

European High Yield & Leveraged Loan Report



TABLE OF CONTENTS

Market Highlights and Commentary	1
1. Leveraged Finance Overview	3
1.1. European Leveraged Issuance by Type.....	3
1.2. European Leveraged Issuance by Percentage	3
1.3. European Leveraged Issuance Average Deal Size	3
1.4. Bank Credit Standards	3
1.5. Factors Affecting Bank Credit Standards	3
1.6. Loan Demand.....	3
1.7. Factors Affecting Loan Demand.....	4
1.8. Global Comparison – High Yield Issuance	4
2. Issuance – Leveraged Loans	4
2.1. European Leveraged Loan Issuance By Loan Type	4
2.2. European Leveraged Loan Issuance by Industry Sector	4
2.3. Forward Pipeline of Leveraged Loan Market	4
2.4. S&P ELLI Total Institutional Loans Outstanding.....	4
2.5. S&P ELLI Ratings Diversification	5
2.6. Distribution of Leveraged Loan Secondary Market Bids	5
2.7. Institutional and Pro Rata Spreads.....	5
2.8. Mezzanine Spread	5
3. Issuance – High Yield Bonds Overview	5
3.1. European HY Bond Issuance, Developed and Emerging Market.....	5
3.2. European HY Bond Issuance, Sponsored vs. Corporate	5
3.3. European Corporate Bonds Outstanding	6
3.4. European Corporate Bonds Maturity Wall.....	6
3.5. European Corporate HY Bonds Outstanding By Sector	6
3.6. European Corporate HY Bonds Outstanding by Current Rating.....	6
3.7. European Corporate Bond Issuance by Rating	6
3.8. European Corporate Bond Issuance by Tenor	6
3.9. European HY Use of Proceeds	7
4. Issuance – European Developed Market High Yield Bonds.....	7
4.1. European Developed Market HY Bond Issuance...	7
4.2. European Developed Market HY Issuance by Currency	7
4.3. European Developed Market HY Issuance by Industry	7
4.4. European Developed Market HY Issuance by Country of Risk	7
4.5. European Developed Market HY Issuance, Fixed vs. Floating	8
4.6. European Developed Market HY Issuance, Sponsored vs. Corporate	8
4.7. European Developed Market HY Rating Distribution at Issuance.....	8
4.8. European Developed Market Corporate Bonds Outstanding.....	8
4.9. European Developed Market HY Bond Issuance...	8
5. Issuance – European Emerging Market High Yield Bonds	9
5.1. European Emerging Market HY Bond Issuance.....	9
5.2. European Emerging Market HY Bond Issuance by Currency	9
5.3. European Emerging Market HY Issuance by Industry	9
5.4. European Emerging Market HY Issuance by Country of Risk.....	9
5.5. European Emerging Market HY Issuance, Fixed vs. Floating.....	10
5.6. European Emerging Market HY Issuance, Sponsored vs. Corporate	10
5.7. European Emerging Market HY Rating Distribution at Issuance	10
5.8. European Emerging Market Corporate Bonds Outstanding	10
5.9. Emerging Market HY Bond Issuance.....	10
6. Credit Quality	10
6.1. European HY Default Rate	10
6.2. Developed Europe Issuer Rating Actions	10
6.3. Emerging Europe Issuer Rating Actions	11
6.4. Developed European Industry Rating Actions by # of Ratings	11
6.5. Emerging European Industry Rating Actions by # of Ratings	11
6.6. European Defaults.....	11
7. Relative Value.....	11
7.1. European HY Bonds, Cash vs. Synthetic	11
8. Total Return.....	12
8.1. European HY Bond Total Return	12
8.2. European Leveraged Loan Total Return	12
8.3. Asset Class Total Return, Quarter	12
Annex.....	13
Disclaimer.....	16

European Leveraged Finance, Third Quarter 2015

Highlights and Market Environment

Highlights

European leveraged finance issuance (leveraged loans and high yield bonds) decreased in 3Q'15 to €23.7 billion, a 56.9% decrease from €55.0 billion quarter-over-quarter (q-o-q) and a 39.3% decrease from €39.0 billion in 3Q'14. The quarterly decrease stems from the large fall in high yield bond issuance, which decreased by 71.2% in the third quarter of 2015 while the leveraged loan issuance decreased by 40.0%; the high yield share of the leveraged finance market decreased to 36.2%, down from 54.2% in 2Q'15.

Market and Economic Environment

According to the October 2015 European Central Bank lending survey, credit standards for loans to enterprises, consumer credit and loans to households other than for house purchase eased in net terms while credit standards on loans to households for house purchase tightened in the third quarter of 2015, continuing to support the recovery of loan growth. In 3Q'15, euro area banks reported a further net easing of credit standards on loans to enterprises for the sixth consecutive quarter, driven in particular by banks' competition and risk perceptions. Looking ahead to the fourth quarter of 2015, euro area banks expect a further net easing of credit standards on loans to enterprises. Across firm size, credit standards were eased mainly on loans to small and medium-sized enterprises (SMEs) and were broadly unchanged for large firms. Credit standards on loans to enterprises improved in Italy, remained unchanged in Germany, Spain and the Netherlands and tightened in France.

Net demand for loans to enterprises continued to increase in 3Q'15 mostly due to favorably low level of interest rates. The net percentage of banks reporting an increase in demand for loans to enterprises was 16%, up from 13% in the previous quarter. Banks reported a net increase in the demand for housing loans as well. The net percentage of banks reporting an increase in demand for housing loans in the third quarter was 33%, down from 49% in the previous quarter.

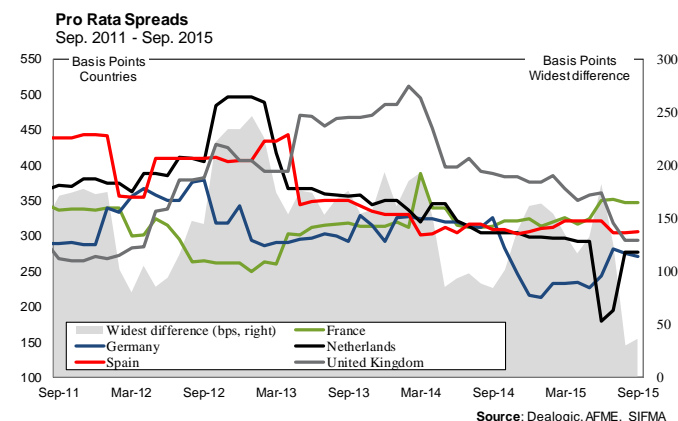
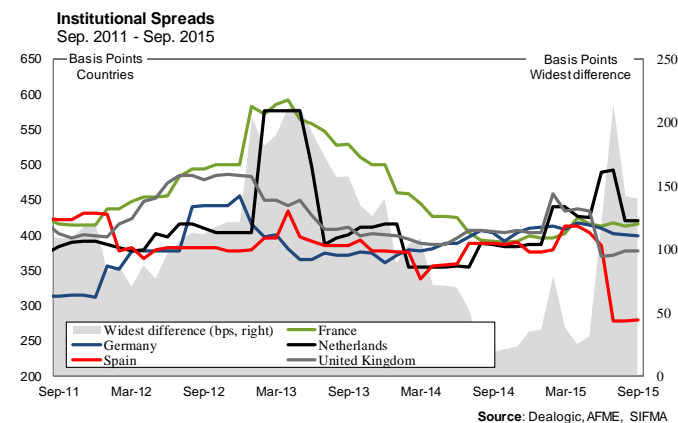
Issuance

Issuance: Leveraged Loans

Leveraged loan issuance, including first lien, second lien, and mezzanine financing, declined in the third quarter of 2015 to €15.1 billion, down 40.0% q-o-q (€25.2 billion) and down 28.4% y-o-y (€21.1 billion). Amend-and-extend ("A&E") transactions continue to take place and accounted for 10.8% of deals in the third quarter of 2015 (€1.6 billion), an 88.9% decrease from the second quarter's €14.7 billion.

In 3Q'15, no mezzanine loans and €0.4 billion in second liens were financed. Pricing spreads for institutional loans

tightened by 10.9 basis points (bps) and spreads for pro rata loans tightened by 8.7 bps. Mezzanine loan spreads remained at 0 bps in the third quarter of 2015 as no mezzanine loans were financed so far in 2015.



According to Dealogic, the top five sectors in leveraged loan issuance for the third quarter of 2015 accounted for more than three quarters of the issues; the leading sector was telecommunications (€3.21 billion), followed by healthcare (€3.16 billion), consumer products (€1.94 billion), computers and electronics (€1.85 billion) and real estate (€1.43 billion).

