Norges Bank

4 | 2026

Staff memo

Private credit in Norway

12 May 2026

Anna Emilie Iden
Tormod Fauske Tho
Ina Lisa Tobiassen

Stikkord
Financial stability
Private credit
Corporate financing
Non-bank financial institutions Credit risk

ISSN 1504-2596 (online)
ISBN 978-82-8379-400-7 (online)

Private credit in Norway*

Anna Emilie Iden, Tormod Fauske Tho, Ina Lisa Tobiassen

Norges Bank, Financial Stability
May 12, 2026

Abstract

Private credit has grown rapidly internationally and has become an increasingly important source of corporate financing outside the banking system. The growth has been supported by investors' search for yield, tighter bank regulation and increased demand for flexible financing solutions. In Norway, the market remains small, but activity has picked up in recent years, particularly through lending from foreign funds. In this staff memo, we identify approximately 35 private credit transactions involving Norwegian firms between 2017 and 2025. New lending reached just under NOK 20 billion in 2025, still a small share of total annual corporate borrowing. While the market remains modest in scale, upcoming regulatory changes and rapid international growth—combined with data gaps, limited transparency and evolving market structures—warrant closer monitoring.

*The views and conclusions expressed in this publication are the authors' own and do not necessarily reflect those of Norges Bank. They must therefore not be reported as Norges Bank's views. We thank Ida Nervik Hjelseth, Haakon Solheim, Per Marius Pettersen, Camilla Viland, Nina Larsson Midthjell and Torbjørn Hægeland for their input and comments. Any errors or omissions are solely the responsibility of the authors.

1. Introduction

Private credit started out in the early 2000s as a relatively small financing segment that emerged to serve small and medium-sized companies that were considered too risky or too large for a single commercial bank, but too small to access capital markets (IMF, 2024). Within this segment, private credit funds stepped in to provide direct, non-bank lending outside the banking system and public debt market.

Since then, the role of private credit has expanded significantly, reaching beyond its original borrower base to include both larger entities and less risky firms that previously financed themselves through syndicated loans or bonds (BIS, 2021).

There is limited research on the structural drivers of growth and developments in the global market for private credit. Existing literature points to a combination of demand and supply side factors. In particular, Berrospide et al. (2025) analyse data for 45 countries from 2010 to 2019 and find support for several key mechanisms. First, private credit became relatively more attractive as a funding source during the prolonged period of very low interest rates following the global financial crisis. Low interest rates pushed investors toward higher-yielding alternatives while compressing bank margins. At the same time, tighter post-crisis bank regulation reduced banks' willingness to lend to riskier firms. In this space, private credit funds could step in to fill an unmet demand from small and medium-sized firms with limited access to bond markets and bank lending. Rising corporate leverage further expanded the pool of borrowers that banks were unwilling to serve as they fell outside bank lending criteria.

Moreover, the rapid expansion of private equity (PE) activity also supported the growth of the private credit market, as leveraged buyouts and other PE-backed transactions have increasingly relied on private credit for financing.

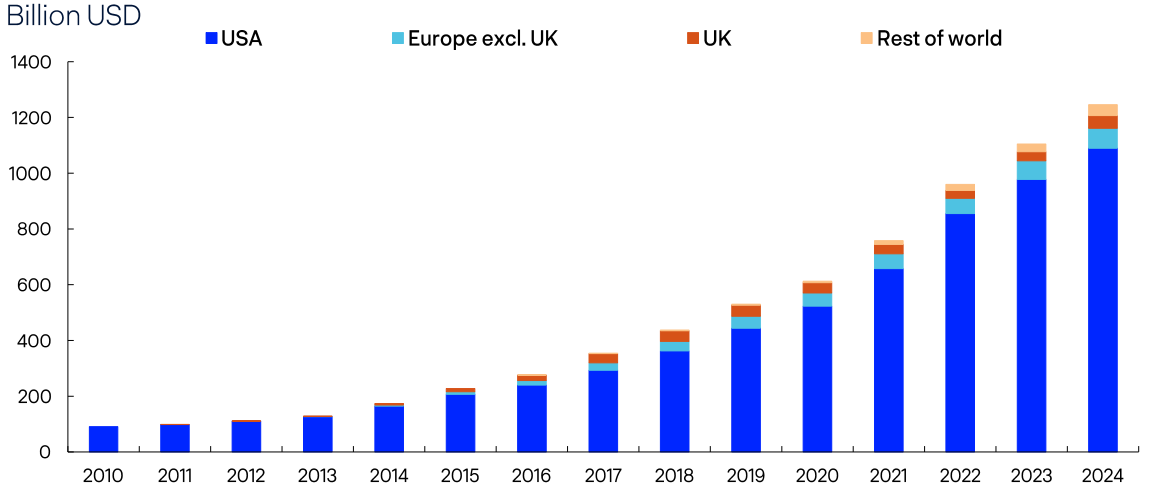
Interestingly, not only low interest rates but also higher interest rates may be a driver of private credit growth. Because most private credit loans carry floating rates, fund income increases directly with short-term market rates, making the asset class attractive to yield-seeking investors even in a higher-rate environment. Borrowers, meanwhile, have been willing to absorb higher costs in exchange for the speed, flexibility, and confidentiality that private credit offers relative to syndicated loans and public bond markets (IMF, 2024).

Against this backdrop, private credit has continued to grow even after global interest rates rose in 2022–2024, see figure 1.1. Global outstanding loan volumes, which capture the actual stock of credit currently extended to borrowers, have increased from around USD 90 billion in 2010 to over USD 1 250 billion in 2024.

Source: BIS

Figure 1.1: Global outstanding private credit loan volumes

Total volume of outstanding direct and asset-based loans by region of the borrower.



Estimates of the size of the private credit market depend on the measure used. figure 1.1 shows outstanding loan volumes. Another common metric is assets under management (AUM), which refers to the total capital that private credit funds manage on behalf of investors. By this measure, the market has grown from around USD 0.2 billion in the early 2000s to over USD 2 500 billion in 2025 (Avalos et al., 2025). AUM includes both capital that has already been deployed and capital that has been committed but has not yet invested, often referred to as dry powder. AUM therefore reflects the industry's overall capacity, while outstanding loan volumes capture the actual stock of credit currently extended to non-financial firms; the gap between the two represents committed but undeployed capital.

Most of the private credit lending is originated in the United States, which accounted for over 87 percent of originated private credit globally in 2024. The United Kingdom accounted for roughly 3–4 percent, while the rest of Europe accounted for around 6 percent. The rest was mostly originated in Canada. In Norway, private credit has historically played a marginal role, partly constrained by a licensing regime that requires non-bank lenders to operate via exemptions.

Private credit offers several advantages, including broader access to capital and more flexible, tailored financing solutions for borrowers. At the same time, the rise of private credit has raised concerns and may have implications for financial stability. Limited transparency in valuation practices and data availability make it difficult to fully assess risks, while increasing interconnectedness with the wider financial system may amplify potential vulnerabilities.[1]

The motivation behind this staff memo is threefold. First, we provide a structured overview of the international and Norwegian private credit market and its underlying mechanisms. Second, we attempt to map the private credit transactions to Norwegian

[1]Norges Bank. (2026, May 12). Financial stability report 2026 H1.

non-financial firms and characteristics of the market, including loan volumes and sectoral distribution. We identify approximately 35 private credit transactions involving Norwegian firms between 2017 and 2025, with new lending volume of roughly NOK 134 billion since 2017, representing a small part of Norwegian corporate credit. Finally, we discuss the implications for financial stability both globally and in Norway. We conclude that loans from private credit funds to Norwegian non-financial firms are marginal and pose limited direct risk to financial stability. However, data gaps and upcoming regulatory changes increase the need for monitoring.

