US Banks’ Private Credit Exposure Grows but Risks Remain Limited

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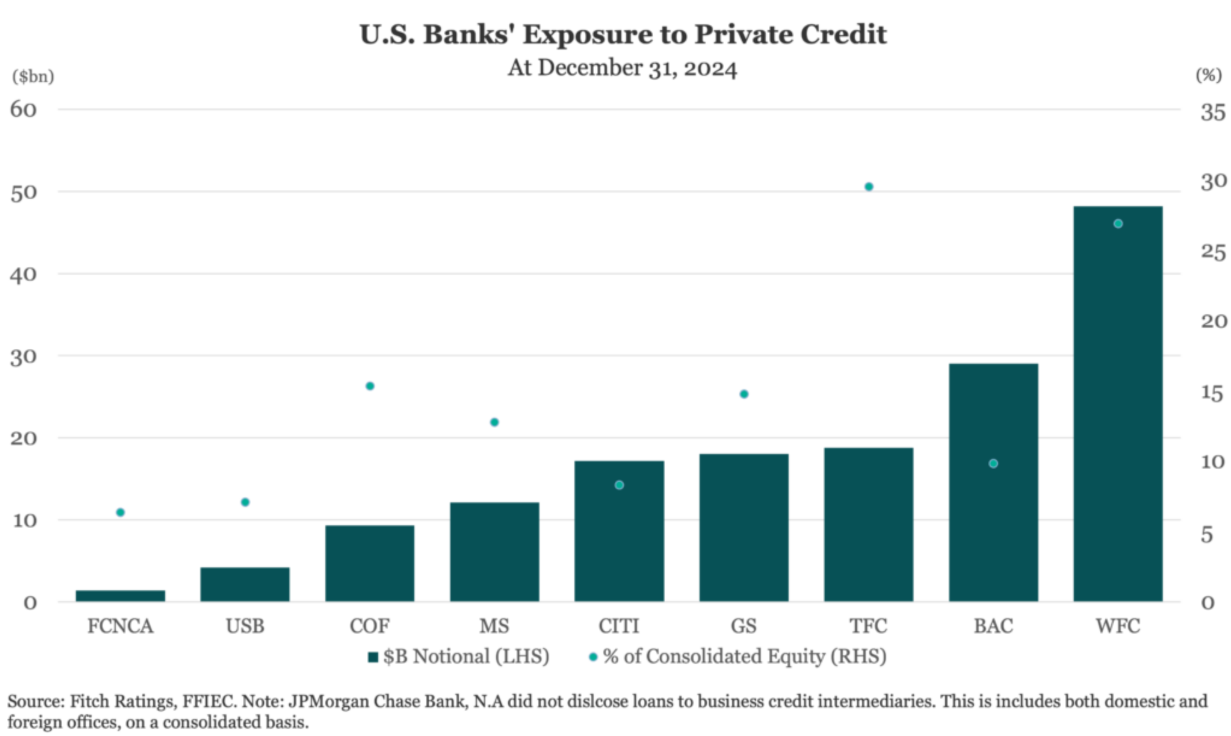

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U.S. Banks’ Direct Exposure to Private Credit Growing; Poses Limited Risks for Now

Join Fitch for the upcoming webinar: Private Credit: Growing Interconnectedness and New Product Risks

Recent regulatory data offers new insights into U.S. banks’ direct exposure to the private credit sector. As of Dec. 31, 2024, U.S. banks with the largest balances of loans to nonbanking financial institutions (NBFIs) reported $158 billion in loans to private credit and $104 billion in unused commitments. Combined, this represents an average of 18% of consolidated equity. Fitch considers this exposure manageable given the banks’ diversified business profiles, solid capital levels, and robust earnings profiles.

Despite the rapid growth in private credit over the last several years, Fitch considers the financial stability risks from banks’ direct exposure as currently limited. This is largely due to the typical structure of private credit lending, which involves closed-end funds with committed capital and generally low fund-level leverage.