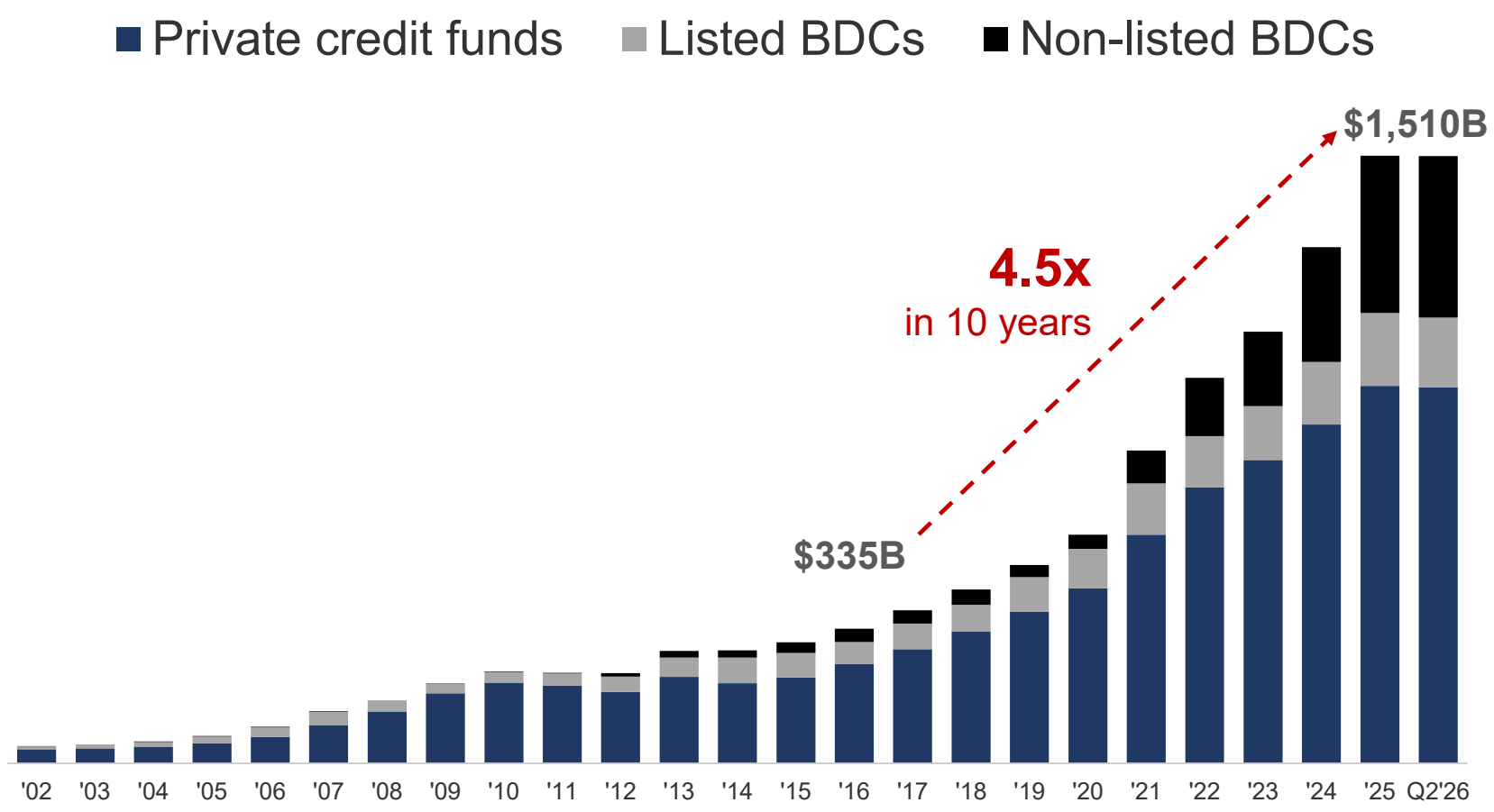
Private Credit and Financial Stability

Tomasz Piskorski
Columbia University & NBER

October 2026

Private Credit Assets in $ Billions



PRIVATE CREDIT

$1.5T

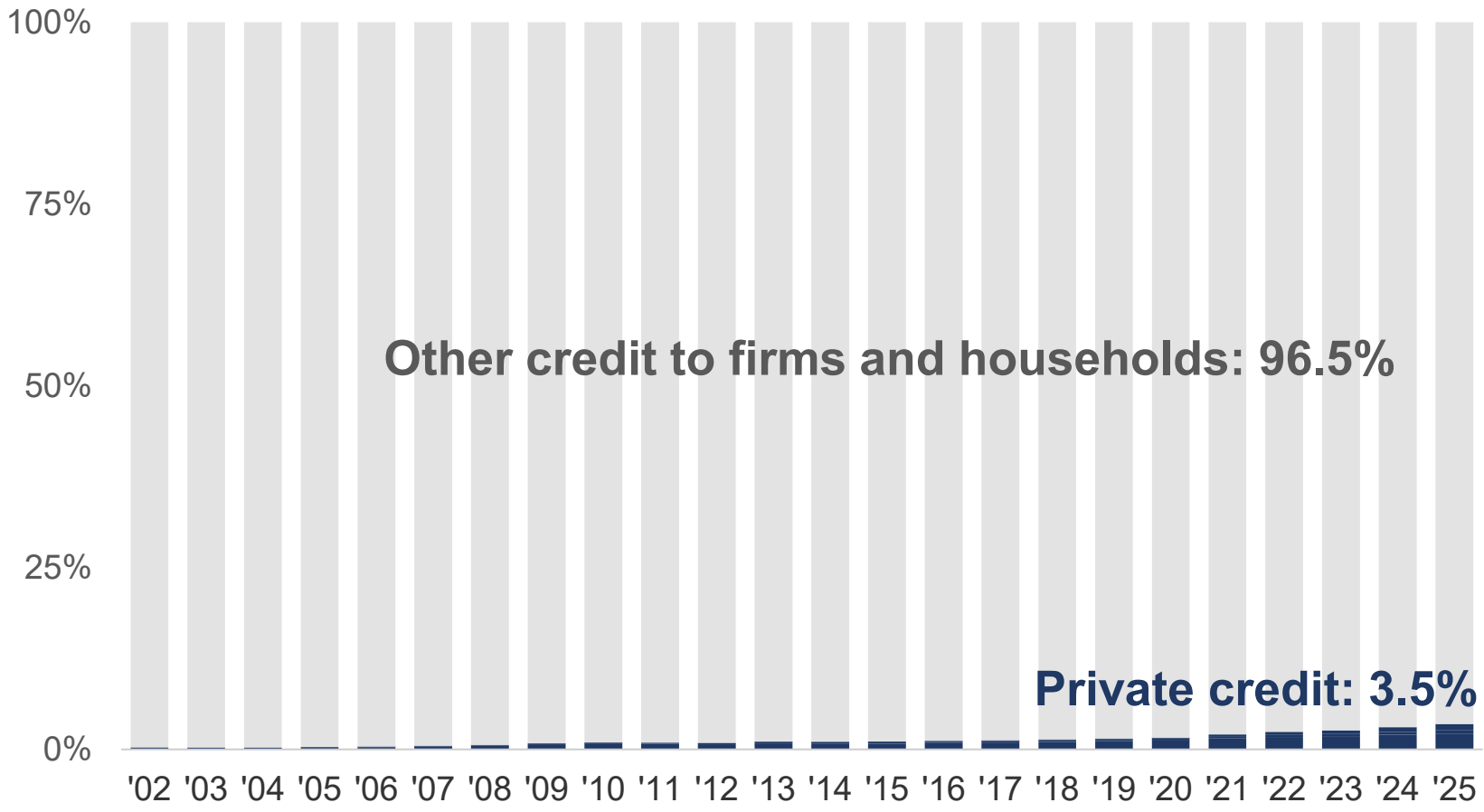
Funds and BDCs, total assets, Q2 2026

~4.5x

Rapid growth in assets over the last decade

Source: Matvos, Piskorski, Seru, 2026, Private credit, balance sheets, and financial stability, *Journal of Economic Perspectives.*

