

Leveraged loans market insight - February 2026

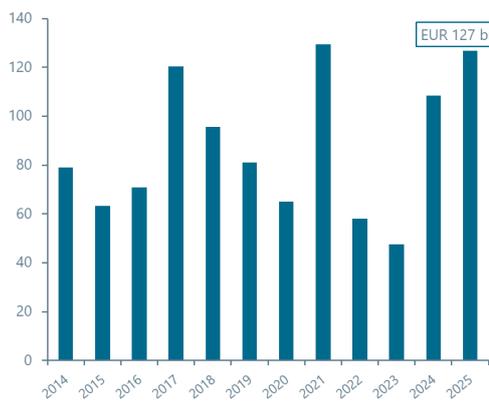
Near-record volumes reflecting market resilience and investor appetite

The European leveraged loan market maintained its dynamism in 2025, with a level of primary issuance close to the 2021 record level.

Full-year leveraged loan volumes totaled EUR 127 billion in 2025, an 18% increase year-on-year, driven by refinancing activity and issuer initiated opportunistic repricing, alongside selective M&A deals.

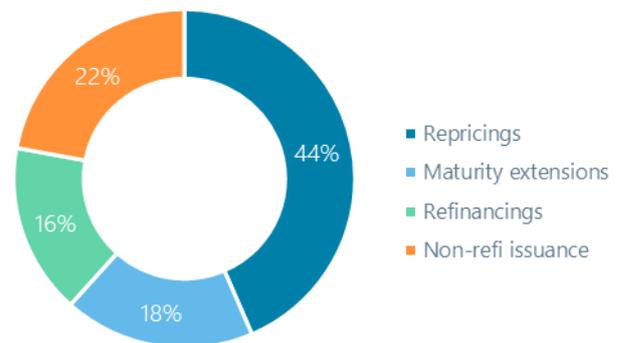
European leveraged loans volume of primary issuance¹

In EUR billion



European institutional activity¹

% of amount



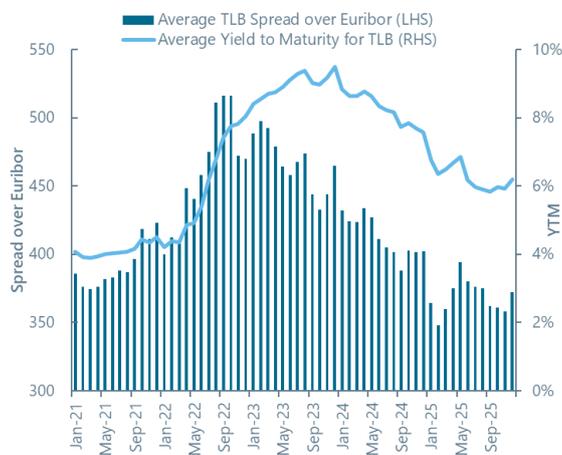
Credit spreads tightened amid price softening

The Morningstar European Euro Denominated Loan Total Return index posted an annual return of 4.1%, well below 2024's 8.7%. Performance linked to average price changes remained negative at -1.7%, reflecting persistent price dispersion despite positive technical pressure linked to demand from CLOs², who are the main investors in the syndicated loan market.

Average discount spreads hovered near Euribor+450 bps, while more than 65% of loans traded above par, highlighting strong technical factors despite weaker economic fundamentals.