The share of deals aimed to refinance and/or repay debt decreased steeply to 27.9% of all deals by euro amount in the third quarter of 2015, compared to 64.7% in 2Q'15 and 55.9% in 3Q'14.

Refinancing and/or repaying of debt dropped to the second largest use of proceeds in 3Q'15 with €4.2 billion, a decrease of 74.1% q-o-q (€16.3 billion) and 64.2% down y-o-y (€11.8 billion). The top use of proceeds in the third quarter was leveraged buyouts totalling €7.9 billion or 52.7% of total issuance, up from €5.5 billion in 2Q'15 (21.9% of total) but down from €8.2 billion in 3Q'14 (38.8% of total).

Issuance: High Yield Bonds

Primary high yield issuance in 3Q'15 totalled €8.6 billion on 31 deals, a 71.2% and 52.1% decrease by euro amount, respectively, from 2Q'15 (€29.8 billion on 55 deals) and 3Q'14 (€17.9 billion on 46 deals). Issuance from developed market Europe decreased in the third quarter of 2015 while the issuance from emerging market Europe increased.

Primary high yield issuance in developed market Europe in the third quarter of 2015 was €8.3 billion on 30 deals, a 72.1% and 51.8% decrease by euro amount, respectively, from 2Q'15 (€29.6 billion on 54 deals) and 3Q'14 (€17.2 billion on 42 deals). In emerging market Europe primary issuance in 3Q'15 was €0.32 billion on 1 deal, an increase of 112.7% from 2Q'15 (€0.15 billion on 1 deal) but a decrease of 58.6% by euro amount from 3Q'14 (€0.80 billion on 4 deals).

In the third quarter of 2015, average deal size from developed market Europe decreased by 49.8% to €275.7 million from €548.8 million in 2Q'15 and a 32.5% decrease from 3Q'14. Average deal size for emerging market Europe increased by 112.7% to €319.1 million in 3Q'15 from €150.0 million in 2Q'15 and by 65.8% from 3Q'14.

High yield issuance for refinancing and/or repayment of debt in developed market Europe decreased to €1.6 billion, representing 18.9% of all issuance by euro amount in 3Q'15, compared to €8.5 billion (28.7% of total) in 2Q'15 and €4.1 billion (23.6% of total) in 3Q'14. The only deal issued in emerging market Europe in the third quarter of 2015 was for general corporate purposes.

Four sectors accounted for well over half of the total high yield issuance in 3Q'15: the finance industry with €2.3 billion (26.6% of total), followed by healthcare (€1.5 billion, 16.9%), telecommunications with €1.1 billion (13.0% of total) while the retail sector ranked fourth with €1.0 billion (11.8% of total), with the remainder of issuances in third quarter split among several industries.

The proportion of USD-denominated issuance decreased to €0.6 billion in 3Q'15, representing 6.8% of all issuance by euro amount, compared to 43.7% in 2Q'15 and 12.4% in 3Q'14. USD-denominated issuance in developed market Europe decreased to €0.3 billion or 3.2% of all issuance by euro amount from €13.0 billion or 43.9% in 2Q'15 and from €1.8 billion (10.7%) in 3Q'14. The only issue priced in emerging market Europe was denominated in USD, compared to none in 2Q'15 and €0.37 billion or 48.0% in 3Q'14.

Returns & Credit Quality

European high yield bonds rated CCC and lower led returns in the third quarter of 2015 with 2.2% followed by U.S. Treasuries (1.9%) and U.S. municipal bonds (1.7%). Half of the asset classes recorded positive returns while the other half recorded negative returns in 3Q'15, howev-

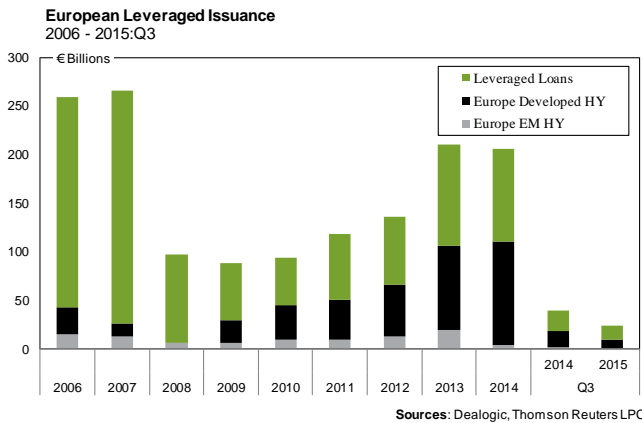
er the losses were much greater in magnitude than gains. The worst performing asset classes were: U.S. distressed high yield (-22.9% in 3Q'15), MSCI emerging market (-18.5%), and Russel 2000 (-12.2%).

High-yield bond default rates decreased slightly in September 2015, with S&P reporting 1.9% (down from 2.3% end-June 2015). Three bond-related defaults were reported in the third quarter, one in developed market Europe and two in emerging market Europe. Defaults in emerging market Europe were of Russian and Ukrainian banks due to regulatory intervention and distressed exchange.

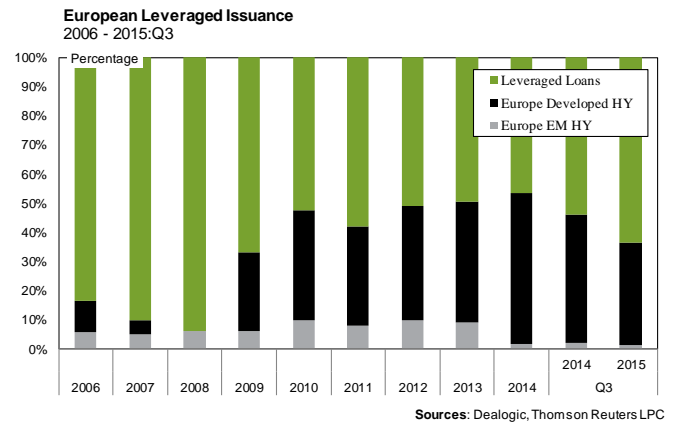
According to S&P, in 3Q'15 upgrades exceeded downgrades in developed market Europe with 28 upgrades to 22 downgrades but downgrades exceeded upgrades in emerging market Europe with 8 downgrades to 6 upgrades. Both upgrades and downgrades were distributed across the sector spectrum. The sector with the most rating actions in third quarter 2015 was banking with 5 upgrades and 2 downgrades in developed market Europe and 3 downgrades and 1 upgrade in emerging market Europe.

1. Leveraged Finance Overview

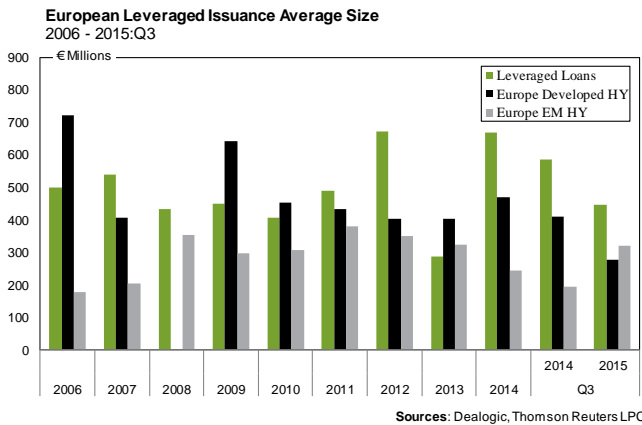
1.1. European Leveraged Issuance by Type



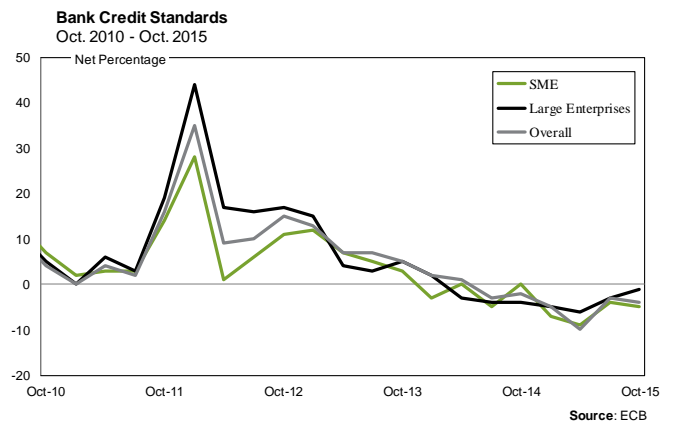
1.2. European Leveraged Issuance by Percentage



