APOLLO

The Continental Shift: Europe's Private Credit Moment

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KEY TAKEAWAYS

- We believe European private credit is a fast-growing market with the potential to rival its US counterpart, offering scale, attractive risk-adjusted returns, and geographic diversification.
- European companies remain heavily reliant on banks for financing relative to the US. With non-bank lending share in Europe and the UK at just 12%—versus 75% in the US—the region is ripe for private credit expansion, especially in direct lending.
- Accelerated EU policy initiatives like the Savings and Investments Union, combined with Basel III regulatory implementation, are pushing assets out of banks and into alternative capital channels, creating a supportive environment for private credit.
- Geopolitical and macro shifts are expected to drive higher growth in Europe, fueled by fiscal easing and increased spending in areas like infrastructure and defense. In addition, growing concerns about the erosion of "American exceptionalism" may position Europe as a credible alternative to the US as a destination for cross-border capital flows.
- European direct lending deals tend to offer 25–50 basis points of spread enhancement versus US equivalents due to regulatory fragmentation, multi-currency structuring, and legal complexity—creating opportunities for lenders with cross-border expertise and scale.
- Growing support for capital markets reform in the Eurozone is creating new opportunities in Asset-Backed Finance (ABF), a key funding tool for asset-intensive business models. Given Europe's asset-heavy banking sector and capital-intensive industrial base, investors with scale can help bridge funding gaps through the securitization of underutilized balance sheet assets.

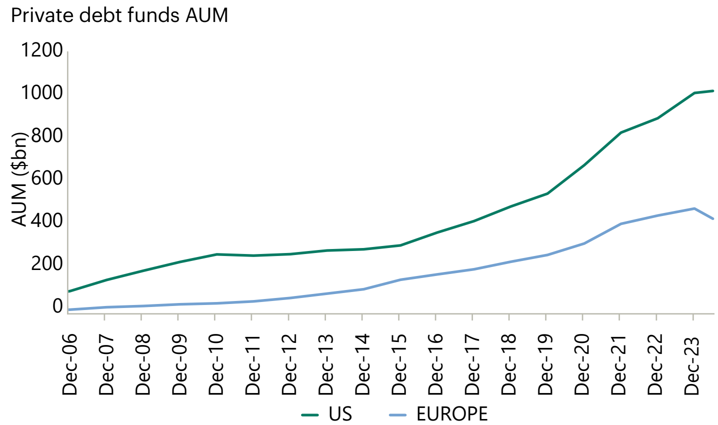
I) Introduction

For much of the 20th century, American exceptionalism set the pace across many global industries. Nowhere was this dominance more visible than in aviation, where the US emerged as the undisputed technological and industrial leader. Iconic companies like Boeing and McDonnell Douglas revolutionized long-haul travel with aircraft such as the 747 and DC-10.[1] Yet, over time, Europe has shown a consistent ability not only to catch up but to rival American incumbents. A prime example is Airbus, which, starting in the 1980s, harnessed pan-European engineering and innovation to introduce groundbreaking technologies like fly-by-wire control systems.[2] Today, Airbus is the world's largest commercial aircraft manufacturer.[3]

We believe the private credit market is now entering a similar phase of evolution. In the 2010s, the US pioneered new forms of private credit that rose to fill the lending gap created by tighter banking regulations put in place following the Global Financial Crisis (GFC). Private and securitized credit can offer duration-matched funding and diversify credit risk among a much broader set of capital markets participants, bringing greater stability to the financial system. And, over the past five years in particular, the asset class has thrived, capitalizing on the market disruptions caused by the Covid pandemic and the 2023 regional banking crisis. According to Preqin, global private credit assets under management (AUM) have grown from $456 billion in 2014 to $1.7 trillion in 2024, with the US representing 63% of the market compared to Europe's 29% share **(Exhibit 1)**.[4] Still, we believe Europe will narrow this gap going forward. As with aviation, its structural advantages—strong legal protections, institutional credibility, and large addressable markets—create a fertile environment for private credit to flourish. The evolution is already underway: European direct lending is shifting toward larger, more sophisticated financings. In the two years to 2024, an average of 39% of direct lending transactions in the region exceeded $500 million, up from just 13% in 2020.[5]

At Apollo, we believe European private credit is poised to lead the next leg of growth in the asset class—offering the potential for diversification, scale, and attractive risk-adjusted returns. For investors already allocated to US private credit, Europe presents the prospect not just for geographic diversification but also access to a market that has the potential to rival its US counterpart.

