LIBOR Transition Update

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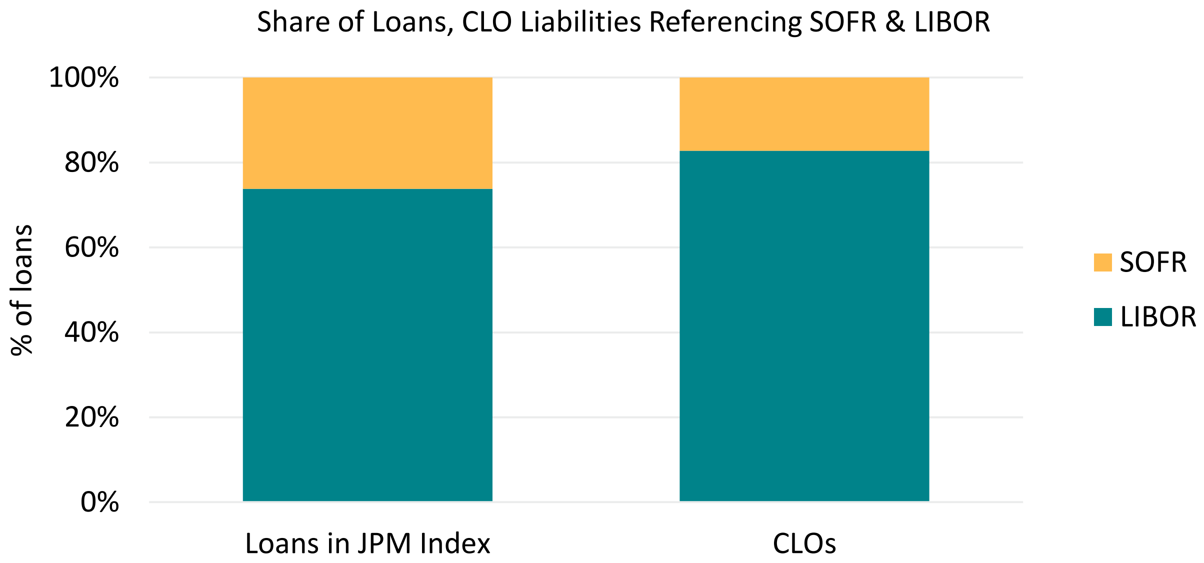
LIBOR Transition Snapshot

- “Organic” LIBOR transition was slowed in 2022 by market disruption
- LIBOR transition has accelerated sharply in 2023
- Economic negotiations continue, but logjam may have been broken
- LSTA providing support through education and documentation

"Organic" LIBOR Transition was Slow in 2022

- Markets were disrupted in 2022 due to geopolitical risk, Ukraine invasion, inflation and rising interest rates
- Like many markets, US leveraged loan market sold off in 2022
  - The average secondary loan market price fell to the 92 context
  - Secondary market yields climbed more than 200 bps (to SOFR+600 context)
- The yield to clear new issue loans likewise increased to nearly SOFR+600
- Consequently, leveraged loan refinancing activity (which would organically shift loans to SOFR) dropped more than 60% in 2022