The remainder of the memo is structured as follows. section 2 defines private credit and common fund structures and outlines how non-financial firms in Norway are typically financed. section 3 examines private credit strategies and their implications for credit risk. section 4 maps the value chain, key actors, and interconnections that characterise the private credit market. section 5 presents Norwegian data and highlights key features of the domestic market. section 6 turns to implications for financial stability. section 7 concludes.

2. Defining private credit and fund structures

IMF (2024) defines private credit as "non-bank corporate credit provided through bilateral agreements or small “club deals” outside the realm of public securities or commercial banks".[2] This is a broad definition that could encompass a wide range of non-bank lenders and structures. Lending from regulated financial institutions such as insurers, banks and pension funds, as well as government lending institutions and leasing and factoring companies, is subject to extensive reporting requirements. As a result, lending volumes and potential implications for financial stability in these segments are well covered in official Norwegian statistics.[3] In contrast, lending from private credit funds is not subject to the same reporting obligations and is therefore not captured in standard credit statistics. In this memo, we therefore focus on private credit funds. This focus is also partly driven by data availability as fund-level data are the most consistent source of information across jurisdictions, and partly by the fact that the global aggregates cited in section 1 are themselves predominantly based on fund-level data. The Norwegian and international results we present are therefore broadly comparable in scope, although some non-fund forms of non-bank corporate credit fall outside both measures.

The regulatory frameworks governing private credit funds vary by jurisdiction. In the EU/EEA, investment funds are generally structured either as alternative investment funds (AIFs) or undertakings for collective investment in transferable securities (UCITS).[4] Private credit funds domiciled in the EU/EEA are typically structured as AIFs. AIFs are

[2]We do not distinguish sharply between the terms private credit and private debt, as these are used inconsistently in literature and by market participants.

[3]The C2 and C3 credit indicators published by Statistics Norway. For more on these indicators, see https://www.ssb.no/en/bank-og-finansmarked/finansielle-indikatorer/statistikk/kredittindikator.

[4]Investment funds are investment products created with the sole purpose of gathering investors’ capital, and investing that capital collectively through a portfolio of financial instruments such as stocks, bonds and other securities (European Commission, 2026). UCITS is the most common fund structure in the EU/EEA, and is characterised by high liquidity and stringent investment restrictions. UCITS can encompass many types of funds, such as index funds, but not private credit funds.

generally less liquid than UCITS funds and allow for a broader range of investment strategies. AIFs constitute a broad regulatory category that also encompasses PE funds, real estate funds, and hedge funds.

AIFs are managed by authorised alternative investment fund managers (AIFMs), who are responsible for portfolio and risk management, as well as compliance with the Alternative Investment Fund Managers Directive (AIFMD). The regulatory framework governing AIFs is therefore central to determining the scope and conditions under which private credit funds can operate in the EEA, including whether and how they may originate loans. Within this framework, European long-term investment funds (ELTIFs) are a specific type of AIF designed to channel capital into long-term investments. Unlike most AIFs, which are primarily targeted at professional investors, ELTIFs can also be marketed to non-professional investors under certain conditions, making them a potentially important vehicle for broadening the investor base in private credit.

In Norway, as in other EU/EEA countries, collective investment funds are typically structured as either UCITS or AIFs. AIF managers may be either licensed or registered pursuant to the national AIF regulation, and such funds are primarily marketed to professional investors. In the Norwegian context, lending is generally classified as a licensable activity. This has historically constrained non-bank direct lending, except where specific exemptions or special product regimes apply.

Outside Europe, fund structures differ. In the US, the private credit market is dominated by two main fund types: traditional private credit funds (typically structured as limited partnerships) and business development companies (BDCs). BDCs are US-regulated investment funds established under the Investment Company Act of 1940. They invest primarily in debt and equity of small and mid-sized firms, are subject to leverage limits, and are required to distribute the majority of their income to shareholders. BDCs may be publicly traded or non-traded, and either internally or externally managed. BDCs account for about one third of the overall US private credit market and have no direct equivalent in Europe (Ivashina, 2025).

Across jurisdictions, fund structures have evolved significantly over the past decade. Prior to the pandemic, the funds were organised as either exchange-listed, meaning investors can buy and sell shares in the fund on a stock exchange throughout the trading day, or closed-ended funds. In closed-ended funds, capital is locked up typically between five to eight years (Avalos et al., 2025).

Since the pandemic, there has been a shift towards so-called "semi-liquid" or "open-ended" fund structures, where private investors constitute a larger share of the investor base. These structures seek to provide investors with a certain degree of liquidity while investing in illiquid assets. In contrast to traditional closed-ended funds, semi-liquid funds allow investors to redeem portions of their investment during predetermined redemption periods by maintaining a liquidity reserve. Assets in continuously offered business development companies rose from close to zero before 2020 to roughly USD 80–90 billion by 2022–2023 (IMF, 2024). In the euro area, although closed-ended funds still represent the majority, 42 percent of private credit funds were semi-liquid as of the third quarter of 2023 (ECB, 2024). Meanwhile, in the US, Alternative Credit Council (2025) estimates that semi-liquid funds account for 20 percent of private credit committed capital. IMF (2024) reports a comparable share of semi-liquid funds in the US private credit market. This shift towards semi-liquid structures has raised concerns about increased liquidity risk in the

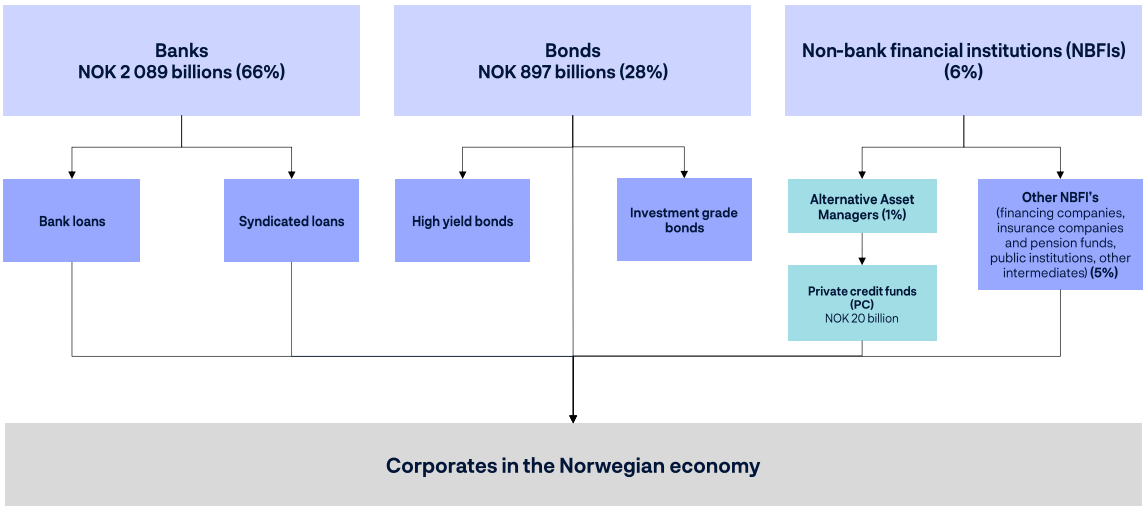
private credit market. By offering periodic redemption rights while holding fundamentally illiquid assets, semi-liquid funds introduce a maturity mismatch that could expose funds to redemption pressure during periods of market stress (IMF, 2024). The implications of this trend for financial stability are discussed further in section 6.