Private Credit Is 3.5% of Credit to Firms and Households



PRIVATE CREDIT

$1.5T

Funds and BDCs, total assets, 2025

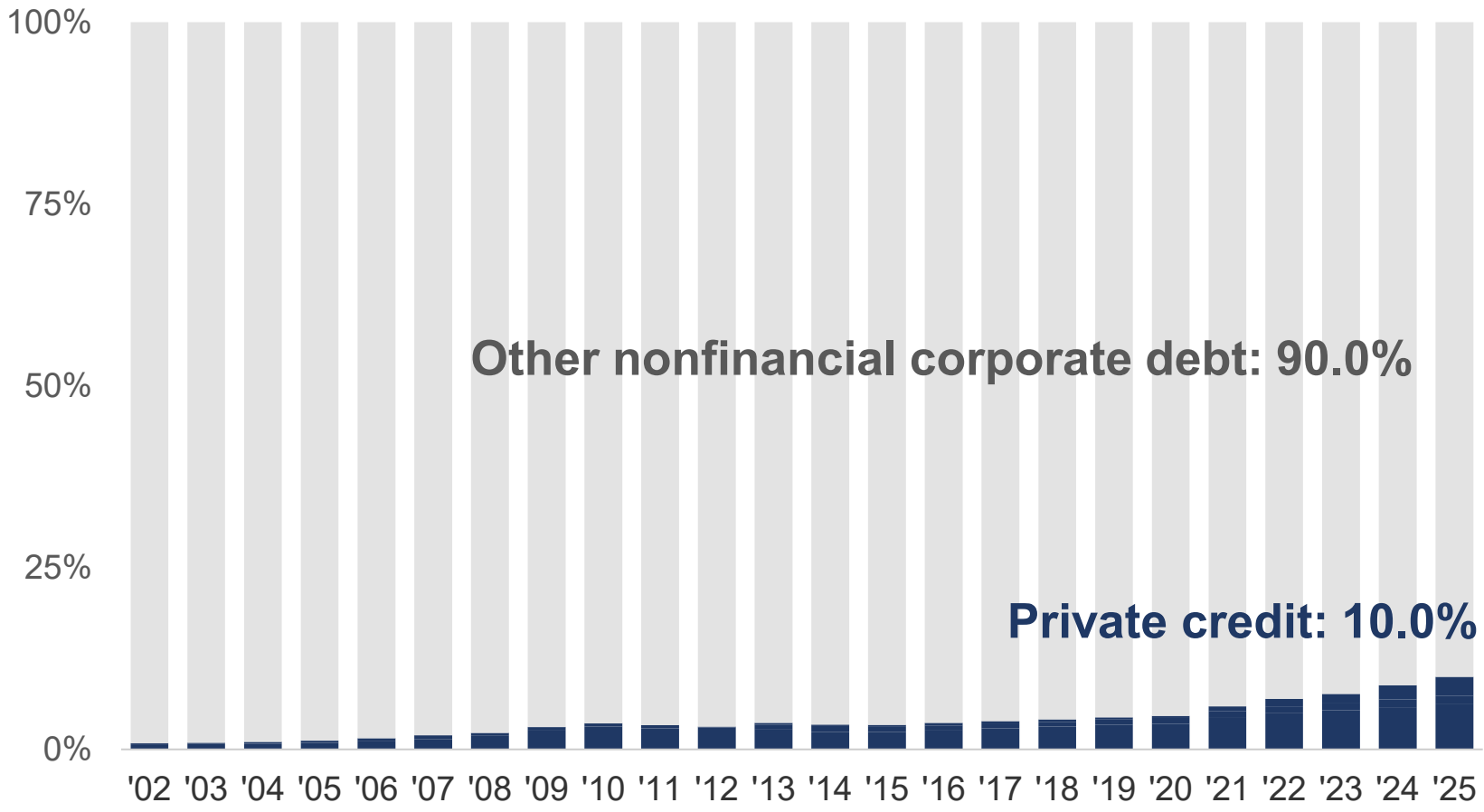
TOTAL CREDIT

$43.1T

Total credit to U.S. firms and households, 2025

Note: Private credit fund and BDC assets divided by total credit to the U.S. private nonfinancial sector, year-end.
Source: Preqin; Federal Reserve, and SEC filings.

