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Examining bank exposure  
to private credit and  
preparing for remediation

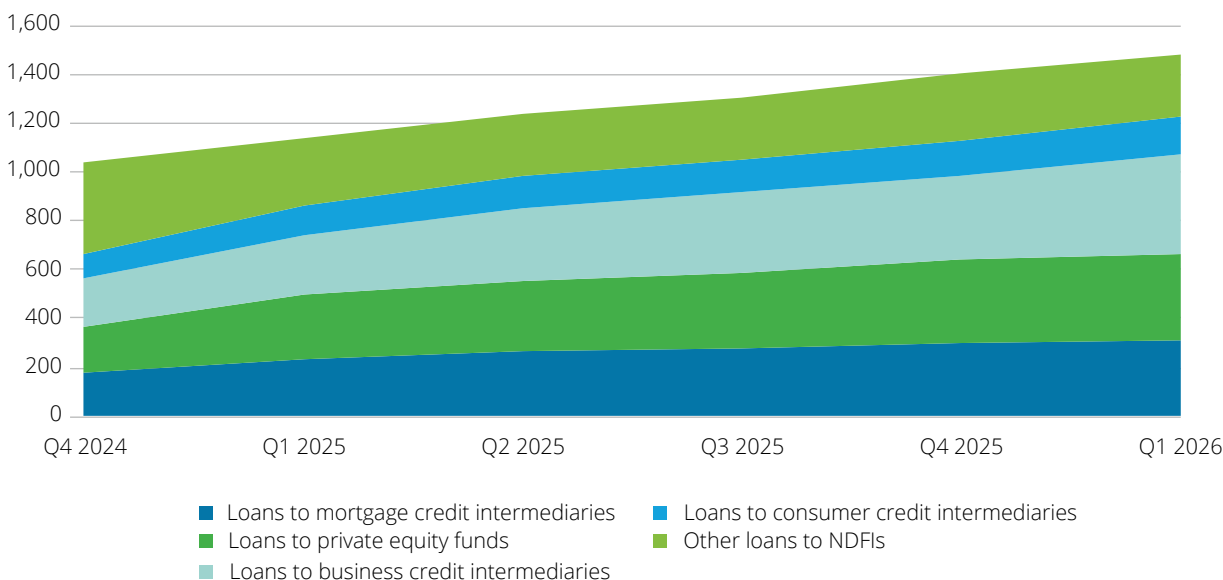
# Introduction

While much of the recent attention on private credit has focused on investor liquidity, specifically the ability of investors to withdraw their capital, a second important question is gaining traction: What is the extent of bank exposure to private credit, and how should banks manage the associated risks? Our research on 130 banks in the US with more than \$10 billion in assets suggests that some banks may be overly exposed and, given the nature of the bank-nonbank nexus, concentration risk could be masquerading as diversification.

Regulators are increasingly treating this as a supervisory priority. Non-Depository Financial Institution (NDFI) loans have increased from \$56 billion in Q1 2010 to \$1.9 trillion in March 2026.<sup>1</sup> This resulted in NDFI lending as a share of lending to grow from less than 1% of total loans to 14% and accounts for more than one-third of lending to businesses. In 2024, the Federal Reserve enhanced its reporting requirements by updating FR Y-9C to require more granular disclosure of bank exposures to NDFIs, including private funds. S&P Global found that bank lending to NDFIs accounted for 25% to 30% of total loan growth since 2021.<sup>3</sup>

Even though the time series data is limited, there are some clear narratives to be learned from the data. Between Q4 2024 and Q1 2026, total loans to NDFIs grew from a little over \$1 billion to more than \$1.4 billion, a 40% increase, underscoring the importance of the bank-nonbank nexus in the US credit markets. The composition is also changing. Lending to business credit intermediaries and private equity funds is increasing, showing that banks continue to finance private credit and other alternative asset managers. Notably, exposures do not appear to be disproportionately concentrated within any particular nonbank lender category. However, some of this data may continue to change as the industry further refines how it categorizes lending to nonbank lenders.

