Seer Capital Management LP
1177 Avenue of the Americas, 4th Floor
New York, NY 10036
212 850-9068
investorrelations@seercap.com
www.seercap.com

Reg Cap Recap

A bimonthly update on the Regulatory Capital Relief/Significant Risk Transfer sector

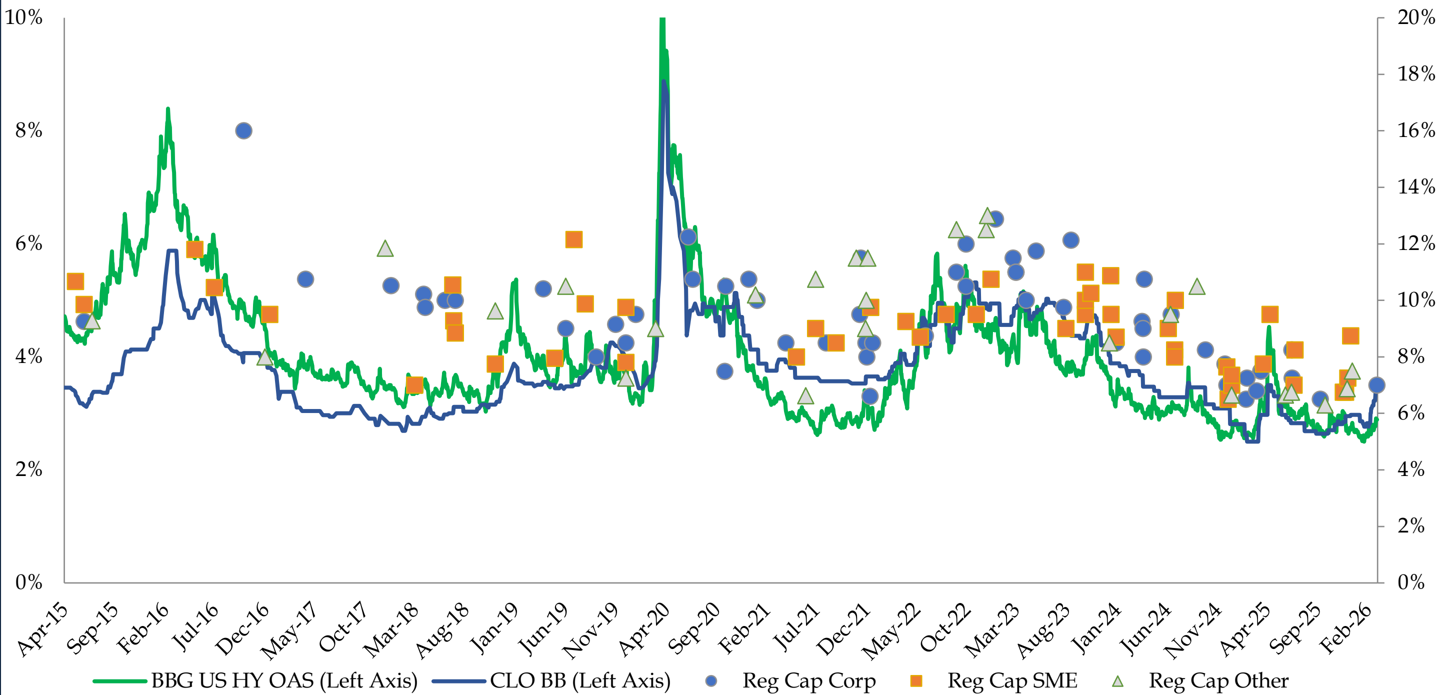
March 3, 2026

SEER CAPITAL

Reg Cap Spread Trends

February Reg Cap pricing was in the low-700bps range, while HY spreads widened by 24bps during the month of February.

New Issue Reg Cap Spreads vs. High Yield and CLO BB*



** Source: Seer Capital Research / Bloomberg. Reflects selected first and second loss tranches but excludes mezzanine and thick (i.e. 0-12.5%) tranches. As of March 2, 2026.*

Recent New Issue Activity

The following is a representative listing of recent new issue activity.

