

MidCap Financial Issuer Trust

RATINGS

MidCap Financial Issuer Trust	
Action: Assigned	1/9/26
Issuer	A-
Senior Unsecured Debt	A-
Junior Subordinated Unsecured Debt	BBB

FINANCIAL SNAPSHOT

MidCap	1Q26	YE2025
Total Assets (\$Bil)	14.6	14.4
Total Debt (\$Bil)	11.1	10.8
Total Equity (\$Bil)	3.2	3.3
ROA (%)	1.5	2.1
ROE (%)	6.8	9.7
Adjusted Debt/ Adjusted Equity*	0.95x	N/A
Net Secured Debt/Assets (%)	31%	N/A

*Adjusted Equity includes 100% JSN, less goodwill and Adjusted Debt excludes CLOs

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Company Profile

- Midcap Financial Issuer Trust is a wholly owned subsidiary of MidCap FinCo Intermediate LLC ("FinCo Intermediate", "MidCap" or "the company"), a Delaware limited liability company. The company has been operating since 2008 and focuses on middle-market specialty finance.
- In 2024, the company, formerly FinCo Intermediate Holdings Limited, was re-domicile to the U.S. from Ireland to allow for greater non-U.S. ownership. Subsequently, the company raised ~\$400 million of equity capital from international investors, all of which has been called. Apollo Global Management (NYSE: APO or "Apollo"), Athene Holding Ltd, Apollo's insurance subsidiary, and other Apollo affiliates together own 50% of the company.
- In January 2026, the company meaningfully changed its capital structure through the issuance of senior unsecured debt and junior subordinated notes (JSNs"), which enhanced equity capitalization.

