First Citizens Bank

CAPITAL MARKETS

Monthly Loan Market Update

August 2026

Capital Markets Summary

Unresolved tension has been the defining theme for markets over the past several months. Geopolitical conflict has persisted in a recurring cycle of ceasefire hopes followed by renewed escalation. The inflation picture is both promising and worrisome, as CPI surged in May before easing in June and oil prices seesaw with every development in the Persian Gulf. The interest-rate outlook is correspondingly uncertain, with markets assigning little conviction to either a rate hike or a rate cut before year-end. This theme of unresolved tension extends to the AI trade as well. Investors remain optimistic that AI is driving meaningful productivity gains — as reflected in record corporate profits and elevated profit margins across much of Corporate America — and yet questions persist about the sustainability of hyperscaler capital spending and its revenue return models. In the equity market, there has been a rotation away from big tech and toward a wider range of commercial and industrial businesses. Major equity indices in July moved sideways after a similarly range-bound June. Although the S&P 500 is up ~9% year to date, it has been essentially flat since May 31. Investor sentiment at mid-year appears closer to “wait-and-see” than outright fear. Despite lingering geopolitical risks and inflation uncertainty, investors can take comfort in a sound economic backdrop. The labor market continues to reflect near-full employment, consumer spending has remained resilient, and GDP continues to grow (moderately). Ultimately the market is neither correcting nor surging ahead but awaiting a clearer signal on how to proceed.

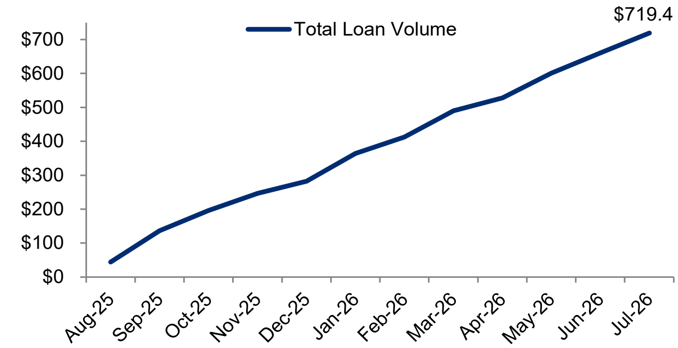
There are few major inflection points to report in the loan market. As the year began, the prevailing backdrop was one of abundant capital, subdued M&A activity, and an investor base eager to absorb new issuance. In the months since, a major global conflict has emerged, the direct lending market has faced persistent questions about portfolio composition and capital retention, and oil markets have been disrupted by supply concerns. Yet despite these developments, the loan market today looks remarkably similar to the market that entered the year: excess demand, limited M&A-driven financing activity, and a continued appetite for volume. In many respects, we have arrived back where we started, with little meaningful change in market complexion. For all the geopolitical and economic turbulence, loan market fundamentals remain strikingly stable. New issue pricing in the broadly syndicated market is effectively unchanged from the start of the year. Direct lender pricing has widened only modestly, by roughly 10-20 basis points since January, despite widespread discussion around redemptions, asset quality, and portfolio vulnerability. Bank pricing has, if anything, moved in the opposite direction, compressing by approximately 25-50 basis points. Average leverage multiples across these markets have remained largely unchanged as well.

To be sure, markets are never static. While the loan market's headline characteristics look much the same as they did in January, the subtext is shifting. The world is now in a different place, shaped by a geopolitical conflict that appears increasingly entrenched and carries the risk of broader escalation. Thus far, the loan market has been insulated by the strength of the U.S. economy. That insulation remains but is thinning.

Loan Market Dashboard

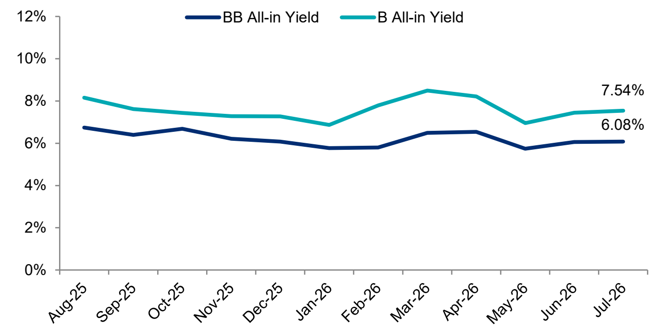
Deal Volume *($ in billions)*

Category	YTD 2026	YTD 2025
Total Loan Volume	$437.2	$427.4
Pro Rata Volume	$184.2	$158.6
LBO-and-M&A Volume	$159.3	$134.0