Private Credit Is 10% of Nonfinancial Corporate Debt



PRIVATE CREDIT

$1.5T

Funds and BDCs, total assets, 2025

TOTAL FIRM CREDIT

$15.2T

U.S. nonfinancial corporate debt, 2025

Note: Private credit fund and BDC assets divided by nonfinancial corporate business debt securities and loans, year-end.
Source: Preqin; Federal Reserve, and SEC filings.

Fragility Comes from Assets and Funding Structures

Asset losses turn systemic when they meet **fragile funding.**

Losses on assets
Defaults, falling values

+

Fragile funding
Thin equity, runnable debt, maturity mismatch

→

Systemic crisis
Runs and fire sales spread distress and contagion

BANK CRISES FOLLOW THIS PATTERN

1930s
Great Depression

1980s
Savings and loan crisis

2007–09
Global financial crisis

2023
Regional bank failures

KEY QUESTION

Does private credit carry similar fragility to banks?

We examine leverage, funding structure, maturity mismatch, and who bears losses.

Private Credit Funds

The dominant form of private credit

Private Credit Funds: 62% of Private Credit

62%
of $1.5T in private credit, Q2 2026

Organized as closed-end private equity debt funds
Investors commit capital for a fixed term and typically cannot redeem before the fund winds down

OUR DATA

Unique dataset on private credit funds (MSCI Private Assets)

COVERAGE

Most (+90%)
of private equity debt funds in the U.S.