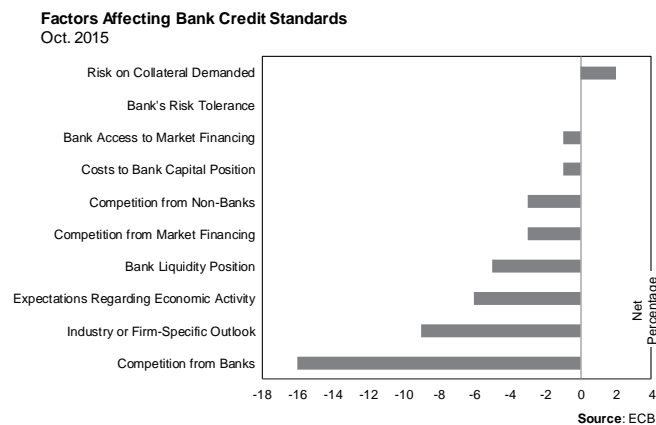
1.3. European Leveraged Issuance Average Deal Size



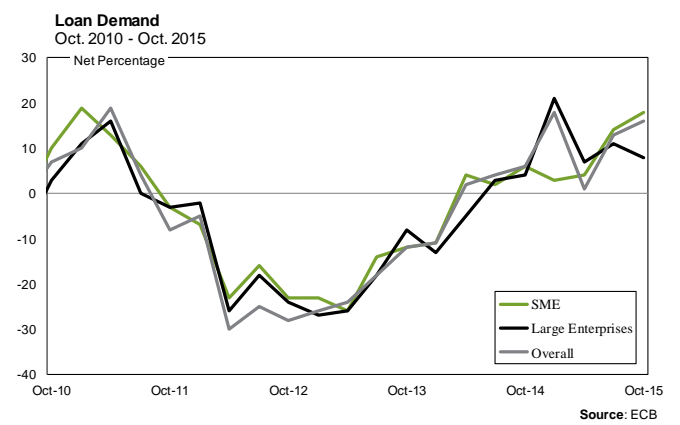
1.4. Bank Credit Standards¹



1.5. Factors Affecting Bank Credit Standards²



1.6. Loan Demand³



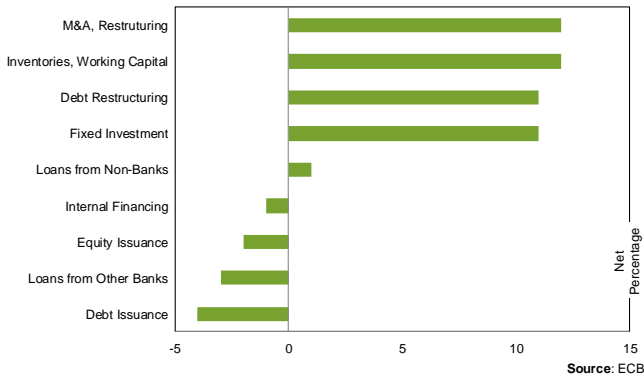
¹ A positive net percentage number signifies tightening bank credit; a negative net percentage number signifies easing credit.

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

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

1.7. Factors Affecting Loan Demand⁴

Factors Affecting Loan Demand
Oct. 2015

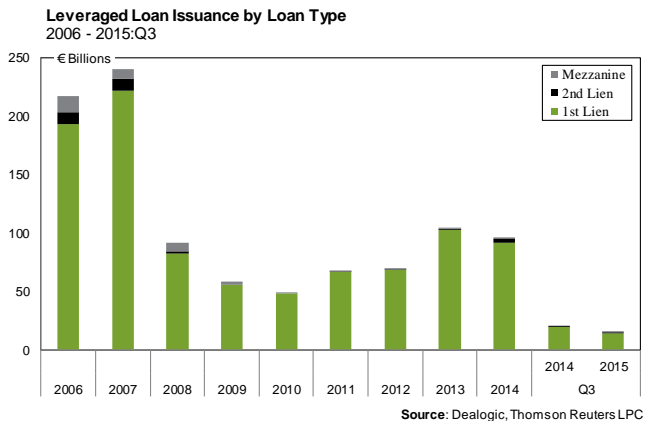


1.8. Global Comparison – High Yield Issuance

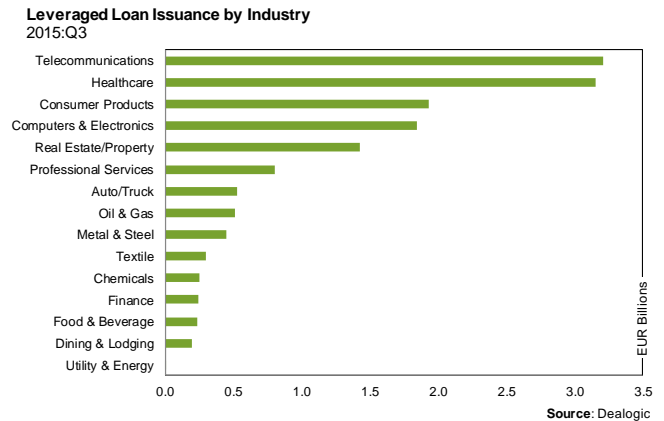
€ Billions	2015			2014					Prior	
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Full Year	2012	2013
United States	61.0	69.9	29.2	44.7	51.0	48.5	42.9	187.0	212.9	197.0
Asia Pacific	9.5	10.6	13.3	8.6	8.1	9.0	8.7	34.4	30.2	41.5
Europe	40.2	34.1	15.4	28.8	61.7	21.8	10.8	123.1	82.8	120.9

2. Issuance – Leveraged Loans

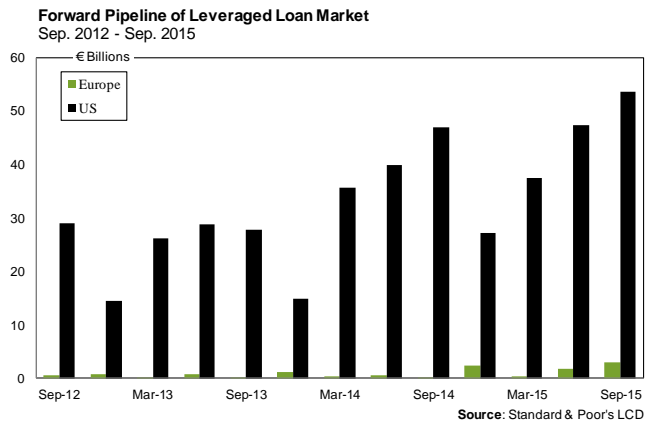
2.1. European Leveraged Loan Issuance By Loan Type



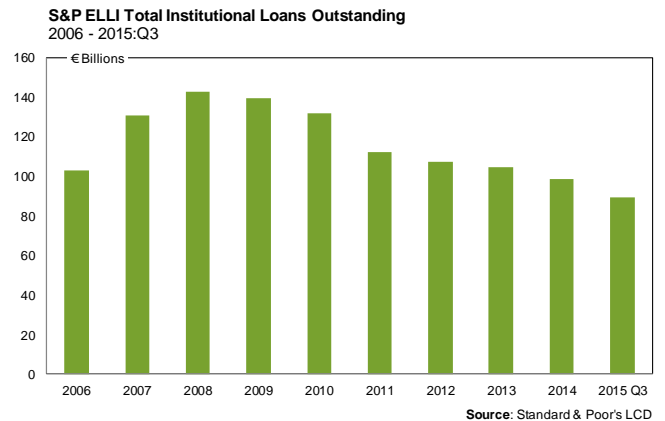
2.2. European Leveraged Loan Issuance by Industry Sector



2.3. Forward Pipeline of Leveraged Loan Market

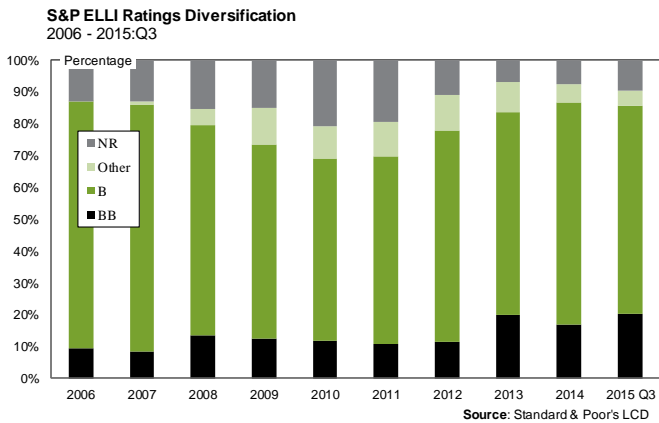


2.4. S&P ELLI Total Institutional Loans Outstanding

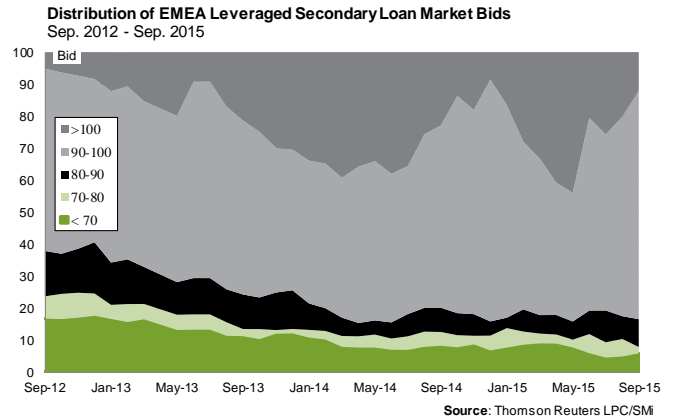


⁴ A positive net percentage signifies a factor that contributed to higher demand; a negative net percentage signifies a factor that contributed to lower demand.

