

The flexiweekly that reaches new heights - published on 2 March 2026

## "WILL BANKS BE AFFECTED BY THE PRIVATE CREDIT CRISIS?"

- The lack of regulation of private credit companies creates a risk of crisis
- After the automotive sector, it is the software industry that is being hit hard
- Listed financial institutions will not escape the stock market turmoil
- However, European banks should fare better than their American counterparts

### CHART OF THE WEEK: "The advantage of European banks is growing"



## FINANCIAL MARKETS ANALYSIS

The private credit market, which was virtually non-existent 20 years ago, has surpassed the symbolic threshold of \$2 trillion. It is no longer a niche segment reserved for a select few. Not only is this figure staggering, but it is the expansion of this form of credit at the expense of traditional banking channels that raises questions. Over time, it has become an essential source of corporate financing, particularly in the United States. **If private credit companies were regulated as strictly as commercial banks, everything would be fine. Unfortunately, this is not the case.** This has paved the way for excesses, financial abuse and opaque practices, which could ultimately threaten the stability of the financial system.



The rise in private credit began after the Great Financial Crisis of 2008. To prevent such a crisis from happening again, **regulators imposed drastic capital constraints on large commercial banks**. These institutions had to reduce their exposure to risky or capital-intensive loans. **The void left by the banks benefited private credit funds**. The latter recovered a massive share of the financing of the US economy. They raised funds from pension funds, insurance companies and private investors (see Figs. 2, 3 & 4) to finance developing companies. This phenomenon intensified when investors were desperately seeking returns in a world of zero interest rates. The coupons promised by private credit then appeared to be a godsend. **As a result, banking risk shifted to less regulated structures**. In 2023, the withdrawal of US regional banks exacerbated the shift. It should be remembered that institutions such as Silicon Valley Bank held too many bonds that had been devalued by rising interest rates. The authorities had to intervene urgently to avoid a systemic crisis. This forced these banks to tighten their lending conditions even further.

Fig. 2 – Main private credit companies

Private Credit Company	Location	AuM in 2024 (\$B)
Apollo Global Management Inc.	US	480
Blackstone Inc.	US	355
Ares Management Corp.	US	335
Ares SSG	HK	309
KKR & Co. Inc.	US	242
Guggenheim Funds Investment Advisors LLC	US	198
Carlyle Group Inc.	US	190
Neuberger Berman Group LLC	US	182
Oaktree Capital Management LP	US	129
Brookfield Asset Management Ltd.	Can.	124
Nuveen LLC	US	120
Goldman Sachs Asset Management LP	US	110
MetLife Investment Management LLC	US	105
HPS Investment Partners LLC	US	98
Blue Owl Capital Inc.	US	95
TPG Capital LP	US	80
Golub Capital LLC	US	70
UBS O'Connor LLC	US	58
CVC Capital Partners PLC	Jers.	46
SLC Management	US	40

Source: S&P Global, Altitude IS

Fig. 3 – Main collections in 2025

Private Credit Company	Funds	Fund raising in 2025 (\$B)
Ares Management Corp.	Ares Capital Europe VI	20,01
Oaktree Capital Management LP	Oaktree Opportunities Fund XII	16,00
CVC Credit Partners LLC	CVC European Direct Lending IV	12,17
Neuberger Berman Group LLC	NB Private Debt V	7,30
Pemberton Asset Management SA	Pemberton Mid-Mkt Debt Fund IV / Senior Loan Fund II	7,14
Collier Capital Ltd.	Collier Credit Opportunities II	6,80
KKR & Co. Inc.	KKR Asset-Based Finance Partners II	6,50
TPG Angelo, Gordon & Co. LP	TPG AG Credit Solutions Fund III	6,20
HIG WhiteHorse	HIG WhiteHorse Middle Market Lending Fund IV	5,90
17Capital LLP	17Capital Strategic Lending Fund 6	5,50
Pantheon Ventures Inc.	Pantheon Senior Debt III	5,20
Apollo Global Management Inc.	Apollo Accord+ II	4,80
Diameter Capital Partners LP	Diameter Dislocation Fund III	4,50
PGIM Inc.	PGIM Senior Loan Opportunities II	4,20
Alpinvest Partners BV	Alpinvest Strategic Portfolio Finance Fund II	4,00
Thoma Bravo LP	Thoma Bravo Credit Fund III	3,60
Intermediate Capital Group SAS	ICG Europe Mid-Market II	3,51
Capital Four Inc.	Capital Four Private Debt V	3,51
Crescent Capital	Crescent European Specialty Lending III	3,51
Crestline Investors Inc.	Crestline Direct Lending Fund IV	3,50

