**Bank Lender Survey**

**Information about the responding firm**

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| --- |
| 1. Firm type: *Please select the* ***one*** *option that most closely describes your group’s activities*
 |
|  International active bank |  |[ ]
|  National/domestic bank or banking group |  |[ ]
|  Private equity group |  |[ ]
|  Asset manager |  | [ ]  |
|  Hedge fund |  | [ ]  |
|  CLO manager independent |  | [ ]  |
|  CLO manager part of a private equity group |  | [ ]  |
|  Insurer |  |[ ]
|  Pension fund |  |[ ]
|  Trade Association |  |[ ]
| Other *(Please describe)* | Click here to enter text. |[ ]

|  |
| --- |
| 1. Please indicate the geographic scope of your firm’s LL activity
 |
|  | **Home region of your firm***Please select one region as appropriate* | **Region(s) in which you are active in LL and/or CLO***Please select all applicable regions as appropriate* |
| North America |[ ] [ ]
| Central and South America |[ ] [ ]
| Europe |[ ] [ ]
| Middle East & Africa |[ ] [ ]
| Asia Pacific |[ ] [ ]
|  | In which jurisdictions are you most active |  |
|  | Approximate firm Size[[1]](#footnote-1) as at 31 December 2020 (expressed in US$) | Click here to enter text. |
|  | Explain the measure you used to indicate the size of the firm’s business in the question 7 above. For example, Annual Revenue, Assets under Management, etc |  |
| **Size of your activity** |
|  | Please quantify the LL transactions, in which you participated as the lender per year globally? | 2018 | 2019 | 2020 |
|  | Total number of LL deals |  |  |  |
|  | Total volume of LL deals, in million USD |  |  |  |
|  | What best describes your role in leveraged loan origination process | Lead bank | Syndicate bank | Other |