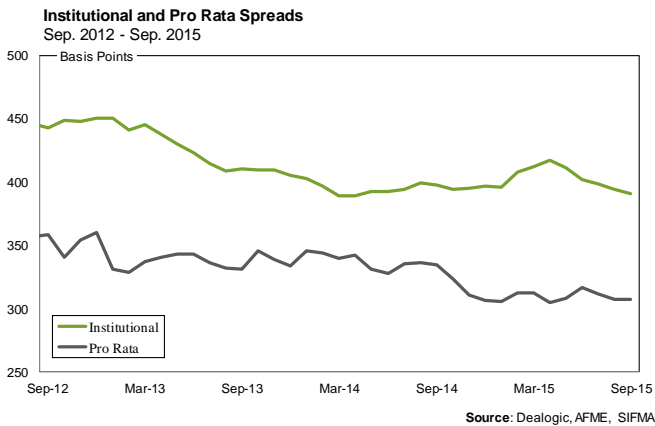
2.5. S&P ELLI Ratings Diversification



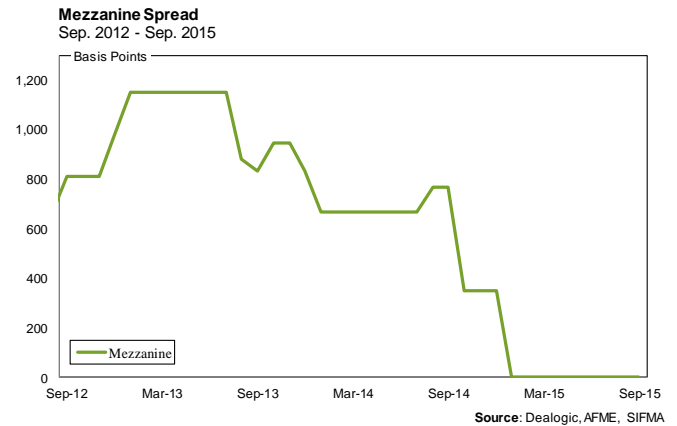
2.6. Distribution of Leveraged Loan Secondary Market Bids



2.7. Institutional and Pro Rata Spreads

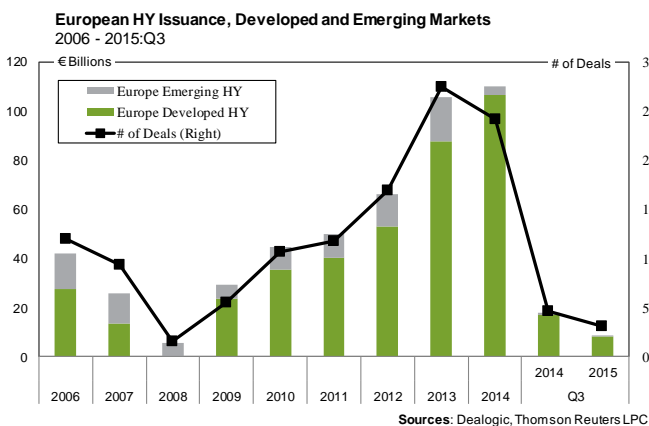


2.8. Mezzanine Spread

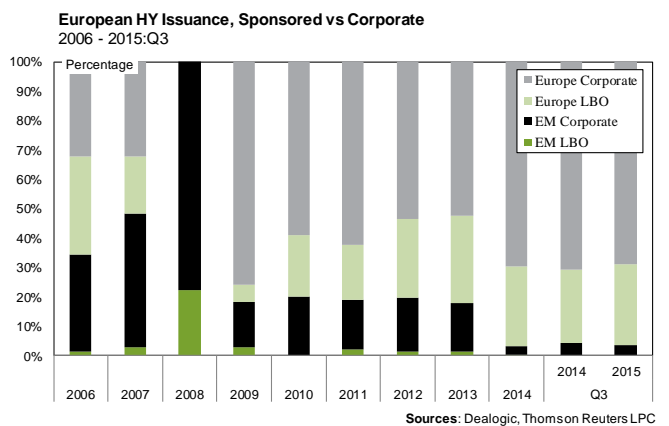


3. Issuance – High Yield Bonds Overview

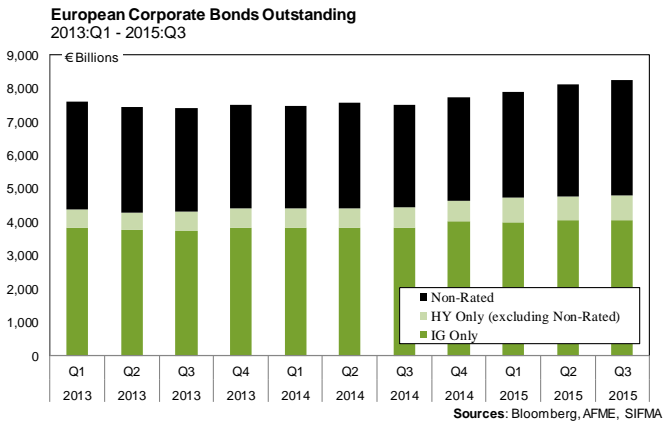
3.1. European HY Bond Issuance, Developed and Emerging Market



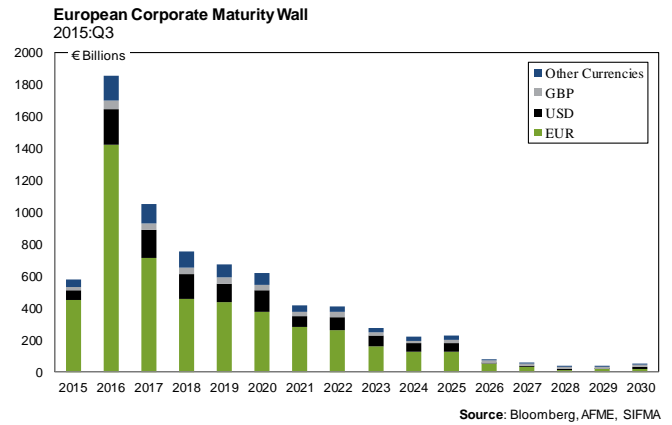
3.2. European HY Bond Issuance, Sponsored vs. Corporate



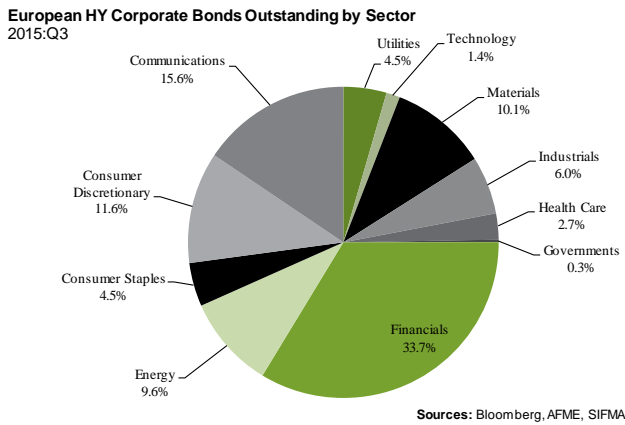
3.3. European Corporate Bonds Outstanding



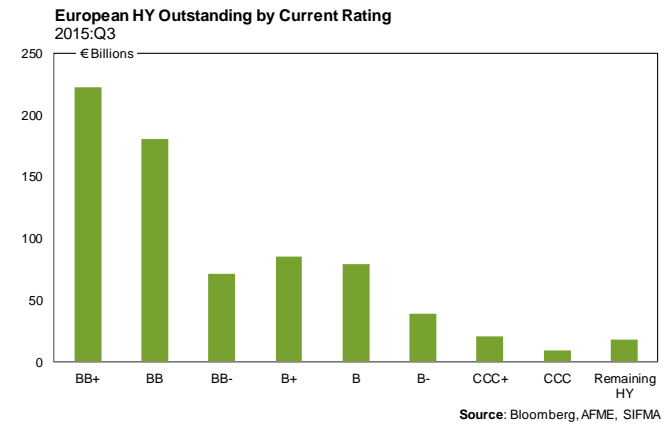
3.4. European Corporate Bonds Maturity Wall