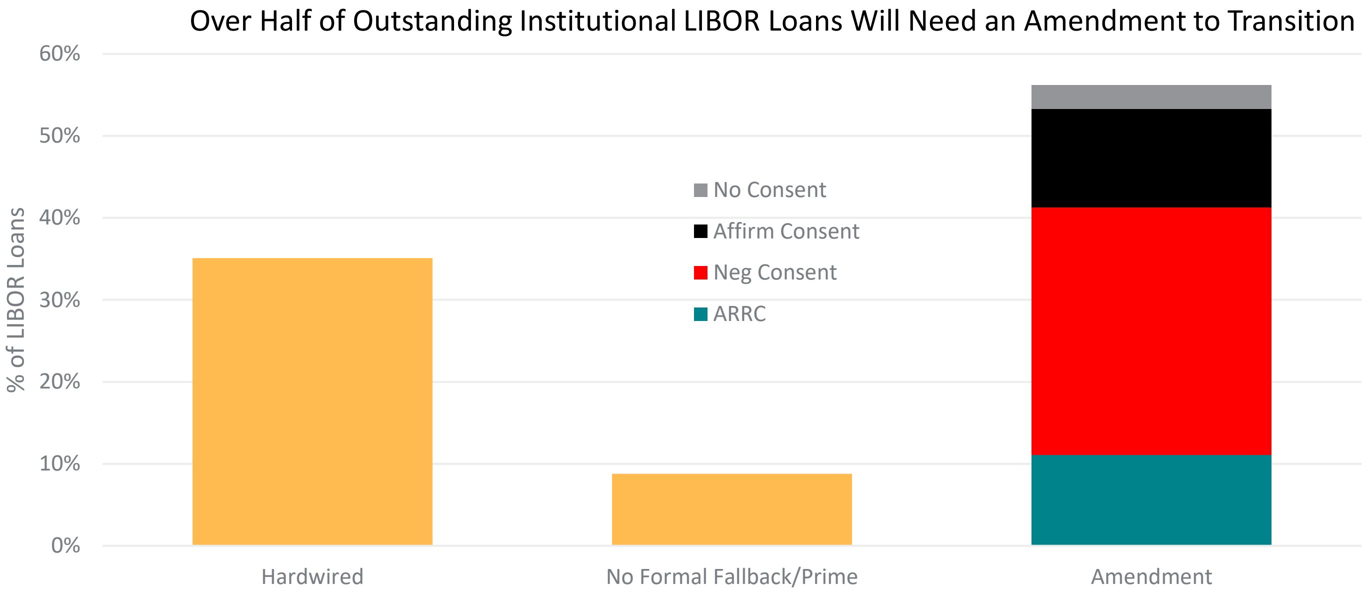
LIBOR Remediation: Where We Stood on Feb 1, 2023



- As of February 1, more than 70% of leveraged loans and CLOs were referencing LIBOR
- Mitigant #1: This *only* reflects leveraged/institutional loan market. Investment grade lending likely has remediated faster due to reliance on shorter tenors/364-day facilities and no secondary market nexus
- Mitigant #2: Nearly all loans and CLOs have fallback language – it's not that they are falling back late; it's that they haven't fallen back early
- Mitigant #3: Remediation has accelerated sharply in 2023

Source: JP Morgan

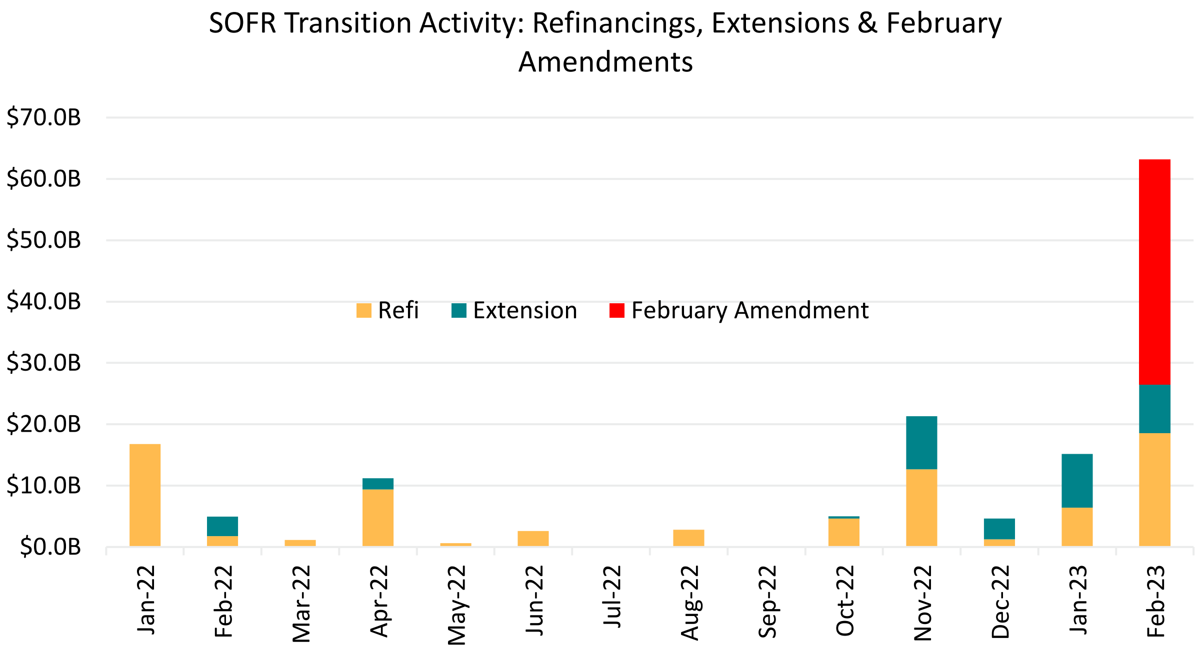
Nearly All LIBOR Loans have Fallback Language; Majority Will Require an Amendment to Fall Back