Source: S&P Global, Altitude IS

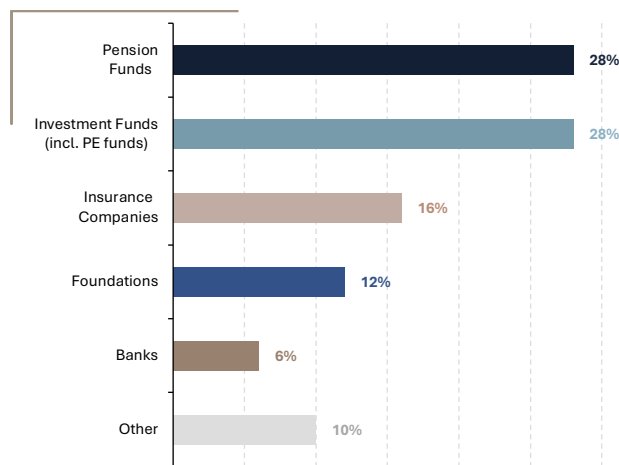
**The private credit system lacks transparency because asset valuations are based on internal mathematical models rather than market prices.** Fund managers decide for themselves how much the loans in their portfolios are worth, which inevitably leads to conflicts of interest. In the most difficult cases, recognising a default would cause the fund's performance to plummet and make it difficult to raise new capital from investors. Managers therefore prefer to modify the terms of the loan. Interest is no longer paid regularly in cash but is capitalised, i.e. added to the principal of the debt and paid later. These famous PIK (Payment-In-Kind) loans illustrate the perilous drift of private credit. As a result, while they should be skyrocketing, official default rates remain low, at around 4.8%. According to the latest analyses published by Moody's and S&P Global, **when these silent restructurings are considered, the default rate exceeds 10%.**

Despite the camouflage strategies implemented by private credit companies, investors are gradually becoming aware of the risks. Liquidity is drying up. **In October 2025, American car loans showed signs of collapse**, with an explosion in defaults. The fall in the resale value of vehicles, combined with high monthly payments, made households less solvent. Losses on private loans increased, leading to the bankruptcy of Tricolor Holdings. **At the start of 2026, software companies are faltering.** Artificial intelligence is calling into question the sustainability of these companies, which were one of the favourite targets of private credit funds. Considered very secure companies thanks to their recurring revenues



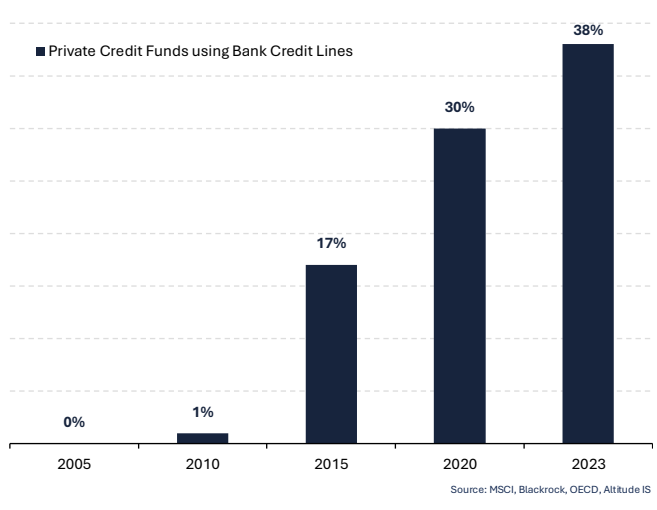
and high margins, the arrival of AI has shattered these certainties. Some software that seemed indispensable is now facing competition from free or much cheaper solutions. The future cash flows of *software* companies are being revised downwards, while their debts remain intact. Private credit funds therefore find themselves, once again, with claims on companies whose business models are at risk. No bankruptcies have yet been officially announced, but the market is talking about "silent bankruptcies". Many companies are no longer able to raise funds, are cutting their workforce massively, or are urgently seeking buyers to avoid filing for bankruptcy.