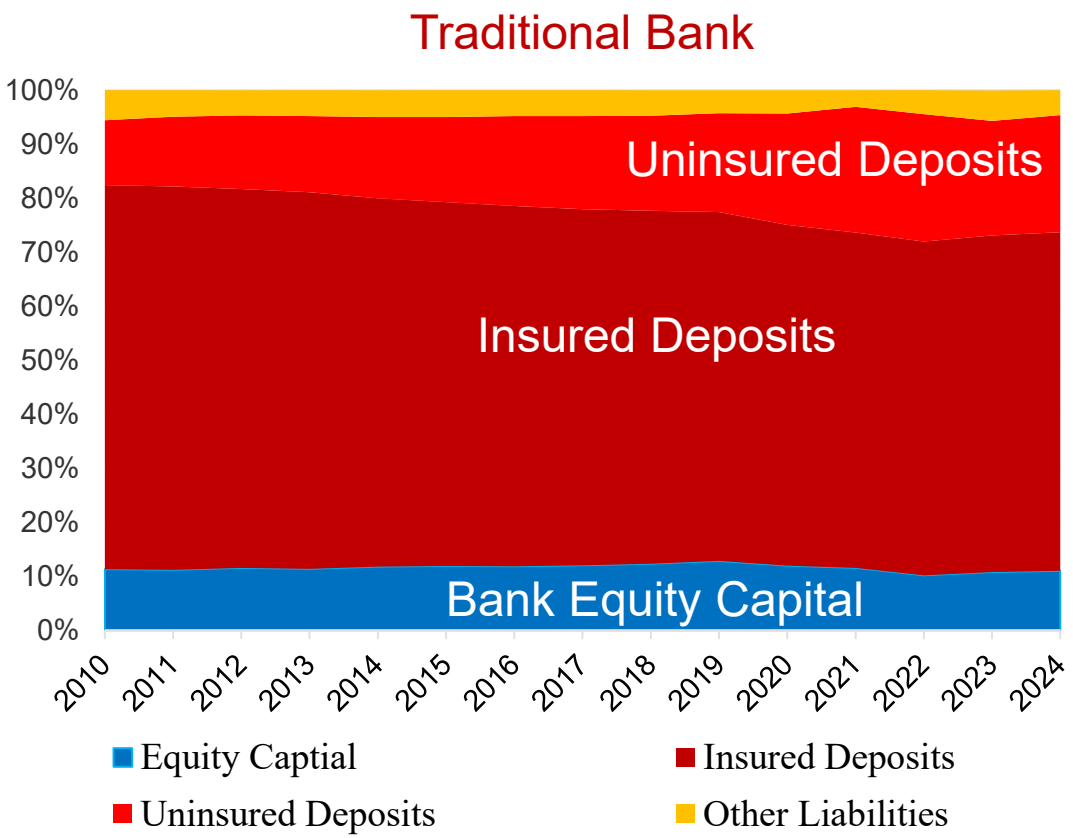
GRANULARITY

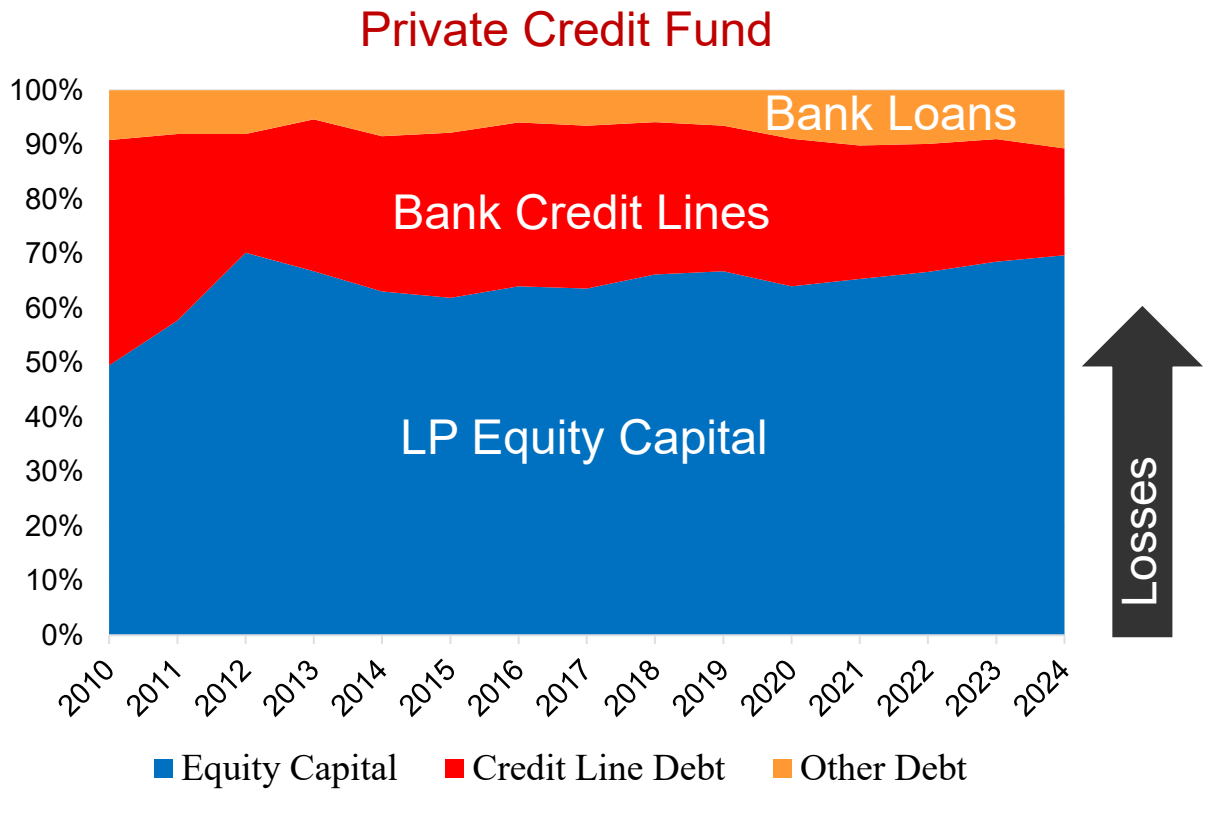
~1,200 funds
fund and asset-level data

WHAT WE MEASURE

- Capital structure
- Composition of investments
- Maturity structure
- Historical returns

Fact 1: High Equity Capitalization





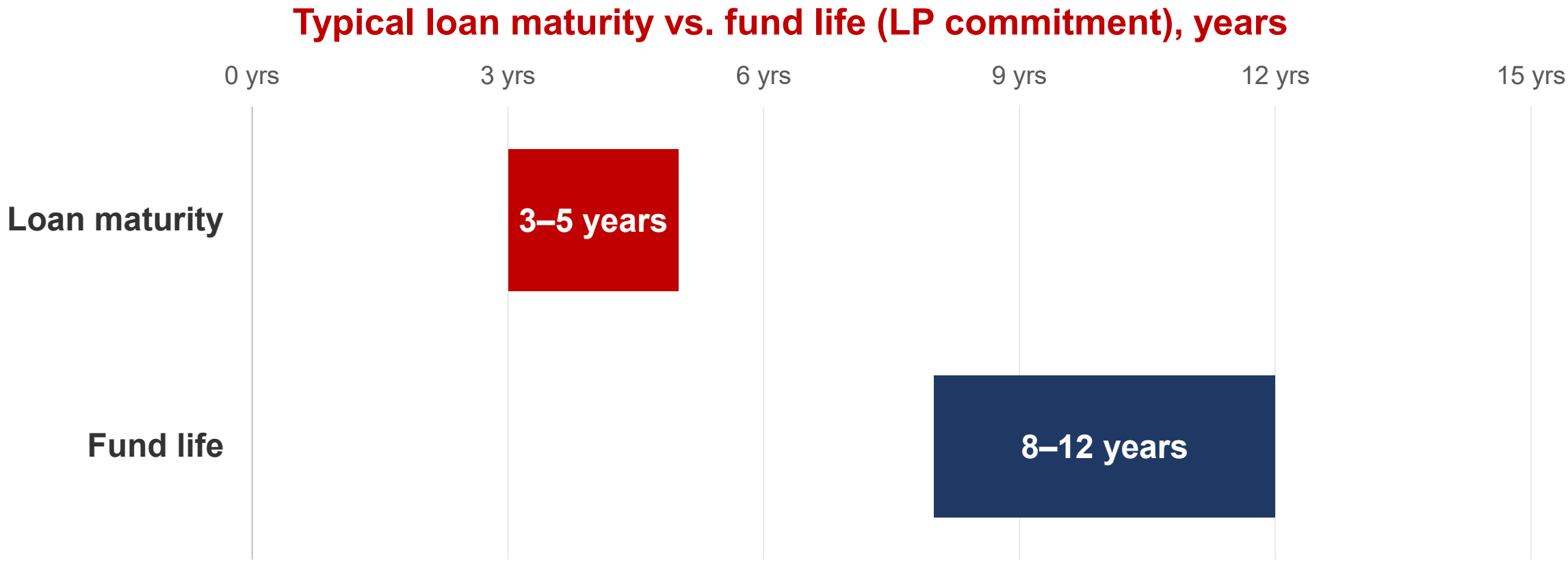
~6x
more equity capital than banks

65% vs ~10%
equity-to-assets, funds vs banks

60%+
loss before bank lenders are hit

Source: Matvos, Piskorski, Seru, 2026, Private credit, balance sheets, and financial stability, *Journal of Economic Perspectives.*

