

September 22, 2026

Reg Cap Fundamental Credit Trends

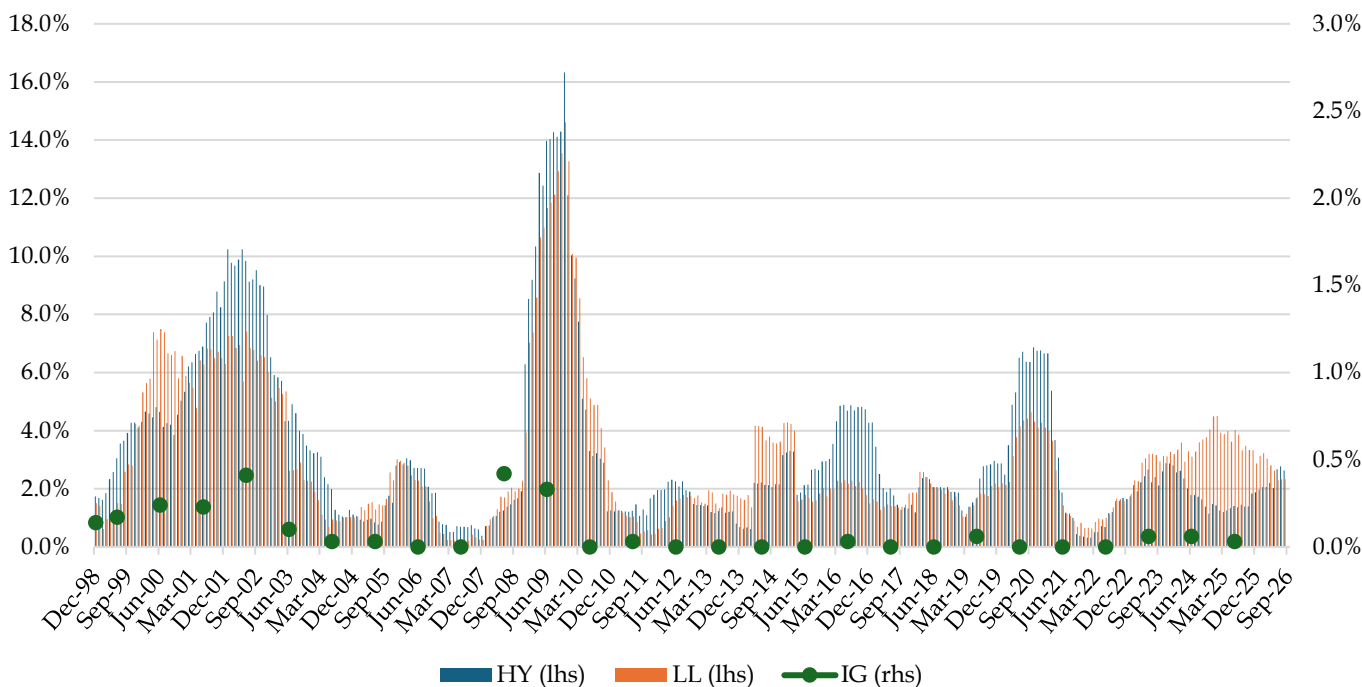
The Reg Cap sector spans a variety of reference assets and, of course, the performance of those assets varies among originators. Assets originated by banks to their clients for the banks' balance sheets have generally outperformed assets in generic credit indices. Further, investors impose selection criteria and originators, when selecting assets for a reference pool, are motivated to help ensure the success of their Reg Cap program on the most attractive terms. That said, we find it useful and important to track broad trends in asset performance in addition to deal-specific surveillance (which is non-public). Across the 45 investments that we own and track, referencing corporate, SME, middle market, CRE consumer, and auto loans in Europe, North America, and Asia, we are seeing continued strong credit performance almost across-the-board, with just a few positions that we are monitoring more carefully due to slightly higher negative credit migration and/or default trends, as well as two positions from one issuer with losses outside the boundaries we typically see. The indices we look at as broadly representative of some of the most common reference assets include US Corporate Debt, including Investment Grade, High Yield and Leveraged Loans; European Investment Grade Debt and High Yield; and US Prime auto loans. We would expect most reference asset pools to significantly outperform these publicly available benchmarks. The following is a brief update on current credit trends for each.