		ASSET			PORTFOLIO SIZE		
Closing Date	Spread (bp) [1]	Type	Jurisdiction [2]	Disclosure [3]	Currency	Amount (bn)	First Loss [4]
Mar-26	650	Auto	US	No	USD	3.5	No
Nov-25	875	Auto	UK	No	GBP	0.6	No
Nov-25	675	SME	Portugal	No	EUR	2.1	No
Nov-25	675	SME	Spain	No	EUR	2.2	No
Sep-25	630	Auto	US	No	USD	5.0	No
Sep-25	650	Corporate	US	No	USD	5.0	Yes
Jun-25	825	SME	UK	No	GBP	1.5	No
Jun-25	700	SME	Spain	No	EUR	3.9	No
Jun-25	725	Corporate	Global	Yes	USD	6.9	Yes
Jun-25	825	Corporate	Global	No	EUR	9.3	Yes
Jun-25	675	Auto	US	No	USD	2.0	No
May-25	665	Auto	Denmark	No	DKK	5.7	No
Apr-25	950	SME	Germany	No	EUR	2.5	Yes
Mar-25	715	Auto	US	No	USD	3.5	No
Mar-25	775	SME	Italy	No	EUR	2.1	No
Mar-25	750	Corporate	Global	Yes	USD	7.0	Yes
Mar-25	750	Corporate	US	No	USD	5.0	Yes

[1] *Spread to SOFR*
[2] *Asset jurisdiction and issuer jurisdiction may vary*
[3] *Disclosure of obligors in the reference pool of assets by name*
[4] *Indicates whether the Reg Cap issue is in the first loss position*

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Market Commentary

So far the Reg Cap market remains insulated from concerning headlines about geopolitical conflict and private credit. A number of deals targeted for first quarter closing have priced at levels in line with or inside tights seen in 2025. The pipeline remains robust, as the range of issuers and asset-classes continues to grow, particularly in Europe.

Meanwhile in private credit, another "cockroach" was revealed as a UK mortgage lender collapsed amid allegations of fraud and double pledging of collateral. Concerns about significant exposure to software companies, thought to be threatened by AI, continue to weigh on the sector. While Reg Cap often falls under the private credit umbrella, particularly in the minds of allocators, we view it as a fundamentally different product. Reg Cap investors gain exposure to leading banks' core lending to key clients, originated for their balance sheet. See our further analysis of this topic here: https://seercap.com/wp-content/uploads/2026/02/If-you-Cant-Beat-Em-Join-Em.pdf

Reg Cap News

New Issue News

BNP Eyes Risk Transfers Tied to Buyout Financing, Lombard Loans (Bloomberg News, aka "BN,"2/18/26)
BNP Paribas is contemplating two SRT issuances tied to two different asset classes: loans for wealthy clients (size unknown) and ~ €1.5bn in leveraged buyout loans. The loans for wealthy clients, aka "Lombard loans," are a type of financing typically extended to high-net-worth clients and backed by liquid assets such as equities or bonds.

BNP Paribas has used SRT, along with credit-risk insurance transactions, to secure about 80bps of capital relief for its CET1 ratio. BNP Paribas recently completed an SRT tied to $1.25bn of revolving credit facilities for US BDCs. SRT issuers are increasingly moving beyond corporate loans for reference assets. For example, JPM is reportedly considering an SRT deal tied to loans used to buy private jets.

Meanwhile, European banks including Deutsche and ING have said they plan to expand their use of SRTs, while Banco Santander, BBVA and UniCredit are among those currently discussing potential deals.

Market Chatter: NatWest Reportedly in Talks for Significant Risk Transfer Linked to Commercial Real Estate Loans (MT Newswires, 02/23/26)
NatWest announced plans for a Reg Cap deal (Regulatory Capital Relief Trade aka "Significant Risk Transfer" or "SRT") referencing a pool of 200 CRE loans (~3.5bn pounds sterling).

Santander Sees Slowdown in Its Asset Mobilization Program: CFO (MT Newswires, 02/25/26)
Banco Santander expects their SRT issuance to fall this year. The bank offloaded a total of $45bn of risk-weighted assets through various forms of "asset mobilization" in 2025. Looking forward, they expect to offload from €30-35 bin RWA annually over the next three years. About a third of that will be via SRT issuance. The bank also noted that synthetic SRTs generated $2bn of capital for the bank in 2025. Santander is one of the largest and most active issuers in Reg Cap. Their CFO noted that they "want to be conservative" and they "need the market to be there," suggesting some concern about oversaturating the market with Santander SRT, which are currently very well received.

Paschi Eyes SRTs to Offload About €2b of RWA, Finance Chief Says (MT Newswires, 02/27/26)
On a recent analysts' call, Italy's Banca Monte dei Paschi di Siena announced plans for a Reg Cap deal to help manage its regulatory capital, The bank indicated that the SRT might reference as much as ~€2bn of risk-weighted assets.

Reg Cap News

The Memo #26: LME Protections, Blue Owl BDC, and How Much Is Too Much SRT? (9fin, 2/16/26)
The article highlights how the latest update to Moody's bank rating methodology (see Banking News, below) introduces more explicit scrutiny of banks' use of significant risk transfers (SRTs) for capital management. Under the revised framework, Moody's considers SRT usage that results in more than a 100bp improvement in its tangible common equity (TCE) to risk-weighted assets ratio a trigger for closer review.