Fig. 4 – Private credit fund investors



Source: MSCI, Blackrock, OECD, Altitude IS

Fig. 5 – Bank loans from private credit funds



Source: MSCI, Blackrock, OECD, Altitude IS

**Private credit and private equity act like twin brothers.** Their destinies are linked. Private equity funds feed private credit with their liquidity (see Fig. 4). In return, they use this same private credit to finance their acquisitions and dividends. The toxic phenomenon known as *NAV lending* embodies this interdependence. It involves borrowing capital using the net asset value of one's own portfolio as collateral. This practice adds a layer of leverage to already heavily indebted assets. It is often used to pay cash to investors to mask the lack of company resales.

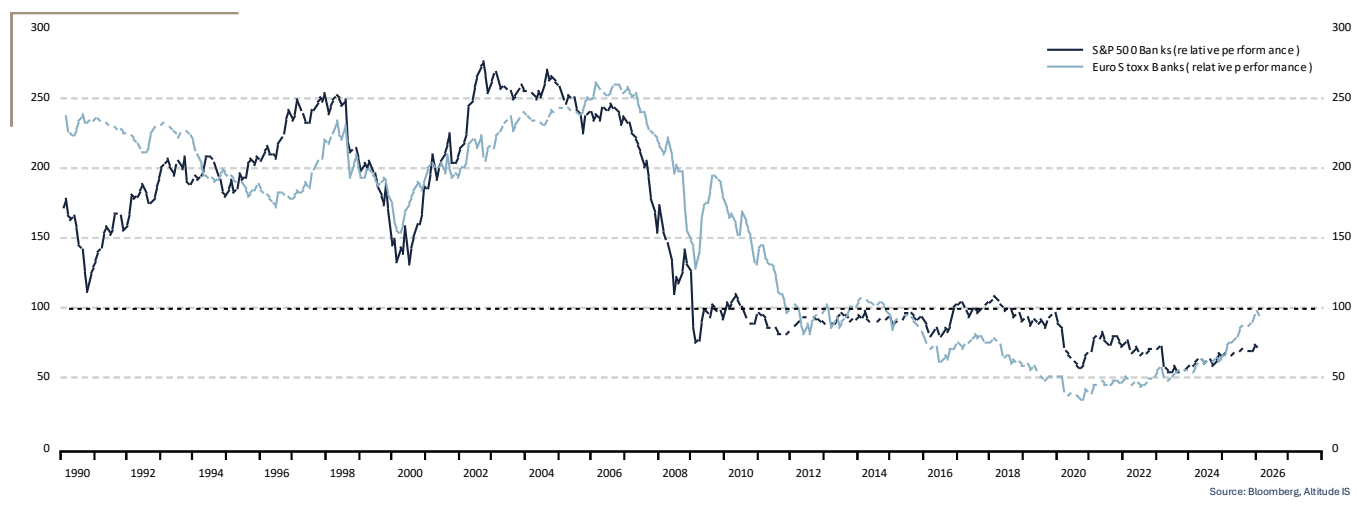
**The domino effect is being closely monitored.** If the valuations of unlisted companies were to fall, margin calls could become very costly. **Major banks and government authorities are beginning to express open concern about this possibility.** Jamie Dimon has issued several warnings about the systemic dangers of *shadow banking*. He warns that many "cockroaches" will emerge as the sector weakens. He fears that these institutions will not have the necessary liquidity in the event of widespread panic. For his part, Scott Bessent says that the US Treasury is "concerned" since companies such as Blue Owl, Ares, Blackstone, Apollo, KKR and Carlyle are under pressure from investors. The risks are now so interconnected that an isolated default could start a spread of further defaults throughout the entire financial chain. The government fears it will have to intervene to stabilise the financial system.