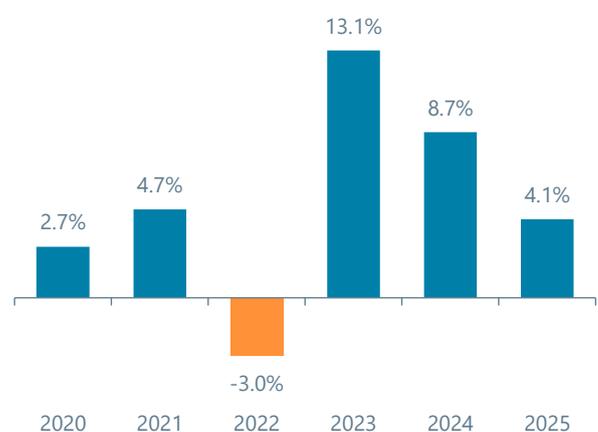
Term Loan B spread at issue & YTM¹

Rolling three months, spread over Euribor



Morningstar European Euro Denominated Loan TR¹

Annual performance



¹ Source : SCOR Investment Partners, Pitchbook, data as at 31.12.2025

² Collateralized Loan Obligations

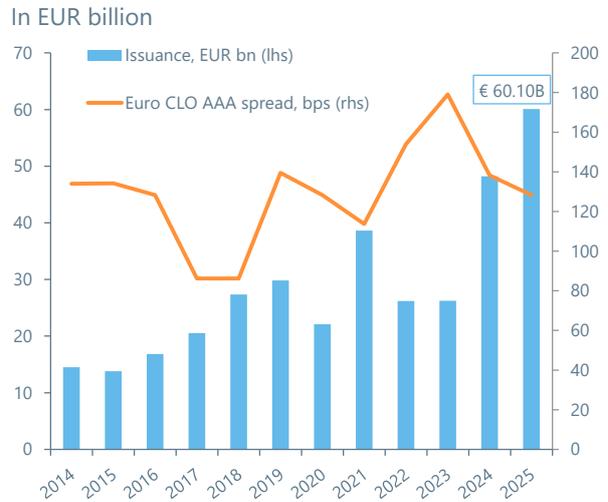
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Exceptional European CLO activity

2025 was a record-breaking year for European CLO issuance, with EUR 60 billion new transactions. The market benefited from a broadening investor base, including increased participation from the US and Asia.

CLO issuance is expected to remain robust in 2026, with estimates ranging from EUR 50–65 billion, though arbitrage conditions may deteriorate on further syndicated loan spread tightening.

CLO new-issue volume³

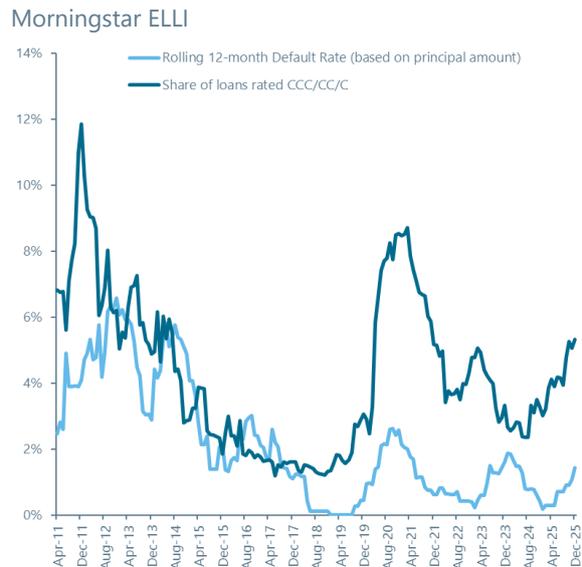


Fundamentals: default rates contained

From a fundamental perspective, credit quality softened through the year with downgrades outpacing upgrades by a ratio of 2.7x. In addition, triple-C exposure within the index doubled to 5%.

Although defaults remain contained, the 2028 maturity wall will be a major focus for market participants. It amounts to EUR 70 billion, mainly consisting of highly leveraged 2021 vintages.

Default rate vs Share of loans rated CCC/CC/C²



2026 outlook

Market forecasts primary volumes equivalent to or even higher than those of 2025, with a growing share of new financing as M&A pipelines rebuild. Primary activity in the first quarter will continue to be driven by refinancing. Technicals should remain supportive, nevertheless weakening fundamentals call for greater selectivity. Opportunities will emerge amid sector bifurcation, particularly in chemicals and other challenged industries.

Even with spreads expected to remain tight, however, we believe that the syndicated loan market continues to offer attractive potential returns of around 5-6%.

³ Source: SCOR Investment Partners, Pitchbook, data as at 31.12.2025

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