

## Neuberger Berman Non-Investment Grade Credit Team

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### Update on the Bank Loan Market — Monday, March 27, 2023

#### **Views on the Bank Loan Market**

While the general market volatility stemming from recent news on Deutsche Bank (“DB”) and regional U.S. banks has caused the bank loan market to incur daily swings in sentiment and pricing, year-to-date returns for senior floating rate loans<sup>1</sup> remain positive, and we believe the asset class will continue to provide durable income for investors.

Additionally, as a result of the recent heightened uncertainty of secondary impacts to the real economy from the banking situation, the Fed and other central banks could potentially pause or slow the pace of rate increases. We view this as a net positive for non-investment grade credit overall, and historically senior floating rate loans have performed well during past periods in which the policy rate is unchanged.

Regardless, loan issuer fundamentals (which are generally characterized by high interest coverage, mid-teens EBITDA growth and around-average leverage) are expected to be well-positioned to navigate the current environment.

#### **Views on Impact to Issuer Liquidity**

Based on the Non-Investment Grade Credit research team’s analysis, for a significant amount of issuers in the market, Deutsche Bank provides a portion of the revolving credit facility (“RCF”) commitment. In most instances, DB’s overall proportion of the RCF commitment is modest. There are a limited number of issuers which both 1) use a significant portion of their RCF, and 2) Deutsche Bank represents a notable portion of their RCF commitments.

We do not anticipate liquidity issues throughout the bank loan market as a result of exposure to Deutsche Bank.

#### **Views on Impact to Issuer Credit**

We do not anticipate credit issues throughout the bank loan market as a result of exposure to Deutsche Bank.

1. As measured by the Morningstar LSTA U.S. Leveraged Loan Index, as of March 24, 2023.

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