**The banking sector could become the focus of all these fears.** Between 2008 and 2020, banks went through a long decade of hardship (see Fig. 6). Crushed by regulation and negative interest rates, their profitability was close to zero. Investors shunned the sector because it was perceived as a boring public service with no growth prospects. Over the past five years, the landscape has changed completely with the return of inflation. Rapidly rising interest rates have enabled banks to dramatically restore their



margins. They have posted record results and have resumed paying dividends to their shareholders. The banking sector has gone from being a pariah to a driver of stock market performance, particularly in Europe. This buoyant period could be jeopardised by a crisis in private credit, to which banks are heavily exposed.

Fig. 6 – Relative performance of the banking sector



**Commercial banks act as the lifeblood of private credit, providing the liquidity lines that are essential to the functioning of funds** (see Fig. 5). The latter use bank leverage to boost their returns or finance their day-to-day operations. In the event of a market freeze or a sharp decline in the value of underlying assets, banks would be on the front line facing massive margin calls. The risk no longer stems solely from direct loans to companies, but also from opaque interconnections with these unregulated players and the possibility of a chain reaction. Potential losses would force banks to reduce their balance sheets and tighten their lending conditions. This would lead to a general credit crunch for the real economy and a loss of profitability for the sector. **Ironically, despite the heavy regulation of banks over the past 15 years, the risk has not disappeared from their balance sheets but has simply changed form.**

Not all companies in the banking sector are exposed to this risk in the same way. **Banks whose revenues are mainly based on financial flows and service commissions will appear more resilient** (see Fig. 7). Deposit and asset management banks are less dependent on credit health than on the volume of financial flows. By nature, their revenues are less spectacular but more predictable and less exposed to the risk of default. They do not take credit risk on their own balance sheets but charge for services. Until this private credit crisis is over, asset quality will be the main selection criterion for investors. Transparency on off-balance sheet commitments will be scrutinised with unprecedented attention. Banks that are overly exposed to *shadow banking* risk seeing their share prices underperform their sector index.

Geographical arbitrage seems to be occurring naturally. **European banks now have a more balanced risk profile than their US counterparts.** They have been subject to much more stringent stress tests for over a decade. Supervision by the European Central Bank has limited excesses in exposure to unregulated funds. For its part, the US banking market is more fragmented and more exposed to risky financial innovations. Regional banks in the United States still bear the scars of recent liquidity crises.



Fig. 7 – Ranking of banks according to their risk

**10 banks with low exposure to private credit:**

1. **KB Financial Group.** Its exclusive access to stable domestic savings ensures remarkable security.
2. **Shinhan Financial Group.** Its prudent credit policy in Asia protects it from turbulence in the US markets.
3. **BNP Paribas.** Its diversified structure and strong liquidity enable it to dominate the European market with confidence.
4. **Crédit Agricole.** Its mutualist model promotes sound, low-speculative capital management.
5. **Société Générale.** Its refocusing on commercial banking activities strengthens its profile.
6. **HSBC Holdings.** Its pivotal role in international financial flows guarantees it highly diversified revenues.
7. **DNB Bank.** The Norwegian institution benefits from a strong national economy with no exposure to hedge funds.
8. **Banco Santander.** Its diverse geographical presence and retail business support its activity.
9. **UniCredit.** The Italian bank has cleaned up its assets to focus on productive local markets.
10. **CaixaBank.** Its dominance of the Spanish market ensures some of the lowest refinancing costs in Europe.

