



BANK LENDING TO NONBANK FINANCIAL INSTITUTIONS CONTINUED TO INCREASE RAPIDLY IN 2025

- In 2025, bank lending to nonbank financial institutions (NBFIs) increased by 10% year-over-year to \$1.7 trillion in Europe, and by 28% to \$1.4 trillion in the United States. On average, lending to NBFIs represented 8% of total loans in Europe and 10% in the United States (See Tables 1 and 2 for NBF1 definitions).¹
- Banks' NBF1 lending varied markedly across regions: in Europe, non-GSIBs accounted for more than half of such lending, whereas in the United States GSIBs accounted for more than 60% (Figure 1, Panel 1).
- Lending to NBFIs is more significant for EU banks than for U.S. banks, although U.S. Banks' lending has grown rapidly in recent years (Figure 1, Panel 2). Approximately 25 percent of EU banks reporting NBF1 lending had exposures exceeding 100% of Tier 1 capital, compared to about 15 percent of U.S. banks. In Europe, these exposures were mostly concentrated among mid-sized banks, including subsidiaries of U.S. banks. However, Deutsche Bank reported the largest exposure (\$239 billion, equivalent to 32 percent of total loans) and the highest concentration relative to Tier 1 capital (396 percent). In contrast, in the United States, banks with a high share of NBF1 exposures were mostly GSIBs; however, several regional and smaller banks also exhibited high NBF1 lending-to-Tier 1 capital ratios (Figure 1, Panels 3 and 4).
- Business intermediaries (which include private credit managers) and private equity funds continued to form the majority of U.S. banks' exposures to NBFIs (Figure 1, Panel 6). The Office of Financial Research in the United States estimated nonbank private credit lending to range from \$410 billion to \$540 billion in 2024, according to a report published in mid-March 2026.
- In response to private credit market stress, several banks, mainly in Europe and the United Kingdom, disclosed the size and composition of their private credit exposures, as well as the risk mitigation measures they use to manage these risks. Barclays noted that most of its exposure is to U.S. private credit while JPMorgan reported that it had curtailed lending to private credit funds following markdowns on certain software-related loans. Overall, some banks maintain sizable exposures to private credit (Figure 1, Panel 5).
- Off-balance-sheet NBF1 lending continued to grow rapidly in the United States. These unused NBF1 loan commitments can be drawn at any time and could materially amplify banks' effective exposures during periods of stress. Data limitations prevented comparable assessments of off-balance-sheet NBF1 concentrations in the European Union and the United Kingdom.
- Banks with higher concentrations of exposure to the NBF1 sector have experienced larger equity price declines since the start of 2026 and, in particular, after the beginning of the war in the Middle East (Figure 2, Panels 1 and 2). Similarly, the overall cost of equity for banks that have higher exposures to NBFIs has risen more than for those less exposed to this sector, allegedly reflecting high NBF1 sector's intertwining with cyclically weak asset classes such as CRE or private credit (see Figure 2, Panel 3 and 4).

¹ Data for EU banks from the European Banking Authority as of June 2025 and data from Call Reports for U.S. banks as of 4Q25. In Europe, NBFIs exposures include exposures to insurance companies, collective investment schemes, specialized financial institutions and special investment or purpose vehicles. In the United States, banks report NBF1 exposures to mortgage, consumer, business, private equity funds, and other loans to non-depository financial institution intermediaries, see Table 1 and 2 for definitions. In Europe, large non-GSIBs are banks with total assets greater than EUR 100 billion. In the United States, regional banks are institutions with total assets exceeding \$100 billion, while smaller banks have total assets below \$100 billion.

Table 1. European Definition for NBF Exposure

In the European Union, Commission Delegated Regulation (EU) 2023/2779 defines “shadow banking entities” for the purposes of Article 394(2) CRR, that requires banks to report and disclose large exposures to NBFs. These include:

- i) Insurance companies
- ii) Collective investment schemes of all sorts (opened/closed ended investment funds, real estate funds, private equity, etc.)
- iii) Specialized financial institutions that collect deposits or provide loans.
- iv) Special investment/purpose vehicles of various types (SIVs).

Table 2. U.S Call Report Definitions

NBFs encompass a wide range of financial entities that provide services similar to those of traditional banks but do not accept deposits from the general public and are not regulated by the U.S. Federal banking agencies. NBFs include, but are not limited to, mortgage companies, insurance companies, investment funds (such as mutual funds, money market funds, hedge funds, and private capital funds), pension funds, broker dealers, securitization vehicles, and other financial entities engaged in credit intermediation, asset management, market-making, and other financial services activities.

Mortgage Credit Intermediaries	All mortgage companies that specialize in residential or commercial mortgage loan origination or servicing activities (other than loans secured by real estate). Include loans to SPEs designed to facilitate residential or commercial mortgage-related securitizations activities (mortgage warehousing facilities, loans to direct lenders, REITs, CDOs, CLOs, private debt funds, ABCP conduits, or other financial intermediaries in which the underlying asset are comprised of residential or commercial mortgages (greater than 50% of assets or lending activities)). Include CLO tranche holdings. Exclude outright purchases of mortgages or other loans secured by real estate.
Business Credit Intermediaries	SPEs, finance companies, direct lenders, CDOs, CLOs, private debt funds, leasing companies, ABCP conduits, BDCs, SBICs, or other financial intermediaries in which the underlying assets are mainly comprised of loans to businesses (greater than 50% of assets or lending activities). Includes
Private Equity Funds	Private equity funds. Include capital call commitment and other subscription-based facilities to private equity and venture capital funds, or any other general partnership funds that raise capital through limited partnership arrangements in which the underlying investment assets are mainly comprised of equity investments in private, non-listed assets or companies (greater than 50% of assets).
Consumer Credit Intermediaries	SPEs, finance companies, direct lenders, private debt funds, leasing companies, ABCP conduits, or other financial intermediaries in which the underlying assets are mainly comprised of loans to consumers (greater than 50% of assets or lending activities). Includes CLO tranche holdings reported as loans. Includes loans designed to facilitate ABS activities for consumer credit products (ABS, credit card ABS, student loan ABS, etc.). Include loans to other non-bank consumer lenders, including internet-based lending platforms and other marketplace lenders.
Other Loan NonDepository Financial Institution	Loans to HCs of other depository institutions, insurance companies, federally-sponsored lending agencies, investment banks and broker dealers. Excludes loans secured by real estate, and loans for purchasing or carrying securities, including margin loans. Loans and advances made to the bank's own trust department. Publicly-listed investment funds such as money market funds, mutual funds (open and closed), index funds and exchange-traded funds. Loans to private capital funds, including private equity and private debt funds. Hedge funds. Pension funds, endowments, family offices and sovereign wealth funds. Securitization vehicles and other investment firms and financial vehicles.

Source: FFIEC 041, Call Report.