In contrast to global trends, non-bank financial institutions (NBFIs) have not increased their share of the Norwegian corporate lending market in recent years. Although NBFIs grew at twice the rate of banks globally in 2024, accounting for 51 percent of total global financial assets (FSB, 2025), they remain a minor source of funding for Norwegian non-financial firms (Cao, 2025; Norges Bank, 2025).

figure 1.2 illustrates the sources of debt financing for Norwegian corporates. Bank loans dominate, accounting for around 66 percent of total corporate debt as of Q2 2025. Bonds comprise a further 28 percent, while loans from other domestic lenders, including pension companies, insurance firms, finance companies, and public institutions, made up approximately 5 percent.[5] Lending from private credit funds is not included in this picture because reporting requirements for non-bank lenders are limited and a substantial share of activity originates from foreign funds outside the scope of Norwegian credit statistics. We estimate that new lending from foreign private credit funds to Norwegian firms amounted to roughly NOK 134 billion over 2017–2025, with new lending of just under NOK 20 billion in 2025 alone. These are flow measures of new lending activity and are therefore not directly comparable to the outstanding stock figures shown above. The Norwegian market for private credit is described in greater detail in section 5.

Figure 1.2: Debt financing of Norwegian corporates*

Source: Statistics Norway, LSEG



*Estimated cumulative new lending 2017–2025 (flow). Other figures represent outstanding amounts (stock). The outstanding stock of private credit is uncertain but likely lower due to loan repayments.
**May include lending from non-bank financial institutions. Further breakdown is not available, and these figures are subject to uncertainty

Several factors specific to Norway help explain why private credit has so far played a limited role. Norwegian firms already have access to relatively well-functioning bank and bond markets. Financial intermediation in Norway is heavily bank-dominated, and many Norwegian companies are not big enough to enter the bond market. That said,

[5] Finance companies in Norway are often subsidiaries or affiliates of banks.

the Norwegian bond market has seen growing participation from firms in recent years, with the total value of outstanding bonds rising accordingly. Compared to many other nations, Norway's bond issuance regulations are notably streamlined and uniform. This has likely lowered the barriers to entry for smaller Norwegian companies seeking market-based financing (Norges Bank, 2025).

Norway has had the largest annual volume of corporate bond issuances in the Nordics in recent years, as well as the largest volume of outstanding corporate bonds among Nordic countries, both in the investment-grade and high-yield corporate markets. In the high-yield corporate bond market, the outstanding volume in Norway is twice the amount of the rest of the Nordics combined (Nordic Trustee, 2026). Even so, private credit may serve specific segments not well covered by banks or the bond market, such as acquisition financing for PE-led transactions, where speed and confidentiality are typically prioritised.

In this context, a better understanding of how credit is provided by private credit funds is of particular interest because of data gaps and upcoming regulatory changes that bring the Norwegian framework closer to that of jurisdictions where private credit has grown substantially over the past two decades.

Changes in the directive that regulates AIFs in the EU/EEA, AIFMD 2.0, introduce a clearer and more explicit framework for loan origination by AIFs, including private credit funds, and is expected to enhance legal certainty for funds extending credit to professional counterparties, subject to specific conditions and governance requirements. Even prior to AIFMD 2.0, the ELTIF 1.0 regime provided some access to direct lending and loan origination within the EU framework, albeit subject to certain constraints. Recent regulatory revisions (ELTIF 2.0) further expand investor access and reduce investment constraints, increasing the relevance of this structure in European private markets.

AIFMD 2.0 was adopted in 2024, with EU member states being required to transpose most of the directive by April 2026.[6] In Norway, it may take longer, as AIFMD 2.0 needs to enter into the EEA Agreement first. The regulatory changes will broaden the range of activities that alternative investment funds in Norway are permitted to lend to.

3. Private credit strategies

Private credit funds can invest across the entire capital structure of borrowers, utilising a range of instruments with distinct risk and return profiles. Funds typically pursue well-defined strategies that determine their position in the capital structure and thereby their risk profile.

Some private credit funds focus exclusively on one part of the capital structure, while others adopt a multi-strategy approach, allocating capital across the senior, subordinated, and equity components of firms' capital structures. figure 1.3 illustrates how risk and return increase from the most senior types of debt down to equity in the creditor hierarchy of firms. At the senior secured level, lenders hold the first claim on a borrower's assets in the event of default, translating into lower risk and, correspondingly, lower yields. As one moves down the capital structure, claims become increasingly junior, meaning they have lower priority in repayment and therefore higher risk. Instruments such as unitranche,

[6] EU member states are required to transpose the remaining part of the directive by April 2027.

subordinated, or mezzanine debt occupy lower ranks in the repayment hierarchy, exposing investors to higher risks of loss but offering higher returns. At the most junior level, equity and equity-like instruments, such as preferred equity or warrants, carry the highest risk as their holders absorb initial losses, yet also offer the greatest upside potential.

figure 1.4 provides a conceptual overview of various lending strategies, comparing the risk-return characteristics with those of high-yield bonds and bank lending. Bank lending and bonds are typically considered lower risk credit than private credit lending. Banks have more stringent policies concerning the risk profile of companies they are willing to provide loans to, while the bond market typically offers lower-risk instruments due to higher liquidity, better covenant quality, defined maturity, and priority in the capital structure.[7]

Sources: KKR, Ares, Brookfield, Marquette Associates and Norges Bank

Figure 1.3: Creditor hierarchy

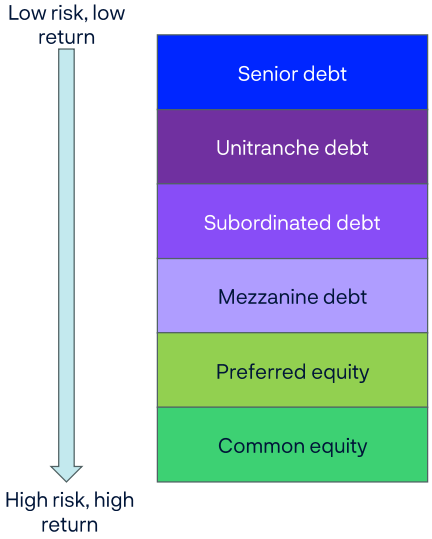
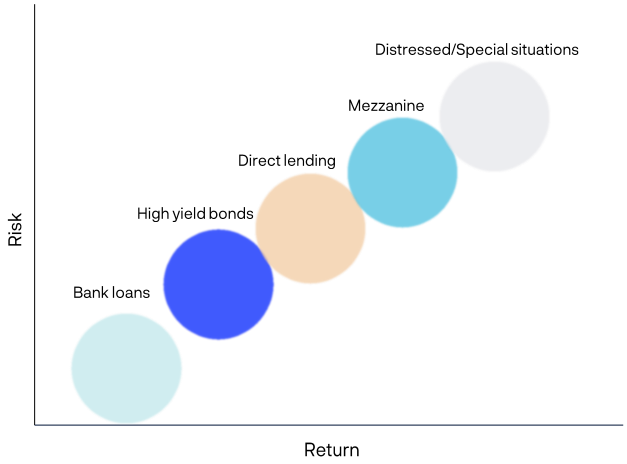