Moody's evaluates three main elements when assessing SRT-related risk: the amount of capital relief generated, the bank's level of sophistication in managing the added structural complexity, and counterparty concentration risk. The agency argues that SRTs provide less protection to creditors than pure equity and can introduce modeling, risk management, and interconnectedness considerations. The latter is particularly true in cases where banks lend to investors in their own SRT deals, which to our knowledge is a hypothetical that does not actually occur. Overall, the methodology signals raters' increased focus on capital optimization via SRT.

BIS Warns SRT Loans Are 'Blind Spots' for Banking Watchdogs (BN, 2/17/26)
The article reports that the Basel Committee on Banking Supervision has raised concerns about limited data on financing used by investors to purchase synthetic risk transfers (SRTs), calling these exposures potential "blind spots" for regulators. Because SRT investors often use

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Reg Cap Recap

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Reg Cap News (continued)

leverage to enhance returns, there is a risk that credit exposure could flow back into the banking system indirectly via such lending. We believe this risk may be overblown as outlined in our research report from last year, https://seercap.com/wp-content/uploads/2025/01/Reg-Cap-Leverage-Clearing-Misconceptions.pdf. The committee urged closer coordination among regulators to better monitor interconnectedness and leverage, where data remains scarce.

The BIS noted that banks can mitigate risks when financing SRT investors by applying prudent haircuts and limits. They also cautioned that banks should not accept their own SRTs as collateral. To our knowledge, banks do not finance investors' purchases of their own SRTs in any event. The article closes by quoting from the report : "The economic importance of SRT markets has grown rapidly over the last decade, and SRT investors have become an important source of capital relief for corporate credit risk… (but) increased interconnectedness of banks and non-banking financial institutions via the SRT market … may warrant closer cooperation and coordination between banking supervisors and regulators."

Limited Impact (RTRA Intelligence, 2/26/26)
The article examines how the recent selloff in software stock, driven by concerns that artificial intelligence is a competitive threat, is affecting the SRT market. Software exposure in corporate SRT portfolios is generally limited, typically around 5% though occasionally as high as 9–10%. In more extreme downside scenarios, particularly involving first-loss tranches, some investors estimate principal losses on SRT could materialize if widespread disruption were to occur. Recoveries on distressed software loans could fall below 50%, especially as they are asset-light companies. However, such outcomes are viewed as unlikely and would depend on broad-based AI disruption across sectors.

Investors and analysts note that most SRT transactions reference investment-grade borrowers, which are considered more resilient due to diversified business models, recurring revenue, regulatory compliance frameworks, and stronger competitive positions. Adoption of AI will vary by sector, with more regulated industries likely to see slower and more measured implementation. The article also mentions a recent S&P Global's review of approximately 325 companies across software, IT services, and health care technology. That report highlights refinancing risks, particularly for weaker borrowers: around 20% of loans mature in the next two years. The risk is still too amorphous to quantify, but the diversification and asset quality inherent in SRTs are good risk buffers.

Great Rotation Quietly Redraws SRT Landscape (SCI, 2/27/26)
Improving liquidity, and modest spread tightening amid stable credit sentiment are gradually reshaping the secondary SRT market. For example, investors are increasingly monetizing older positions that were originated at wider spreads and reallocating into newer transactions that may offer better relative value. At the same time, portfolio aging is prompting selective secondary sales and refinancings of legacy trades. While the market still remains relatively illiquid, secondary activity is on the rise and becoming a more relevant portfolio management tool for SRT investors.

On the primary side, banks are leaning further into programmatic issuance (BBVA is planning a dozen SRTs in 2026) as part of routine balance sheet management, with repeat transactions and geographic expansion broadening the opportunity set. Activity from European lenders, growing participation from Japanese banks, and interest from Middle Eastern institutions point to a more geographically diversified market footprint. Public institutions and multilateral development banks are also active. Although regulators remain supportive, supervisory scrutiny around transparency and leverage continues.

SRTs to Benefit From Bank of England's Plan to Ease Crisis Rule (Bloomberg, 2/27/26)
In the wake of the GFC, European regulators banned the resecuritization/repackaging of ABS in an effort to "ensure that buyers and supervisors can easily assess risk." The Bank of England has now proposed relaxing that rule and has suggested that limited repackaging of senior securitization positions could be permitted, under appropriate safeguards. The proposal would allow banks to repackage senior tranches of SRTs, " something the banks have been asking for." Such changes could support further growth in the SRT market. The proposal also includes greater flexibility in complying with risk-retention rules, including allowing an "L-shaped" model (as opposed to the traditional horizontal model) that would let banks hold smaller portions of riskiest tranches. Market participants suggest these adjustments would improve capital efficiency and make SRT structures more attractive.

