First Citizens Bank

CAPITAL MARKETS

# Monthly Loan Market Update

February 2026

## Capital Markets Summary

The first full month of 2026 did not usher in any new radical change of direction or narrative for the capital markets. The themes of strong earnings, moderating inflation, stable employment and a Fed poised to reduced rates modestly all carried over from 4Q 2025. Emerging risks pertaining to a potential government shutdown, a U.S. stand-off with NATO over Greenland, and the looming Fed Chair replacement seem – for now – to have washed over without a breakdown. Uncertainty about the direction of the dollar and shifting expectations regarding U.S. monetary policy (on account of the new Fed Chair nomination) has created some turbulence in gold, silver, and Crypto. However, the equity market has remained elevated, with the S&P and DOW advancing incrementally for the month. Expectations for strong economic growth and bullish capital markets conditions in 2026 remain intact.

The liquid loan market got off to a strong start in January with a surge in primary volume. The composition of that issuance has included a meaningful amount M&A / LBO activity but still leans more heavily towards opportunistic refinancings and dividends. Broadly, primary pricing has trended downward by about 25-30bps in January resulting primarily from the refinancing wave. The outlook for new deal flow looks promising with the Electronic Arts take-private jumbo financing still in the works and the visible forward calendar increasing since January 1. Meanwhile, the market's underlying health measures, including capital formation, default rates, and secondary levels, have all been relatively stable for the opening month of the year. Essentially the market in 2026 is not yet offering any splashy headlines or new direction, but rather extending the benign conditions it exhibited throughout 4Q 2025.

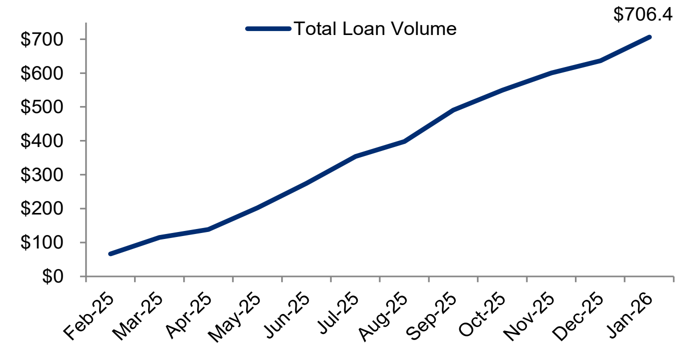
Banks have started the year with a bullish posture and moderately favorable deal flow. Some banks are reporting busy deal activity in January owing in part to carry-over of transactions originated in 4Q 2025. Fresh 2026 deal originations however appear to be mixed at this point, with some banks seeing an uptick in inbound opportunities, others awaiting pipeline visibility, and nobody quite reporting a deluge of activity just yet. Real hope abounds for an M&A resurgence, with just about every bank lender telling us that they are positioning for growth in 2026 with new hires, increased loan growth targets, expanded calling efforts, etc. Credit appetite seems to be widening as well, with an increasing number of banks expressing a willingness to stretch to 4x leverage for select cash flow deals and accept lighter amortization. At the outer edge of CRE lending, banks are selectively pushing LTVs higher (65%+) and reducing guarantee requirements with more banks willing to provide construction loans with no principal recourse. Competition from Direct Lenders remains strong despite some select headlines citing stress in private credit portfolios. Skepticism about the "true" health of direct lender portfolios has lingered in recent years and flared up again in recent weeks. However, every publicly available asset quality measure for the non-bank lending sector remains relatively stable while Direct Lenders continue to compete feverishly for new deals across leveraged finance, equipment finance, and real estate. Banks for their part have generally made peace with Private Credit and are increasingly looking to partner with Direct Lenders via First Out / Last Out unitranche structures and provide leverage to Direct Lenders via lender finance facilities.

Barring exogenous events, we expect a gradually rising tide of deal flow in 2026 that benefits all of liquid investors, banks, and Direct Lenders -- and finally absorbs some of the demand overhang that has plagued the loan market for multiple years.

# Loan Market Dashboard

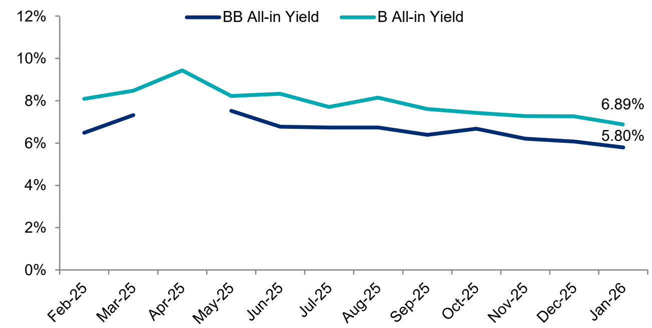
## Deal Volume *($ in billions)*

| Category | YTD 2026 | YTD 2025 |
|---|---|---|
| Total Loan Volume | $69.7 | $80.7 |
| Pro Rata Volume | $15.7 | $16.9 |
| LBO-and-M&A Volume | $37.2 | $28.9 |