**Survey Questions**

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| **Lending Strategy** |
|  | What part of the capital structure do you typical invest in (A, B or both) | A | B | Both |
|  | Do you retain exposure to the B loan once it is sold to the secondary market? |  |
|  | What is the range of time periods (and average length of time) that these B loans remain on your balance sheet? |  |
|  | What is the average leverage ratio (Debt/EBITDA) across the transactions you completed in the most recent year? | <4x | 4-5x | 5-6x | >6x |
|  | What are your views on the increased in leveraged observed in the market? |  |
|  | What does your evaluation of potential transactions consist of? Please specify and provide examples where possible and differentiate whether it is as lender or underwriter.  |  |
|  | What is the average credit quality of borrowers in the transactions you participated in? | 2018 | 2019 | 2020 |
| **Leveraged Loan issuance process**  |
|  | Please provide a broad overview of the leveraged loan underwriting/issuance process, including the typical activities undertaken during each phase, which party undertakes the relevant activity and the timing and sequencing of the activities. |  |
|  | How might the key stages and/ or timings differ between (a) and (b) below.*For example, is there a significant difference in the time it takes to carry out a transaction, from awarding mandates to pricing and settlement?*  |  |
|  | 1. LL sponsored by PE-owned firms which issue frequently
 |  |
|  | 1. LL sponsored by PE-owned firms which issue less frequently
 |  |
|  | Based on your experience of LL deals, what are the different types of firm which act as typical lenders in LLs? |  |
|  | How has the number of lenders/investors involved in a given LL transactions changed over time? Please describe the impacts of this change. |  |
|  | How has the type of lender/investor involved in LL transactions changed over time? Please describe any impacts of this change. |  |
|  | Describe the typical process for determining allocations in a loan issuance? Which party(ies) decide on the allocation? What are the key considerations for firms when making loan allocations?  |  |
|  | What types of conflicts of interest and associated conduct risks may arise in the LL issuance process? How are these managed? |  |
| **Disclosure** |
|  | How would you describe the quality of the documentation you receive? | More than sufficient | Sufficient | Less than sufficient | Entirely insufficient |
|  | How easy is the documentation to understand? |  |
|  | How long do you typically have between receiving loan documentation and final decision to lend/invest? |  |
|  | What additional resources do you use as part of your due diligence process? |  |
|  | To what extent do you use credit ratings and associated CRA analysis as part of the underwriting process? |  |
|  | How has the extent and completeness of information you are provided to assist you in your investment decision changed over time? |  |
| **Loan documentation – covenants** |
|  | Please provide feedback on the following documentary features and detail any particular concerns  |  |
| * EBITDA addbacks
 |
| * deductibles
 |
| * carve-outs
 |
| * maintenance covenants
 |
| * equity cure rights
 |
| * prepayment provisions
 |
| * borrower’s flexibility around dividend distribution
 |
| * Borrower’s flexibility around transfer of collateral
 |
| * other
 |
|  | Are these documentary features properly disclosed and understandable?  |  |
|  | How frequently do you provide pushback to issuers (or the issuers' parent) on these features? | Always | Sometimes | Rarely | Never |
|  | How frequently does this result in an improvement to the loan documentation? | Always | Sometimes | Rarely | Never |
|  | What have the impacts on lenders been from less covenanted transactions (or loans with more borrower friendly terms)? |  |
|  | How have sponsors been impacted by less covenanted transactions (or more borrower friendly terms)? |  |
|  | Why might you decide to invest in less covenanted deals (or deals with borrower friendly terms)?  |  |
|  | How much discretion/influence do you have over the choice of legal team and over the drafting of loan documentation? |  |
|  | Is it common for the legal team representing the sponsor/issuer of the loan to be shared with [investors/underwriters]?  |  |
| **Adjusted EBITDA** |
|  | What is your approach to making a decision around the acceptability to the use of adjusted EBITDA? How often, and when would you tend to interrogate the components of adjusted EBITDA? |  |
|  | Do you have any specific concerns around this or the use of any other earnings metrics? Please provide examples |  |
|  | How frequently do you pushback on this or related metric? | Always | Sometimes | Rarely | Never |
|  | How frequently does this result in an improvement to the documentation? | Always | Sometimes | Rarely | Never |
|  | Why would you agree to invest/underwrite a transaction using adjusted EBITDA? |  |
| **Loan documentation – debt portability clause** |
|  | Are debt portability clauses common in leveraged loans? |  |
|  | How has this feature changed over time? |  |
|  | How frequently do you push back on such clauses?  | Always | Sometimes | Rarely | Never |
|  | How frequently does this push back result in a change to documentation? | Always | Sometimes | Rarely | Never |
| **Restructuring**  |
|  | How often has a covenant breach led to: |  |
| * default
 | 2018 | 2019 | 2020 |
| * renegotiation
 | 2018 | 2019 | 2020 |
|  | In the event of a loan restructuring, how many parties are typically involved in the restructuring discussion?  | <10 | 10-20 | >20 |
|  | Has this number changed over time? Please describe the impact of this. |  |
|  | Which party(ies) ordinarily take the lead in the restructuring of a borrower? |  |
|  | Have you been involved in transactions where equity rights have been exercised by the sponsor/equity holder? Please explain the benefit and risks of exercise of equity rights versus breach of covenant from a lender’s point of view. |  |
|  | How often and in what circumstances would you negotiate a MAC as part of the transaction documentation? | Always | Sometimes | Rarely | Never |
|  | Please explain your answer to the preceding question. |  |
|  | Please indicate the number of times a MAC clause has been actively invoked.  | 2018 | 2019 | 2020 |
| **Impact of Covid** |
|  | How has COVID impacted the structure of LL transactions, your approach to documentation features, your approach to transactions and/or existing loan book? |  |
|  | Are you aware of any additional conflicts of interest and/or conduct risks that have been created or exacerbated by the COVID-19 crisis? |  |

1. Please choose a commonly used measure of size relevant to the firm type identified in Q5 (e.g.. notional amount of assets under management, notional amount of cash raised, insurance market capitilisation or net premium) [↑](#footnote-ref-1)