Exhibit 1: The European direct lending market trails behind the US



Data as of September 2024.
Source: Preqin

In this paper, we will outline three major secular trends in Europe that we believe will expand deployment opportunities for direct lending in the region:

- Europe's bank-led financing market provides substantial runway for private credit growth.
- Policy and regulatory changes are likely to drive a step-level change in the demand for non-bank capital.
- Areas of strategic investment, catalyzed by recent US policy shifts, may accelerate economic expansion and drive growth in borrowing needs.

Finally, we will demonstrate how the fragmented nature of European capital markets may translate into excess spread opportunities for investors.

1 Engineerine, Boeing 747: *The Rise and Farewell of the Iconic Jumbo Jet, February 2025.Aeropeep, McDonnell Douglas DC10 The Tri Jet That Changed Commercial Aviation*, April 2025.
2 Trans Global Training, *The Evolution of Fly-by-Wire: Transforming Aircraft Control Systems*.
3 Business Traveler, Analysis: *How Airbus Soared Past Boeing by Delivering Twice as Many Planes*, January 2025.
4 Preqin, April 2024.
5 Deloitte, December 2024.

A NOTE ABOUT PRIVATE CREDIT DEFINITION AND NOMENCLATURE. In financial markets, private credit and direct lending are often conflated. At Apollo, we view direct lending as one component of a broader private credit universe—a subset that captures non-bank lending activity to sub-investment grade companies. These loans are privately negotiated between borrower and lender, often enabling more tailored financing solutions and faster execution compared to traditional bank loans and syndicated deals. In contrast, the significantly larger private credit universe includes a diverse array of lending strategies and fixed income asset classes. We estimate that private credit represents an addressable market value of $40 trillion, consisting predominantly of investment grade-rated credit spanning bank loans, trade credit, corporate credit, consumer credit, mortgages, and asset-backed finance. In this paper, we focus primarily on the direct lending opportunity in Europe.

II) Opportunities

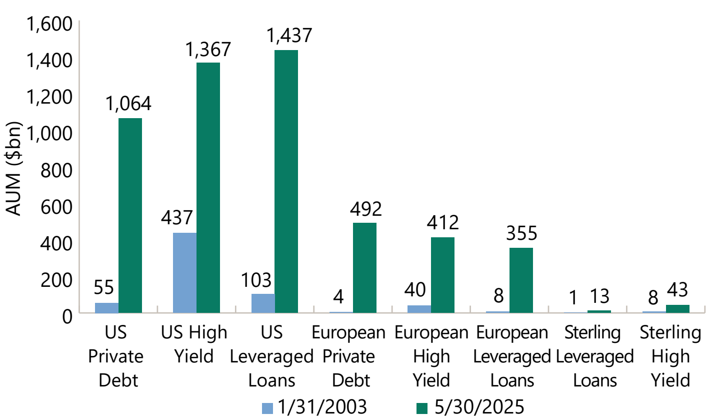
1) MARKET DEPTH

Over the past two decades, the total size of the European and US public sub-investment grade market has expanded dramatically, growing to ~$3.6 trillion from about $650 billion.[6] However, regional growth has been uneven. In the US, the market is over $2.8 trillion, while in Europe and the UK, it stands at about $800 billion **(Exhibit 2)**. Still, this disparity in market sizing is not a function of economic scale: The combined EU and UK economies are approaching the size of the US and their banking systems hold nearly twice the assets, yet the region's high yield and leveraged loan markets are only one-fourth of the size of their American counterparts **(Exhibit 3)**.