Fact 2: No Asset-Liability Maturity Mismatch

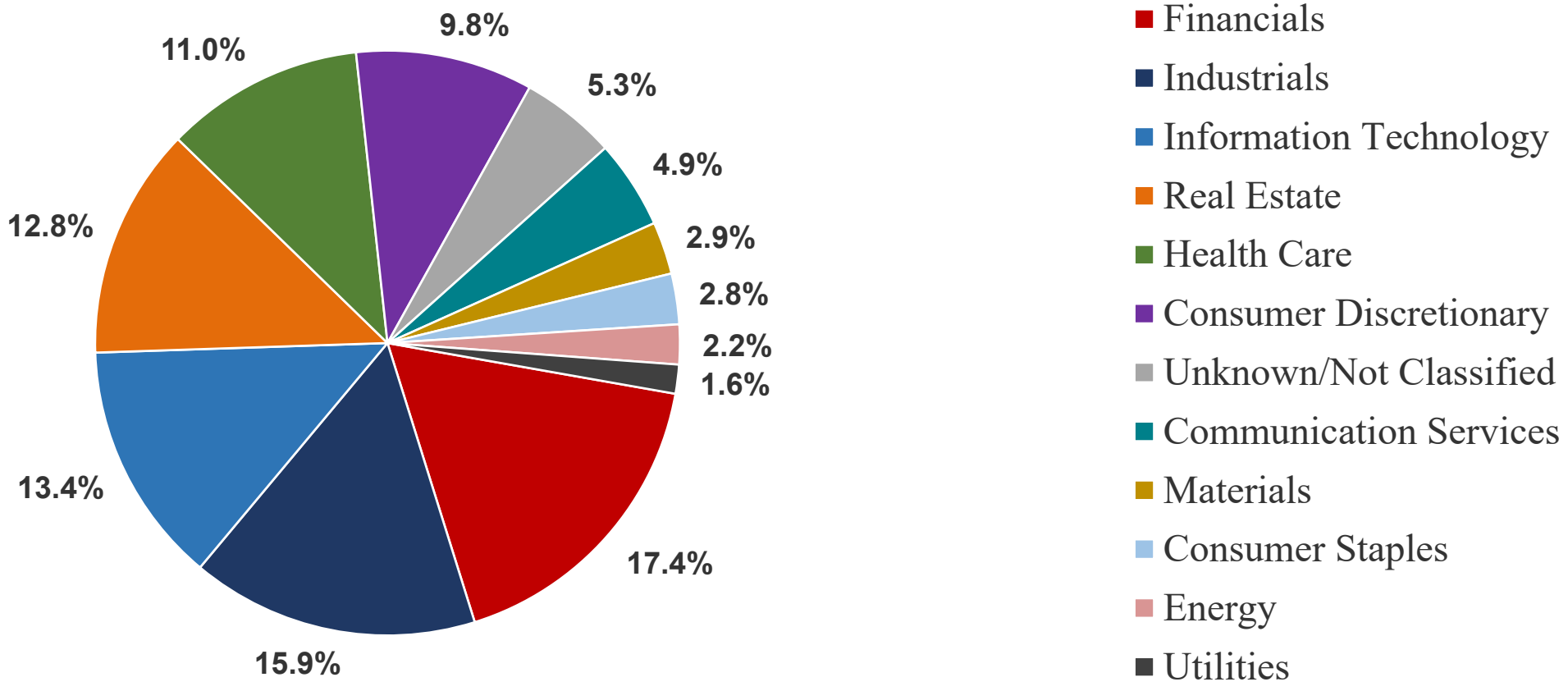


No run risk Assets mature faster than liabilities, so investors cannot pull funding before loans repay.

Source: Matvos, Piskorski, Seru, 2026, Private credit, balance sheets, and financial stability, *Journal of Economic Perspectives.*

Fact 3: Assets are Diversified Across Industries

Share of private credit fund assets by industry



Source: MSCI Private Assets, 2026:Q1 (21,056 active holdings, $798.0B).

Fact 4: Limited Partner Annual Returns (Equity Funders)

	Mean	1%	2%	5%	10%	25%	Median	75%	90%	N
All funds	**9.6**	**-18.1**	**-11.5**	**-3.8**	**1.2**	**6.1**	**9.1**	**12.7**	**17.6**	1,267
By industry										
Generalist	**9.5**	-17.5	-12.1	-3.1	1.9	6.0	**9.1**	12.6	17.2	730
Real Estate	**8.3**	-20.4	-15.1	-4.9	-1.1	5.6	**8.6**	11.8	16.4	246
Financials	**12.0**	-6.9	-3.4	-0.2	2.5	7.0	**9.4**	13.4	22.3	46
Health Care	**10.4**	2.7	3.4	5.4	5.6	6.9	**9.7**	11.3	14.3	21
Industrials	**8.3**	-17.8	-14.6	-5.1	-1.1	7.6	**8.7**	14.4	15.9	20
Energy	**6.1**	-12.8	-11.2	-6.3	-4.3	2.2	**8.0**	9.9	16.0	19
Consumer Discretionary	**9.1**	-1.2	-0.3	2.6	7.3	8.5	**10.5**	11.4	11.8	11
Information Technology	**9.1**	-9.9	-8.5	-4.5	2.2	8.6	**9.3**	12.1	18.5	9
Unknown/Not Classified	**11.9**	-8.4	-5.1	0.0	2.4	6.9	**10.3**	14.4	20.4	152

LPs bear the risk
Little realized risk to bank creditors

~10%
Average annual LP return, after fees

<5%
Share of funds that impaired creditors

Source: Matvos, Piskorski, Seru, 2026, Private credit, balance sheets, and financial stability, *Journal of Economic Perspectives.*

Private Credit Funds: Summary

Private credit funds avoid the features that make banks fragile

FACT 1

High equity buffers

Funds hold about 6x more equity than banks (65% vs. ~10% of assets)