Figure 1.4: Lending strategies risks and return



According to Deutsche Bank (2024), senior debt direct lending is the most common strategy, followed by distressed debt, special situations and mezzanine debt. If all subcategories of direct lending are counted together, they make up more than half of the private credit market in 2024. Direct lending involves the provision of direct, illiquid loans from private credit funds to borrowers outside the regulated banking sector. Direct lending is the private credit strategy that is most comparable to traditional bank lending. Typically, direct lending consists of first-lien loans or unitranche facilities that combine multiple debt classes into a single loan instrument (Morgan Stanley, 2026). Mezzanine debt is positioned between senior secured debt and equity in the capital structure. It is typically employed to finance leveraged buyouts, recapitalisations, or corporate acquisitions, and serves as an alternative to public equity or PE for firms seeking growth capital. Junior in credit standing, mezzanine debt delivers additional capital beyond the

[7]Some bonds and bank lending can also be riskier than certain types of private credit, for example lending to firms with low credit rating using bank loans or bonds compared to a direct senior loan from a private credit fund to a firm with a high rating.

senior secured tranche, often taking the form of senior unsecured or subordinated notes, or second-lien debt (Oaktree, 2016).

When firms experience financial distress, existing distressed debt investors frequently engage in operational turnarounds or balance sheet restructurings. Distressed debt investing is highly specialised, and opportunities are generally more prevalent during economic downturns or periods of tight credit. Lenders in this segment assume higher risk in exchange for discounted prices and potentially elevated returns (Morgan Stanley, 2026).

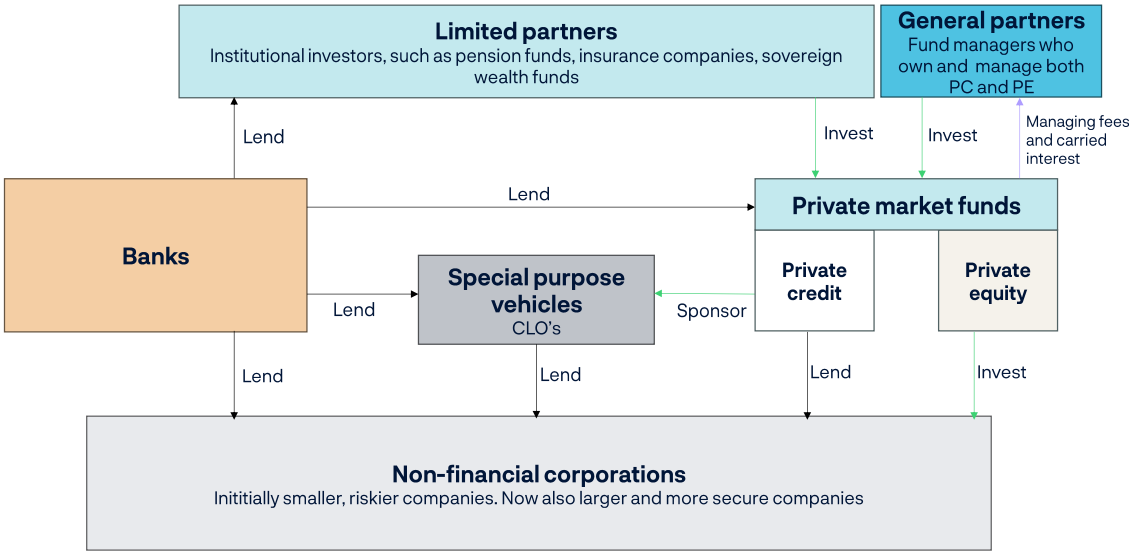
Special situations can be classified as opportunistic investments that may arise in various event-driven scenarios, including rescue financing, convertible debt, or structured equity to influence corporate outcomes (Palladino and Karlewicz, 2025). Special situations can encompass a wide range of non-traditional corporate events that necessitate high degrees of customisation and complexity, such as mergers and acquisitions, divestitures, spinoffs, or other capital events that drive borrowing needs (Morgan Stanley, 2026). Loans from private credit funds to early-stage, venture capital-backed firms are used to inject additional cash without requiring the founders to give up more equity, and often include warrants (Palladino and Karlewicz, 2025). As firms seek growth while minimising equity dilution, many increasingly employ venture debt to complement traditional equity financing. Whereas venture debt historically focused on post-revenue startups, it now spans the entire company lifecycle—from early-stage growth firms to mature, late-stage businesses. Today, large credit funds and technology-focused growth equity investors actively incorporate venture debt (Houlihan Lokey, 2025).

4. Direct and indirect linkages in private credit markets

This section sets out the structure of private credit value chains, identifying the key entities and the channels through which they are connected. The interdependencies among these market participants mean that stress in the private credit market can propagate through several channels: from borrower defaults to fund losses, from fund liquidity needs to drawdowns on bank credit lines, and from investor redemptions to forced asset sales. Unlike banks, private credit funds do not have access to central bank lending facilities, which means they lack the liquidity backstop that serves as the financial system's ultimate safety net (IMF, 2024). Here, we focus on describing the different entities and the interconnectedness in a general, international context, while we revisit these risks and their financial stability implications in section 6.

figure 1.5 illustrates the main types of entities involved in private credit and private equity markets and the flow of funds between them. Limited partners, usually institutional investors with a long-term investment horizon and high risk-tolerance, such as pension funds, insurance companies, sovereign wealth funds, and family offices, allocate capital to private credit funds. The way limited partners receive returns varies depending on the fund type, with closed-end private credit funds generally returning proceeds only upon the realisation of investments or at the end of the fund's life, while semi-liquid funds provide more regular income streams, such as interest or dividend payments (ECB, 2024). BDCs can either be publicly traded or non-traded, with both fixed and non-fixed termination dates, and can be both internally and externally managed (Chernenko et al., 2025). In addition to the limited partners, the general partner typically commits a portion of the capital alongside its management role, aligning incentives between manager and investors.

Figure 1.5: Interconnectedness in private credit and private equity markets



Private credit funds often maintain close ties with PE sponsors and invest in ways that reflect PE activity. These funds frequently use instruments that differ from traditional bank loans, including payment-in-kind (PIK) interest, where deferred interest is added to the loan balance, and equity-linked securities alongside debt (Robinson and Wallskog, 2026). In principle, as shown in figure 1.5, private credit funds can borrow from the same bank, provide capital to the same firm and have the same investor as a PE fund. Globally, private credit fund managers who also manage PE funds hold more than 75 percent of private credit assets, and 70 percent of borrowers are PE-sponsored (IMF, 2024), rising to approximately 90 percent in the UK (Bank of England, 2024). Firms that borrow from private credit funds hence seem to concentrate in industries in which PE funds are active.