There are several structural differences between the US and Europe that explain this disparity. European financing markets have historically been more bank-centric, especially compared to the US, which relies heavily on capital markets for funding. This bank-centric model has been reinforced by regulatory frameworks that have favored bank lending over alternative forms of credit extension. Stricter rules on securities issuance make it more cumbersome and costly for companies to raise funds through the capital markets.[7] The UK faces a similar situation, where traditional banks have long dominated the lending market.

Exhibit 2: The leveraged finance market has grown significantly and unevenly

Size of sub-investment grade markets



Data as of May 2025, except for European private debt, which is as of September 2024.
Sources: US High Yield, ICE Index, PitchBook

Exhibit 3: Structural differences between the European and US financial systems

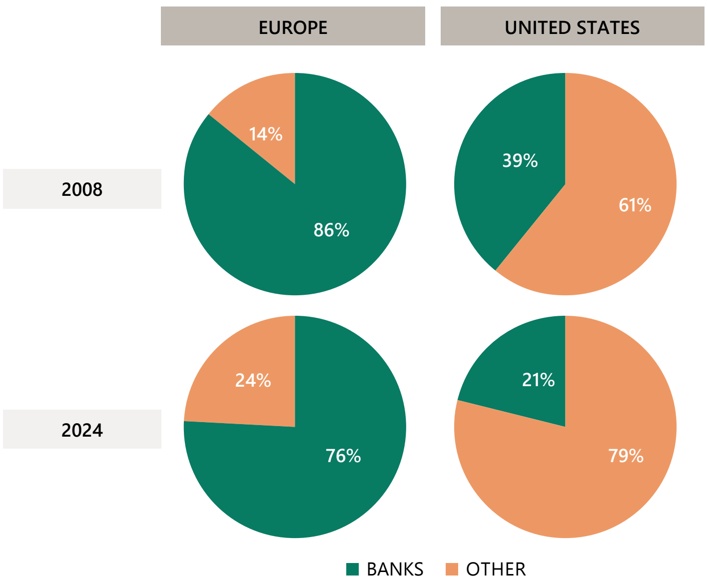
US		Europe/UK
$29.2T	GDP(1)	$23.0T
$23.8T / 82%	Bank Assets/ Bank Assets as % of GDP(2)	€32.7T / 142%
~85% Deposits/ 10% Wholesale	Funding Model(3)	~50% Deposits/ ~ 45% Wholesale
~$1.4T	Leveraged Loan Market(4)	~€310B
~ $1.3T	High Yield Market(5)	~€415B
~$1.0T	Direct Lending Market(6)	~€440B
~$15T	Securitization Market(7)	~€560B

Sources: (1) IMF as of December 2024. (2) For the US data, Federal Reserve Bank of St. Louis, as of January 2025 and Bank Regulatory Reporting as of Q4 2024. For the European and UK data, ECB and EBA as of Q2 2024. (3) Federal Reserve Bank of St. Louis as of January 2025 and European Central Bank as of Q2 2024. (4) Leveraged Loan Index PitchBook as of December 2024. (5) ICE BofA High Yield as of December 2024. (6) Preqin, as of June 2024. (7) SIFMA as of December 2023 and AFME as of March 2024.

[6] BofA Research, April 2025.
[7] Banking Regulation and Bank Lending in the EU, October 2016.

While US markets offer a more diverse range of corporate financing options, European corporates remain heavily reliant on banks. Non-bank lending accounts for 75% of corporate financing in the US, but only 12% in Europe and 24% in the UK.[8] Separately, bank loans in the US have fallen from 39% of total corporate lending in 2008 to 21% by the end of 2024, whereas in Europe, banks' share declined more gradually from 86% to 76%.[9] With bank assets totaling 142% of GDP in Europe and the UK—compared to 82% in the US—there is considerable room for private credit to capture market share **(Exhibits 4, 5)**.[10]