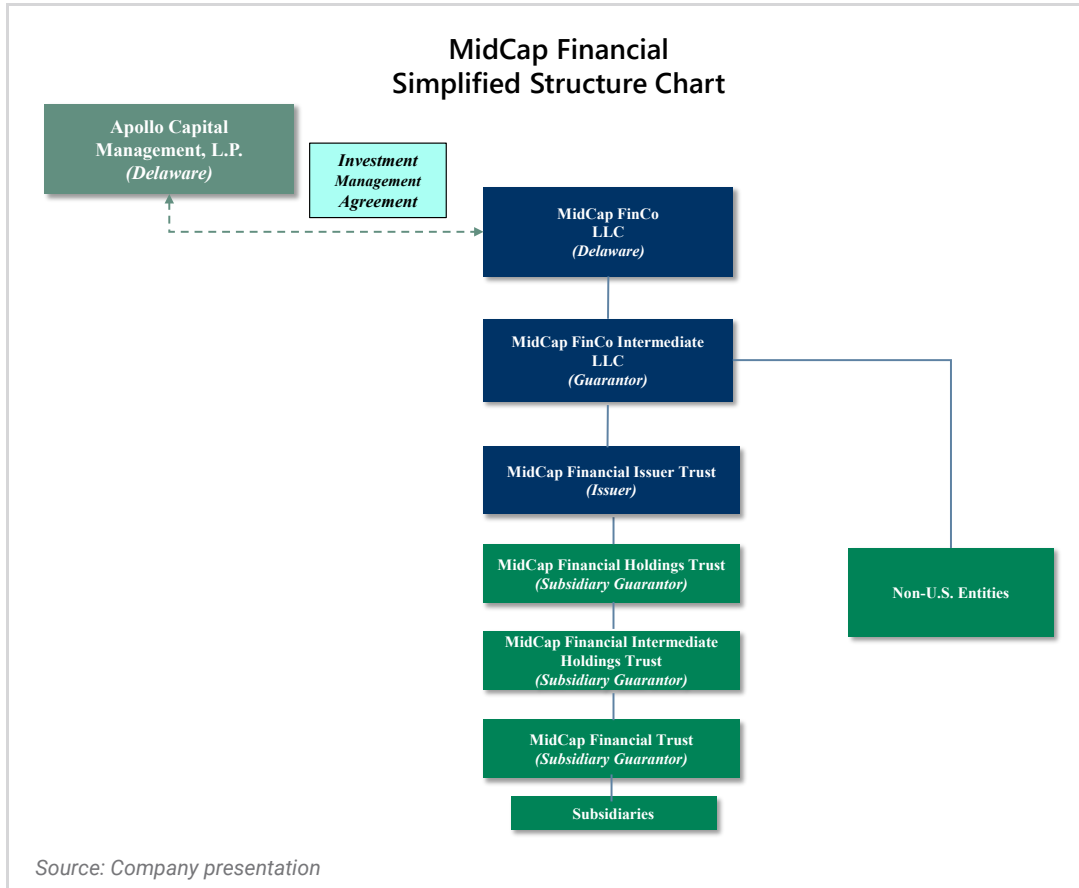
Key Credit Considerations

- The ratings reflect MidCap's strong strategic relationship with Apollo, which provides access to an expansive platform with approximately \$938 billion of assets under management (\$749 million of credit related AUM). At 1Q26, MidCap had balance sheet commitments of \$18.1 billion with an additional \$22.1 billion of sidecar commitments comprised of investments directly from Apollo vehicles and third-party investments that Apollo manages as a registered investment advisor.
- The company also benefits from a seasoned management team, with senior leadership averaging 21+years of experience working together. Strong underwriting standards and disciplined risk management are supported by Apollo, with fiduciary oversight provided by the Board.
- The ratings are further supported by reasonable earnings performance, which is driven by more stable net interest income and historically low impairment levels across credit cycles. Since its founding through 1Q26, net credit losses have averaged 36 bps annually.
- MidCap's funding profile, post recapitalization, is diversified and well ladderred. MidCap plans to continue to repay a substantial portion of its secured debt with proceeds from senior unsecured debt, maintaining a ratio of unencumbered assets to senior unsecured debt in excess of 1.25x. Liquidity is enhanced by capital support, primarily from Apollo, Athene, and institutional investors, which are considered permanent. Furthermore, there is no obligation to provide liquidity to investors, and any redemption is at the Board's discretion.
- The company's senior unsecured debt-to-equity ratio is expected to remain conservative at or below 1.5x with adjusted net leverage ratio below 2.5x. While the JSNs are deeply subordinated and carry 30-year maturities, ~\$600 million feature a five-year non-call period and ~\$1.5 billion include a ten-year non-call period, exercisable at MidCap's discretion. In the event of a call, the company policy is to replace the JSNs with equity or refinance with similar subordinated instruments, thereby preserving loss absorption capacity for senior unsecured noteholders.
- These strengths are partially offset by risks inherent in investing in illiquid non-investment grade debt, as well as a somewhat elevated non-accrual rate. There is potential for increased investments on non-accrual status with a more uncertain economic environment. Nevertheless, KBRA believes that MidCap maintains a manageable level of impairments, supported by low historical credit losses and a diversified portfolio primarily composed of first-lien, senior secured loans with modest company leverage when including JSNs.

Rating Sensitivities

- +** At the current rating level, we do not anticipate a rating upgrade over the medium term.
- Downward rating pressure could emerge if portfolio performance materially underperforms expectations, leading to worsening credit, weak earnings, and elevated leverage.

Financial Institutions: Finance Company Global Rating Methodology 28 Nov 2017. [Corporates & Financial Institutions: Corporate Instruments / Corporate-Linked Obligations Notching Global Methodology](#) 10 Sep 2024. [ESG Global Rating Methodology](#) 16 Jun 2021.