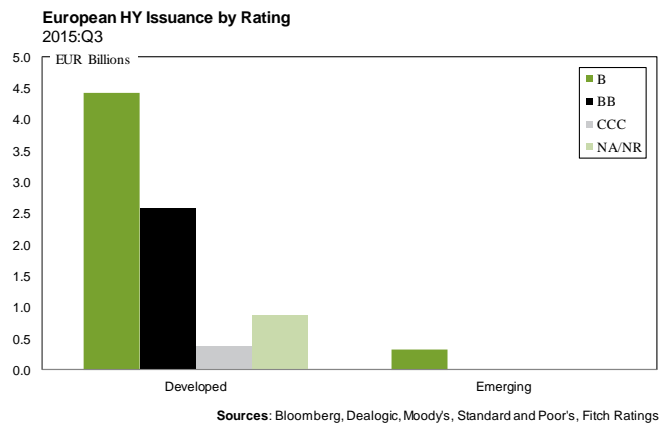
3.5. European Corporate HY Bonds Outstanding by Sector



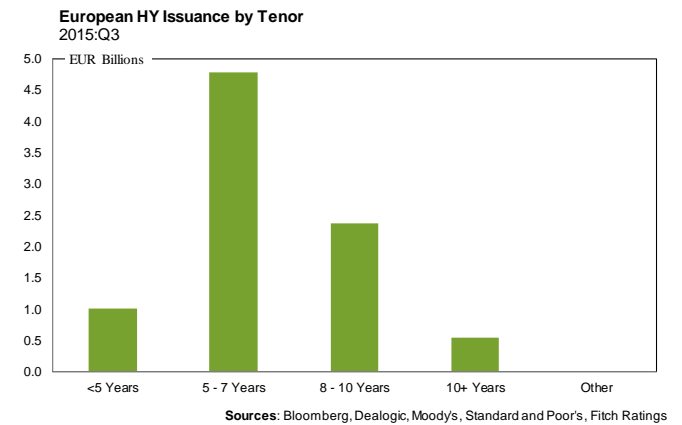
3.6. European Corporate HY Bonds Outstanding by Current Rating



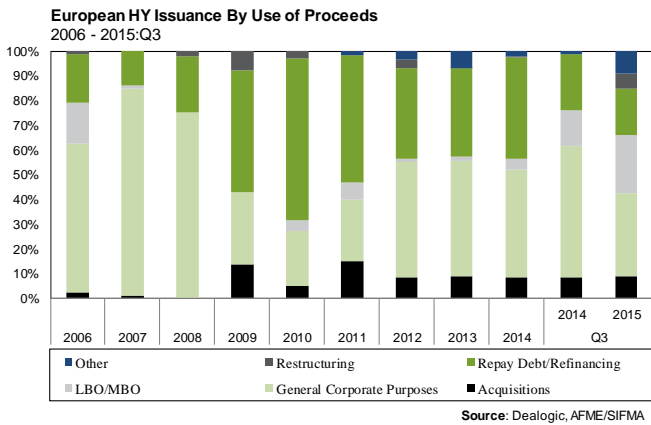
3.7. European Corporate Bond Issuance by Rating



3.8. European Corporate Bond Issuance by Tenor

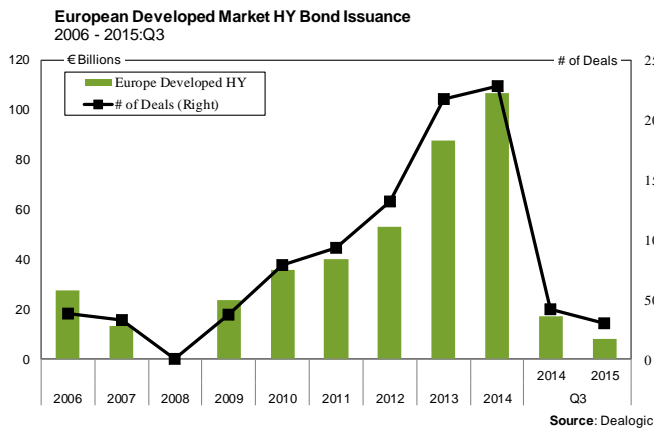


3.9. European HY Use of Proceeds

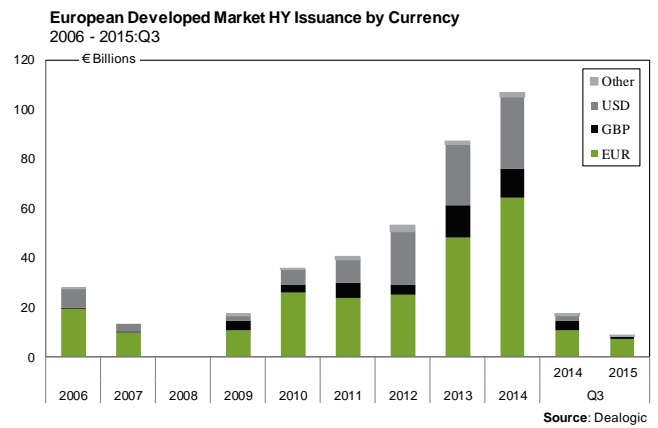


4. Issuance – European Developed Market High Yield Bonds

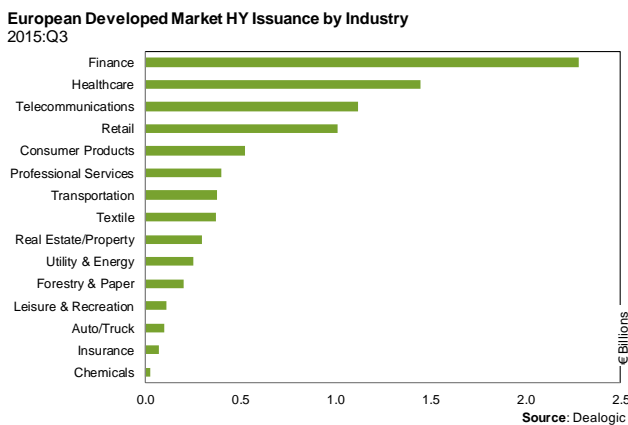
4.1. European Developed Market HY Bond Issuance



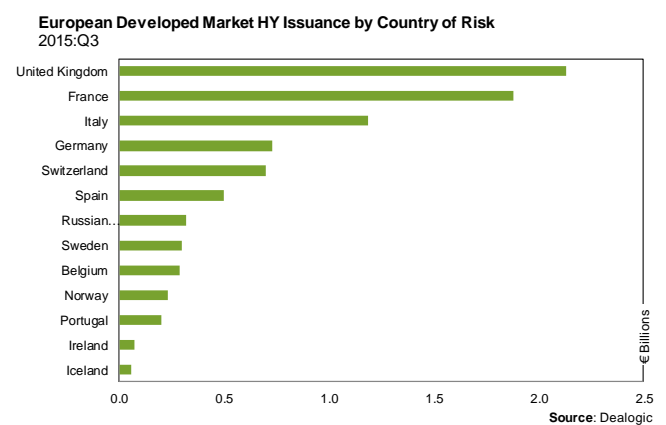
4.2. European Developed Market HY Issuance by Currency