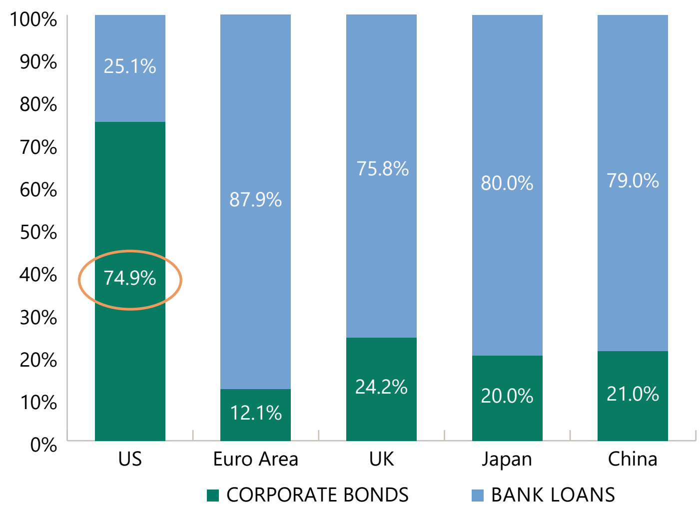
Exhibit 4: Sources of financing for the corporate sector in Europe versus the US



Data as of December 2024.
Sources: PitchBook LCD, Bloomberg, ECB, Apollo Chief Economist

Exhibit 5: US markets offer a more diverse range of corporate financing options

Debt financing of non-financial corporations



Data as of 2023.
Source: SIFMA

In contrast to Europe's sub-scale debt capital markets, direct lending on the continent has seen higher growth. At €440 billion, the combined European and UK direct lending market has already surpassed the region's high yield market (€415 billion) and leveraged loans market (€310 billion) in total size.[11] The size differential between the US and European direct lending markets is less pronounced, which suggests that private credit is a more natural alternative to bank finance than the public sub-investment grade alternatives in the region.

In addition, the limited scale and development of Europe's sub-investment grade market reduces its overall liquidity, which often leads to primary market disruptions during periods of dislocation. We saw this during the market turmoil in April 2025, when the European primary markets were closed on average for about four weeks versus three weeks in the US. For high yield B-rated issuers, European public markets were effectively shut for about five weeks, and six weeks for B-rated loans, roughly twice as long as US markets.[12] We believe this creates an opening for private credit to serve as an alternative to sidelined public markets during periods of market volatility.

8 SIFMA Capital Markets Factbook, December 2024.
9 Pitchbook LC, Bloomberg, ECB, Apollo Economist, December 2024.
10 For the US data, Federal Reserve Bank of St. Louis, as of January 2025 and Bank Regulatory Reporting as of Q4 2024. For the European and UK data, ECB and EBA as of Q2 2024.
11 Leveraged Loan Index PitchBook as of December 2024. ICE BofA High Yield as of December 2024. Preqin, as of June 2024.
12 Apollo Analysts, May 2024.

In conclusion, Europe's sub-investment grade public markets remain structurally underdeveloped relative to those in the US, despite both regions having similarly sized economies. This imbalance highlights a significant opportunity for direct lending in Europe and the UK—not only to expand meaningfully, but potentially to outpace the US market, where competition from syndicated financing alternatives is greater. As we'll explain in the next section, we believe there's an emergent opportunity for investors to build and shape a market that may be entering a period of accelerated growth.

2) POLICY & REGULATION

Since the start of the year, there have been growing calls in Europe to recommit to the European Union's (EU) plan to revamp the regulation of its capital markets to make them more competitive. On March 19th, the EU pledged to accelerate the deadline for proposals for a more unified supervision of capital markets from 2026 to the fourth quarter of this year. Separately, policymakers at the European Commission (EC) are looking to redirect the €10 trillion in savings that EU citizens hold in bank accounts into more productive investments, including retail investments (such as stocks, bonds, and insurance products). The move is part of the EC's Savings and Investments Union initiative **(Exhibit 6)**, which aims to enhance the EU's financial system's capabilities to connect savings and investments. European households save €1.4 trillion annually compared to €800 billion in the US—yet €300 billion of those European savings flow into non-EU markets each year, according to the EC.[13]

Exhibit 6: European Commission's Saving for the Future plan

Key measures

Encouraging retail participation in capital markets — 2025 Q3
- EU Savings and Investments Accounts – designed to simplify and improve investment access
- Financial literacy strategy