Jang, Kim, and Sufi (2025) examine in greater depth the characteristics of US firms that use private credit financing. They find that private credit lenders are especially focused on younger PE-owned firms located in larger cities operating within more intangible capital-intensive industries. The lending technology of direct lenders is well-suited for this segment; they are highly specialised by industry, and they are more likely to use collateral claims that involve a bet on the continuation value of the firm in case of default.

According to standard pecking-order theory, firms prefer to raise equity through retained earnings, if possible, while debt financing is better than equity financing if the firm needs external capital. Firms that employ external debt financing should issue low-risk debt and turn to the bond market.[8] Shen (2014) suggests that limited access to the public debt market is a reason for the violations of pecking-order behaviour documented in the literature, in which firms would prefer low risk bond financing over funding sources such as private credit when raising external debt. Interestingly, Shen (2014) shows that as information asymmetry between insiders and outside investors of a firm increases, two effects take place. On the one hand, firms tend to increase debt issuance. On the other hand, firms start to lose their access to the public debt market. As a result, firms

[8] See Myers and Majluf (1984).

associated with high degrees of information asymmetry can only issue private debt. This could help explain why such a large proportion of private credit transactions are PE-backed where confidentiality may be key.

As briefly noted in section 2, collateralised loan obligations (CLOs) are common in the US private credit market and are structured such that a special purpose vehicle (SPV) divides a loan portfolio into tranches and lets the investors take on pools of loans based on their risk preference (IMF, 2024). An SPV is a legal entity separated from its owners, established and managed by the private credit fund to isolate financial risk, enhance cash flow flexibility, and broaden access to capital—including by borrowing from banks and other financial institutions (Watson et al., 2025; IMF, 2024). If the SPV fails, only the SPV's assets enter bankruptcy, not the equity of the private credit fund. The lenders are paid based on seniority in the lending structure.

Banks' exposure to the private credit market goes through several channels. First, banks provide direct loan commitments to private credit funds through revolving credit lines and term loans, where the former is the more popular (Berrospide et al., 2025). Revolving credit lines give the fund free access to credit up to a certain limit, where the bank charges a fee on the undrawn portion and interest on the drawn balance. These loans, as pointed out in Levin and Malfroy-Camine (2025), can either be secured by the undrawn capital from the limited partners (subscription credit facility), or by the net asset value of the loan portfolio. Second, banks may originate first-lien loans alongside private credit funds, with these loans subsequently pooled into CLOs that divide them into tranches with different credit quality (ECB, 2024), but also indirectly by holding minority stakes in the funds (Berrospide et al., 2025). Lastly, banks are linked with private credit funds by lending to the funds' limited partners.

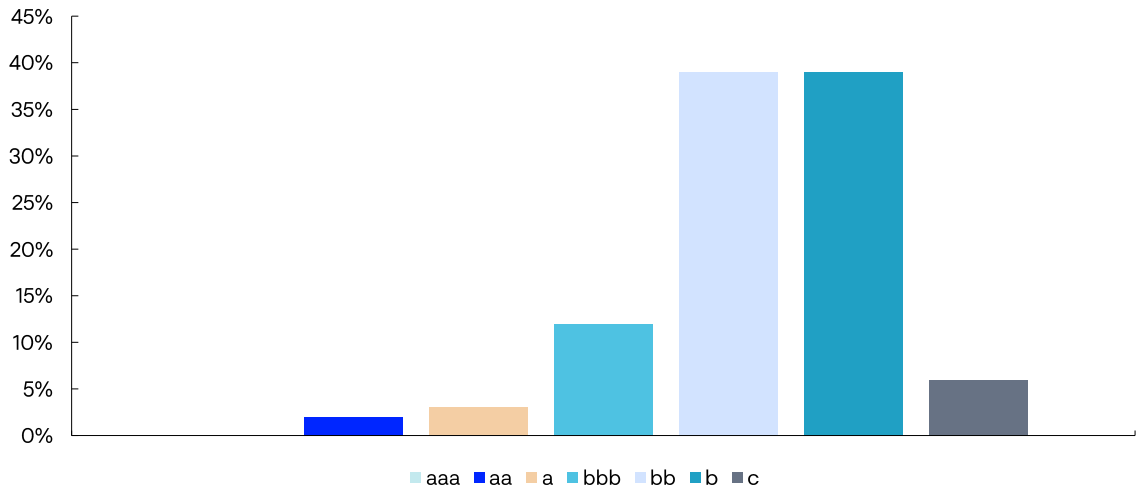
It is unclear how large banks' exposure to the private credit market is. Moody's (2025) estimates that American banks have loans to the private credit industry totalling around USD 285 billion, while the Office of Financial Research (2026) estimates that loans from American banks and non-banks lie in the range USD 410–540 billion. This represents a relatively small share of US banks' total lending, which amounts to nearly USD 13 700 billion.[9] Most of the loans that banks have extended in the private credit market are secured by first or second liens. Just over half of these loans are syndicated, meaning that the risk is distributed among several financial institutions. Furthermore, only about one fifth of the loans are classified as leveraged loans.

Private credit emerged to serve firms that fall outside the typical lending criteria of banks and are too small or too opaque to access public bond markets, and this segment has remained tilted toward riskier borrowers as the market has matured. Private credit borrowers have higher debt-to-EBITDA and debt-to-assets ratios than investment-grade bond issuers, but lower debt-to-assets ratios than high-yield bond issuers and firms financed in the leveraged loans market (IMF, 2024). figure 1.6 illustrates the credit-quality profile of private credit borrowers in Europe relative to other forms of corporate debt. As the figure shows, most European private credit borrowers are rated BB or B.

[9] https://fred.stlouisfed.org/series/TOTLL

Figure 1.6 : Distribution of private credit borrower credit ratings in Europe as of June 2025

Source: Deloitte



5. Private credit in Norway

Private credit lending in Norway has so far been limited. There is currently only one registered Norwegian private credit fund, Union Real Estate Credit Fund. The fund is an AIF structured in accordance with the ELTIF framework. Since its inception in 2023, the fund has originated roughly NOK 800 million (Union, 2025).

Although the scope has historically been modest, there has been a gradual increase in registered transactions in recent years.[10] Based on available deal-level data,[11] we identify approximately 35 transactions, with most of the activity occurring after 2022, see figure 2.1. According to this data, new private credit loans from foreign lenders to Norwegian companies amounted to a total of NOK 134 billion in the period 2017 to 2025, with just under NOK 20 billion in 2025. This refers to new lending flows during the year, not the total stock of outstanding private credit. Activity accelerated markedly after 2022, from a very low level in the years prior. Following the rise in interest rates, this suggests that the higher rate environment may have strengthened the relative attractiveness of private credit. So far in 2026, a small number of additional transactions have been recorded, indicating a continued presence of foreign private credit funds in the Norwegian market.

