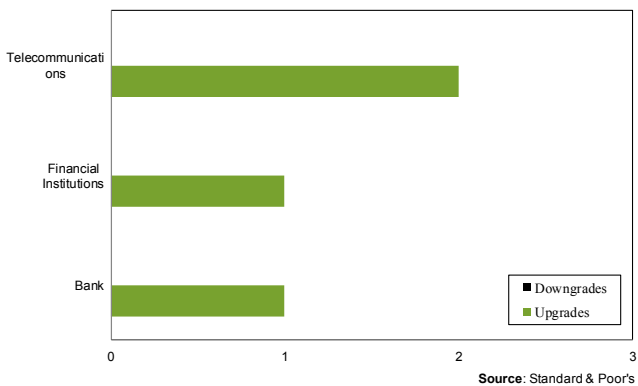


6.4. Developed European Industry Rating Actions by # of Ratings



6.5. Emerging European Industry Rating Actions by # of Ratings

S&P Emerging Europe Issuer Rating Actions by # of Ratings
2014:Q3



¹ Numbers include both corporate and sovereigns.

² Numbers include both corporate and sovereigns.

RELATIVE VALUE

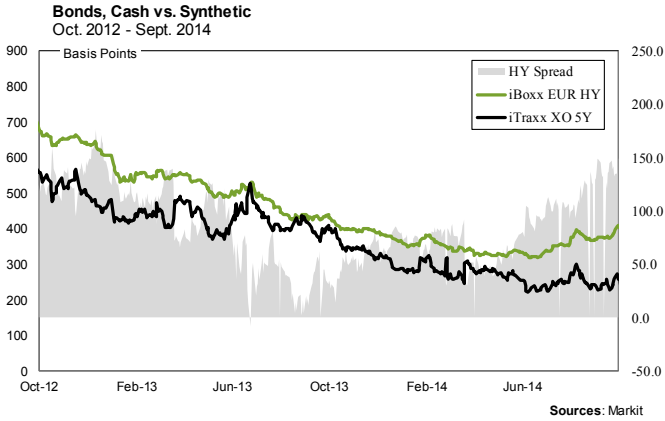
6.6. European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Espirito Santo Financial Group S.A.	Finance Company	Luxembourg	July 2014	S&P	Foreign Bankruptcy
New World Resources N.V.	Metals, Mining and Steel	Netherlands	August 2014	S&P	Missed Interest Payment
Mriya Argo Holding PLC	Consumer Products	Cyprus	August 2014	S&P	Missed Interest Payment
Phones4u Finance PLC	Retail	UK	September 2014	S&P	Foreign Bankruptcy

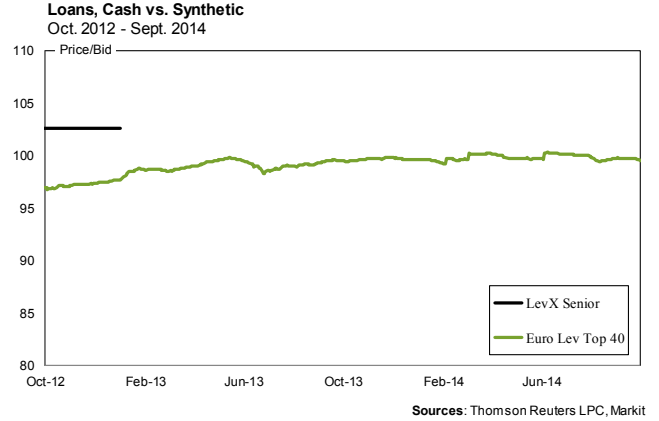
Source: Moody's, Standard & Poor's

7. Relative Value

7.1. European HY Bonds, Cash vs. Synthetic

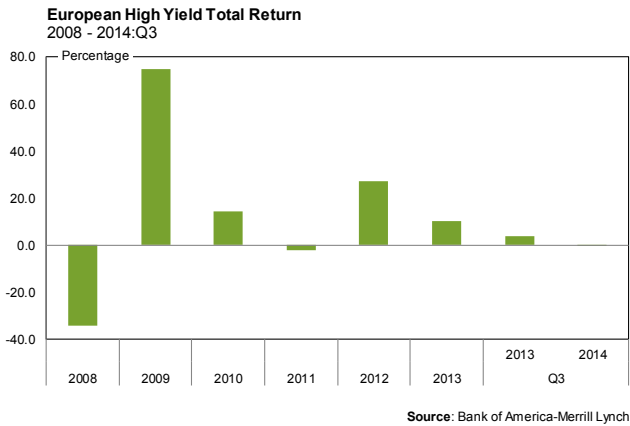


7.2. European Leveraged Loans, Cash vs. Synthetic

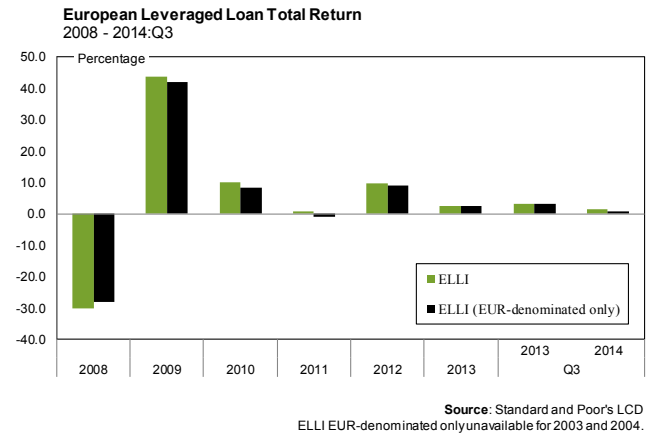


8. Total Return

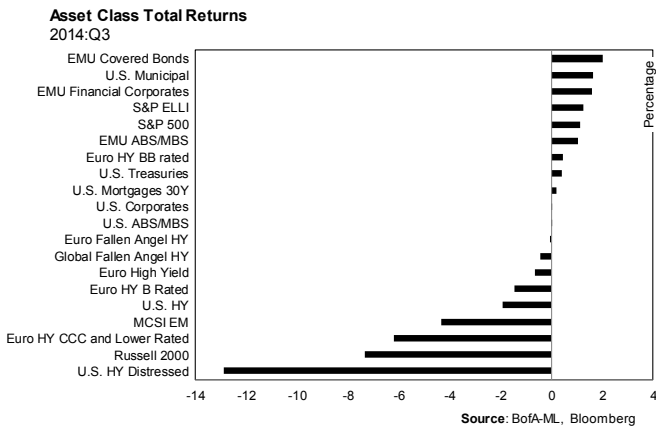
8.1. European HY Bond Total Return



8.2. European Leveraged Loan Total Return



8.3. Asset Class Total Return, 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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www.afme.eu

AFME

Gary Simmons, Director

www.afme.eu

SIFMA

Kyle Brandon, Managing Director, Director of Research

Justyna Podziemska, Senior Associate, Research

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