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What is funding beyond banks good for? "*Absolutely nothing*" is not the right answer.

The EU's investment needs cannot be met by public finances or bank lending alone. Fiscal constraints are increasing across Member States, while tighter credit conditions and concerns about further bank-sector leverage limit the scope for additional bank financing. A greater contribution from non-bank financial intermediation is therefore both desirable and necessary.

The term NBFI does not describe a homogeneous sector. It encompasses entities with different business models, risk profiles and regulatory frameworks, including investment funds, family offices, pension institutions and insurance companies. Some operate under relatively light regulation, while others, such as European insurers, are subject to comprehensive prudential frameworks.

Since 2016, Solvency II has proven resilient through multiple episodes of financial and economic stress, establishing itself as a benchmark for prudential regulation through its integrated quantitative and qualitative requirements.

The same clarity is needed for private credit. Broadly, it refers to lending outside the traditional banking system or public capital markets. Yet, it lacks a universally accepted definition, and its perimeter differs across sectors and jurisdictions, making comparisons difficult. For example, insurers generally classify mortgages as private credit, whereas banks typically do not. Such differences complicate market measurement and underline the need for consistent terminology and reporting.

Private credit provides long-term financing for illiquid assets such as infrastructure and corporate investments, often meeting financing needs that listed markets cannot easily satisfy. As these investments generate relatively predictable cash flows over long horizons – while still carrying credit risk – they are particularly suited to investors with long-term liabilities.

Insures, whose liability structure enables investments over extended horizons, are thus natural providers of private credit. Considering direct and indirect exposures through funds to unlisted corporate bonds, credit-risk-bearing structured securities, mortgages and loans, while excluding intra-group exposures and lending to banks, European insurers held more than EUR 500 bn of private credit investments at the end of 2025, i.e. around 5% of total assets. Around 70% of these were in real estate and mortgages in Europe. They enhance diversification, offer attractive risk-adjusted returns and provide stable long-term cash flows (though subject to credit risk) aligned with insurers' obligations towards policyholders.

In a period of geoeconomic and political turmoil, soundly managed and supervised NBFIs and private credit can contribute to the European economy.

The expansion of private credit requires attention from both microprudential – due to demands that insurers develop the expertise needed to assess borrowers' credit risk over the loan lifecycle and comply with the Solvency II Prudent Person Principle (PPP) – and financial stability perspective, as borrower structures and financial engineering become more complex, and an increasing share of lending is directed towards sponsor-backed leveraged finance.

Although the asset class offers clear benefits, it also presents risks related to leverage, liquidity, valuation uncertainty, concentration and interconnectedness. These vulnerabilities may be amplified by the relative opacity of private markets and differences in regulatory oversight across NBFI sectors. Private credit exposures should thus be assessed through robust asset-liability management, sound credit assessment, appropriate valuation methodologies and effective monitoring of geographical, sectoral and counterparty concentrations to avoid that localised shocks quickly propagate through the financial system. The recent review of Solvency II reinforced its financial stability framework by requiring designated insurers to integrate macroprudential assessments into their ORSA and PPP processes and to strengthen liquidity risk management.

The appropriate policy response is not to discourage private credit but to ensure that its growth is accompanied by sound risk management, transparency and effective supervision. This requires recognising that not all NBFIs present the same risk profile or operate under equivalent prudential frameworks. Regulatory approaches should remain proportionate and risk-based, avoiding the mistake of treating all NBFIs alike. Well-regulated sectors, such as insurance, should not be assessed in the same way as entities subject to less demanding supervisory standards.

Finally, effective oversight of private credit requires stronger supervisory cooperation. Given the cross-sectoral nature of private markets, data availability, information sharing and coordinated supervision are essential to identify emerging vulnerabilities, limit spillovers and prevent systemic risks from building up. A deeper European capital market, supported by responsible participation by NBFIs, can become a strategic source of financing for Europe's future, provided that financial innovation is matched by equally robust standards of governance, transparency and supervision.