4.3. European Developed Market HY Issuance by Industry

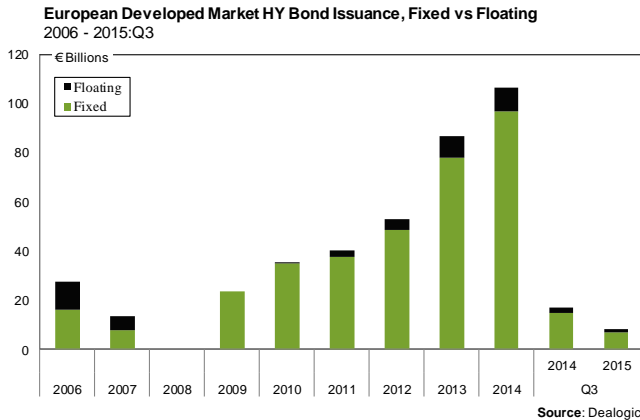


4.4. European Developed Market HY Issuance by Country of Risk

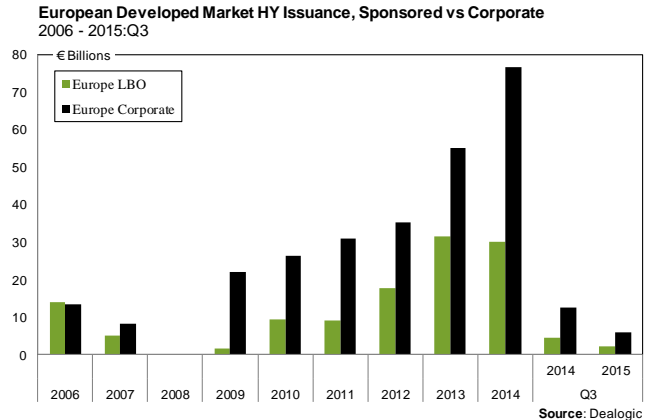


RELATIVE VALUE

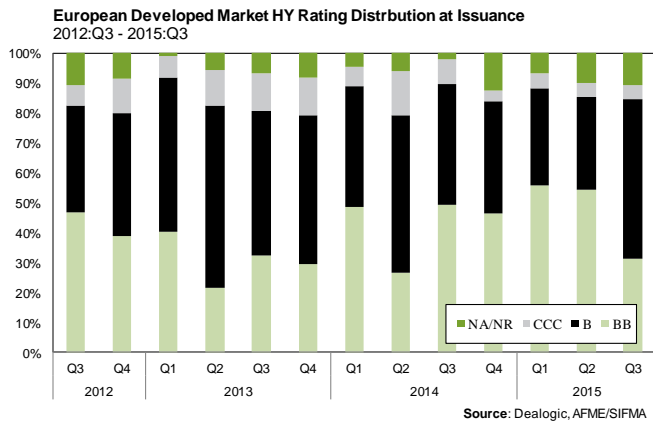
4.5. European Developed Market HY Issuance, Fixed vs. Floating



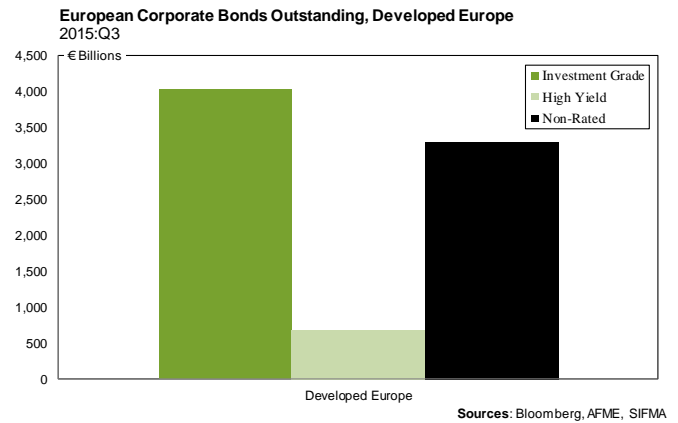
4.6. European Developed Market HY Issuance, Sponsored vs. Corporate



4.7. European Developed Market HY Rating Distribution at Issuance



4.8. European Developed Market Corporate Bonds Outstanding



4.9. European Developed Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moodys	S&P	Fitch
Arion Banki hf	Finance	03/07/2015	NOK	500	3M NIBOR + 295			
Alitalia - Compagnia Aerea Italiana SpA	Transportation	14/07/2015	EUR	375		5.250		
Samvardhana Motherson Automotive Systems Gr	Auto/Truck	15/07/2015	EUR	100		3.700		
Orchestra Premaman SA	Textile	15/07/2015	EUR	35		4.340		
			EUR	23		4.031		
Garfunkelux Holdco 3 SA	Finance	15/07/2015	EUR	365		7.500 B2	B+	
Dufry Finance SCA	Retail	20/07/2015	EUR	700		4.500 Ba3	BB	BB-
Kerneos SA	Chemicals	21/07/2015	EUR	25	3M EURIBOR + 475	B2	B+	
Thames Water (Kemble) Finance plc	Utility & Energy	21/07/2015	GBP	175		5.875 B1		BB
Ibercaja Banco SAU	Finance	21/07/2015	EUR	500		5.000 B2	B	BB
SNAI - Sindicato Nazionale Agenzie Ippiche SpA	Leisure & Recreation	21/07/2015	EUR	110		7.625 (P)B1	B-	
Telenet Finance Luxembourg VI SCA	Telecommunications	21/07/2015	EUR	530		4.875 B1	B+	
HomeVi SAS	Healthcare	22/07/2015	EUR	125		6.875 B2	B	
LSF9 Balta Issuer SA	Textile	22/07/2015	EUR	290		7.750 B2	B	
Ephios Holdco II plc	Healthcare	23/07/2015	EUR	375		8.250 Caa1	(P)B-	
Ephios Bondco plc	Healthcare	23/07/2015	EUR	400		6.250 B2		B+e
			EUR	285	3M EURIBOR + 500	B2		B+e

Source: Bloomberg, Dealogic

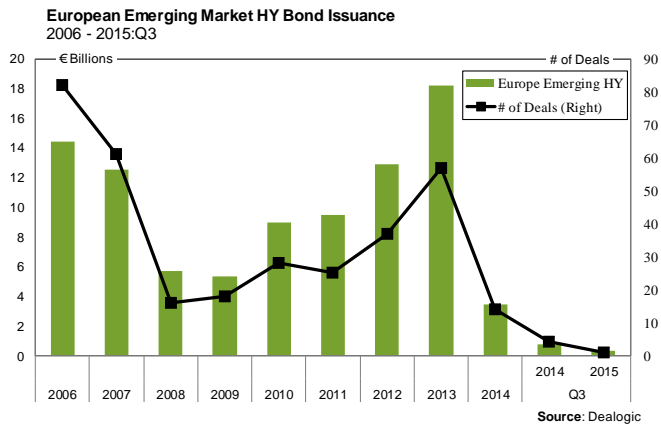
RELATIVE VALUE

Issuer	Industry Group	Date	Currency	Amount		Coupon	Moody's	S&P	Fitch
				(Millions)					
Horizon Holdings I SAS	Consumer Products	24/07/2015	EUR	225		7.250	B3	(P)B-	
Horizon Holdings III SAS	Consumer Products	24/07/2015	EUR	300		5.125	B1	(P)B+	
Cognita Financing plc	Professional Services	31/07/2015	GBP	280		7.750	B2	B	
BUT SAS	Retail	05/08/2015	EUR	66		7.375	B3	B	B
House of Fraser (Funding) plc	Retail	11/08/2015	GBP	175		3M LIBOR + 575	B3	B	
Lindorff Group AB	Finance	03/09/2015	EUR	30		7.000	B2	BB-	
			EUR	200		3M EURIBOR + 550	B2	BB-	
Banco Popolare Scarl	Finance	14/09/2015	EUR	500		2.625	Ba3		BB
FBD Holdings plc	Insurance	16/09/2015	EUR	70		11.660			
Fresenius US Finance II Inc	Healthcare	16/09/2015	USD	300		4.500	Ba1	BB+	BB+
Akelius Residential Property AB	Real Estate/Property	16/09/2015	EUR	300		3.375		BB+	
Empresa de Celulose e Papel de Portugal SGPS S	Forestry & Paper	22/09/2015	EUR	200		6M EURIBOR + 190			
Arrow Global Finance plc	Finance	23/09/2015	EUR	110		3M EURIBOR + 525	B1	BB-	
Banca Popolare di Vicenza Scarl	Finance	25/09/2015	EUR	200		9.500			B
Interoute Communications Ltd	Telecommunications	25/09/2015	EUR	240		3M EURIBOR + 625	B1		
			EUR	350		7.375	B1		
Orchestra Premaman SA	Textile	29/09/2015	EUR	4		4.340			
			EUR	19		4.031			