MIDCAP FINCO INTERMEDIATE LLC					
	March 31, 2026	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022
Cash and cash equivalents	240,787	21,497	62,189	30,969	111,667
Restricted cash	282,472	457,381	611,449	775,735	518,640
Loans held for sale, net	421,809	226,633	297,619	392,185	434,231
Loans held for investment	12,994,441	13,043,151	12,583,029	13,380,851	11,761,619
Less deferred loan fees	(174,276)	(171,583)	(192,450)	(196,277)	(206,848)
Less allowance for credit losses	(141,622)	(175,944)	(189,271)	(175,851)	(113,376)
Loans held for investment, net	12,678,543	12,695,624	12,201,308	13,008,723	11,441,395
Interest and fees receivable	194,578	203,441	208,206	211,491	163,632
Investments	364,529	362,839	253,960	144,868	201,454
Other assets	164,477	165,897	179,306	201,526	46,629
Goodwill and intangible assets	269,523	269,523	269,523	269,523	271,523
Total assets	14,616,719	14,402,835	14,083,560	15,035,020	13,189,171
Liability and equity Liabilities					
Borrowings, net	11,122,746	10,806,480	10,693,715	11,804,833	10,209,339
Account payable and accrued expenses	242,515	254,041	283,268	460,818	269,955
Borrower reserves and escrows	22,411	24,734	20,023	29,188	29,249
Other Liabilities	58,900	60,246	49,988	29,956	37,115
Total Liabilities	11,446,572	11,145,501	11,046,994	12,324,795	13,236,556
Total Equity	3,170,146	3,257,334	3,036,566	2,710,225	(47,385)
Total Liabilities and equity	14,616,718	14,402,835	14,083,560	15,035,020	13,189,171

Sources: Company financial statements and KBRA calculations



MIDCAP FINCO INTERMEDIATE LLC				
	March 31, 2026	December 31, 2025	December 31, 2024	December 31, 2023
Net interest and fee income				
Interest income	287,394	1,284,759	1,468,356	1,430,355
Fee income	51,545	226,968	241,295	241,340
Total interest and fee income	338,939	1,511,727	1,709,651	1,671,695
Interest expense	(180,848)	(794,173)	(928,326)	(874,482)
Net interest and fee income	158,091	717,554	781,325	797,213
Provision for loan losses	(23,443)	(104,877)	(99,464)	(108,462)
Net interest and fee income after provision for loan losses	134,648	612,677	681,861	688,751
Operating Expenses				
Compensation and benefits	40,950	174,805	149,050	143,220
Management fees	11,755	50,219	65,537	72,081
Other operating expenses	15,796	60,572	61,923	54,223
Total operating expenses	68,501	285,596	276,510	269,524
Operating Income	66,147	327,081	405,351	419,227
Loss on extinguishment of debt	(7,501)	(18,690)	(4,744)	-
Other income, net	(2,160)	4,604	9,027	14,242
Net income before income tax provision	56,486	312,995	409,634	433,469
Income tax provision	(1,553)	(8,238)	(5,873)	(3,496)
Net income	54,933	304,757	403,761	429,973

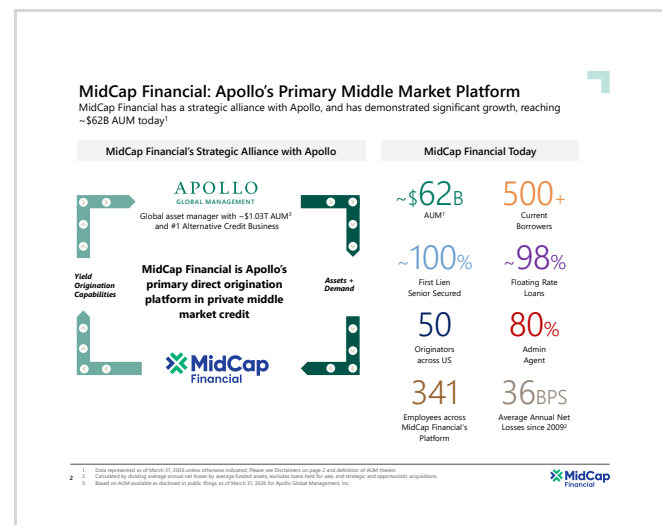
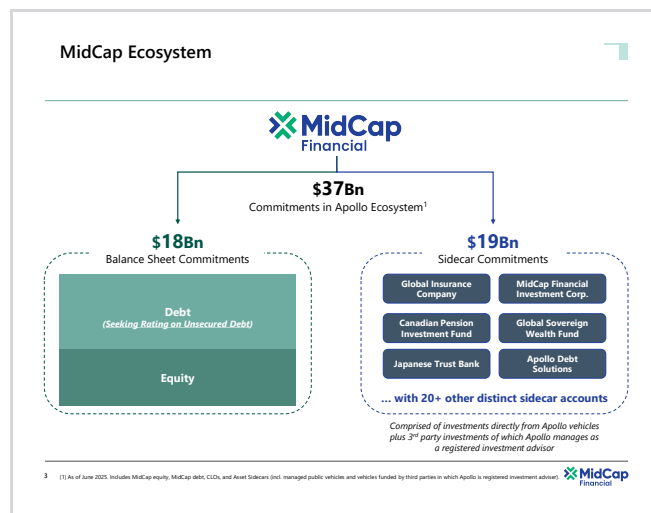
Sources: Company financial statements and KBRA calculations