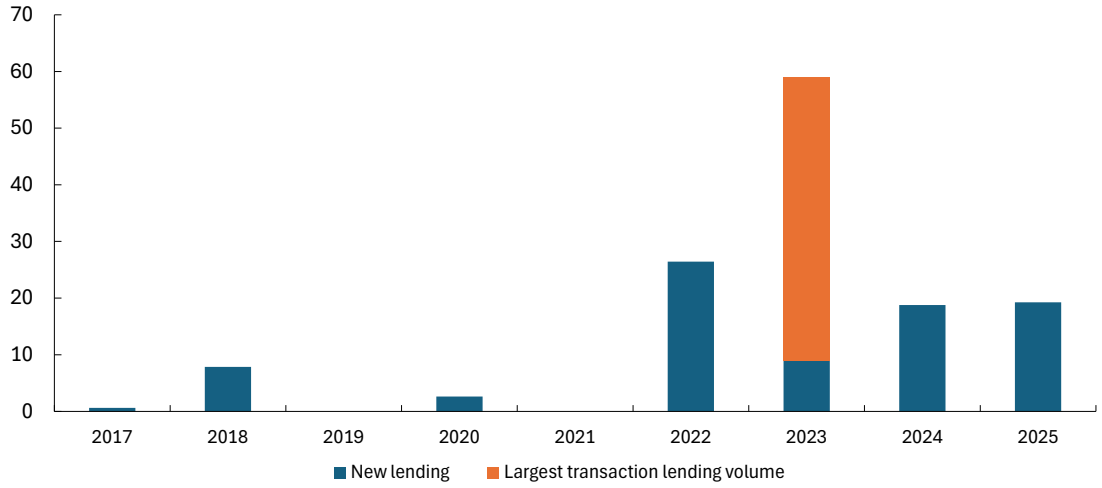
[10] See e.g. Deloitte Private Debt Deal Tracker, which provides an overview of European (including Norwegian) private debt transactions and indicates recent market developments.

[11] Data are sourced from London Stock Exchange Group (LSEG), which provides deal-level information on private credit transactions. The coverage is partial and may not capture the full scope of lending activity from foreign private credit funds to Norwegian companies. Moreover, although transaction activity can be observed, publicly available data do not consistently disclose detailed information on deal size or lending volumes.

Figure 2.1: Private credit loans to Norwegian firms

Source: LSEG

Estimated new lending volume from private credit funds to Norwegian firms. Billion NOK



The lenders to Norwegian firms are predominantly US-based private credit funds, with large fund managers such as Blackstone, Apollo, KKR and Goldman Sachs among the most active.[12] Over the period 2023–2025, the median private credit transaction in Norway was approximately NOK 1.8 billion.[13] This is broadly in line with the euro area median of EUR 168 million for 2023 (ECB, 2024).

Business, infrastructure and professional services constitute the most active sector measured by number of transactions, followed by technology, media and telecommunications (TMT) and healthcare, see figure 2.2. Measured by volume, however, the TMT sector dominates, largely driven by a single large media-sector transaction. The sector composition in Norway broadly mirrors that of the rest of Europe, where business services, TMT and healthcare similarly account for the largest shares of private credit lending.

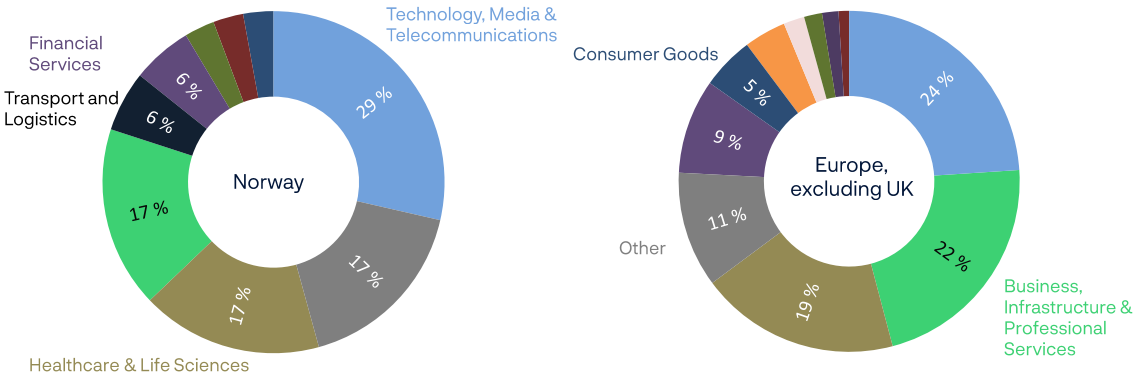
[12] US-based lenders account for NOK 105 billion of private credit loans to Norwegian firms over the period 2017–2025, followed by lenders of undisclosed origin (NOK 22 billion), Europe excluding the UK (NOK 4 billion), and the UK (NOK 1 billion).

[13] Annual medians are NOK 1.8 bn (2023), NOK 2.2 bn (2024) and NOK 1.6 bn (2025); the 2022 figure is omitted from the year-by-year discussion as only two transactions were identified that year.

Figure 2.2 Private credit lending by industry

Source: LSEG, Deloitte

Distribution of private credit lending across industries. 2013 - 2025



Approximately 69 percent of the identified transactions involve borrowers that are owned or sponsored by PE firms, typically operating in software, healthcare and infrastructure-related sectors. The remaining transactions are predominantly refinancings of listed firms in the offshore and shipping sectors. This pattern is broadly consistent with the international observation discussed in section 4.

6. Implications for financial stability

Private credit may broaden the range of funding sources available to companies and provide access to long-term capital for firms that may struggle to obtain financing through traditional bank lending or public bond markets. A broader set of funding sources can strengthen the financial system by diversifying corporate financing away from banks and distributing credit risk across more investors. Increased lender diversity may also improve market efficiency over time by strengthening competition and incentivising cost reduction and innovation.

Private credit may also offer more flexible financing solutions tailored to a firm's needs. There is a clear tendency for many private credit loans to be linked to larger acquisition transactions. In such cases, where considerable loan volumes are involved, companies have traditionally sought financing through syndicated bank loans, sometimes combined with bond financing. Private credit, however, enables large loans to be provided without public disclosure. This increased confidentiality can be attractive for borrowers who want to avoid disclosing market sensitive details about restructurings, acquisitions or other strategic plans.

Private credit funds also typically use less leverage than banks. According to Matvos et al. (2026), private credit funds typically have equity accounting for 65–80 percent of

total assets.[14] That is considerably higher than banks, which generally maintain equity ratios closer to six percent in Europe (EBA, 2026) and ten percent in the United States.[15] While a direct comparison of leverage between private credit funds and banks may not fully capture the relative risk profiles of the two types of lenders, losses in private credit will, to a larger extent than for banks, first be absorbed by committed capital from equity holders such as insurers or pension funds.

However, the rapid growth of private credit also gives rise to several risks that may have implications for financial stability. In a severe downturn, where defaults and credit losses rise sharply, the USD 1 250 billion in private credit lending could have adverse effects on financial stability. The market's rapid growth, large amounts of dry powder, and competitive pressures may create incentives to inflate valuations and loosen covenant protections, leaving lenders and investors more exposed to losses if economic conditions deteriorate.[16] The rating distribution depicted in figure 1.6 suggests relatively weak credit quality among private credit borrowers, yet default rates in private credit have remained low. Different valuation and rating practices compared to public markets, however, make comparisons of default rates difficult.

A central financial-stability concern is the growing interconnectedness between private credit funds and the rest of the financial system. Although private credit is often described as operating outside the traditional banking sector, the linkages between the two sectors indicate that stress in private credit could be transmitted to banks and other regulated intermediaries.[17] These transmission channels are the main reason why even a relatively small market warrants closer monitoring.