Developing the supplementary pension sector — 2025 Q4
- Recommendations on auto-enrollment, pension tracking systems and pension dashboards
- Review of the Institutions for Occupational Retirement Provision (IORP) Directive and the Pan-European Personal Pension Product (PEPP) Regulation

Market integration and supervision — 2025 Q4
- Market Infrastructure Package—which aims to enhance the efficiency and integration of the EU's financial markets
- Improving cross-border provision of funds and reducing operational barriers facing asset managers
- More integrated and harmonized supervision

Promoting equity investment — 2025 Q4
- Eligibility and clarification of equity investment by institutional investors—designed to define the rules and remove uncertainty around how institutional investors can invest in equities

Promoting equity investment — 2026 Q3
- European Venture Capital Fund (EuVECA) Regulation review

Banking sector — 2026
- Report assessing the overall situation of the EU banking system, including its competitiveness

Data as of March 2025.
Source: European Commission

[13] European Commission, March 19th, 2025.

In addition, mounting regulatory pressures on banks are likely to create white space for established direct lenders. Basel III—the globally coordinated regulatory framework introduced in response to the GFC—imposes more stringent requirements on bank capital, leverage, and liquidity, which can constrain traditional bank lending capacity.[14] The EU and Switzerland implemented most or all of the updated Basel III rules earlier this year, while the Bank of England is targeting implementation in 2027.[15]

Despite recent uncertainty around the timing of the implementation of Basel III and the Trump Administration's commitment to global regulatory alignment, we believe these regulatory revisions are inevitable. The changes will require some banks to increase their capital reserves, sell certain assets that are no longer capital efficient, or possibly enter into arrangements to reduce their regulatory capital requirements. We bellieve this will present opportunities for direct lenders that can provide alternative sources of capital to European companies.

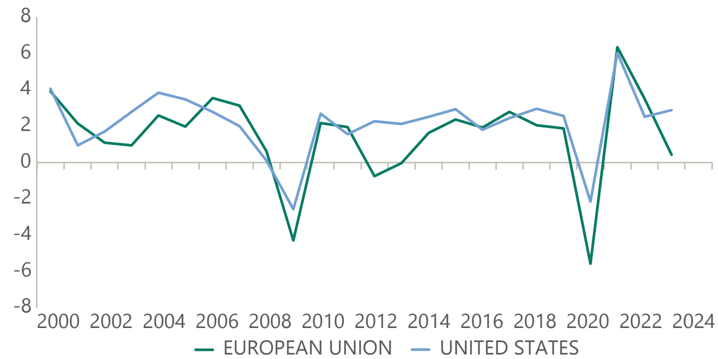
We expect these policy and regulatory changes will shift more assets from households and banks into alternative capital sources, including direct lending strategies.

3) MACROECONOMIC SHIFTS

Economic growth in the US and Europe has historically moved in lockstep over the past two decades. However, in the last few years, we've seen a decoupling of the two economies[16] **(Exhibit 7)**. This divergence can be partially traced to the divergent response to the pandemic in each region. While the US government delivered the largest fiscal stimulus in history—about $5 trillion spread across a variety of programs ranging from direct payments to consumers to loans and grants to businesses—in Europe, the governments relied on their robust social safety net and adapted existing programs at a much lower price tag. The Next Generation EU, the EU's €800 billion recovery fund launched in response to the Covid-19 pandemic, was estimated at ~6% of GDP versus the $1.9 trillion American Rescue Plan, which was at ~8.5% of GDP as of 2021.[17] In addition, the growing demand for data centers and AI technology in the US has supported strong corporate spending and bolstered equity markets. Meanwhile, Europe entered the pandemic at a disadvantage, with slower economic growth and higher unemployment rates compared to the US. Finally, Europe is more exposed to energy price shocks given its reliance on oil and natural gas imports—a vulnerability evidenced by Russia's invasion of Ukraine in 2022.[18]

Exhibit 7: US and European Economies used to move in lockstep

Annual GDP growth in the US and EU (%)



Data as of December 2023.
Source: World Bank Group

Global investors entered 2025 optimistic that the US momentum in equity and credit markets seen in 2024 would carry over—and potentially accelerate—under President Trump's administration and its expected pro-business agenda. Instead, the cascade of new tariffs announced by the administration during its first 100 days in office, culminating in its April 2nd unveiling of its reciprocal tariff policy, introduced uncertainty and stoked fears of a potential recession.