Key Business Factor Rating Determinants

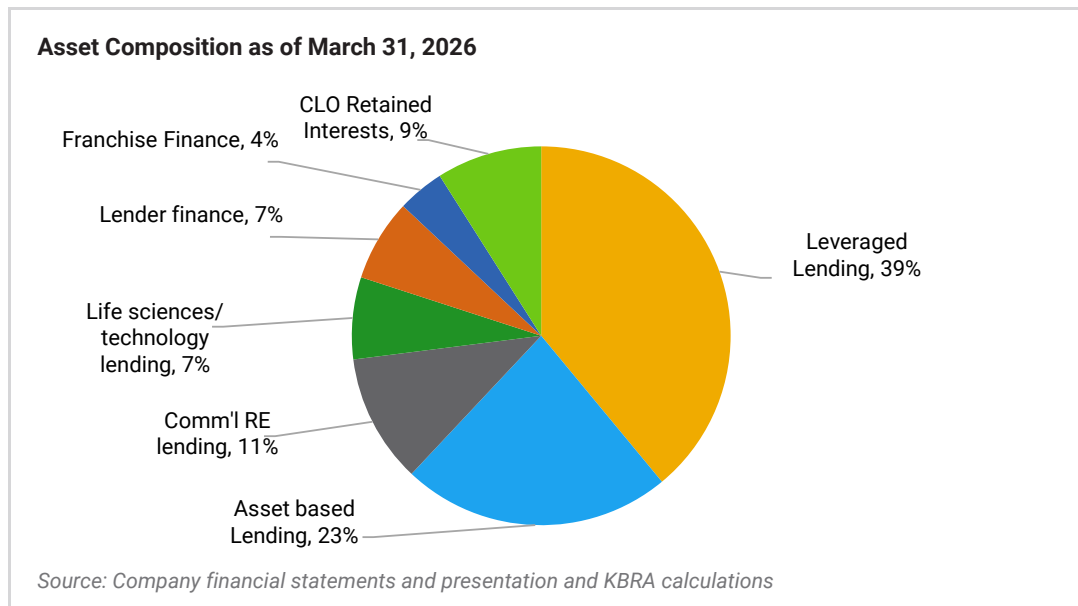
Market Share, Branding and Viability

MidCap Financial is a mid-size finance company with strong ties to Apollo Global Management, a global asset management company with \$928 billion AUM as of 1Q26. Founded in 2008, the company is a middle-market-focused specialty finance provider of senior debt solutions across multiple industries. The company engages MidCap Financial Services LLC to manage the credit business and provide administrative services. As of 1Q26, Midcap had balance sheet commitments of \$18.1 billion with an additional \$22.1 billion of sidecar commitments comprised of investments directly from Apollo vehicles and 3rd party investments. As shown nearby, MidCap is considered the primary direct middle market origination platform for Apollo and includes 560+ borrower relationships and 500+ sponsor relationships across both platforms.



Source: Company presentation

At 1Q26, the company maintained a \$8.6billion diversified portfolio of senior secured loans (excluding the CLO portfolio collateral), comprised of middle market leveraged lending (39%), asset-based lending (23%), commercial real estate lending (11%), CLO retained interests (9.0%), life sciences and technology lending (7%), lender finance (7%), and franchise finance (4.0%).