US High Yield and Leveraged Loans

Most corporate credits in referenced pools are investment grade quality. Defaults of investment grade obligors are rare. While Investment Grade ("IG") defaults have been only a small fraction of the defaults in leveraged credit (i.e. US High Yield "HY" bonds and Leveraged Loans "LL"), there is a strong correlation (~75%). Therefore, it is useful to track the (far more numerous) default activity in HY and LL as a possible bellwether for IG. Current default performance in HY and LL continues to be consistent with very low or no IG defaults.

U.S. leveraged-credit default activity was relatively light in August. Over the month there was one payment default, affecting 1.5bn in bonds and two distressed exchanges affecting \$2.0bn in loans. The combined \$3.5bn monthly total affected by a default or distressed transaction during the month is 30% below the YTD monthly average. The trailing 12-month high-yield bond and leveraged-loan default rates dropped 14bps MOM to 2.63% and were up 1bp MOM to 2.33%, respectively. There have been 32 default/distressed actions YTD totaling a combined \$40.1bn which is up 9% YOY. Distressed debt remains elevated at 7.0% of the combined HY/LL universe (albeit down from 7.1% last month). J.P. Morgan raised its 2026 high-yield default forecast by 50bps to 2.25%, while lowering its leveraged loan forecast by 75bps to 2.25%. However, they also expect defaults to rise in 2027, to 2.75% for high yield and 4.50% for loans. By comparison, the 25-year default rate is 3.2% for high yield and 2.9% for loans.

Default Rates - US Credit*



Source: Standard & Poor's, JPMorgan Research, as of August 31, 2026.

* HY and LL on a trailing 12-month basis, dollar-weighted. Includes distressed exchanges. IG on an annual basis.

Reg Cap Fundamental Credit Trends (Cont.)

European High Yield

Historically, IG defaults in Europe have also been very low, with no defaults at all in most years. Our European HY default data goes back to 2005. Since 2005, the default rate for IG in Europe has been zero every year but two; in both 2008 and 2009 the IG default rate was 11bps per annum. Again, as with the US market, with so little default activity in IG, we turn to the HY market as a bellwether.

The trailing twelve-month (“TTM”) default rate in European high yield fell 9bps MOM to 1.73%, with one new default in August. Although high-yield issuers continue to face net downgrades, the trends are improving on the margin and are not severe enough to signal rising defaults. Default rates are expected to remain near 2% (excluding the outsized THAMES default) in 2026–27, supported by limited distressed debt, accommodative capital markets (including private credit), a resilient economy, and no significant maturity wall for lower-rated issuers. (Thames Water is often excluded from a default-rate forecast as a way to illustrate the underlying market trend without the potential impact of one unusually large distressed issuer.) As in the US, default performance in European HY remains consistent with very low—if any—investment grade (IG) defaults.