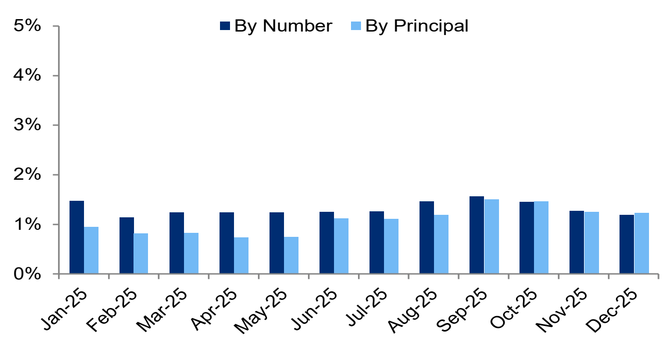

## Primary Pricing

| Credit Rating | Average Spread | Average All-in Yield |
|---|---|---|
| BB | S+1.99% | 5.80% |
| B | S+3.01% | 6.89% |



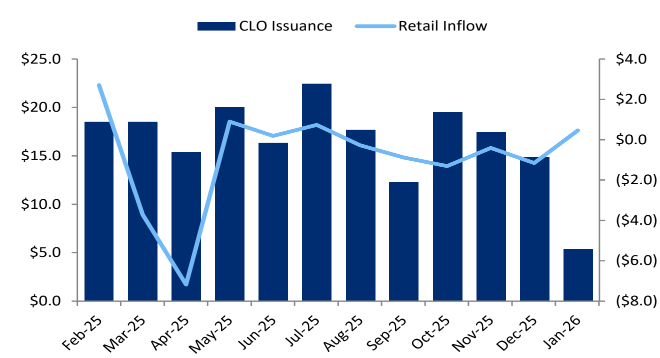

## Asset Quality

| Lagging 12-Month Default Rate | Dec. 2025 | Jan. 2025 |
|---|---|---|
| By Number | 1.18% | 1.47% |
| By Principal | 1.23% | 0.94% |




## Capital Formation *($ in billions)*

| Category | YTD 2026 | YTD 2025 |
|---|---|---|
| CLO Issuance | $5.4 | $9.9 |
| Net Retail Fund Inflows | $0.5 | $3.1 |




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

**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
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*

# Disclaimers

The information contained herein has been compiled from a variety of sources believed to be reliable at the time of publication. We do not guarantee such information or make any representation as to its accuracy, completeness, timeliness or fitness for any particular purpose. This publication is intended to provide general information regarding capital markets and financing matters and is not intended nor should it be construed, to provide legal, tax, accounting, financial or any other advice.

These materials were prepared by First Citizens Bank ("First Citizens").

Nothing herein should be construed as an offer or a solicitation of an offer for the purchase or sale of a security or financial instrument, or as a recommendation or advice. Past performance is not indicative of future performance of any instrument, transaction or financial structure and a loss of original capital may occur.

All performance, returns, prices or rates referred to herein are for illustrative purposes only. Actual results may vary, and may be adversely affected by exchange rates, interest rates or other factors. These materials are not intended to constitute a "research report" (as defined in applicable regulations). These materials summarize general market, economic and political conditions or financial data and are not an analysis of the price or market for any product or transaction.

Furthermore, neither First Citizens nor any of its affiliates undertakes to correct any inaccuracy herein that it may later discover. All information and opinions herein are subject to change without notice and First Citizens does not undertake to update any such information or opinions. Neither First Citizens nor any of its affiliates assumes any direct or consequential liability for any reliance upon these materials.

Certain financial instruments and/or transactions may give rise to substantial risks and are not suitable for all investors. These materials are intended for institutional investors and are not intended for use by retail clients. These materials do not purport to contain all of the information that a recipient may require to evaluate a product or transaction. Interested persons must undertake independent consultation, review, and evaluation with their own legal, tax, accounting and financial advisers and reach their own conclusions regarding the economic benefits and risks, including any tax implications, of any product or service referenced herein.

Some referenced financial instruments and/or transactions may not be offered or sold in certain jurisdictions. These materials may not be distributed or used for the purpose of providing any products or services referenced herein, or of making any offers or solicitations, in any jurisdiction or in any circumstances in which such products, services, offers or solicitations are unlawful or not authorized, or where such distribution would give rise to new or additional registration requirements.

Products referenced herein (1) are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other federal government agency, (2) are not deposits of or guaranteed by a bank, including First Citizens Bank, and (3) may lose value.

First-Citizens Bank & Trust Company, as well as its divisions, subsidiaries, and affiliates (together, First Citizens), are US financial institutions and provide products and services to non-US clients on a cross-border basis from the United States of America. First Citizens is not licensed or regulated as a bank or any other type of financial institution outside of the United States of America. Please review our International Disclosures for more information.