Since ratings may not be as reliable as an indicator for credit quality in private credit compared to public markets, the use of PIK loans can be a useful alternative indicator.[18] Data availability for global use of PIK loans in private credit is limited, but US data on BDCs show an increase in the use of PIK loans in recent years (Vanguard, 2026). This could reflect a worsening in the credit quality of private credit portfolio companies, as PIK is often chosen when a borrower cannot comfortably service cash interest payments. A rise in PIK usage across portfolios could therefore suggest that more companies are struggling to generate sufficient cash flow to meet their debt obligations in time.

Beyond the data limitations noted above, the broader opacity of the private credit market is itself a concern for financial stability. Compared with public credit markets, private credit involves less disclosure and more limited data availability, making it harder for investors and regulators to assess risks, monitor leverage, and detect vulnerabilities in a timely manner.

[14] Recent changes in European regulation ease leverage requirements for both AIFs broadly, and ELTIFs specifically. AIF leverage shall not exceed 175 percent for open-ended funds and 300 percent for closed-ended funds. ELTIFs that can be marketed to retail are permitted to borrow cash amounting to 50 percent of the net asset value of the ELTIF, while ELTIFs marketed to professional investors can borrow up to 100 percent of the net asset value.

[15] Matvos et al. (2026).

[16] Dry powder refers to capital that has been committed by investors but not yet invested.

[17] Typical linkages include banks' direct lending to private credit funds, their lending to PE sponsors and to limited partners, their participation in CLO structures, and their indirect stakes in fund managers.

[18] Payment-in-kind (PIK) loans are those where interest is not paid in cash but instead added to the outstanding loan balance, to be repaid at maturity.

Furthermore, because some private credit funds invest in illiquid assets while allowing investors to redeem capital monthly or quarterly, they are exposed to clear maturity mismatch and liquidity risk. As the private credit market has grown and a larger share of funds have become semi-liquid, these liquidity risks may increasingly have implications for financial stability. Nevertheless, the ability to gate redemptions is a built-in feature of these fund structures that can reduce risks to financial stability.[19] By limiting outflows, such restrictions protect long-term investors by preventing funds from being forced to sell illiquid assets at distressed prices to meet short-term liquidity demands.

In the second half of 2025, examples of stress emerged in parts of the private credit market. Several semi-liquid funds faced redemption pressure, and listed segments were affected by concerns about valuation and credit quality. The stress appears to have been partly driven by growing concerns over overvalued assets, particularly in the technology sector where traditional business models are being challenged by artificial intelligence.[20] Combined with defaults among certain borrowers, this led a growing number of investors to withdraw from the market, and several semi-liquid funds reported liquidity problems and imposed restrictions on redemptions.

The recent private credit market stress episode illustrates that private credit can be vulnerable to shifts in investor sentiment and changing macro-financial conditions. Notably, many of the loans to software companies do not mature until 2028–2029 (Octus, 2026), suggesting that the full test of credit quality in this segment may still lie ahead. So far, episodes of liquidity stress in private credit markets have not spread to other parts of the financial system or had a broader adverse impact on financial stability. This may partly reflect that the majority of capital is held by institutional investors with longer time horizons and greater capacity to absorb volatility.

The redemption restrictions embedded in private credit fund structures mean that losses are more likely to materialise gradually over time, reducing the risks to financial stability of acute liquidity shocks and fire sales. This feature contrasts with the mortgage-backed securities and structured products that were central to the 2007–2008 financial crisis. Those instruments lacked comparable shock absorbers. When investors needed to sell, they were forced to accept progressively lower prices, triggering further losses and forced sales in a self-reinforcing downward spiral.

For Norway, our overall assessment is that a potential severe downturn in the global private credit market represents a limited direct risk to financial stability given the Norwegian private credit market's relatively small size. Norwegian corporates rely almost entirely on bank and bond financing, and domestic banks' direct lending to private credit funds and complex collateralised loan obligation (CLO) structures appears limited, which further mitigates financial stability risks. However, indirect linkages remain: banks may be exposed through loans to borrowers that also draw on private credit, loans to PE funds that own such borrowers, and loans to limited partners. Given these channels, enhanced reporting requirements would help regulators assess the full extent of leverage and

[19] A redemption gate means a temporary and partial restriction of the right of unit-holders or shareholders to redeem their units or shares, so that investors can only redeem a certain portion of their units or shares (Consolidated text: Directive 2011/61/EU, 2026).

[20] Market participants estimate that around 25 percent of BDC lending is directed towards software companies (Morgan Stanley, 2026). These borrowers tend to carry higher leverage and fewer physical assets available as collateral, which may result in lower recovery rates in the event of default.

liquidity risks across the interconnected private credit ecosystem described in section 4.

The regulatory perimeter in Norway may, in practice, have limited non-bank loan origination. Consequently, private credit funds frequently need to rely on careful structuring and/or exemptions to originate loans directly. However, as described in section 2, ongoing regulatory developments are expected to broaden access for private credit. In particular, the forthcoming AIFMD 2.0 directive will permit expanded activity for private credit funds in Norway. Despite the upcoming entry into force of AIFMD 2.0 in Norway and the considerable broadening of AIFs' ability to extend loans to firms, future private credit developments in Norway are still uncertain. Large fund managers often have private credit arms that can benefit from the firms' footprint and marketing reach through, among other things, their PE business. Since PE and private credit are so strongly linked, the relatively small size of the existing PE industry in Norway may limit private credit's growth potential in the short to medium term. Moreover, given the current sector composition of Norwegian firms with a relatively large oil and gas industry and smaller TMT sector, private credit may be less suitable as a funding source compared to some other countries. In addition, recent market turbulence in the private credit market may also dampen investor demand for the asset class in Norway.

7. Conclusion

Private credit has grown rapidly internationally, from around USD 90 billion in 2010 to around USD 1 250 billion in 2024 measured in global outstanding loan volumes. The market is dominated by a small number of large US-based fund managers, and borrowers are often PE-backed firms in sectors such as technology, healthcare and business services. As the market has matured, it has also become more complex: fund structures have shifted toward semi-liquid funds with greater liquidity risk, and the interconnections between private credit funds, banks, insurers and private equity have increased.

In Norway, private credit remains a small part of the corporate financing landscape. We identify approximately 35 transactions involving Norwegian firms between 2017 and 2025, with lending activity concentrated after 2022 and driven almost entirely by foreign funds. The lending volumes are modest relative to the bank and bond markets that Norwegian firms primarily rely on. The Norwegian banking sector also appears to have limited direct exposure to private credit structures.

Despite the small size of the Norwegian market, several factors warrant closer attention. Data availability is limited as private credit is not captured by standard credit statistics, and there are limited systematic reporting requirements for this type of lending. This makes it difficult to assess the true size of the market, the degree of leverage involved, or the extent of indirect bank exposures. Furthermore, regulatory changes under AIFMD 2.0 are expected to lower barriers to loan origination by alternative investment funds in Norway, potentially facilitating growth in a market segment that has so far been constrained by the regulatory framework. Given the pace of international developments and the opacity of the market, improved data collection and continued monitoring will be important to ensure that emerging risks can be identified in a timely manner.