In addition, in late February, the US administration announced that it would pause military aid to Ukraine, confirming the fears of many European leaders: The US was no longer fully committed to the transatlantic security arrangement established after World War II. The decision galvanized the European Union, which responded swiftly with an ambitious plan known as "ReArm Europe" that aims to raise €800 billion for defense over four years through joint EU borrowing.

While details are still being hashed out, decision-makers in Germany indicate that those amounts will be channeled into the economy at least partly through KFW, Germany's state-owned development bank, which was originally part of the Marshall Plan to help rebuild Germany after World War II. KFW will set up programs aimed at attracting a mix of capital providers to finance the defense and infrastructure program, and we believe private lenders stand to gain from this as

[13] Bank for International Settlements, December 2010.
[15] Bloomberg, January 2025.
[16] IMF, "World Economic Outlook", April 2024.
[17] IMF, US and Euro Area Monetary and Fiscal Interactions During the Pandemic: A Structural Analysis, November 2022. Does not include country-specific stimulus.
[18] Apollo Analysts, May 2024.

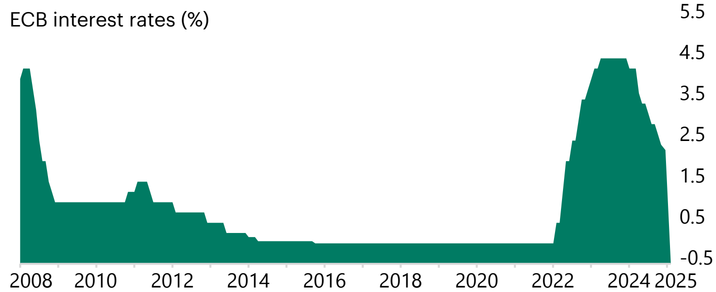
well, specifically those who can lend in size and participate in these new programs. Finally, the influx of capital to modernize infrastructure and stimulate growth will likely boost the German economy—the largest contributor to the EU's total economic output—which contracted in the last two years.[19] Economists expect EU GDP growth to reach 1.1% in 2026.[20] The prospect of a coordinated stimulus program for the EU marks a welcome shift after years of fiscal austerity and stagnation following the pandemic, energy crisis, political instability, Brexit, and fragmented fiscal policy.

The stark divergence in policy between the US and Europe marks a sharp reversal of the "American exceptionalism" narrative that has shaped markets since the pandemic. The S&P 500 Index increased nearly 130% in the five years since the Covid pandemic, while the benchmark STOXX Europe 600 Index climbed about 70%. In contrast, during the first quarter of 2025, the European benchmark trounced the S&P by nearly 10 percentage points, the largest quarterly outperformance in a decade.[21]

John Zito, Co-President of Apollo Asset Management, recently wrote a letter, addressing this topic, making the case that Europe—with its economic scale, institutional foundations, and regulatory momentum—may be best positioned to offer an alternative to the US for global capital flows.

On the monetary policy front, over the past nine months, receding inflation has allowed the European Central Bank to gradually lower borrowing costs, with the June quarter-point reduction leaving the deposit rate at 2% **(Exhibit 8)**. However, Germany's fiscal expansion complicates the ECB's task given the inflationary nature of the fiscal package as well as the uncertainty surrounding tariffs. In light of this macroeconomic backdrop, we believe the ECB will likely keep rates unchanged for a longer period of time, supporting direct lending strategies. Many private credit deals carry adjustable coupons that reset as interest rates fluctuate. In a high-rate environment, like the one that persists today, this translates into higher all-in yields for investors. In addition, a volatile and elevated rate environment may limit access to traditional bank loans, prompting borrowers to consider private lending alternatives.

