BOKF LIBOR Transition FAQ

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LIBOR Transition FAQ – General Questions

When will the Bank stop using LIBOR for new and renewing loans?

We currently plan to cease issuing LIBOR loans later this year and, in any event, by December 31, 2021.

Is there anything I need to do at this time?

If you have a LIBOR-based loan that matures before June 2023, there is nothing that needs to be done, as LIBOR will continue to be published until June 2023.

If you have a LIBOR-based loan that matures after June 2023, you may consider:

- Reviewing your LIBOR exposure under existing loans and derivatives, concentrating on transactions maturing after June 30, 2023.
- Designating an authorized officer or individual to track LIBOR-related issues and stay informed about how LIBOR transition will affect you.
- Consulting with your accountants and other advisors about how LIBOR transition will impact your financial situation and your accounting and tax treatment of LIBOR-linked transactions.

Despite the potential hurdles involved, the Bank is committed to making the transition away from LIBOR as smooth as possible for our customers. If you have any questions, please reach out to your Relationship Manager or contact our LIBOR team at LIBOR@bokf.com.

Are there any concerns the existing LIBOR panel banks will cease to submit rates prior to 6/30/23?

- While that is a possibility, we find it highly unlikely due to the coordinated efforts of ICE Benchmark Administration (ICE), Financial Conduct Authority (FCA), and various banking regulatory bodies in implementing the extension to June 2023.

If a I have a LIBOR-based interest rate swap, does it need to be amended for ISDA fallback language and will I be impacted financially?

- Yes, if your interest rate swap matures after the end of June 2023. We will coordinate the amendment of your interest rate swap with the amendment of your associated loan at some point in the near future. There's nothing you need to do at this time.
- The LIBOR fallback language in all swapped loans will ultimately need to be amended to match the new ISDA fallback language that will apply to interest rate swaps.
- There should be no impact to your "all in" synthetic fixed rate created by the addition of an interest rate swap to a floating-rate loan.
- While there may be a modest change in the floating-rate interest calculations, the change will be the same for both the swap and the loan.

- In addition, none of these changes should occur prior to the LIBOR fallback language being triggered in June of 2023, when 1M, 3M, 6M and 12M USD LIBOR tenors will cease to be published.

LIBOR Transition FAQ – Alternative Reference Rates

What benchmark index or indices will the Bank use to replace LIBOR?

There are currently several viable alternative reference rates that we plan to make available to customers.

There are two non-SOFR alternatives that are very similar to LIBOR in that they are forward-looking term rates, set in advance, and have a very high correlation to LIBOR. These will be the most easily adopted (in some sense "plug-and-play") alternatives which we believe our customers will prefer. We are monitoring market adoption of these indices and will choose one as our preferred rate as a clear leader emerges.

These two indices are the Bloomberg Short-Term Bank Yield Index ("BSBY") and the term American Interbank Offered Rate ("Ameribor"). Both of these indices share many characteristics in that they are both

- forward-looking term rates which are highly correlated to LIBOR;
- set in advance of the interest period just like LIBOR;
- use measurements from several unsecured bank funding markets;
- have been found to be IOSCO compliant;
- are in the process of being added to ISDAs definitions.

In addition, there are two SOFR-based alternatives that we believe will be common in the market place. Similar in operation to Prime, each of these rates are overnight rates, reset daily, and the interest due at the next payment date is not known in advance.

Daily Simple SOFR

- a daily-reset, non-compounded rate;
- daily simple SOFR may be used for non-syndicated, non-swapped loans, where SOFR is preferred by our customer.

Daily Compounded SOFR

- a backwards-looking, daily compounding of overnight SOFR;
- accrued in real time, with rate determinations and accrual period aligned;
- interest payment unknown until shortly before payment date;
- expected fallback for syndicated transactions;
- required ISDA fallback as stipulated by updated definitions and protocol;
- daily compounded SOFR may be used for syndicated or swapped loans, where it appears to be becoming the standard for syndicated deals and currently has the most liquidity in the derivatives markets.

LIBOR TRANSITION FAQ – ALTERNATIVE REFERENCE RATES

What is the Secured Overnight Financing Rate (SOFR)?

- SOFR is a broad, fully transaction-based measure of the cost of borrowing cash overnight in the repo market, collateralized by Treasury Securities.
- It has been recommended by the Alternative Reference Rates Committee (ARRC) as an IOSCO compliant replacement index for LIBOR.
- SOFR is similar in operation to Prime, in that it is an overnight rate, resets daily, and the interest due at the next payment date is not known in advance. LIBOR, on the other hand, is a forward-looking term rate, set in advance at the beginning of the payment period, and published for several different tenors.
- The average volume of daily transactions since its first publication in April of 2018 has been just over $1 trillion, far larger than any other U.S. money market and 2000 times larger than volumes underlying 3-month LIBOR, which averages approximately $500 million per day.
- As such, it is a significantly more robust index with little possibility of being manipulated.

What is the SOFR Spread Adjustment for legacy loans?

- "Legacy" loans are LIBOR loans in existence prior to the end of 2021, with maturities past the end of June of 2023.
- Legacy loans where SOFR is selected as the replacement rate upon the cessation of LIBOR at the end of June 2023, will require that a spread adjustment be added to SOFR in order to make the rate level more comparable to LIBOR and minimize the risk of value transfer to either party at transition.
- The current SOFR spread adjustment chosen by both the ARRC and ISDA is the historical median difference between USD LIBOR and SOFR for each LIBOR tenor over a five-year lookback period.
- The impact of the spread adjustment on your "all-in" loan rate at the time of transition may be a positive, negative, or zero, depending on market conditions and timing, but is currently expected to be relatively small either way.
- The spread adjustments were set on March 5, 2021, when the final disposition of LIBOR was announced by the Financial Conduct Authority.
- **This spread adjustment will only apply to LIBOR loans in existence upon the cessation of the relevant LIBOR tenor, where SOFR has been selected as the replacement index.**

Do we currently need to worry about the SOFR spread adjustment?

- At this time, you do not need to worry about the SOFR spread adjustment.

- The SOFR spread adjustment will only be relevant as fallback language in legacy LIBOR loans is triggered upon the cessation of LIBOR in 2023, and if SOFR has been chosen as the replacement rate.