- Most loans in the CS Index have amendment fallback language
- Most amendment fallbacks have an intentionally streamlined 5 business day window, >50% negative consent vote

Source: Covenant Review

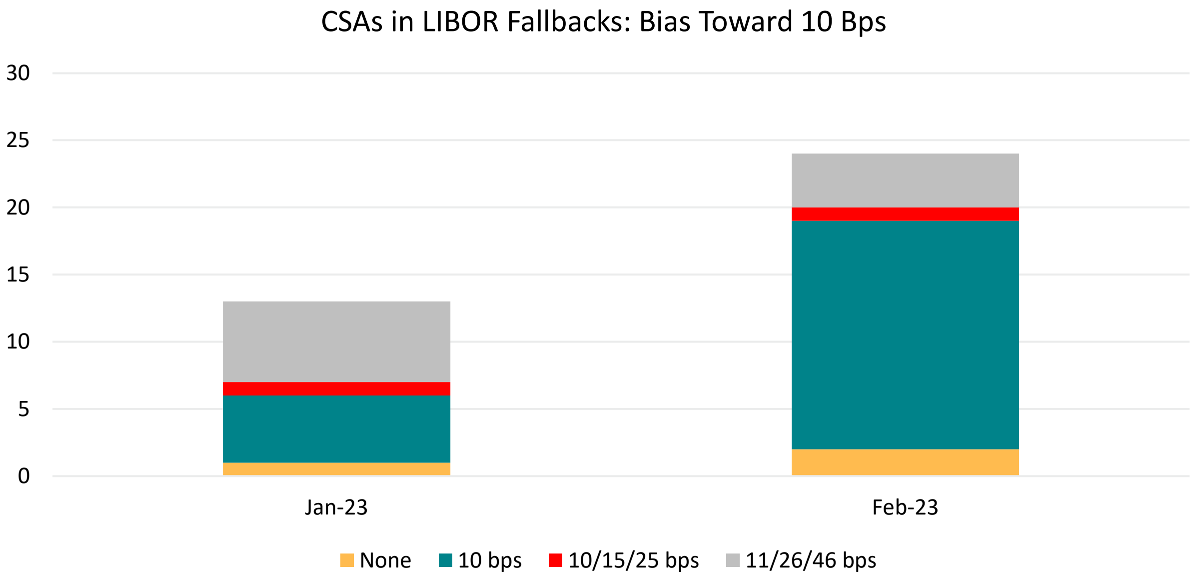
LIBOR Remediation: Accelerates in February 2023



- "Organic" leveraged loan transition activity – refinancings and extensions – hit a high in February
- Amendment fallback activity topped $36 billion in February (also a new high)
- More than $62 billion of leveraged loans were observed to transition to SOFR in February 2023

Source: LevFin Insights

Economics Continue to be Negotiated, But Logjam may be Easing



- There is healthy negotiation on spread adjustments between parties in loan agreements and fallback amendments
- In February, the majority of tracked fallback amendments had a 10 bps "CSA"

LSTA Support on LIBOR Transition

- SOFR Documentation: Concept Credit Agreements, SOFR Amendments, Conforming Changes Amendments
- Education: Webcasts, Videos and Monthly LIBOR Q&A Call
- Troubleshooting Issues: Legal/Documentation and Operational