Exhibit 8: ECB rates are expected to remain elevated



Data as of April 2024.
Source: Bloomberg

With an ambitious defense plan backed by joint EU borrowing and a newfound sense of urgency triggered by the new US administration's shifting geopolitical priorities, there's now clear momentum to support faster economic growth in Europe.

4) SPREAD PREMIUM

European direct lending deals tend to price 25 basis points to 50 basis points wider than their US counterparts and include an original issue discount (OID) that is often up to one point more than similar US deals.[22, 23] This spread differential **(Exhibit 9)** stems from structural differences between the two markets. The US market benefits from a single, unified legal and regulatory environment, along with a larger, more mature private credit ecosystem. In contrast, the European market is smaller and more fragmented, with varying regulatory regimes, legal systems, and capital market dynamics across jurisdictions. A study published[24] in the *Journal of Banking & Finance* indicates that financial fragmentation and disparities in legal systems, regulatory frameworks, and capital market development across European countries contribute to higher lending rates compared to more integrated markets like the US. In addition, the ECB has warned that regulatory fragmentation across the EU drives up borrowing costs through increased compliance burdens, legal uncertainty, and reduced cross-border financing efficiency.[25]

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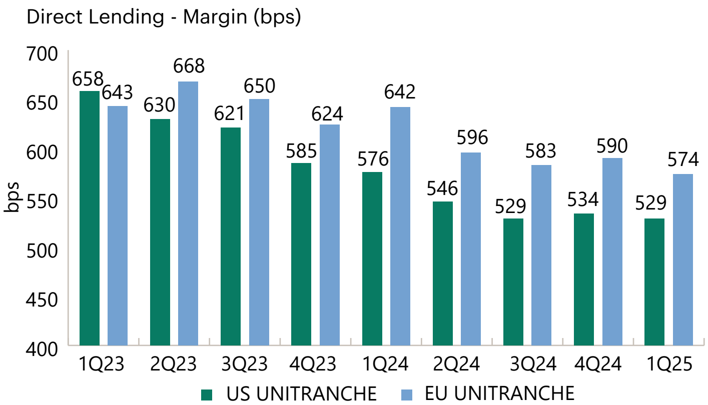
[19] Bloomberg Economics, May 2025.
[20] Bloomberg Economics, May 2025.
[21] Bloomberg, March 2025.
[22] Kroll Bond Rating Agency, data as of Q2 2024.
[23] Valuation Research Corporation, *European Private Market Update*: Q4 2024 https://www.valuationresearch.com/insights/european-private-market-update/.
[24] Financial fragmentation and SMEs' access to finance, *Journal of Banking & Finance*, August 2020.
[25] ECB, Financing Integration and Structure in the Euro Area, November 2024.

Exhibit 9: European direct lending deals tend to price at a spread premium to US deals

Average margin across US and European direct lending transactions



Data as of March 2025.
Source: KBRA

Legal frameworks also contribute to this dynamic. The US corporate credit market benefits from a uniform regulatory framework and a well-established Chapter 11 bankruptcy regime, which provides a transparent and predictable process for corporate restructuring that balances creditor protections with debtor flexibility—offering an organized pathway for corporate rehabilitation that supports higher creditor recoveries. In contrast, Europe's restructuring landscape is more fragmented, with insolvency laws varying by jurisdiction. Southern European countries, in particular, have presented structural challenges for creditors, often pressuring creditor recoveries.[26] By comparison, the UK and parts of Northern Europe have adopted legal frameworks more closely aligned with the US, offering a more predictable restructuring environment. Moreover, many European corporates operate across borders and seek financings denominated in multiple currencies, including sterling, euros, and Swedish krona.

This need for multi-jurisdictional and multi-currency capabilities, combined with legal complexity, creates structural inefficiencies that we believe can only be addressed by lenders with cross-border reach and strong structuring expertise. These dynamics help explain the spread premium observed in European direct lending and can represent an opportunity for managers who can effectively navigate this complexity.