Default Rates - European High Yield

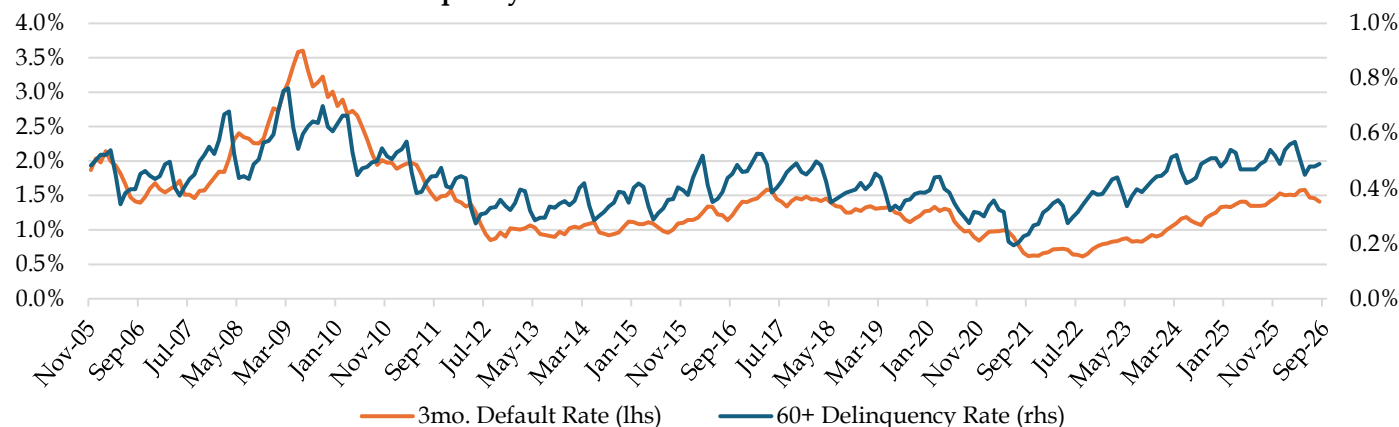


Source: JPMorgan Research, as of August 31, 2026. Trailing 12-month basis, dollar-weighted. Excludes Banks/Insurers.

US Prime Auto Loans

Prime auto loan performance continues to be strong. The 60+ day delinquency rate for securitized U.S. prime auto loans was down 1bp MOM at 48bps. The three-month default rate came in 2bps MOM. While typically there is some seasonal deterioration at this time of year, that has not been evident in recent months. YOY trends are also favorable, with delinquencies lower than both August 2025 and August 2024. Even subprime auto loans are seeing lower delinquencies. With subprime auto loans often garnering unflattering headlines, it bears noting that only prime auto loans, which have had much stronger and much less volatile credit performance, are used as reference assets in the SRT market, to our knowledge.

Delinquency and Default Rates - U.S. Prime Auto Loans



Source: Morgan Stanley, as of August 31, 2026

Reg Cap News

New Issue News:

US CLN bank spills the beans (SCI, 9/8/26)

Ally Bank (nee GMAC) recently issued its sixth deal in its prime auto CLN program and its largest to date, covering \$6.1bn of reference assets and with \$671mn of notes issued. The broadly syndicated transaction drew both existing and new investors, reflecting familiarity with Ally's platform and growing acceptance of the US auto CLNs as an asset class.

Ally views their program as a long-term, programmatic capital-management tool that transfers credit risk, supports its auto lending franchise and provides investors with consistent collateral, transparent reporting and regular market access. The bank expects to maintain a consistent presence in the Reg Cap market, subject to portfolio growth, capital levels and market conditions. While the US SRT market has not grown as rapidly as some projected, Ally's example shows that the tool can be very helpful to US banks. Ally achieves tight pricing on thin rated tranches referencing low risk prime auto portfolios, tapping into a mostly ABS investor base. Hopefully the Basel Endgame will provide additional regulatory clarity and encourage more banks to follow the Ally model.

Aareal Works With Alvarez & Marsal on SRT Amid Push for Growth (Bloomberg News, aka "BN," 9/11/26)

Germany's Aareal Bank is working on a potential Reg Cap deal (aka "Regulatory Capital" or Significant Risk Transfer aka "SRT") referencing approximately \$2.9bn of commercial real estate loans secured by European hotels, offices and industrial properties.

Aareal has strengthened its balance sheet following a downturn in US property valuations in early 2024 and has shifted its focus toward European real estate and global hospitality assets. Its CET1 ratio stood at 15.6% at the end of 2Q26, more than 600 bps above its minimum requirement. The bank completed its debut SRT last year, generating approximately 50 bps of CET1 capital relief. Aareal is considering a bid for Hamburg Commercial Bank.

"SRTs are a proven tool for modern, efficient balance sheet management," a spokesperson for Aareal said.

Santander, BBVA, Deutsche Bank Test SRT Boom With Rush of Deals (BN, 9/14/26)

Santander, BBVA and Deutsche Bank are preparing multiple Reg Cap transactions referencing at least \$17.5bn of loans across various sectors, testing investor demand amid ongoing economic uncertainty. Santander is discussing five transactions, including a \$1.9bn portfolio of UK commercial real estate and project financing, approximately \$3bn of Spanish mortgages, \$2.3bn of Brazilian SME loans, and corporate loans originated by its Portuguese unit. The bank is also exploring a transaction involving its Mexican loan book. BBVA is working on a \$5.8bn large corporate loan SRT, with protection equivalent to approximately 5% of the reference portfolio, and is beginning discussions on a separate SME transaction. Lastly, Deutsche Bank has launched the planned sale of an SRT referencing approximately \$4bn of large corporate loans.