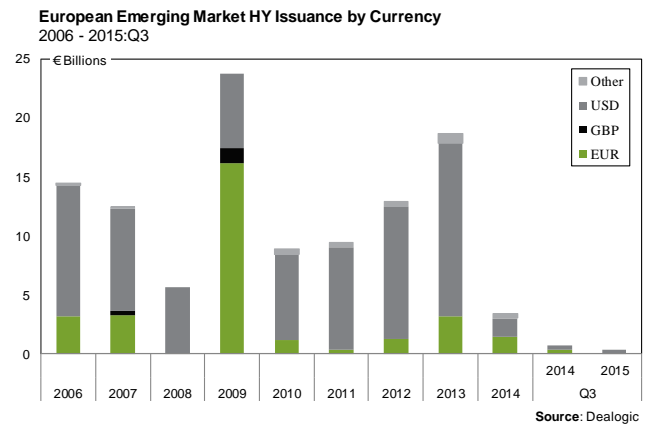
Source: Bloomberg, Dealogic

5. Issuance – European Emerging Market High Yield Bonds

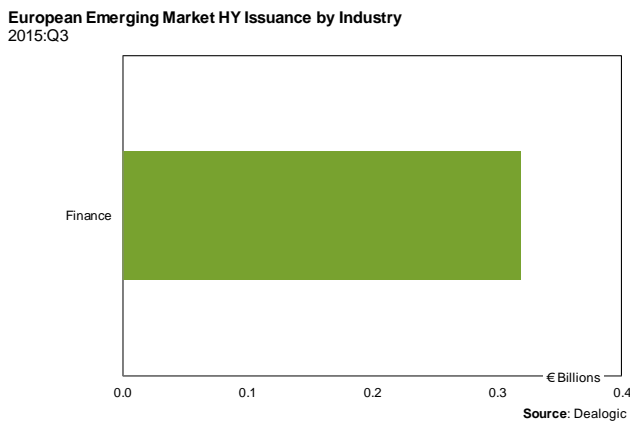
5.1. European Emerging Market HY Bond Issuance



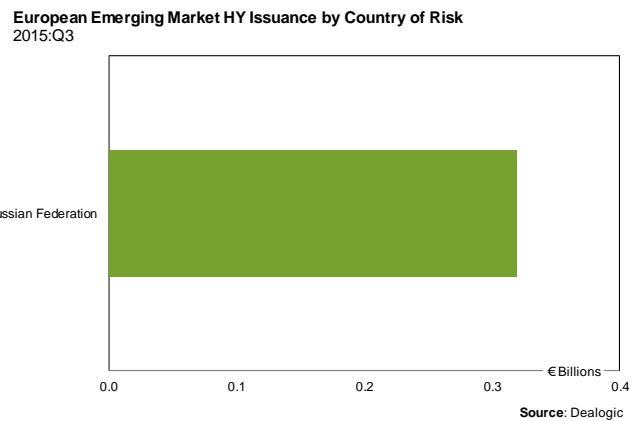
5.2. European Emerging Market HY Bond Issuance by Currency



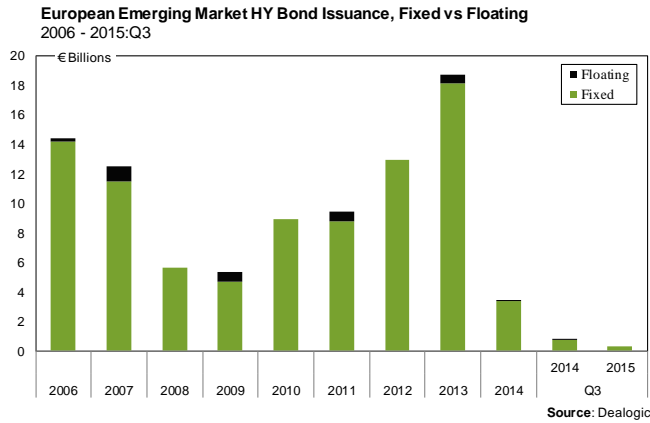
5.3. European Emerging Market HY Issuance by Industry



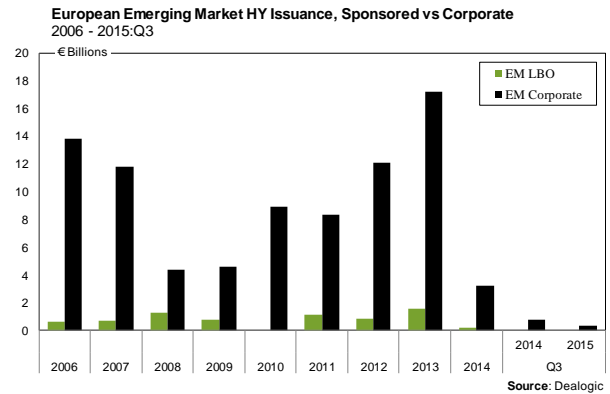
5.4. European Emerging Market HY Issuance by Country of Risk



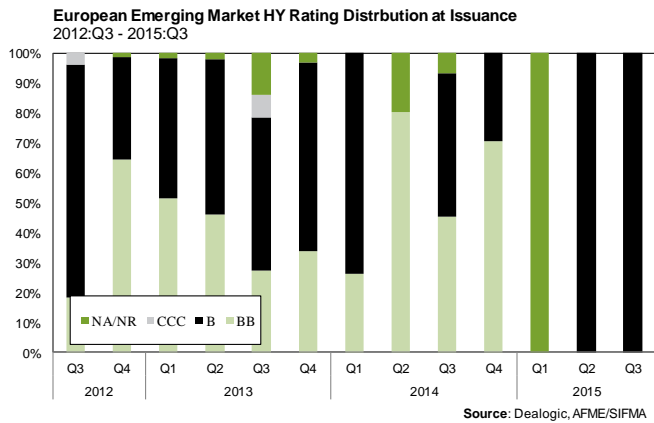
5.5. European Emerging Market HY Issuance, Fixed vs. Floating



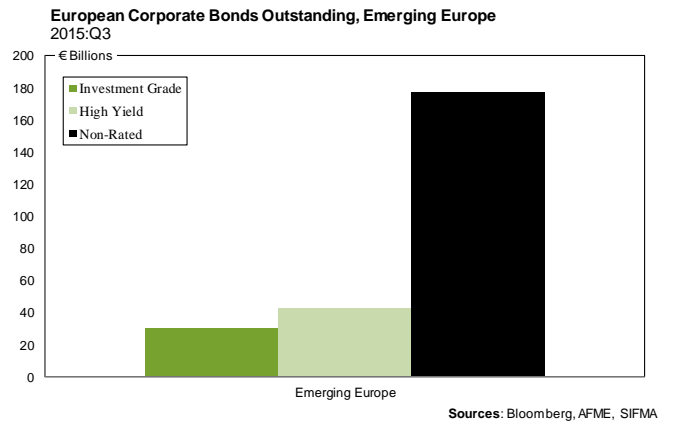
5.6. European Emerging Market HY Issuance, Sponsored vs. Corporate



5.7. European Emerging Market HY Rating Distribution at Issuance



5.8. European Emerging Market Corporate Bonds Outstanding



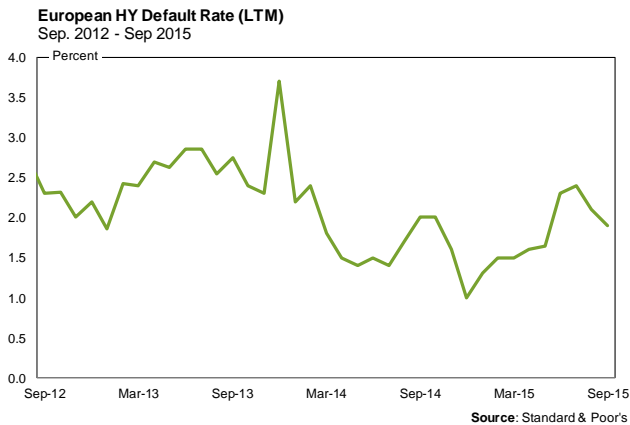
5.9. Emerging Market HY Bond Issuance

Issuer	Industry Group	Date	Currency	Amount (Millions)	Coupon	Moodys	S&P	Fitch
Ak Bars Bank OAO	Finance	04/08/2015	USD	350	8.000	B1		BB-