FACT 2

No maturity mismatch

Loans mature in 3–5 years; LP capital is committed for 8–12 years

FACT 3

Little runnable funding

Investors cannot redeem before the fund winds down

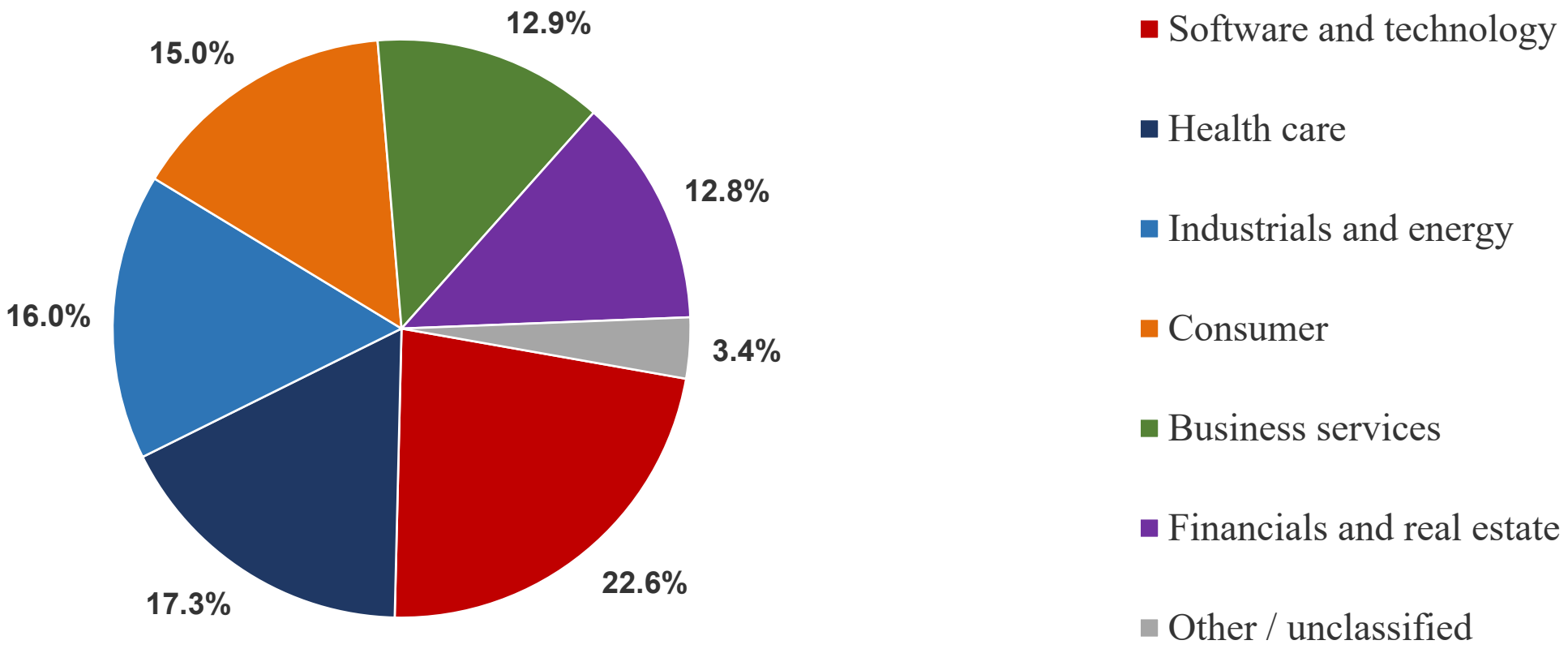
Result: Losses fall on LP equity (mainly institutional investors), not on bank creditors.

Business Development Companies (BDCs)

A smaller but fast-growing segment of private credit

BDC $575B Assets

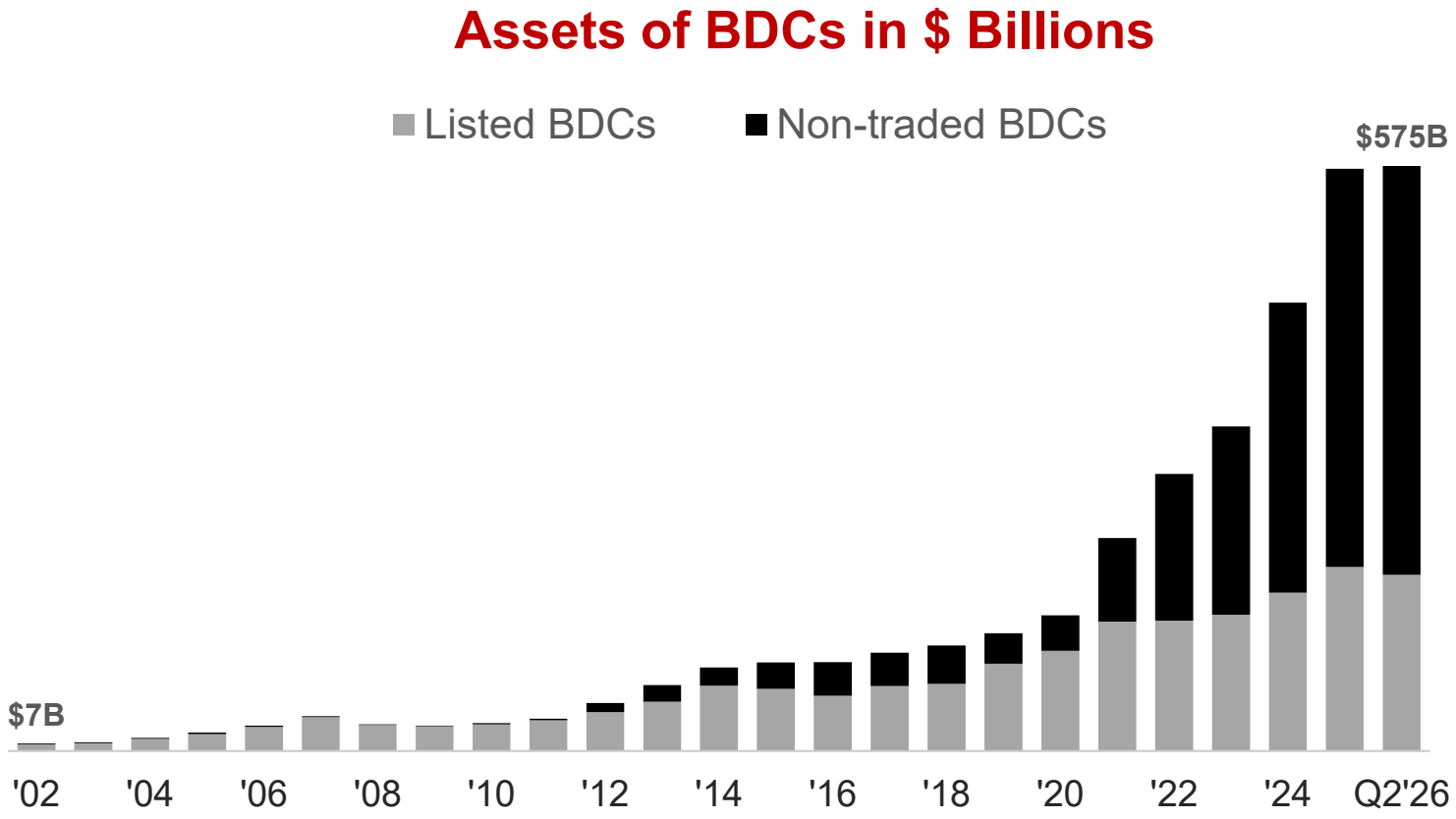
Share of BDC assets by industry, listed and non-traded combined



Source: SEC disclosures.

