

CAPITAL MARKETS**Monthly Leveraged Loan Market Update****December 2025****Capital Markets Summary**

Robust conditions generally prevailed in the loan market throughout 2025 in the face of tariffs, global conflicts, and the government shutdown. The resilience of the loan market can be attributed to macro considerations such as GDP growth and earnings growth, but also factors specific to our market including continued capital formation, tame default rates, and solvent bank balance sheets. While anxieties and uncertainties remain, we are living through a somewhat traditional bull market marked by economic growth, stable loan portfolios, and excess liquidity. The only exception to this narrative is M&A activity, which continues to be muted and keeping new loan supply well short of demand. As we head into 2026, there is emerging hope that the factors contributing to the reduction in deal making these last few years – i.e., the inflation surge and corresponding interest rate increases that frustrated the math on M&A trades and prompted concerns about a soft landing – are receding. Inflation has moderated, the Fed’s interest rate direction appears to be flat-to-down, and GDP is growing. To be sure, anxieties persist around a potentially weakening consumer and a potential AI “bubble”, but none of that is yet puncturing strong investor sentiment and demand for loans.

The liquid loan market reflects the factors above, with abundant capital being met by only a modest uptick in new-money, M&A volume. Capital formation continues to barrel ahead, with total CLO issuance in 2025 running slightly above last year’s pace and potentially approaching another all-time high. Primary issuance in 4Q has been solid, though continues to tilt towards refinancing. Yields in the primary are down around 25bps since Labor Day, reflecting the continuing demand overhang.

The Bank lending market has remained strong throughout the year. Even in the teeth of the post-“Liberation Day” uncertainty in April, most bank lenders remained risk-on, submitting competitive term sheets and committing to syndicated deals in market. As with the liquid loan market, bank lenders generally struggle with muted deal flow. As a consequence, most new deal opportunities are heavily pursued by multiple bank bidders. Also, pricing and structures are becoming increasingly aggressive. While pricing can vary across different sectors and loan types, we have generally observed a similar trend from the liquid market, with pricing on bank deals generally 25-50bps tighter than where it was just 6 months ago.

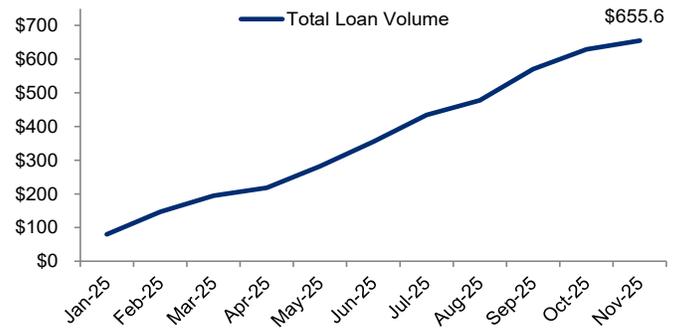
If there is finally a break-out in M&A volume in 2026, the liquid and bank markets – for now – appear ready, willing, and able to finance it all.

Loan Market Dashboard



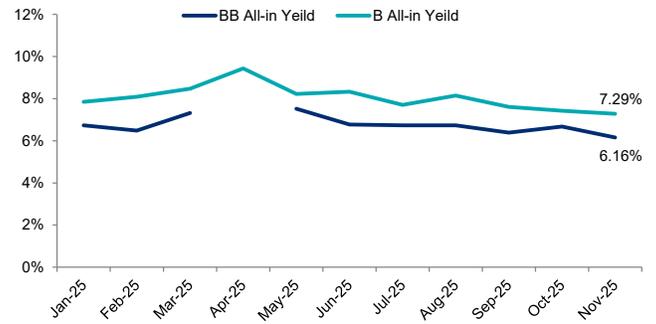
Deal Volume (\$ in billions)

Category	YTD 2025	YTD 2024
Total Loan Volume	\$655.6	\$620.7
Pro Rata Volume	\$238.2	\$149.3
LBO-and-M&A Volume	\$195.1	\$160.6



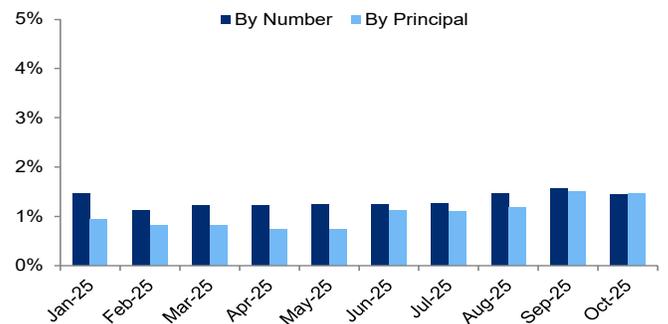
Primary Pricing

Credit Rating	Average Spread	Average All-in Yield
BB	S+2.07%	6.16%
B	S+3.14%	7.29%



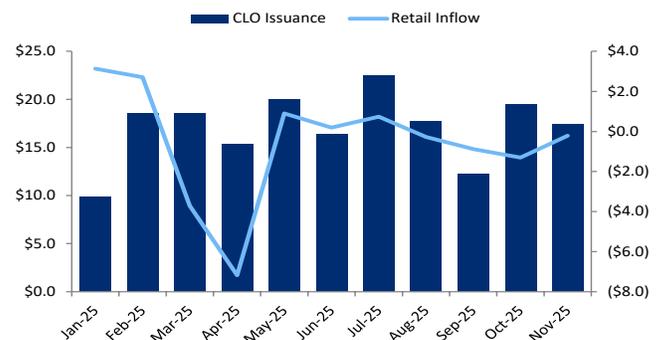
Asset Quality

Lagging 12 Month Default Rate	Oct. 2025	Jan. 2025
By Number	1.45%	1.47%
By Principal	1.46%	0.94%



Capital Formation (\$ in billions)

Category	YTD 2025	YTD 2024
CLO Issuance	\$188.1	\$186.4
Net Retail Fund Inflows	(\$5.9)	\$9.8



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

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

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

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

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

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

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

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
Senior Analyst
Generalist
lauren.salley@firstcitizens.com
212-461-5684

Conor Murphy*
Senior Analyst
Generalist
conor.murphy@firstcitizens.com
212-461-5580

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

Luke Winters
Analyst
Technology, Life Sciences
lukewinters@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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