Leveraged lending is comprised of middle market senior secured cash flow-based loans to a diversified portfolio of middle market companies with stable track records, strong equity sponsorship and experienced management teams. At 1Q26, excluding portfolio companies on the watch list and non-accrual investments, the top 3 industries within the leveraged lending strategy were Healthcare (21.5%), Industrials (19.6%) and Consumer (16%). Furthermore, the company is focused on the core middle market with the median EBITDA of \$43.1 million, a weighted average net leverage of 4.66x and weighted average interest coverage of 2.39x as of 1Q26. The second largest asset class is asset-based lending (“ABL”) which the company has been underwriting since 4Q14 and is comprised of loans to manufacturing, distribution, retail and services companies. These loans are collateralized with accounts receivable (53.5%), inventory (25.3%) and term loan cash on enterprise value (6.5%). The third largest asset type is real estate lending which is comprised of first lien loans to various commercial real estate asset classes including independent living (24.9%), assisted living (20.4%) and industrial (16.9%). The weighted average LTV of the real estate portfolio is 58.4% as of 1Q26. The company maintains a substantial market share of originating middle market CLOs, reporting ~\$5.0 billion outstanding balances and retained equity of \$896 million as of 1Q26.

Business Risk Management

The company benefits from industry leading executive and risk management personnel combined with a scaled operating platform. Senior management has a long track record with key management working together for 21+years. Deep industry expertise of the management team includes Merrill Lynch Capital, GE Capital, and Heller Financial prior to working together at MidCap Financial. Underwriting and risk management is comprehensive, with consistent underwriting and monitoring processes with the strong ability to take action to mitigate losses on underperforming loan exposures. Major credit businesses are overseen by Apollo, with the Board maintaining fiduciary oversight to ensure the best interests of MidCap and stakeholders. The Board of Directors includes 12 members, 9 of which are independent.



Historical Credit Track Record^{1,2}

Average annual net losses of 36 basis points from 2009 through 3/31/2026

MidCap Financial's Historical Credit Track Record Since 2009

	Average Funded Assets (\$mm) ³	Average Net Losses (\$mm) ^{4,5}	Average Annual Net Losses (bps/year)
Leveraged Loans	\$2,756.1	\$11.2	41 bps
All Other Asset Classes	\$2,818.2	\$8.9	31 bps
Total Book	\$5,574.3	\$20.1	36 bps

Average annual net losses are calculated by dividing average annual net losses by average funded assets.

1. Past performance is not indicative nor a guarantee of future results
2. Excludes loans held for sale and strategic and opportunistic acquisitions
3. Calculated by summing the average daily funded balance during each annual period since 2009, and dividing by the number of years
4. Net losses incorporate offsetting equity gains
5. Average net losses are calculated by dividing total net losses since 2009 by the number of years

1



Source: Company presentation

The company has operated through the credit cycle having been established in 2008 and has an average annual net loss of only 36 basis points with average funded assets of \$5.5 billion+. Midcap's low loss history can primarily be attributable to strong underwriting/risk management processes, longstanding relationships with many top tier customers, and appropriate collateralization/pricing for risk. Risk management lines of defense include 1) Originators and Structurers – approve structure, economics, and risks of deals and amendments, 2.0) Portfolio Management and Lending Team – front office underwriting team adds an extra level of review, 3) Independent Risk Management Team – risk function covering financial and non-financial risks, and 4) Manager Risk Committee – implemented by Apollo, including Apollo's credit leadership and asset class portfolio managers. In addition, solid diversification by asset class, sector and portfolio company further improves the company's risk profile with single name concentrations contained.

The company's wholly owned subsidiary, MidCap Financial Services Capital Management, LLC is a registered investment advisor with the SEC. The RIA is the investment adviser for the company's CLOs, and other similar securitizations. The company is audited by Ernest & Young LLP. Financial reporting includes quarterly unaudited financial statements, and annual audited financial statements.