BDCs Growth Led by Non-Traded BDC

Business development companies (BDCs) are SEC-regulated investment companies that lend mainly to U.S. middle-market firms. Listed BDCs trade on exchanges; non-traded BDCs do not.



LOW FINANCIAL LEVERAGE

>50% equity

Equity funds more than half of BDC assets, vs. ~10% for banks

ONE ISSUE

Semi-liquid

Non-traded BDCs offer exits through capped quarterly repurchases at reported NAV

Source: Matvos, Piskorski, Seru, Zhao, 2026, Wealth transfers and runs on unsophisticated investors in semi-liquid private credit, *Working paper.*

Bloomberg.com

Why Private Credit Is Facing a Sudden Investor Exodus

SaaSpocalypse. Credit defaults. The war in Iran. A lot of worries are hitting the $1.8 trillion private credit market at the same time,...



Private Credit's Biggest BDCs Grappling With Investor Exodus

Bloomberg

January 8, 2026

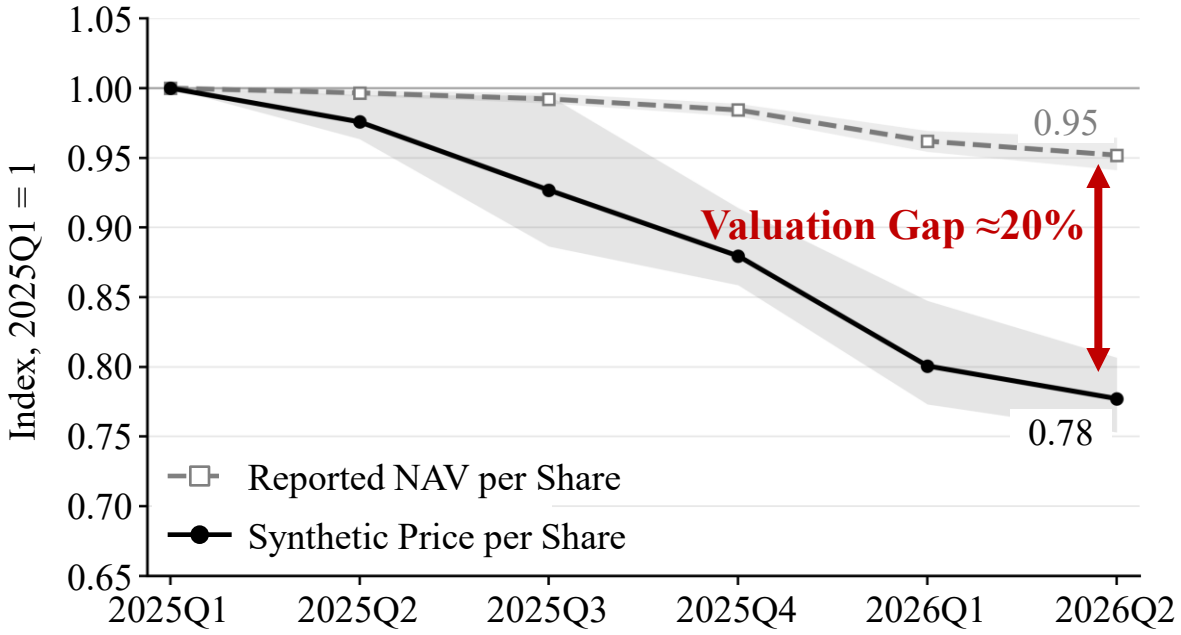
PitchBook

Apollo private credit BDC holds 5% redemption limit after 17% Q2 requests

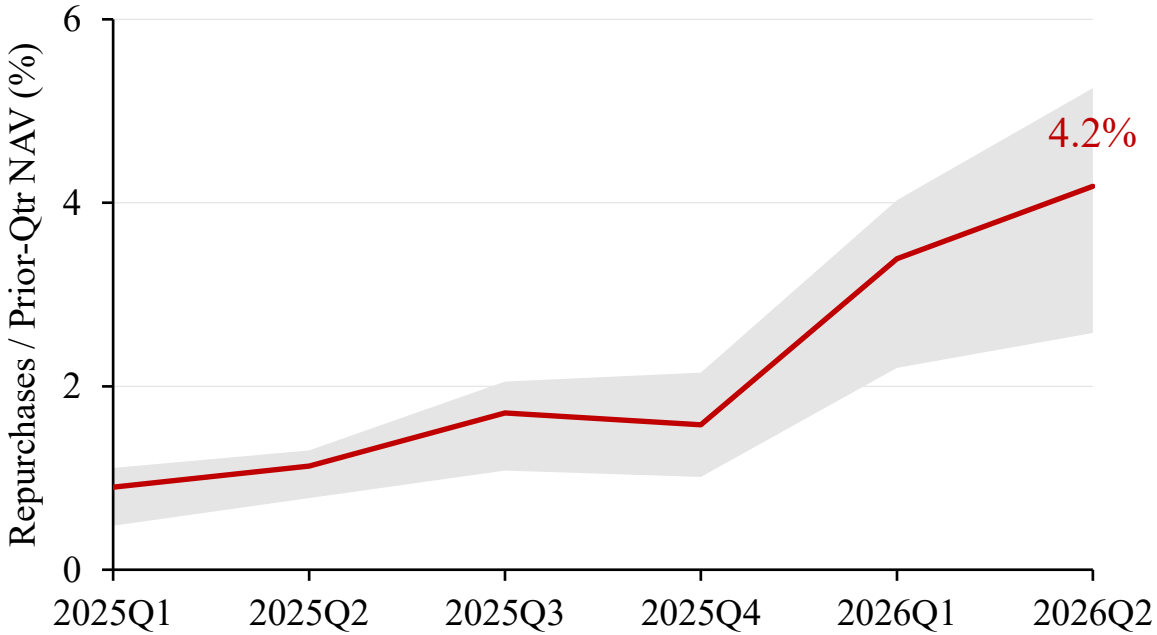
June 26, 2026

Stale NAVs Encourage Runs on Non-Traded BDCs

Private BDCs: Synthetic Market Price vs. NAV



Private BDCs: Redemptions (% of NAV)



Stale valuations

Non-traded BDC NAVs sit about 20% above market-implied value at 2026:Q2

Exits follow the gap

Large repurchases concentrate in funds with the LARGEST valuation gaps

Sophisticated investors exit more

Some institutional investors exit early subject to the cap, leaving losses to less sophisticated and retail investors