**Figure 1. Cumulative loans to NDFIs by category for banks with more than \$10 billion in assets (\$ billions)**



Source: S&P Capital IQ

When viewed at a high level across the banking industry, lending exposures to NDFIs appear broadly distributed across institutions, suggesting systemic risk is not concentrated in any single pocket of the banking sector. However, a different picture emerges when segmenting exposures by bank size. When we break down the data based on bank size, we see that more than 60% of the loans to NDFIs

is concentrated among banks with more than \$700 billion in assets, as seen in table 1. Moreover, the top 16 banks represent about 88% of all lending to NDFIs. As a result, the largest banks may be overly exposed to the risks to nonbanks. These vulnerabilities may be amplified by relationships that extend beyond fund financing to include other interlinkages, such as subscription lines.

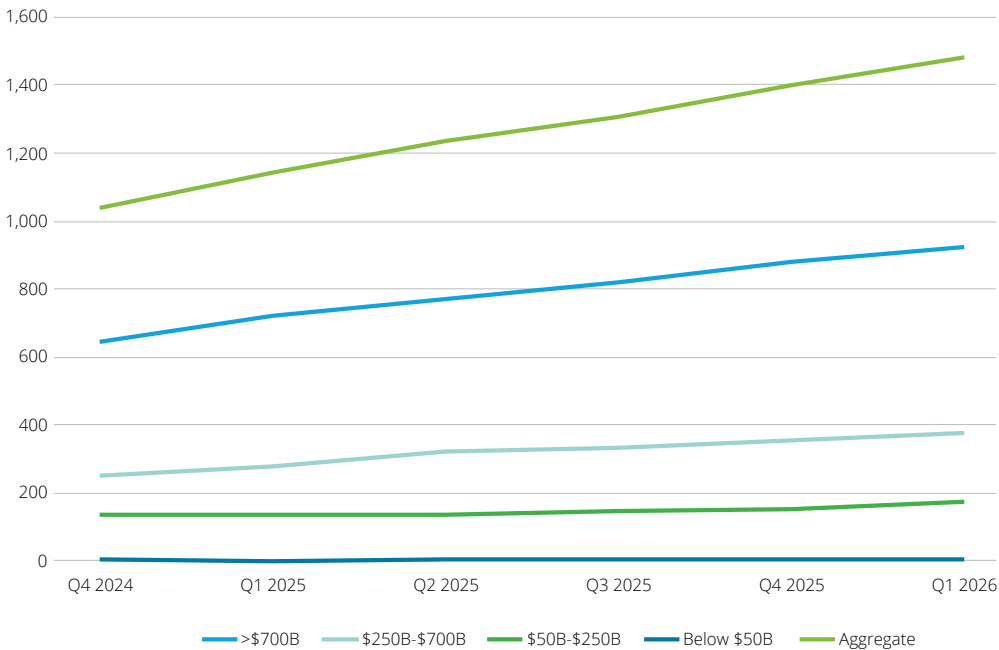
**Table 1. Lending to NDFIs by US banks with more than \$10 billion in assets**

Bank size (Assets)	Number of institutions	Total loans to NDFIs	Mortgage intermediaries	Business credit intermediaries	Private equity funds	Consumer credit intermediaries	Other loans to NDFIs
Above \$700B	5	925	211	235	186	130	162
\$250B-\$700B	11	378	80	127	93	21	57
\$50B-\$250B	31	173	17	40	75	7	34
Below \$50B	83	5	1	2	1	0	2
<b>Aggregate</b>		<b>1,481</b>	<b>309</b>	<b>404</b>	<b>355</b>	<b>158</b>	<b>255</b>

Source: S&P Capital IQ

A further breakout of the aggregate exposures by bank size is shown in figure 2, where the proportion of exposure across each bank size seems to be relatively consistent. However, even within peer groups, some banks may be more heavily concentrated than others, suggesting that exposures can vary considerably among institutions of similar size.

**Figure 2. Aggregate exposure to NDFIs by bank size (\$ billions)**



Source: S&P Capital IQ

Importantly, the data that is being shared publicly is only a partial understanding of the extent of bank exposure to private credit, some of which is held off balance sheet. In fact, the bank-private credit relationship is not a one-way exposure. It is a financing loop. Banks provide subscription lines, net asset value (NAV) facilities, revolving credit facilities, and other forms of fund-level liquidity allowing private credit managers to execute deals before permanent capital is called or borrower cash flows are received. Once the private credit fund lends to a portfolio company, the borrower may deposit proceeds back into the banking system and rely on banks for treasury, payments, hedging, and other ancillary services. Limited partner (LP) capital calls also move through banks before being transferred to the fund and ultimately to borrowers or lenders.