SRT issuance is on track to reach a record \$45bn in 2026, up from \$41bn in 2025, according to the article, with more than \$18bn sold in 1H26.

Africa MDBs Plan to Market SRTs Backing \$2 Billion in March (BN, 9/15/26)

The African Development Bank (AfDB) and Development Bank of Southern Africa (DBSA) plan to begin marketing an SRT referencing \$2bn of loans by the end of March 2027 TH SRTs subject to credit committee approvals, which is expected by year-end 2026. DBSA would contribute \$500mn of the reference portfolio, with AfDB providing the remaining \$1.5bn. The transaction is expected to seek a credit rating. The proposed transaction would be the first multi-originator SRT involving development finance institutions. Originally targeted for completion by the end of 2025, the deal has been delayed by the complexity of its structure. DBSA has identified assets of varying credit quality for inclusion in the portfolio. The two banks may invite additional institutions to participate in future transactions, although no immediate expansion is planned.

Separately, DBSA is also exploring its own synthetic securitizations as part of its balance sheet optimization strategy, as an additional means of creating lending capacity beyond equity capital and borrowing.

Data-centre SRT pipeline builds as German lender targets project finance (SCI, 9/22/26)

Deutsche Bank is preparing its first project finance SRT, covering about €2bn of debt that includes data-center loans. The potential launch is in early October. Terms remain under discussion, and the bank has sought investor feedback before showing the underlying portfolio.

The deal would join a growing project finance SRT pipeline as banks look beyond traditional corporate and SME portfolios. National Bank of Canada, ING and BNP Paribas are also exploring risk transfers involving data centers and other infrastructure. Investors will focus on portfolio concentration, relative value versus rated data-center ABS and relative illiquidity.

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Accounting for Synthetic Risk Transfers under IFRS Accounting Standards (PwC, 9/9/26)

PwC examines the accounting treatment of SRTs under IFRS (International Financial Reporting Standards), noting that while all SRTs transfer credit risk, accounting outcomes vary depending on the transaction structure. Banks generally retain the underlying loans on their balance sheets and continue recognizing expected credit losses (ECL), while accounting separately for the credit protection. For CLNs issued through an SPE, the treatment depends on whether the bank consolidates the vehicle. Funded structures may require adjustments to the carrying value of the CLN as expected losses change, potentially creating timing and measurement mismatches between the underlying loans and the credit protection.

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For unfunded structures, accounting depends on whether the protection qualifies as an insurance contract, including a financial guarantee, or a credit derivative. Financial guarantees generally require an actual loss before payment is made, whereas derivatives often pay upon a specified credit event, regardless of whether the bank had incurred a loss. Guarantees are typically recognized separately from the underlying loans. Credit derivatives are measured at fair value through profit or loss. PwC also highlights disclosure requirements covering credit risk, capital management, contingent events, SPE exposures and fair value measurements.

IACPM Calls for Risk-Sharing Ecosystem to Support European Bank Competitiveness (IACPM, 9/14/26)

The International Association of Credit Portfolio Managers submitted feedback on the European Commission's July 17, 2026 "Communication on Competitiveness in the Single Banking Market."

IACPM stated its support for the European Commission's efforts to balance financial stability, competitiveness and growth, but argues that the EU must mobilize risk-bearing capital alongside funding to expand banks' lending capacity. A deeper "risk-sharing ecosystem" across SME, corporate, housing and infrastructure lending could help banks diversify risk, manage capital requirements and support EU strategic priorities.

IACPM warns that disproportionate due-diligence sanctions, insufficient recalibration of risk-weight floors and restrictions on insurer participation could constrain risk-transfer markets and leave capital tied up in existing portfolios. It urges policymakers to address these obstacles in the ongoing securitization review, potentially even delivering benefits ahead of broader EU banking reforms.