Economic and Operational Risk

The company is expected to remain economically resilient, given its focus on a diversified portfolio of first lien senior secured loans with modest leverage and stable cash flows. We also expect MidCap to benefit from the long-term growth of lending businesses beyond the capacity of traditional providers, notably banks. Operational risk is expected to remain well contained, given its comprehensive management controls, systems, and organizational infrastructure to appropriately monitor risk exposures and take action as needed. The company's focus is primarily on the U.S. and, secondarily, to other developed markets with strong legal and regulatory frameworks. Management has a strong ongoing ability to anticipate and adapt to regulatory changes and/or changes to the market/economic environment.



Key Financial Factor Rating Determinants

Profitability

KEY FINANCIAL RATIOS - PROFITABILITY				
	1Q26	YE2025	YE2024	YE2023
Operating Earnings/Total Assets	4.36%	5.04%	5.37%	5.65%
Net Income/ Total Average Assets (ROA%)	1.51%	2.14%	2.77%	3.05%
Net Income/ Average Equity (ROE%)	6.8%	9.7%	14.1%	15.9%
EBITDA/ Interest Expense (x)	1.31	1.39	1.44	1.50

Note: 1Q26 annualized

Sources: Company financial statements, KBRA calculations

MidCap's earnings are primarily generated through net interest income ("NII") from its \$8.6 billion loan portfolio (excluding CLO collateral). NII has weakened in recent periods due to the decline in base rates as the company's balance sheet is asset sensitive with a high proportion of variable rate loans that are repriced more quickly than liabilities. Also, industry wide competitive pressures have resulted in direct loan spread compression. With the company's restructured capitalization with lower borrowing costs, NII should improve. The company's recent fixed debt issuances were swapped for variable rate payments to align with its asset mix. The company also posted lower fee income due to realized losses on its trading portfolio driven by the sale of distressed credits and a decline in BSL market valuations.

Net income attributable to the consolidated CLO entities was \$34.5 million for 1Q26 and \$128.1 million for YE 2025 or 26% and 21% of net interest and fee income after provision for loan losses respectively. While CLO retained interests, are a more volatile earnings source, the company maintains a substantial market share of middle market CLOs and has achieved solid risk adjusted returns. Supplementing the company's NII is the company's income generated from its asset management services business with ~\$22.1 billion of additional sidecar assets under management, which is considered a more stable revenue source.

Liquidity & Funding

March 31, 2026 - FUNDING SOURCES (\$000)					
	COMMITMENT	OUTSTANDING	AVAILABLE	BLENDED COST OF DEBT	MATURITY
Bilateral and Syndicated Bank Facilities*	6,019	2,306	4,588		
Sr. Unsecured Notes	3,075	3,075	0		2029-2033
Junior Subordinated Notes (5 yr non-call)	593	593	0	SOFR+ 3.75% (1)	1/15/2056
Junior Subordinated Notes (10 yr non-call)	1,476	1,476	0	SOFR+ 3.25%(2)	1/15/2056
Securitizations	3,782	3,782	0		
Total	14,944	11,231	4,588		

¹ rate until 2036 until Jan. 15, 2038 SOFR +4.25% and from Jan. 15, 2038 through maturity of SOFR +4.70%

² rate until 7/15/2036, from July 2036 until Jan. 15, 2038 Benchmark +3.75, after Jan. 15, 2038 benchmark + 4.20%

* Includes \$1.375 billion committed unsecured JP Morgan revolving credit facility

Source: Company financial statements

The company has a diversified mix of funding sources which include secured and unsecured revolving credit facilities, repo facilities, private securitizations, senior unsecured and junior subordinated notes.



As of 1Q26, the company had ~\$4.6 billion of committed secured credit facilities spread among 8 banks and a \$1.375 billion of senior unsecured revolver from JP Morgan. The JP Morgan agreement was closed during 1Q26. In conjunction with the transaction, the company added 3 additional guarantors to the unsecured debt to ensure that all of the company's senior unsecured debt ranks pari passu with unsecured revolving credit facility. A key element of management's funding strategy is to repay the majority of the outstanding senior secured debt with the issuance of senior unsecured debt and junior subordinated notes and to maintain a ratio of unencumbered assets to senior unsecured debt in excess of 1.25x, a range of \$6 billion to \$7 billion of unencumbered assets at YE2026.