**10 banks with high exposure to private credit:**

1. **Goldman Sachs Group.** Its central role in private equity financing exposes it directly to the private credit freeze.
2. **Morgan Stanley.** Its heavy involvement in private debt arrangements increases its vulnerability.
3. **Wells Fargo.** Its significant commitments to medium-sized companies create vulnerability.
4. **JPMorgan Chase.** Its systemic size means it bears a significant share of global market risk.
5. **Barclays.** The institution is under pressure on its investment banking activities.
6. **Deutsche Bank.** Its leveraged finance activities increase its risk profile.
7. **Truist Financial Corp.** Its exposure to underwriting credit lines for debt funds weakens its liquidity.
8. **Capital One Financial.** Its syndication partnerships with alternative lenders increase its risk of direct contagion.
9. **KeyCorp.** The bank acts as a financial conduit for *shadow banking* players' cash flow needs.
10. **Citizens Financial Group.** Its massive commitments to *private equity* fund financing create vulnerability.

Source: Altitude IS

Paradoxically, the European sector offers lower valuations than its US counterpart (see Fig. 7) and dividend yields are often higher (see Fig. 8) and better covered by capital reserves. Investors therefore have many reasons to favour banks in old Europe (see Chart of the Week).

Fig. 8 – Banking sector valuation ratio

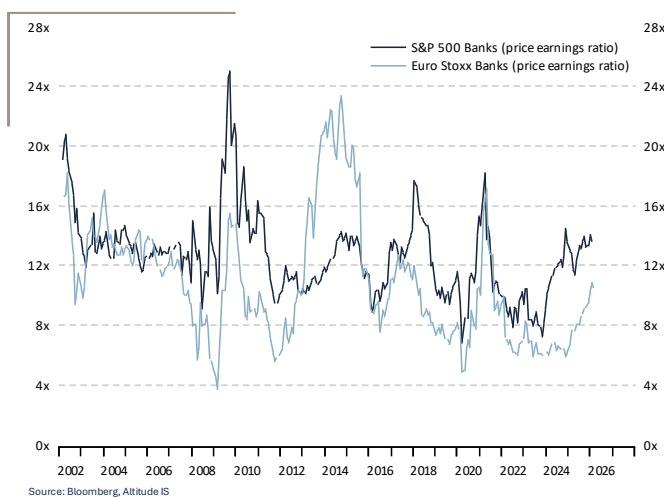
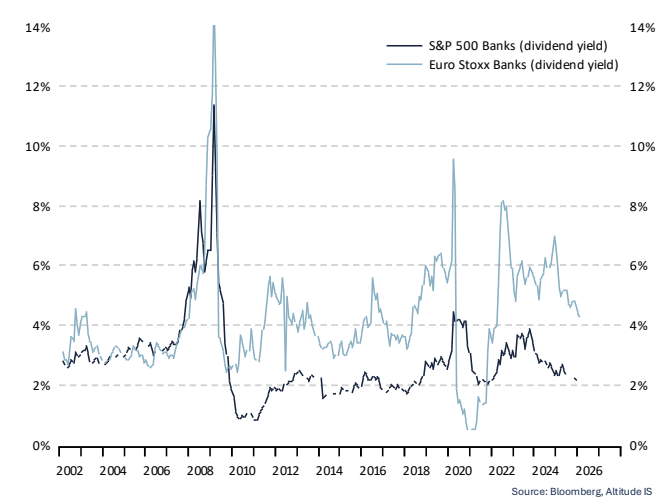


Fig. 9 – Banking sector dividend yield



**Conclusion:**

The private credit crisis is far from over, and its ramifications across the banking sector have not yet been fully identified. Among commercial banks, those operating in Europe and US banks whose revenues are based on financial flows and service fees will appear more resilient.



## RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2026 Year-to-Date (%)	2025 (%)	2024 (%)	
<b>Equities</b>								
World (MSCI)	1 056.8	58.59	0.4%	1.3%	4.3%	22.9%	18.0%	
USA (S&P 500)	6 879	48.38	-0.4%	-0.8%	0.7%	17.9%	25.0%	
USA (Dow Jones)	48 978	45.91	-1.3%	0.3%	2.1%	14.9%	15.0%	
USA (Nasdaq)	22 668	43.65	-0.9%	-3.3%	-2.4%	21.2%	29.6%	
Euro Area (DJ EuroStoxx)	650.7	64.73	0.3%	3.5%	6.5%	25.2%	10.2%	
UK (FTSE 100)	10 911	79.17	2.1%	7.0%	10.2%	25.7%	9.6%	
Switzerland (SMI)	14 014	74.55	1.1%	6.3%	5.6%	18.0%	7.5%	
Japan (Nikkei)	57 987	70.90	3.6%	10.4%	17.0%	28.7%	21.3%	
Emerging (MSCI)	1 611	71.19	2.8%	5.5%	14.9%	34.3%	8.0%	
Brasil (IBOVESPA)	188 787	62.40	-0.9%	4.1%	17.2%	34.0%	-10.4%	
Mexico (IPC)	71 406	61.44	0.1%	5.7%	11.2%	35.1%	-11.0%	
India (SENSEX)	80 087	37.76	-1.8%	-1.1%	-4.4%	10.5%	9.6%	
China (CSI)	4 727	51.45	1.1%	0.2%	1.9%	21.0%	18.2%	
Com. Services (MSCI World)	163.3	50.37	0.5%	-4.7%	-0.4%	33.0%	31.9%	
Cons. Discretionary (MSCI World)	445.9	43.51	0.0%	-3.2%	-2.5%	9.8%	20.7%	
Cons. Staples (MSCI World)	327.7	71.71	1.9%	7.9%	13.3%	9.3%	4.7%	
Energy (MSCI World)	318.6	73.51	2.1%	8.4%	21.1%	14.8%	2.9%	
Financials (MSCI World)	226.2	47.23	-1.1%	-0.9%	0.2%	29.5%	25.1%	
Health Care (MSCI World)	410.4	62.42	1.2%	2.9%	4.2%	15.3%	1.5%	
Industrials (MSCI World)	535.6	75.25	0.9%	7.0%	14.9%	26.2%	12.8%	
Info. Tech. (MSCI World)	964.6	48.16	-0.5%	-1.0%	-0.1%	26.6%	31.9%	
Materials (MSCI World)	476.5	71.63	4.0%	9.9%	20.6%	32.5%	-7.6%	
Real Estate (MSCI World)	1 087	74.05	0.9%	6.3%	10.3%	3.6%	-0.4%	
Utilities (MSCI World)	218.2	81.56	3.2%	8.8%	13.2%	24.7%	13.0%	
<b>Bonds (Bloomberg)</b>								
World (Aggregate)	3.38%	70.74	0.5%	1.1%	2.1%	8.2%	-1.7%	
USA (Sovereign)	3.75%	75.28	0.7%	1.8%	1.7%	6.3%	0.6%	
Euro Area (Sovereign)	2.74%	84.29	0.6%	1.4%	2.1%	0.6%	1.9%	
Germany (Sovereign)	2.43%	81.35	0.6%	1.4%	1.8%	-1.6%	0.6%	
UK (Sovereign)	4.21%	83.54	0.9%	2.4%	2.5%	6.1%	-3.0%	
Switzerland (Sovereign)	0.36%	69.21	0.5%	0.6%	1.4%	0.3%	5.4%	
Japan (Sovereign)	1.84%	63.54	0.1%	0.9%	0.2%	-4.6%	-2.1%	
Emerging (Sovereign)	5.82%	72.36	-0.1%	1.3%	1.6%	13.1%	7.0%	
USA (IG Corp.)	4.73%	71.56	0.1%	1.4%	1.5%	7.8%	2.1%	
Euro Area (IG Corp.)	3.10%	79.53	0.0%	0.6%	1.3%	3.0%	4.7%	
Emerging (IG Corp.)	5.90%	83.80	0.2%	0.7%	1.5%	8.1%	7.0%	