Source: Matvos, Piskorski, Seru, Zhao, 2026, Wealth transfers and runs on unsophisticated investors in semi-liquid private credit, *Working paper.*

Implications for Monetary Policy and Regulation

Little Systemic Risk from Private Credit, Areas to Watch

Limited systemic risk

Private credit share: 3.5%

Of the $43.1T of total U.S. credit

Equity funding: 50% to 65%

Of fund assets (about 65%) and BDC assets (about half), with little maturity mismatch

Bank credit exposure: $0.5T

About 2% of bank assets, private credit asset losses would have to exceed 50 to 60% before bank creditors are impaired

Areas to watch

LP and other equity providers exposure

Exposure of large LPs (pension funds, life insurers…)

Mid-size firm borrowers

Mid-size firms that rely on private credit could lose funding if lenders pull back

Semi-liquid vehicles, governance & valuation

Stale NAVs can induce runs in private semi-liquid private credit; broader questions on governance and valuation as private credit expands to retail

What about Banks?

Worry More about Banks than Private Credit

Assets

About $26.5 trillion in bank assets, roughly 17 times the $1.5 trillion private credit market

Thin equity

Equity to assets (E/A) of about 10%

Runnable funding

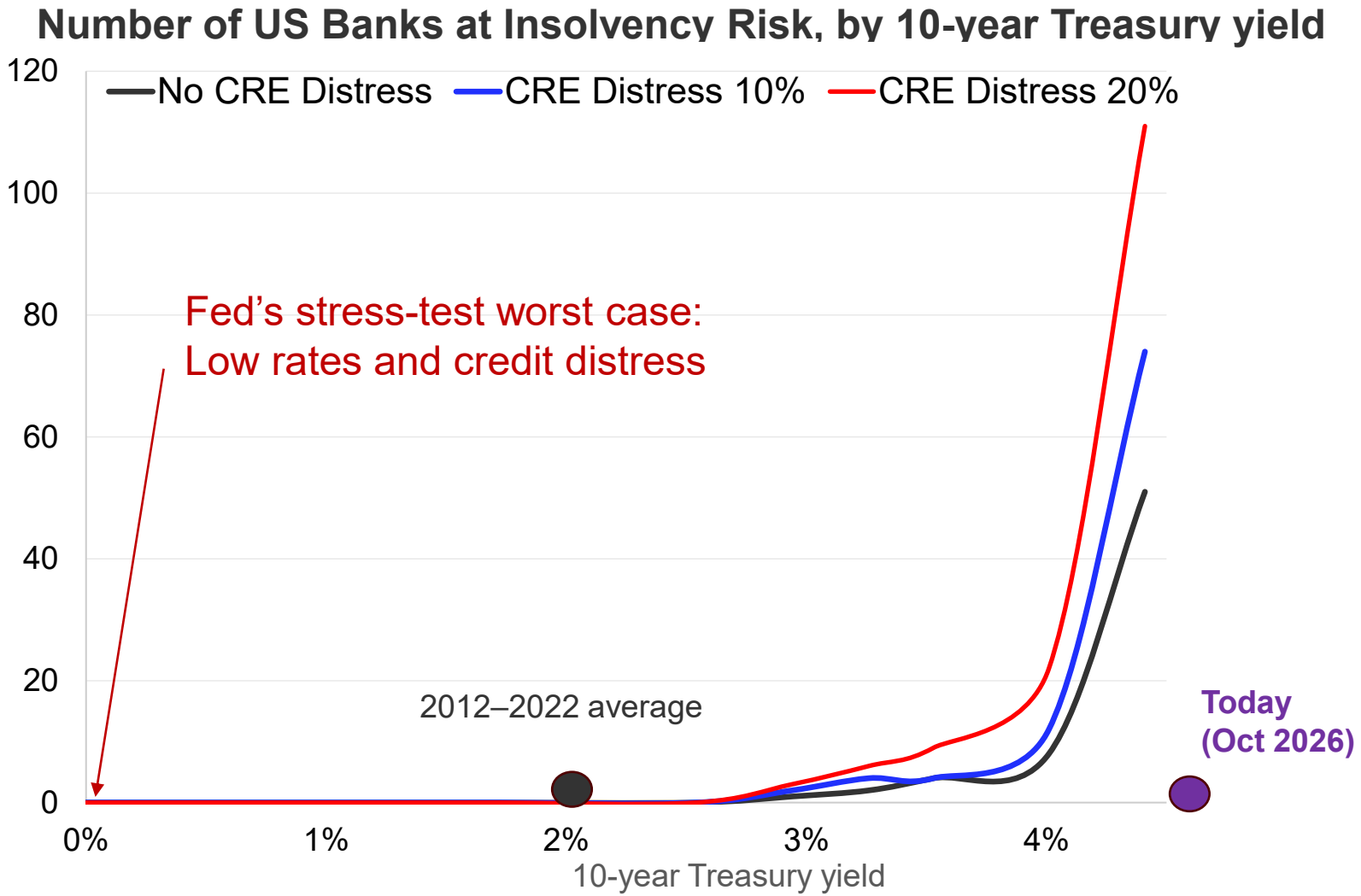
Financed mainly with runnable funding, especially uninsured deposits

High unhedged duration exposure

More than $1 trillion in losses due to recent monetary tightening

Source: Jiang, Matvos, Piskorski, Seru, 2024, Monetary tightening and U.S. bank fragility in 2023, *Journal of Financial Economics.*

2023 Independent Bank Stress Test: Rising Rates Are the Bigger Risk



What it means

Higher rates
are now a bigger risk for banks than credit risk

Stress tests
need to consider a rising-rate scenario

Bank rate risk
can constrain monetary policy

Source: Jiang, Matvos, Piskorski, Seru (2025), Monetary Tightening, Commercial Real Estate Distress, and US Bank Stability, *Journal of Political Economy: Macro*

Appendix: References

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Jiang, Matvos, Piskorski, Seru (2024), *Journal of Financial Economics* ssrn.com/abstract=4387676

Monetary Tightening, Commercial Real Estate Distress, and US Bank Fragility
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