Furthermore, during 1Q26, the company issued ~\$1.1 billion of senior unsecured notes, increasing its unsecured debt outstanding to ~\$3.1 billion. The senior unsecured debt maturities are well laddered from 2028 to 2034 with the nearest debt maturity (\$1 billion) in 2028. The company plans to issue additional senior unsecured debt, market dependent to repay additional senior secured debt. The company is a significant issuer of CLOs and had \$3.8 billion of non-recourse CLO securitizations outstanding at 1Q26. KBRA deconsolidated the CLOs from the debt structure to account for its self-amortizing, non-recourse structure. Rounding out the funding base is the \$2.07 billion of recently issued junior subordinated debt with maturities of January 2056.

The company intends to maintain sufficient liquidity to fund the business through significant economic downturn with monetizable/pledgeable unencumbered credit assets, supplemented by undrawn revolving financing. Midcap's policy is to maintain net secured debt to total assets below 30%. While slightly above target in 1Q26, the company drew on its senior unsecured credit facility post quarter end, reducing the amount of senior secured debt below the 30% target.

As of 1Q26, total available liquidity was solid at \$3.7 billion with \$2.3 billion of available secured credit facilities and \$1.4 billion of unsecured JP Morgan committed unsecured revolver. The company policy is to maintain at least \$2.0 billion of liquidity which includes cash & cash equivalents, short-term receivables, and undrawn debt and equity committed. KBRA views MidCap's connection with Apollo and its related entities as an important factor in providing the company with access to the capital markets and to bank liquidity providers.

Capital Adequacy

KEY FINANCIAL RATIOS - CAPITAL (x)	1Q26
Debt (excl. CLOs)/ Tangible Equity	2.43
Debt (excl. CLOs)/ EBITDA	7.40
Adjusted Debt/ Adjusted Tangible Equity	0.95
Adjusted Debt/ EBITDA	5.22

Note: Adjusted Debt and Equity, assumes JSNs as equity and excludes CLOs; Tangible equity excludes goodwill

Sources: Company financial statements and KBRA calculations

Following its re-domicile from Ireland to the US in 2024, Midcap raised ~\$400 million of equity capital from international investors, all of which has been called. Approximately 90% of MidCap's equity is held or managed by institutions that each have at least \$100 billion of AUM and are considered blue-chip investor base including Apollo and several of Apollo's most strategic third-party LP relationships. Apollo Global Management, Athene Holding Ltd, Apollo's insurance subsidiary, and other Apollo affiliates together own 50% of MidCap. Additionally, total Apollo affiliated committed funding across MidCap equity, MidCap debt, CLOs and asset sidecars exceed \$37 billion allowing for significant Apollo and Athene implied support.

Post recapitalization, leverage, as measured by debt (excluding CLOs) to tangible equity, is considerably lower than what MidCap has reflected over the years. The company's leverage was 0.95x at 1Q26. Aside from the ~\$400 million of equity capital that was raised post reorganization, the company issued over \$2 billion of JSNs, which enhanced capitalization. The notes have long maturities (30 years), are deeply subordinated and in the event of a call, the company policy is to replace them with similar subordinated instruments or with equity, which preserves loss



absorption capacity for senior unsecured noteholders, in our view. The company also has the option to defer interest payments for up to 5 consecutive years without triggering an event of default. These features support our view of treating them as 100% equity at this time.

The company targets to maintain its long term senior unsecured leverage ratio (long-term net senior unsecured debt/ total JSNs +book equity) to less than or equal to 1.5x and long-term net financial leverage ratio (long-term net financial debt (50% of JSNs)/ tangible common equity (50% of JSNs) to less than or equal to 2.50x. Company policy limits the amount of JSNs such that it doesn't exceed 30% of total equity, which we view as prudent.

