First Citizens Bank

CAPITAL MARKETS

Monthly Loan Market Update

March 2026

Capital Markets Summary

The capital markets ended February 2026 in a somewhat sour mood. The relative bullishness coming into the month was met with a confluence of headwinds including AI disruption fears, renewed Tariff uncertainty, and a worrying wholesale inflation signal. The major equity indices delivered mixed performance for the month, with the Dow Jones Industrial Average up 0.2% while the S&P 500 declined 0.9%. The darkest fears of the market are that the software industry starts to shrink, that a renewed swirl of tariff confusion (pertaining to refunds and new levies) stalls corporate deal making, and that inflation flares up again. But there are silver linings as well: The perceived danger for the software industry is more a theoretical thought experiment than a current reality, with many market observers being skeptical of the doomsaying; the President's revised tariff powers are now more constrained, while corporations are likely to see a return of cash when the tariff refund litigation makes its way through the courts; inflation data is uneven and contradictory. Moreover, amid this consternation Corporate America just posted one of its most robust earnings seasons on record. For all these reasons, the market's negative direction in February remains muted in the broader context, with most equity indices still showing gains year-to-date.

This February downbeat extended to the liquid loan market, which saw a decline in primary issuance, a widening of spreads, and a retreat in secondary levels. Loan investors are similarly unsettled by tariffs and potential software industry disruption, with tariff uncertainty threatening to reduce deal flow and (possibly) AI-exposed software companies threatening to weaken the stability of existing portfolios. To be clear, the primary market remains open, with over $32.5 billion of new issuance clearing market during the month. Also, while the secondary market traded down over 1.0% during February, most secondary indices remain in a non-stressed territory of 98 or higher. The more pronounced impact of the AI disruption narrative is being felt in the Direct Lender market, which has been the heaviest provider of leverage to software businesses in recent years. A mix of both speculation and actual redemptions / asset sales has put a question mark over an industry that has enjoyed essentially unimpeded growth for over a decade. Many Direct Lenders are forcefully pushing back on the narrative in the public domain and pointing to the practical difficulties in dislodging the premiere software providers that they finance. Privately, Direct Lenders are telling us that they are not panicked about their portfolio and continue to deploy capital.

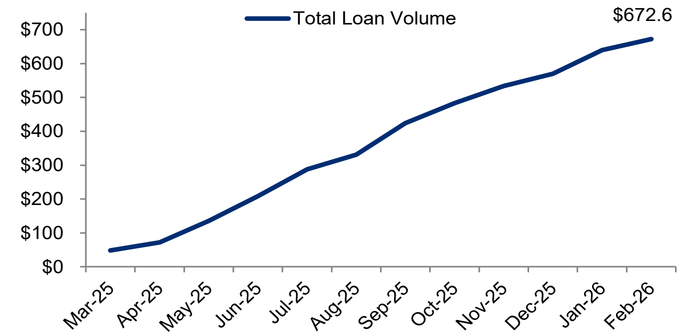
We have not detected an appreciable impact of these broader market jitters on the bank market. Bank lenders continue to bid aggressively for new transactions with tighter pricing and loosening structures. Unlike the liquid loan and Direct Lending markets, banks generally have limited exposure to software businesses and are not in the crosshairs of the recent hysteria. And where banks do pursue software lending, it is at lower leverage multiples than the non-bank universe. In the broader perspective, bank lending exposure leans much more heavily towards the infrastructure side of AI, which remains robust. The leading hyperscalers continue to announce enormous budgets for computing spend that will ultimately represent significant financing opportunities for banks in both Data Center construction and Energy. Moreover, the acceleration of AI capabilities to the point of imperiling the incumbent software industry is arguably validation for AI technology generally and infrastructure spending specifically. All these factors would appear to keep the banks on the safer side of the AI disruption dynamic, at least for now.

As March begins, the market is beset by a new worry: War in the Middle East. Initial market reaction appears to be measured, though the direction of the conflict and its ultimate impact on markets / economic activity will take a while to ascertain. What's clear is that though is that even before the U.S. attack on Iran, the market's bold charge coming into the new year had been reduced to a cautious tip toe. The continued forward momentum of the market will hang in the balance in the coming weeks.

Loan Market Dashboard

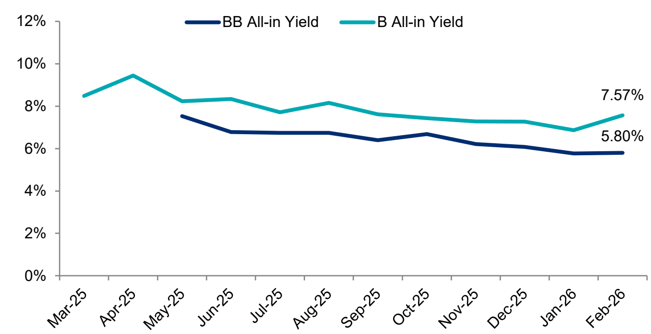
Deal Volume *($ in billions)*

Category	YTD 2026	YTD 2025
Total Loan Volume	$112.6	$150.7
Pro Rata Volume	$32.4	$37.3
LBO-and-M&A Volume	$44.2	$40.9



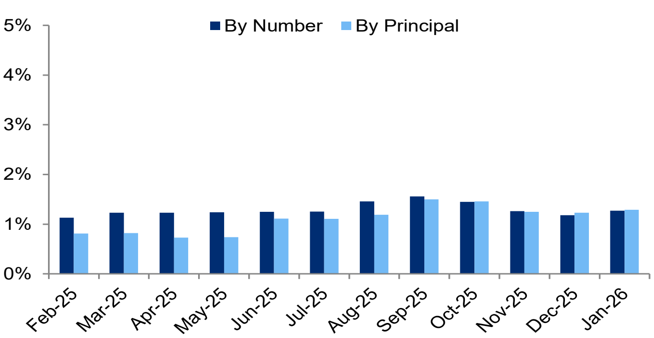
Primary Pricing

Credit Rating	Average Spread	Average All-in Yield
BB	S+1.98%	5.80%
B	S+3.56%	7.57%



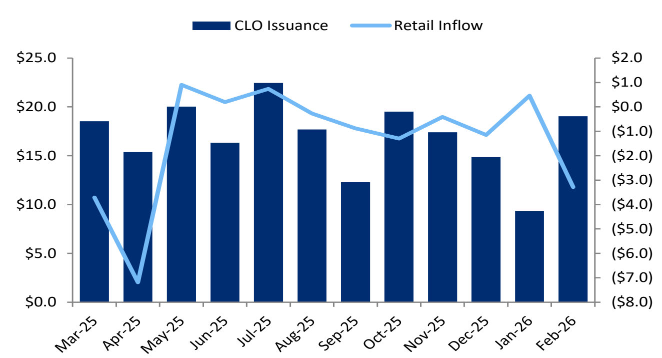
Asset Quality

Lagging 12-Month Default Rate	Jan. 2026	Feb. 2025
By Number	1.27%	1.13%
By Principal	1.29%	0.81%



Capital Formation *($ in billions)*

Category	YTD 2026	YTD 2025
CLO Issuance	$28.4	$28.9
Net Retail Fund Inflows	$5.8	($2.8)



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.