USA (HY Corp.)	6.71%	51.43	-0.2%	0.1%	0.7%	8.6%	8.2%	
Euro Area (HY Corp.)	5.43%	64.58	0.0%	0.3%	1.0%	5.2%	8.2%	
Emerging (HY Corp.)	7.25%	62.79	-0.3%	0.6%	1.8%	13.9%	14.9%	
World (Convertibles)	578.3	59.10	0.4%	1.7%	7.3%	22.4%	9.4%	
USA (Convertibles)	742.2	52.33	-0.3%	1.3%	6.0%	16.9%	10.1%	
Euro Area (Convertibles)	308.0	84.36	0.9%	3.4%	6.0%	24.8%	14.7%	
Switzerland (Convertibles)	305.7	83.69	2.0%	4.2%	8.0%	17.5%	-10.5%	
Japan (Convertibles)	293.0	77.12	1.6%	8.0%	13.6%	13.8%	6.4%	
<b>Hedge Funds (Bloomberg)</b>								
Hedge Funds Industry	1 860	91.29	n.a.	2.8%	2.8%	12.4%	11.1%	
Macro	1 534	84.72	n.a.	4.4%	4.4%	9.4%	7.4%	
Equity Long Only	2 528	82.34	n.a.	2.0%	2.0%	12.1%	12.0%	
Equity Long/Short	2 030	91.22	n.a.	3.0%	3.0%	17.6%	14.0%	
Event Driven	1 948	89.61	n.a.	1.6%	1.6%	11.2%	8.7%	
Fundamental Equity Mkt Neutral	1 928	97.45	n.a.	2.9%	2.9%	13.5%	12.4%	
Quantitative Equity Mkt Neutral	1 800	82.76	n.a.	-0.4%	-0.4%	8.6%	9.8%	
Credit	1 742	98.90	n.a.	1.3%	1.3%	7.8%	8.5%	
Credit Long/Short	1 776	100.00	n.a.	2.4%	2.4%	6.6%	10.0%	
Commodity	2 111	92.37	n.a.	6.2%	6.2%	11.1%	14.7%	
Commodity Trading Advisors	1 491	71.28	n.a.	4.6%	4.6%	6.2%	7.9%	
<b>Volatility</b>								
VIX	19.86	54.02	4.0%	13.9%	32.8%	-13.8%	39.4%	
VSTOXX	19.68	53.67	5.3%	-1.5%	33.8%	-13.5%	25.3%	
<b>Commodities</b>								
Commodities (CRB)	552.3	n.a.	1.0%	0.7%	2.3%	0.6%	5.1%	
Gold (Troy Ounce)	5 379	n.a.	2.9%	15.4%	24.5%	64.6%	27.2%	
Silver (Troy Ounce)	95.06	n.a.	7.8%	19.9%	32.6%	148.0%	21.5%	
Oil (WTI, Barrel)	67.39	n.a.	1.5%	8.0%	17.4%	-19.9%	0.1%	
Oil (Brent, Barrel)	70.83	n.a.	-2.0%	2.4%	13.4%	-15.7%	-4.6%	
<b>Currencies (vs USD)</b>								
USD (Dollar Index)	98.12	57.39	0.4%	0.5%	-0.2%	-9.4%	7.1%	
EUR	1.1739	42.43	-0.4%	-0.4%	-0.1%	13.4%	-6.2%	
JPY	156.99	40.72	-1.5%	-0.9%	-0.2%	0.3%	-10.3%	
GBP	1.3385	37.22	-0.8%	-2.1%	-0.7%	7.7%	-1.7%	
AUD	0.7068	56.47	0.2%	1.7%	5.9%	7.8%	-9.2%	
CAD	1.3659	52.29	0.3%	0.2%	0.5%	4.8%	-7.9%	
CHF	0.7697	57.91	0.6%	1.3%	3.0%	14.5%	-7.3%	
CNY	6.8816	66.38	0.3%	0.9%	1.5%	4.5%	-2.7%	
MXN	17.336	48.57	-0.4%	0.4%	3.9%	15.7%	-18.5%	
EM (Emerging Index)	1 883.9	67.20	0.7%	1.1%	1.7%	7.2%	-0.7%	
XBT	66 278	n.a.	-3.9%	-15.5%	-24.4%	-6.5%	120.5%	

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)



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