Why Significant Risk Transfer Matters for Europe's Competitiveness (AFME, 9/14/26)

AFME (Association for Financial Markets in Europe, an industry advocacy group) argues that SRT is an important tool for strengthening European banks' competitiveness, resilience and ability to finance the real economy. With the region's substantial investment needs in defense, energy transition, digital infrastructure and industrial competitiveness, banks need to be able to deploy capital efficiently while maintaining the capacity to extend credit. SRT, the author explains, goes beyond regulatory capital relief, by allowing banks to manage credit risk and optimize capital. The piece also notes that the European securitization market has now demonstrated resilience through multiple periods of stress. AFME credits strict underwriting standards, risk retention requirements, transparency and supervisory oversight.

AFME goes on to suggest that assessing SRT solely in terms of whether released capital supports additional lending or simply funds shareholder distributions (as recent discussions have questioned) overlooks its broader benefits. By strengthening capital positions, profitability and resilience, SRT can help banks maintain lending capacity through economic cycles, offer more competitive financing, invest in technology and innovation, and maintain investor confidence. At Seer we strongly agree that SRT is a vital tool to for European banks to manage capital and risk and remain competitive with their global peers, and we think it is very challenging to reliably trace exactly what the banks are doing with capital they release.

Collins revisited (SCI, 9/14/26)

The US banking agencies' March capital proposal would replace the current dual-stack framework with a single-stack system for Category I and II banks and permit smaller banks to opt into the expanded risk-based approach (aka "ERBA"). Heretofore, the Collins Amendment has effectively required banks using internal models to calculate capital under both modeled and standardized approaches, but then the banks had to apply the more onerous of the two approaches (unlike in the EU, for example). "This is a big deal because the Collins Amendment is basically the same as the output floor. Essentially all US banks now use standardized. The proposal is you do away with that and you replace it for the large banks with this ERBA framework," quotes the article.

The Collins amendment has had a peculiar impact on the SRT market, encouraging banks to reference the lowest risk assets, because they obtain the same amount of capital relief at lower cost.

Allowing banks to use their own models for risk weighted asset calculations is clearly a positive for banks, but the magnitude of the benefits are less clear. Although ERBA offers more differentiated treatment of bank credit, the standardized version uses only two categories of risk: market risk and credit risk exposures, but the ERBA also adds CVA (a Credit Valuation Adjustment for derivatives) and operational-risk components. All in, these could make capital requirements no lower than under the standardized approach. Smaller banks would also need to weigh any RWA benefit against the operational burdens of internal modeling.

All else equal, a less restrictive capital framework could initially reduce incentives for SRT issuance, but it could also change the economics and make a broader array of assets viable for reference pools. The proposal remains of course subject to political and regulatory pushback before it becomes final.

SCI In Focus: EU Mortgage SRT could surge as 5% floor expands market (SCI, 9/17/26)

SUERF (Société Universitaire Européenne de Recherches Financières, aka the European Money and Finance Forum) is an independent association that publishes research and policy analysis on banking, financial markets, monetary policy and financial regulation.

A recent SUERF policy note argues for a lower securitization floor. SUERF estimates that reducing the securitisation risk-weight floor from 10% to 5% could make about €800bn viable for SRT issuance (up from only about €290bn today). That €800bn represents about ~18%, of the €4.47tn of residential mortgages held by the top 40 EU-regulated banks. A 2% floor could expand the theoretical pool of SRT issuance to €2.2tn. Of course, actual issuance would depend on deal economics, but in any event the potential such changes could unlock is impressive.

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Mortgage SRT would complement covered bonds (the most common tool used today for mortgage credit exposures in the EU) rather than replace them. Covered bonds provide funding, while synthetic SRT transfers credit risk without removing mortgages from bank balance sheets. A 5% floor could broaden the market, particularly for higher-risk-weight portfolios, but some participants believe a lower floor would be needed for mortgage SRT to become genuinely “transformative.”

Scaling the market would also require insurers and reinsurers to provide long-dated, unfunded protection alongside traditional (funded) capital markets investors. However the absence of a consistent prudential framework for unfunded protection is currently a limit on capacity. One of the authors of the SUERF paper says “regulation remains the key constraint on the development of residential mortgage SRT in Europe... there is no other reason than regulation.”