The company is not required to pay out earnings, providing the ability to retain earnings for more volatile markets and limit redemption risk. Liquidity is provided solely at the discretion of the board, thereby capital is considered permanent. While the company targets a 10% dividend yield, any quarterly dividends and any annual buybacks are subject to Board approval with ability to suspend any time. However, the company recently launched a buyback program, intended to be conducted annually, which is sized-based on a fraction of the relevant year's retained earnings (net of dividends already paid). The company targets a 2% to 4% annual book value growth through retained earnings net of buybacks and dividends paid.

Asset Quality

The company maintains an \$8.6 billion diversified portfolio of senior secured first lien loans when excluding CLOs collateral. The largest concentration sits with the middle market leveraged loans which has seen an increase in non-accrual investments over the past couple of years, rising to 5.4% in 1Q26 compared to 4.6% and 2.1% in FY25 and FY24, respectively. The leveraged lending portfolio has relatively high exposure to the industrial and consumer discretionary sectors at 19% and 16% respectively of the portfolio, which have been adversely affected by tariffs and the slowing economy. Furthermore, while the company's lender finance and franchise finance only comprise 11% of assets together. These businesses have been adversely affected by elevated interest rates, inflationary pressures, and geopolitical risk. Hence, non-accrual loans have increased significantly in these portfolios. In the lender finance portfolio, non-accrual investments increased from 1.8% at 4Q24 to 22.5% at 1Q26. Over the same time period, the franchise finance book saw non-accruals increase from 5.9% to 10.5%. The company notes that these businesses will wind down organically over time and are considered "non-core" assets See chart.

March 31, 2026							
	Asset Based Lending (ABL)	Real Estate (RE)	Leverage Lending (Ex-CLO)	Life Sciences and Technology Lending	Lender Finance	Franchise Finance	Total
Performing	2,129,086	970,375	2,727,306	604,060	428,456	205,851	7,065,134
Watchlist	32,608	32,801	726,511	65,652	78,645	136,273	1,072,490
Special Mention	6,997	18,884	196,162		154,442	39,159	415,644
Substandard	-		45,975		6,422	3,039	55,436
Doubtful			26,156				26,156
Loss	-		-				-
Total	2,168,691	1,022,060	3,722,110	669,712	667,965	384,322	8,634,860

*Leverage lending excludes CLO assets
Source: Company financial statements

The company closely monitors its non-accruing loans and Watchlist portfolio companies. Reserves are based on the company's valuation of the fair value of collateral as well as the portfolio company's cashflows, specific industry risks as well as historic loss experience based on current expectations of economic outlook.



Non-Accrual Investments & Reserves				
(\$000)	1Q2026	YE2025	YE2024	YE2023
Total Non-Accrual Investments	413,690	446,575	259,792	271,790
Reserves	51,684	89,400	108,182	95,457
Non-Accrual investments/Total Investments excl. CLO Collateral	4.79%	4.69%	3.03%	3.30%

Sources: Company financial statements and KBRA calculations

Debt Notching Analysis

The alignment of the senior unsecured debt rating with the company's issuer rating reflects the entirely unencumbered asset base, providing strong coverage of unsecured debt.

The BBB rating of the Junior Subordinated Notes is two notches lower than the senior unsecured rating. The two-notch difference is supported by the solid company profile with its strong ties to Apollo, significant unencumbered collateral and the capital structure which includes only senior unsecured debt and the junior subordinated notes. There is no other contemplated class of debt in the capital structure.

The rating reflects the deeply subordinated features of the JNS ranking in the capital structure and the discretionary distributions. The issuer has the right to defer the payment of interest on the JSN up to five consecutive years. During this optional deferral period, interest will continue to accrue. If the issuer defers interest payments on the JSN, the issuer cannot make payments on or redeem any of its equity interests. If interest on the JNS is deferred, the notching differential may potentially be wider on the JSN rating. The company indicated that it does not intend to issue any other debt after the second proposed issuance, one year from the initial debt offerings. KBRA considers the quality of equity when assigning ratings and limits the amount of equity credit given to hybrid securities based on the total level of capital including common stock of the company. In this case, KBRA has assigned a 100% equity credit for JSN.

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