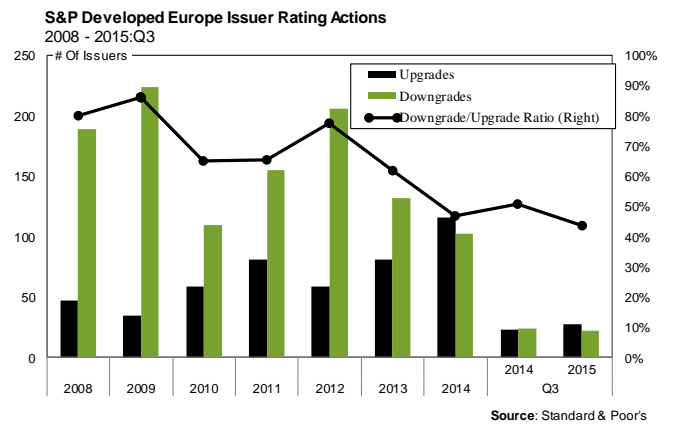
Source: Bloomberg, Dealogic

6. Credit Quality

6.1. European HY Default Rate

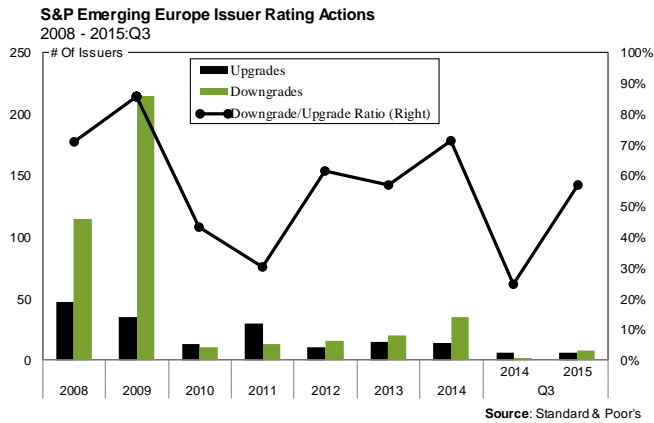


6.2. Developed Europe Issuer Rating Actions⁵

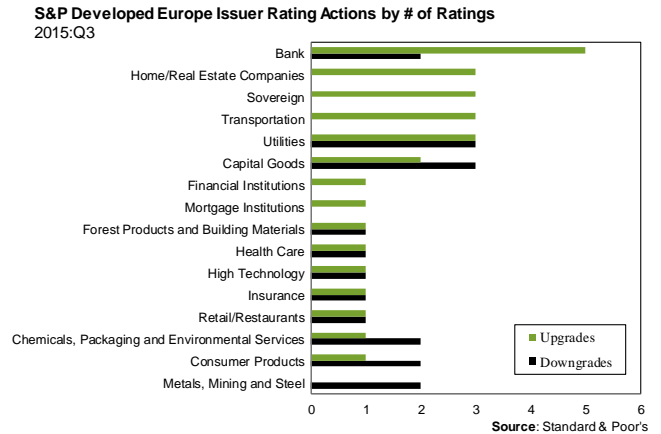


⁵ Numbers include both corporate and sovereigns.

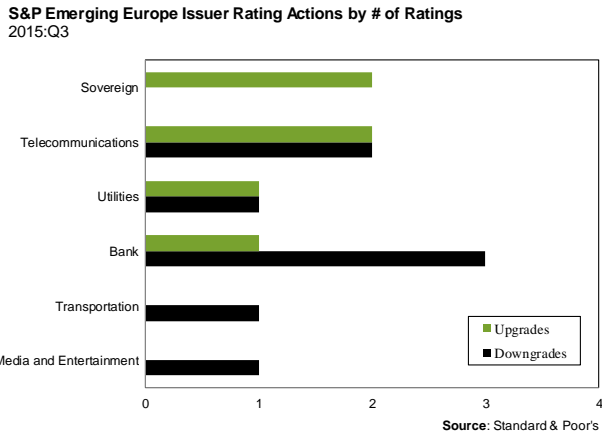
6.3. Emerging Europe Issuer Rating Actions⁶



6.4. Developed European Industry Rating Actions by # of Ratings



6.5. Emerging European Industry Rating Actions by # of Ratings



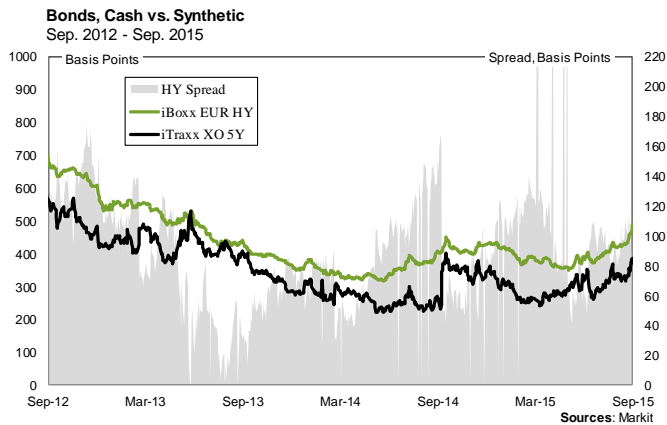
6.6. European Defaults

Issuer	Industry Group	Country	Date	Reported By	Reason
Ferrexpo PLC	Metals, Mining and Steel	U.K.	July 2015	S&P	Distressed Exchange
Investradbank JSC	Bank	Russia	September 2015	S&P	Regulatory Intervention
PJSC KREDOBANK	Bank	Ukraine	September 2015	S&P	Distressed Exchange

Source: Standard & Poor's

7. Relative Value

7.1. European HY Bonds, Cash vs. Synthetic

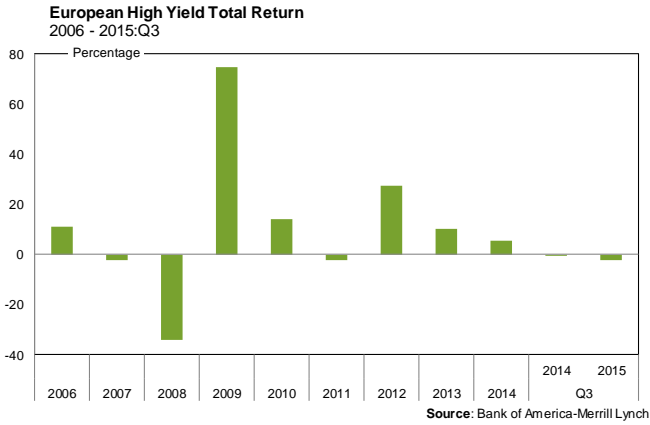


⁶ Numbers include both corporate and sovereigns.

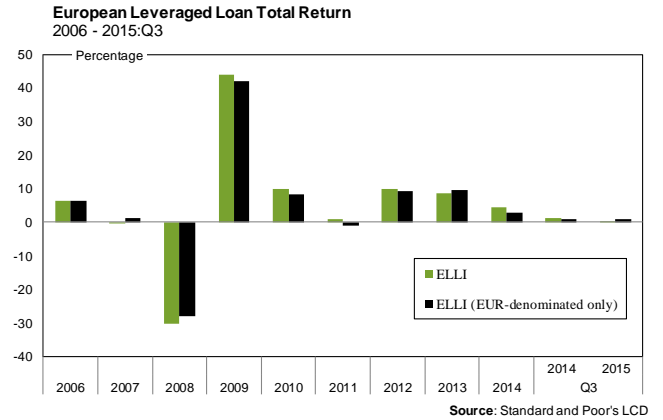
RELATIVE VALUE

8. Total Return

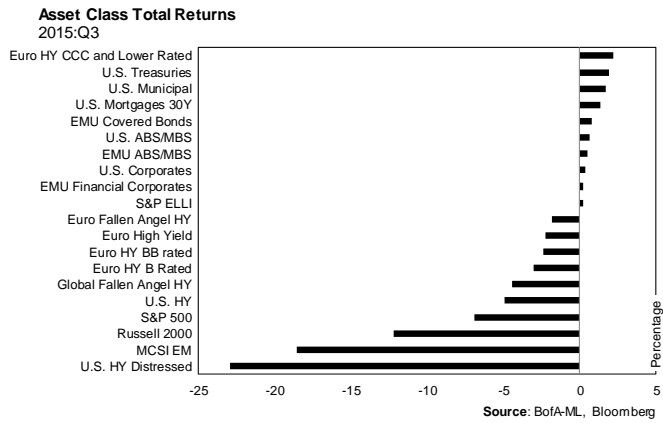
8.1. European HY Bond Total Return



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 issuances are mutually exclusive and will contain no overlap unless otherwise mentioned.

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

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

3.2. European HY Issuance by Sponsor

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

3.3. – 3.6. European Corporate Bonds Outstanding

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

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

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

3.7. European Corporate Bond Issuance by Rating

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

3.8. European Corporate Bond Issuance by Tenor

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

3.9. European HY Issuance By Use of Proceeds

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

3.10. European HY Issuance, Senior Secured Share

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

4. Issuance – European Developed Market High Yield Bonds

4.1. – 4.7., 4.9

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

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

4.8. European Developed Market Corporate Bonds Outstanding

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

5. Issuance – European Emerging Market High Yield Bonds

5.1. – 5.7., 5.9.

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

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

5.8. European Emerging Market Corporate Bonds Outstanding

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

6. Credit Quality

6.1. European HY Default Rate

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

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

6.2. – 6.3. European Issuer Rating Actions

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

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

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

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

6.6. European Defaults

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

7. Cash and Synthetic

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

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

8. Total Return

8.1. European HY Bond Total Return

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

8.2. European Leveraged Loan Total Return

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

8.3. Asset Class Total Return (Cash Basis)

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

Disclaimer

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

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