US firm targets SRT arranger role (SCI, 9/17/26)

Truist Securities has built an SRT arranging capability within its banks solutions group, targeting community and regional banks with roughly \$5bn to \$150bn of assets. Its advisory approach takes into account each bank’s strategy, balance sheet and risk profile, and then evaluates SRT alongside other capital-markets options. Truist would also analyze the potential effects on RWAs, ROE, cost of capital and regulatory ratios. Truist sees an education gap among smaller banks, which have been less active than large US and European issuers. The firm would ideally bring its first arranged transaction in 2027. At Seer we believe that one of the impediments to the growth of the US SRT market is a lack of education on the product for smaller banks, and we look forward to this initiative by Truist helping to remove that impediment.

US Basel proposal sets SRT roadmap for smaller banks (SCI, 9/21/26)

Market participants at SCI’s American Reg Cap Forum on September 10th in New York were encouraged that the revised US Basel III Endgame proposal could give banks a clearer path to synthetic securitisation and spur broader SRT use among small to mid-sized institutions. The proposal retains the securitisation p-factor at 0.5 rather than doubling it to 1.0, lowers the risk-weight floor from 20% to 15% and introduces a method that would allow capital recognition for directly issued CLNs without a reservation-of-authority process. The proposal would also remove the existing “\$20bn-or-100%-of-capital” limit associated with the Federal Reserve’s process for directly issued CLNs. Market participants described the framework as a practical roadmap, while noting unresolved questions especially around the treatment of insurers providing unfunded protection.

Where does SRT capital relief go? (SCI, 9/21/26)

An ECB analysis found that a 1% increase in synthetic securitisation was associated with a 0.02% increase in corporate loan growth and a 0.07% increase in dividend payouts. The result appears to contradict the policy argument that capital relief directly drives lending. Former ECB President Draghi issued 2024 competitiveness report advocating for greater use of securitization to help finance Europe’s investment gap, pegged at €750bn-€800bn annually.

However, some argue that the ECB’s simple lending-versus-dividends comparison overlooks SRT’s broader role in capital efficiency, risk management and resilience. In any event, even among some of the largest and most active Reg Cap issuers there is not enough disclosure to accurately isolate how much additional lending was directly enabled by SRT.

Perhaps it is fairer to say that SRT creates balance-sheet capacity rather than dictating a single use for it. Banks may deploy that headroom toward lending, shareholder distributions, investment, risk reduction or greater resilience, but those choices are difficult if not impossible to trace.

Banking Industry News:

Buyout Debt Worth \$138 Billion Set to Land in Credit Markets (BN, 9/8/26)

Banks are preparing to distribute more than \$138bn of buyout debt, including about \$92bn in the US and \$46bn in Europe, according to JPMorgan. The pipeline is the largest in the US since 2007 and in Europe since 2021, reflecting stronger M&A activity. Data-center financing is not included in those totals and could add as much as \$80bn to US supply.

Strong credit-fund inflows and CLO issuance (the main buyers of LL) are expected to support demand, but the sheer volume of new debt may make investors more selective. Bankers expect the bulk of issuance in late September and early October, but in any event before US midterm elections. Pricing and terms could vary widely by borrower quality, industry, capital structure, etc. Some lenders remain wary of holding unsold buyout debt in the event market conditions deteriorate, which has burned them before.

UBS Buys \$7.9 Billion Credit Suisse Debt in Biggest Buyback (BN, 9/11/26)

Switzerland’s Capital Plan for UBS Wins Backing From OECD (BN, 9/15/26)

UBS’s Kelleher Says AT1 Capital Compromise Would Be Bearable (BN, 9/18/26)

UBS Says AT1 Plan Is ‘Way to Go’ Ahead of Key Wednesday Vote, (BN 9/22/2026)

UBS is buying back \$7.9bn of legacy Credit Suisse bonds and will call another \$1.8bn, bringing total repayments close to \$10bn. Its “inherited debt” has declined to from ~\$90bn when it first acquired flailing competitor Credit Suisse in 2023, to ~\$29bn today. The bonds “are either surplus to its current funding needs or relatively high-rate securities,” noted a research analyst quoted in the article. UBS said the exercise supports funding and regulatory loss-absorbing debt management while reducing interest expense. The buyback follows a \$7.7bn legacy bond repurchase last year.