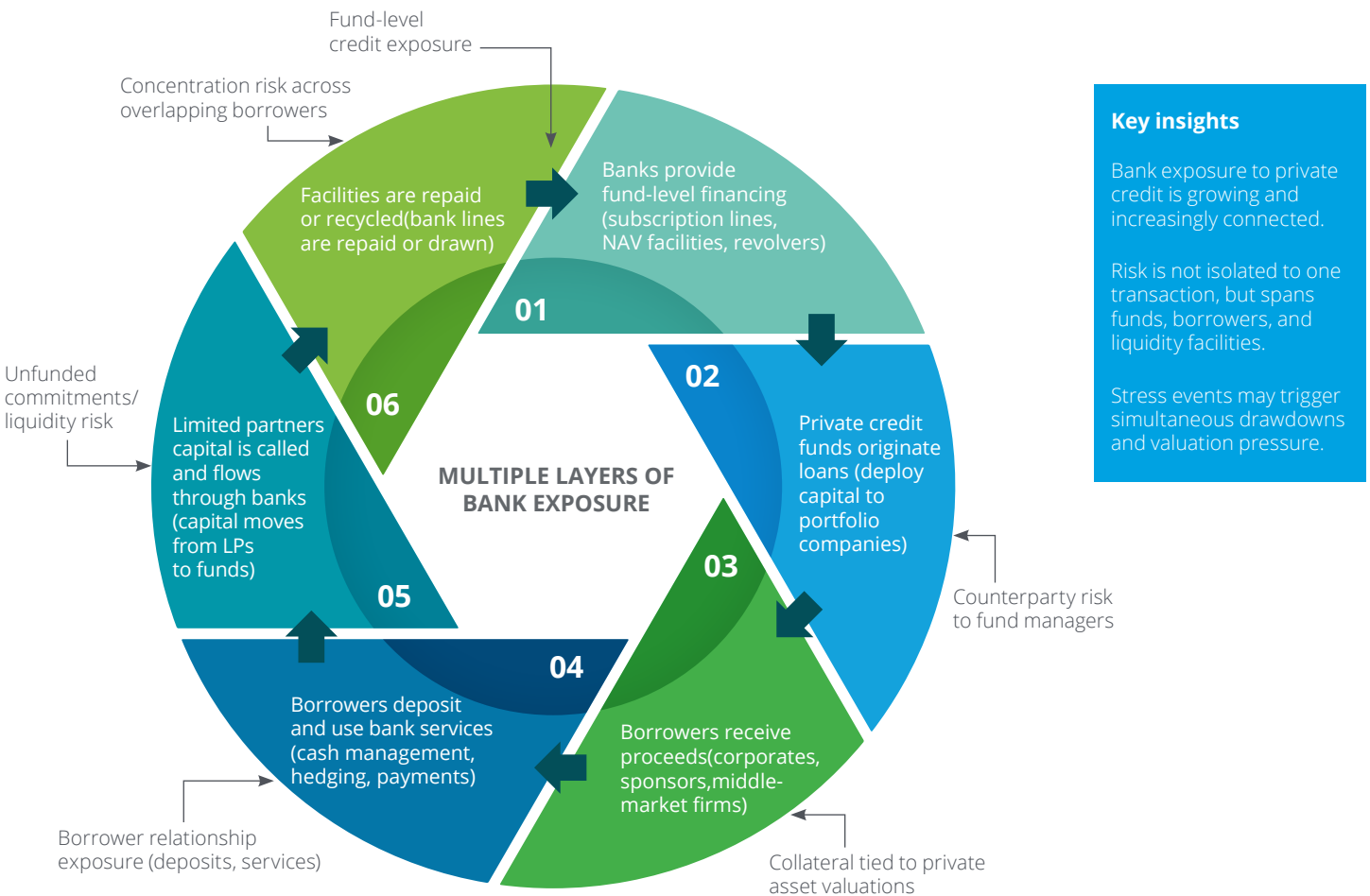
This creates multiple points of bank exposure: direct lending to funds, unfunded commitments, collateral tied to private fund assets, borrower-level relationships, and second-order concentration risk

where several funds may finance the same sponsors, sectors, or portfolio companies. Consequently, banks' economic exposure may be broader and more interconnected than their discrete fund-finance exposures indicate.