Demystifying SRTs (Morgan Stanley Research, 03/02/26)
This 20-page report from Morgan Stanley ("MS") research explains the mechanics of SRTs, how banks use them , why investors find them attractive and then goes on to outline key risks and regulatory views. The authors expect SRT usage to grow and broaden across asset classes.

The primary benefit for banks, the report notes, is the ability to reduce risk-weighted assets (RWAs) and free up balance sheet capacity while retaining the underlying loans and client relationships. MS estimates that, among the European banks the firm covers, SRT has enabled the release of ~45bps of capital on average. They also note the growth of the market, with total SRT outstandings up ~50% since 2022. The authors expect usage to expand further, as the Basel III Endgame is finalized.

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Reg Cap News (continued)

From an investor standpoint, MS argues, SRTs offer exposure to corporate and SME loan portfolios that are typically not accessible to them, at high single-digit spreads (before leverage). Leverage, typically via repo financing, is flagged as a key area of regulatory focus. Concentration risk is also notable: surveys suggest the top 10 investors hold the majority of outstanding SRT exposure per bank. Regulators in both the US and Europe are broadly supportive but maintain strict transaction-level approval processes, with scrutiny around counterparty risk (where applicable), interconnectedness, and potential pro-cyclicality. The report also noted that SRT financing was associated with only approximately 10% of the outstanding global SRT market and that supervisors are not aware of banks financing own-originated SRTs.

On the credit side, MS wrote "An ERSB study from May 2025 shows that the default rates for synthetic STS securitizations across all categories of underlying loans were very low, with the highest default rates in consumer loans, reaching 0.7%." And, according to internal estimates made by the banks, "the average probability of default for corporate and SME loans underlying synthetic STS securitizations was approximately 1%" with average recoveries of 61%.

The report concludes by arguing that SRTs provide a way for banks to increase balance sheet velocity, by allowing them to originate and distribute risk efficiently, and hence recycle capital more efficiently. The authors foresee SRTs evolving from a "niche capital optimization tool to a mainstream enabler of credit creation, allowing banks to remain central players in financing the next wave of economic transformation," namely, AI.

<u>**Banking Industry News**</u>

Rating Methodology: Banks (Moody's Ratings, 11/17/25)
Moody's updated their methodology for rating banks in late 2025. In their report, they warn banks about overuse of SRT or similar synthetic risk-transfer techniques to enhance regulatory capital. Specifically, Moody's advises that using SRT to boost a bank's *Common Equity Tier 1 (CET1)* ratio by more than 100bps is a "red flag" and could be viewed negatively from a rating perspective. To our knowledge, very few banks use SRT that heavily. While Moody's does acknowledge that SRTs can provide capital relief and help banks manage credit risk, what is new is that their rating methodology now includes specific language on the practice. Notably there is no blanket penalty for the use of SRT. Moody's focuses on ensuring that risk transfers adhere to regulatory criteria and lead to genuine risk mitigation with diverse investor participation. Moody's is concerned that SRT may not be a reliable source of capital throughout market cycles, though we note that equity markets (their preference for raising bank capital) have proven far more volatile than SRT markets.

Statement before the Committee on Banking, Housing, and Urban Affairs (Board of Governors of the Federal Reserve System, 02/26/26)
In testimony before the Senate Banking Committee, Michelle W. Bowman, Vice Chair for Supervision Bowman discussed the Fed's approach to recalibrating capital requirements, both to enhance system resiliency but also preserving credit availability. Certain asset classes such as high-quality resi mortgages, and some CRE (particularly construction and development loans), could see **less severe increases than previously proposed**.

Moreover, SRT was acknowledged as a legitimate risk management tool. Bowman said that regulators are reviewing the capital treatment of securitizations and credit risk transfers to ensure they provide genuine risk mitigation rather than regulatory arbitrage. She noted that appropriately structured SRT transactions can support balance sheet capacity and credit extension, while emphasizing the need for transparent standards and consistent supervisory expectations.

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About Seer

Seer Capital Management LP is a diversified, credit-focused investment firm founded by Phil Weingord in 2008 that primarily invests in structured credit and loans. We allocate capital opportunistically across all major asset classes within structured credit in the U.S. and Europe, including: bank regulatory capital risk transfer (SRT), residential and commercial mortgages, syndicated and SME loans, and a variety of consumer loans (personal, auto, credit card, student, housing). These investments are executed through active trading in both legacy and new issue securitizations, purchase and securitization of whole loans, and direct lending joint ventures.

Seer Capital believes it is well positioned to capitalize on opportunities in structured credit as a result of our highly experienced senior investment team, which has on average more than two decades of experience working in structured credit.

For more information about Reg Cap or this publication, contact:

Terry Lanson
Managing Director
Reg Cap Portfolio Manager
212 850-9005
tlanson@seercap.com

Katya Bosshard
Director
Head of Investor Relations
212 850-9068
kbosshard@seercap.com

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