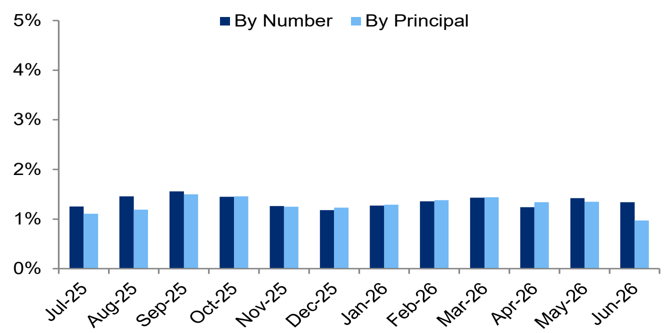
Primary Pricing

Credit Rating	Average Spread	Average All-in Yield
BB	S+2.15%	6.08%
B	S+3.41%	7.54%



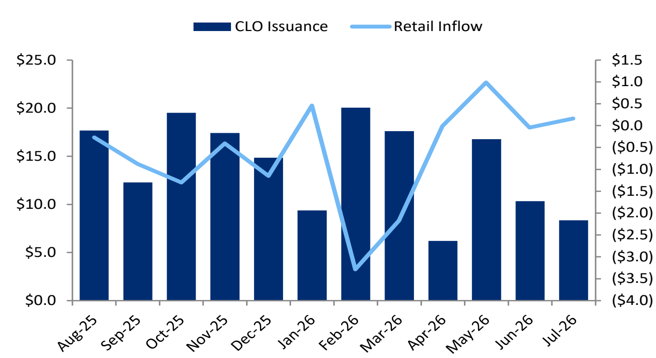
Asset Quality

Lagging 12-Month Default Rate	Jun. 2026	Jul. 2025
By Number	1.34%	1.25%
By Principal	0.97%	1.11%



Capital Formation *($ in billions)*

Category	YTD 2026	YTD 2025
CLO Issuance	$88.7	$119.9
Net Retail Fund Inflows	($4.6)	($3.3)



Source: PitchBook Data, Inc.

FCB Capital Markets Contacts

11 West 42nd Street, 11th Floor, New York, NY 10036

Michael Young
Managing Director
Head of Capital Markets
michael.young@firstcitizens.com
212-771-9655

Andrew Huggett
Managing Director
Real Estate
andrew.huggett@firstcitizens.com
212-461-5737

Andrew Marciani
Managing Director
Healthcare
andrew.marciani@firstcitizens.com
212-771-9625

Bob Wood
Managing Director
Global Fund Banking
rowood@svb.com
704-773-8847

Dipika Sharda
Managing Director
Life Sciences, Corporate C&I
dsolanki@svb.com
650-855-3051

Drew Carleton
Managing Director
Energy
drew.carleton@firstcitizens.com
212-771-9615

Jennie Bartlett
Managing Director
Technology
jbartlett@svb.com
415-764-4741

John Tamburro
Managing Director
TMT, C&I
john.tamburro@firstcitizens.com
212-771-6031

Scott Tatay
Managing Director
TMT, C&I
scott.tatay@firstcitizens.com
212-461-5143

Thomas Ficca
Managing Director
Equipment Finance
thomas.ficca@firstcitizens.com
973-597-2160

Gabe Schneider
Director
Technology, Life Sciences
gschneider@svb.com
617-913-4597

Jake Bayliss
Director
Technology, Life Sciences
jbayliss@svb.com
775-315-2846

Nick Lukenovich
Director
Energy
nick.lukenovich@firstcitizens.com
631-576-6911

Philip Marx
Director
Real Estate
philip.marx@firstcitizens.com
212-461-7930

Trung Le
Director
Energy
trung.le@firstcitizens.com
917-717-8991

Wiktor Rozwalka
Director
Technology, Life Sciences
wrozwalka@svb.com
650-441-5004

William Fairey
Director
Global Fund Banking
wfairey@svb.com
803-260-3279

Ashton Roth
Vice President
Global Fund Banking
asroth@svb.com
215-764-9219

Daniel Berger
Vice President
Generalist
daniel.berger@firstcitizens.com
212-771-6010

Welena Wallace
Vice President
Generalist
welena.wallace@firstcitizens.com
212-461-5415

Brian Kittredge
Assistant Vice President
Equipment Finance
brian.kittredge@firstcitizens.com
973-597-2161

Isaac Hernandez
Associate
Global Fund Banking
ishernandez@svb.com
505-577-5289

Kevin Connolly
Associate
Generalist
kevin.connolly@firstcitizens.com
212-771-1060

Kenny He
Associate
Generalist
kenny.he@firstcitizens.com
212-771-1744

Olivia Huminski
Associate
Technology, Life Sciences
ohuminski@svb.com
952-239-6658

Scott McMahon
Associate
Energy
scott.mcmahon@firstcitizens.com
831-264-3512

Lauren Salley
Associate
Generalist
lauren.salley@firstcitizens.com
212-461-5684

Jared Rodi*
Senior Analyst
Generalist
jared.rodi@firstcitizens.com
973-535-3520

Luke Winters
Analyst
Technology, Life Sciences
lukwinters@svb.com
301-980-4342

Key: TMT – Technology, Media & Telecom

**Denotes key contact for Leveraged Loan Market presentation, please reach out to one of the individuals above if you no longer wish to receive the presentation*

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