This is why the issue is not simply whether a bank has lent to a private credit fund. The more important question is whether the bank understands how its exposures interact across funds, borrowers, collateral pools, liquidity facilities, and market stress scenarios. If a bank does not have a thorough understanding of its exposure, what appears to be diversification may in fact obscure significant concentration and interconnectivity risk. Furthermore, risk modeling assumptions may underestimate the correlation between the assets and exposure to specific sectors.

**Figure 3. The bank-private credit funding loop: Mapping points of exposure**

Banks are exposed at multiple points across the private credit ecosystem, not just through direct lending



Banks' primary goal right now should be to understand the two major areas of exposure to private credit, in the form of credit and liquidity risk.

To address these risks effectively, banks need to consider taking both strategic and tactical actions:

**1. Develop a holistic view of exposure**

Banks should identify and map not only their direct lending to private credit funds but also the underlying portfolio credit and liquidity exposures. This second-order analysis is critical, as multiple funds may hold overlapping positions, leading to hidden concentrations across sectors, sponsors, or borrowers. Further analysis may also reveal how exposures across funds are exposed to the same thematic risks, such as disruption from AI.

**2. Create contingencies for liquidity pressure**

Many bank exposures to private credit involve revolving facilities, subscription lines, and NAV financing structures that can be drawn rapidly during market dislocations. Banks should model scenarios involving simultaneous drawdowns, delayed LP funding, widening collateral haircuts, and reduced secondary market liquidity.

**3. Strengthen risk governance and limit frameworks**

Risk functions must work closely with business teams to establish and enforce exposure limits, apply adequate haircuts, and ensure appropriate underwriting standards are applied. This includes reassessing assumptions around performance under stress along with potential correlation with other exposures, recovery values, and liquidity implications.

**4. Enhance collateral valuation practices**

A key challenge in private credit is determining asset valuations, especially if these are determined by the fund itself. Banks should introduce independent validation mechanisms, conservative valuation overlays, and more frequent reassessment cycles to mitigate potential bias or lagged pricing.

**5. Improve transparency and reporting**

Senior management and the board should have clear and timely reporting on private credit exposure, including concentration risks, counterparty dependencies, and liquidity profiles. Scenario analysis and stress testing should explicitly incorporate private credit-linked exposures.



# Closing thoughts

These measures not only reflect prudent risk management but also may be proactive preparedness for regulatory expectations. As noted above, the Federal Reserve has already moved to enhance visibility into bank-NDFI linkages. In parallel, the SEC has expanded Form PF requirements to capture more detailed information on private fund leverage and financing arrangements, the results of which will not be publicly available.

Under the updated Form PF framework, private funds must now disclose detailed information on portfolio company financing, including:

- Total dollar amount of borrowings;
- Percentage borrowed from US financial institutions;
- Percentage borrowed from non-US financial institutions;
- Percentage borrowed from US creditors that are not financial institutions; and
- Percentage borrowed from non-US creditors that are not financial institutions.<sup>3</sup>

Taken together, these developments signal a clear regulatory intent: to better understand the interconnectedness between banks and private credit markets, and to assess the potential for systemic risk.

For banks, the ability to identify and control exposure may be a key determinant in separating those that can withstand potential stress to those that may be overly exposed. Private credit is no longer a peripheral exposure; it is a large player in credit markets, particularly leveraged loans. Banks that prepare their data systems, develop risk reporting, understand and control liquidity exposure, and enforce credit governance will be better positioned to manage the downside risks while continuing to benefit from volatility in the market.

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## Endnotes

1. Board of Governors of the Federal Reserve System (FRB), "[Assets and Liabilities of Commercial Banks in the United States – H.8](#)," accessed May 2026.
2. Devi Aurora et al., "[U.S. banks look resilient to growing private credit and nonbank exposure](#)," S&P Global, May 6, 2026.
3. US Securities and Exchange Commission (SEC), [Form PE](#), accessed May 2026.

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