An additional factor to consider, which is beyond the scope of this memo, is differences in tax regulations and the implications for where fund managers choose to set up their private credit fund structures. As described by Finanstilsynet (2025), current Norwegian

tax regulations may limit the scope of lending from AIFs. While comparable countries allow for the accumulation of returns within the fund, with taxation deferred until the investor withdraws funds, Norwegian rules generally tax such returns on accrual. This is particularly relevant for credit-oriented AIFs, where returns take the form of interest income—a regime that differs from the more favourable treatment of equity-based fund returns under the Norwegian share exemption method. This difference may dampen interest in originating loans through Norwegian AIFs. A fuller analysis of how cross-border tax differences influence fund managers' structuring decisions would be a valuable area for further work.

Taken together, the limited size of the Norwegian private credit market, combined with the bank-dominated structure of corporate financing and the country's well-developed bond market, suggests that direct risks to financial stability are currently modest. However, rapid international growth, expanding regulatory scope under AIFMD 2.0, and persistent data gaps mean that the case for closer monitoring will likely strengthen over time, even as the market remains small in scale.

References

Alternative Credit Council, 2025. Financing the Economy 2025. Technical Report. Alternative Credit Council.

Ares, 2025. A Comprehensive Guide to Private Credit. Technical Report. Ares Management Corporation.

Avalos, F., Doerr, S., Pinter, G., 2025. The global drivers of private credit. BIS Quarterly Review. Bank for International Settlements.

Bank of England, 2024. Why do UK companies raise market-based finance debt? Technical Report. Bank of England.

Bank of England, 2025a. The Bank of England's private markets system-wide exploratory scenario exercise. Technical Report. Bank of England.

Bank of England, 2025b. Financial Stability Report — July 2025. Technical Report. Bank of England.

Berg, T., Lee, J.H., 2026. Measuring Counterparty Exposures to Private Credit. Brief 26-02. Office of Financial Research, US Department of the Treasury.

Berrospide, J.M., Cai, F., Lewis-Hayre, S., Zikes, F., 2025. Bank lending to private credit: Size, characteristics, and financial stability implications. Working Paper.

BIS, 2021. Annual Economic Report 2021. Technical Report. Bank for International Settlements.

BIS, 2023. Annual Economic Report 2023. Technical Report. Bank for International Settlements.

BIS, 2025. Annual Economic Report 2025. Technical Report. Bank for International Settlements.

Board of Governors of the Federal Reserve System (US), 2026. Loans and leases in bank credit, all commercial banks (TOTLL). Retrieved from FRED, Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/TOTLL. Accessed 14 April 2026.

Brookfield, 2025. Private Credit Opportunities: The Universe Keeps Expanding. Technical Report. Brookfield Asset Management.

Brookfield, 2026. Glossary — Mezzanine Debt. Technical Report. Brookfield Asset Management.

Cao, J., 2025. Who lends to Norwegian firms? An anatomy of institutional lenders in Norway. Technical Report. Norges Bank.

Chernenko, S., Ialenti, R., Scharfstein, D.S., 2025. Bank capital and the growth of private credit. Working Paper.

Deloitte, 2025. Deloitte Private Debt Deal Tracker. Technical Report. Deloitte.

Deutsche Bank, 2024. Private credit — a rising asset class explained. Technical Report. Deutsche Bank Research.

EBA, 2026. Risk Dashboard — Q4 2025. Technical Report. European Banking Authority.

ECB, 2023. Financial Stability Review, May 2023. Technical Report. European Central Bank.

ECB, 2024. Private markets, public risk? Financial stability implications of alternative funding sources. Technical Report. European Central Bank.

European Commission, 2026. Investment funds. directorate-general for financial stability, financial services and capital markets union. https://finance.ec.europa.eu/financial-markets/financial-markets-policy/investment-funds_en. Accessed 4 May 2026.

European Union, 2021. Regulation (EU) 2015/760 on European long-term investment funds. Technical Report. Official Journal of the European Union.

European Union, 2023. Regulation (EU) 2023/606 amending Regulation (EU) 2015/760 on European long-term investment funds. Technical Report. Official Journal of the European Union.

European Union, 2024. Directive (EU) 2024/927 amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the provision of depositary and custody services and loan origination by alternative investment funds. Technical Report. Official Journal of the European Union.

European Union, 2026. Consolidated text: Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers. Technical Report. Official Journal of the European Union.

Finanstilsynet, 2025. Consultation: Implementation of AIFMD 2.0. Technical Report. Finanstilsynet.

FSB, 2025. Global Monitoring Report on Non-Bank Financial Intermediation 2025. Technical Report. Financial Stability Board.

Houlihan Lokey, 2025. Venture Debt Market Update. Technical Report. Houlihan Lokey.

IMF, 2024. Global Financial Stability Report, April 2024: The Last Mile: Financial Vulnerabilities and Risks Face the Future. Technical Report. International Monetary Fund.

Ivashina, V., 2025. The role of private debt in the financial ecosystem. Working Paper.

Jang, Y.S., Kim, D., Sufi, A., 2025. The lending technology of direct lenders in private credit. Working Paper.

KKR, 2026. What Is Private Credit? Technical Report. KKR & Co.

Levin, J.D., Malfroy-Camine, A., 2025. Bank lending to private equity and private credit funds: Insights from regulatory data. Working Paper.

London Stock Exchange Group (LSEG), 2026. Deal-level transaction data on loans to Norwegian firms. Proprietary database.

Marquette Associates, 2016. Investment Perspectives. Supercharged Fixed Income — Direct Lending. Technical Report. Marquette Associates.

Matvos, G., Piskorski, T., Seru, A., 2026. Private Credit, Balance Sheets and Financial Stability. NBER Working Paper 34991. National Bureau of Economic Research. doi:10.3386/w34991.

Moody's, 2025. US private credit market reshapes bank lending and risk. Special Report. Moody's.

Morgan Stanley, 2026. The Risks of Private Credit's Software Exposure. Insights. Morgan Stanley.

Myers, S.C., Majluf, N.S., 1984. Corporate financing and investment decisions when firms have information that investors do not have. Journal of Financial Economics 13, 187–221.

Nordic Trustee, 2026. Nordic Corporate Bond Market Report 2025. Technical Report. Nordic Trustee.

Norges Bank, 2025. Financial Stability Report 2025. Technical Report. Norges Bank.

Oaktree, 2016. Mezzanine Debt: A primer. Technical Report. Oaktree Capital Management.

Octus, 2026. Private Credit Software Analysis Reveals Almost 30% Exposure to BDCs. Technical Report. Octus.

Office of Financial Research, 2026. Estimates of bank and non-bank lending to the private credit industry. Technical Report. US Department of the Treasury.

Palladino, L., Karlewicz, H., 2025. The risks of unregulated "private" credit funds. Working Paper.

Robinson, D.T., Wallskog, M., 2026. Why is private lending so popular? Working Paper.

Shen, C.H., 2014. Pecking order, access to public debt market, and information asymmetry. International Review of Economics & Finance 29, 291–306.

Union, 2025. Union Real Estate Credit Fund — market report and fund data. Technical Report. Union Investment Management.

Vanguard, 2026. Private credit's third act: Reconnecting with banks. Technical Report. Vanguard.

Watson, L.M., O'Meara, M.D., Bundrant, T.N., Dempsey, M.C., Gaffney, M.P., Boss, L.E., Suda, R., Schmid, S.L., 2025. The Spectrum of Loan Portfolio Back Leverage Options: A Primer for Private Credit Funds. Technical Report. Sullivan & Cromwell LLP.