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In related news, the OECD (along with Finma and IMF) backed the Swiss government's proposal requiring UBS to support the full value of its foreign subsidiaries with CET1 capital at its domestic unit. This requirement was an outgrowth of the CS experience, where its US subsidiary ultimately brought down the parent. The OECD said UBS's size relative to the Swiss economy makes its resilience particularly important and argued that the phase-in would leave its capital ratio only slightly above those of other internationally active large banks.

UBS argued that the plan could require approximately \$20bn of additional CET1 and would put the bank at a competitive disadvantage. UBS Chairman Kelleher said the bank could live with a Swiss parliamentary proposal that would allow AT1 bonds to cover up to half of the capital required to back its foreign subsidiaries. UBS estimates that proposal would require about \$13bn of additional capital, compared with approximately \$20bn of CET1 under the initial plan. The upper house postponed its vote to September 23, leaving the final outcome as yet unresolved.

Just today, Bloomberg News reports that UBS CEO Ermotti described the AT1 compromise as a balanced and bearable outcome. Switzerland's upper house will vote on the issue tomorrow, but any agreement would also require approval from the lower house, leaving the final regulatory outcome uncertain. Swiss Finance Minister Keller-Sutter has opposed it, citing concerns about taxpayer protection.

For a review of the circumstances around the failure of CS and the rescue by UBS see here: <https://seercap.com/wp-content/uploads/2023/04/Bank-Turmoil-Creates-Compelling-Opportunities-in-Reg-Cap.pdf>

Orcel Finally Meets German Government to Talk Commerzbank's Fate (BN, 9/11/26)

UniCredit CEO Andrea Orcel is set to meet German Finance Minister Lars Klingbeil to discuss the future of Commerzbank, despite Berlin's earlier vocal opposition to a takeover. The German government wants to protect Commerzbank's role in financing domestic businesses and its position as a major Frankfurt employer. Berlin owns about 13% of the lender, while UniCredit is set to hold just under 50%.

UniCredit has proposed an overhaul of Commerzbank and said it would operate the bank as a standalone entity for at least two years after taking control. Berlin may seek commitments on the lender's listing, headquarters and local decision-making, which could help advance the transaction. Berlin rejected a takeover bid from UniCredit in July as too low. The Italian bank had offered 0.485 of its shares for each one of Commerzbank, the equivalent of €43.9 bn close, compared with a market capitalization of roughly €45.4 bn.

Barclays CEO Urges UK Not to Increase Tax for Banking Sector (BN, 9/14/26)

Barclays CEO CS Venkatakrishnan urged the UK government not to raise taxes on banks in its October budget, arguing that retaining capital for lending and investment would better support economic growth. The government is considering additional bank levies among options to address pressure on public finances.

Venkatakrishnan also said Barclays is preparing employees for AI-related changes through retraining and skills development, as greater automation reshapes some jobs and the bank's workforce.

EU Bank Mergers Should Have Happened Long Ago, Albuquerque Says (BN, 9/14/26)

EU finance commissioner Albuquerque voiced support for cross-border bank mergers, arguing that greater scale could help European lenders serve clients and compete with banks in other jurisdictions. She said the regulatory framework should not prevent sound business cases for consolidation, while stopping short of prescribing bank size ("it's not for the commission to say whether banks should be big or small").

Her comments come amid UniCredit's pursuit of Commerzbank (discussed above) and the European Commission's overhaul of merger guidelines. Albuquerque also called for greater scale in EU market infrastructure and argued that the relevant competitive market for financial services should be considered at the European level.

A Small Bank Gets \$834 Million Rescue After Investment Spree (BN, 9/15/26)

German cooperative lender Volksbank Brawo will receive up to \$834mn of support from the sector's mutual protection fund after identifying substantial potential losses in investments outside its core banking business. "The portfolio it built included a stake in a gym chain, restaurants, a now- insolvent brewery and the development of luxury villas on the Spanish island of Mallorca." The package includes guarantees and an equity investment. The bank said it will fundamentally overhaul its strategy; ~96% of the write-downs relate to non-core activities.

Brawo is among several German cooperative banks that have required peer support after expanding into riskier lending and investments. Following a series of costly rescues, the sector approved reforms to its protection system in June to strengthen intervention powers.

Apollo Scoops Up \$5.5 Billion of Truist's Near-Prime Car Loans (BN, 9/15/26)

Truist agreed to sell \$5.5bn of "near-prime" auto loans to Apollo as it exits that segment of auto lending. The sale is expected to generate \$5.2bn in net proceeds and release \$535mn in loan-loss reserves. Truist has also reduced auto originations and discontinued marine and recreational-vehicle lending as it refocuses on core banking businesses. The bank's indirect auto-loan net charge-off rate declined to 1.73% at the end of June from 2.14% at the end of March. These actions were part of a broader strategic review following the arrival of Truist's new CEO.

Banks Line Up \$22 Billion Chip Loan Tied to Blackstone, Alphabet (BN, 9/16/26)

A group of 10 banks is arranging a \$22bn loan to finance Google-made AI chips for Crux AI, a cloud venture backed by Blackstone and

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Alphabet. The debt will be secured by the chips and customer contracts, with lenders seeking additional banks through syndication. Some banks are also providing a separate \$1bn revolving facility. The loan could eventually be refinanced in the investment-grade bond market. The financing is part of a growing market for debt backed by AI chips and servers, alongside data-center construction.

MUFG's Brokerage Venture Wins Appeal Against AT1 Bond Ruling (BN, 9/16/26)

Tokyo's High Court overturned a lower-court order that would have required Mitsubishi UFJ Morgan Stanley to compensate an investor approximately \$1.1mn for losses on Credit Suisse bonds. The dispute stems from the 2023 write-down of \$17bn of Credit Suisse AT1s. The investor alleged that the brokerage inadequately explained the risk of a write-down. The court dismissed the investor's claims and ordered him to bear costs for both proceedings. Other group litigation against the brokerage remains ongoing.

Citigroup Raises \$12 Billion in Its Biggest-Ever Bond Sale (BN, 9/17/26)

Citigroup raised \$12bn in its largest-ever dollar bond sale. The deal was heavily oversubscribed, attracting peak orders of about \$40bn, or 3.3 times the offering. Pricing on its longest, 11-year tranche tightened to 93 bps over the benchmark from initial discussions around 125 bps. Demand for that tranche reached approximately \$18bn.

Wells Fargo also raised \$6bn, drawing roughly \$28bn in peak demand. The six largest US banks have issued a combined \$177.3bn of investment-grade bonds this year, including \$18.3bn from Citigroup. The sales took place amid a rally in credit markets and tighter spreads.

Private Credit Defaults Are 1%, 6% or 19%, Depending Who You Ask (BN, 9/17/26)

Private credit default estimates vary widely because providers use different definitions, samples and loan-weighting methods. Fitch reported a 6.3% default rate, while Houlihan Lokey found a rate below 1% when weighted by loan size. Pimco estimates a 19% shadow default rate for US BDC assets, including restructurings and certain payment-in-kind arrangements, while Lincoln International reported 1.5% for European loans using a narrower definition.

The divergence reflects limited disclosure, the absence of a comprehensive industry dataset, and greater stress among smaller borrowers. Measures such as non-accrual rates may miss restructurings that defer payment problems. Investors are watching whether rising distress begins to affect returns and broader financial stability. In particular, highly leveraged companies that financed when rates were low "...are confronting borrowing costs that may stay elevated for longer — or rise further — as inflation and geopolitical risks complicate the outlook for rates."

AI Use Will Soon Influence Banks' Credit Ratings, S&P Says (BN, 9/21/26)

Banks' AI strategies and governance frameworks to play a growing role in credit ratings over the next several years, says S&P Global Ratings. In a June survey of 179 financial firms, respondents projected AI-related cost savings of up to 4% this year and 6%–8% by 2028. About 84% currently use AI in support functions and automation, while fewer than one-third use it to develop new products and services. S&P said the credit impact will depend on whether institutions turn efficiency gains and new revenue into sustained profitability while maintaining sound risk management, rather than simply on AI adoption alone.

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.

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