III) Beyond Corporate Direct Lending

As discussed earlier in this paper, Apollo sees private credit as a $40 trillion opportunity that captures a variety of fixed income asset classes, including asset-backed finance (ABF), which makes up a $20 trillion-plus market today. We believe that many assets sitting on bank balance sheets will increasingly be financed by the private investment marketplace. In Europe, we believe climate transition, commercial real estate, and ABF are a few areas where private credit is well-positioned to play a more prominent role.

Over the last year, Europe has moved to attract private capital to fund investments in the continent's climate transition efforts. ECB President Christine Lagarde emphasized the need for Europe to harness the potential of public development banks to pool risks and crowd in private capital.[27] In addition, a significant portion of Germany's $500 billion infrastructure and climate investment package, which was approved by the Bundestag—Germany's parliament—in March, is dedicated to green energy projects, an area where private credit firms have expanded their presence in recent years.[28]

Another opportunity lies in Europe's commercial real estate lending market, which reflects many of the same trends seen in corporate lending: a bank-centric lending market with limited competition from underdeveloped capital markets that is beginning to cede share to private credit.[29] Following the interest rate hikes in 2022, which reset collateral capital values lower, Europe's bank lenders generally tightened credit, and by 2023, new bank lending for commercial real estate fell by 31%, reaching its lowest level since 2013.[30] While refinancing activity has picked up over the past year, upcoming Basel IV rules will limit EU banks' ability to use internal models to calculate capital charges on commercial real estate loans—likely pushing them to focus on simpler, lower-risk transactions. With less developed capital markets and €730 billion in loans set to mature by 2032,[31] there is a substantial need for refinancing capital across the region, presenting an opportunity for private credit providers with real estate expertise.

Finally, we see an attractive opportunity in ABF, a critical tool for financing a broad range of assets from residential mortgages and consumer loans to tangible assets such as planes and equipment. While the public ABF market has existed for decades, post-GFC regulation in Europe has contracted both the issuance of and demand for asset-backed securities. We believe that private credit will be called upon, alongside the banking sector, to play a role, in financing Europe's strategic

[26] *Financial Times, Can Europe finally fix its capital markets?* May 13, 2025.
[27] Bloomberg, November 2024.
[28] Preqin, May 2025.
[29] JLL, *Competition intensifies for European real estate debt*, December 2023..
[30] Bayes Business School, May 2025.
[31] MSCI Real Capital Analytics, September 2023.

investment priorities in defense, technology, energy security, and transition. Across multiple metrics, European public companies exhibit higher asset density relative to their US counterparts: They have higher proportion of property, plant & equipment (PPE) on their balance sheets, higher fixed asset ratios (net fixed assets/shareholder's equity), and lower fixed assets to market cap ratios (net sales/total assets). The higher capital intensity of European public companies is reflected in their fixed asset ratios on their balance sheets—roughly 25% vs 15% of assets in PPE, and more assets needed per unit of revenue.[32]

There is a growing recognition that ABF can play a critical role in unlocking cost-effective funding across the continent. Former President of the European Central Bank Mario Draghi described these benefits in his September 2024 paper, *The Future of European Competitiveness*, including its capacity to free up bank balance sheets.[33] According to Draghi, annual issuance of securitizations in the EU stood at just 0.3% of GDP in 2023 versus 4% in the US.

> **"To increase the financing capacity of the banking sector, the EU should aim to revive securitization and complete the banking union."**
>
> **- Mario Draghi**

Earlier this year, European financial authorities recommended a wide range of measures to streamline oversight of the asset-backed securities market, proposing several measures to reduce red tape associated with securitizations, including a "simplified due diligence approach" for all institutional investors in public and private asset-backed securities.

A key sign of progress came this month when the European Commission proposed measures to revive the EU securitization framework. The targeted regulatory changes aim to boost the EU securitization market by eliminating undue barriers to issuance and investment. If a comprehensive easing of regulation is ultimately agreed, Morgan Stanley sees scope for the European securitization market to more than double in the next five years to €1.2 trillion.[34]

Given the limited development of public ABF markets in Europe, we expect private financing solutions to take the lead—originating new loan products and executing early private securitizations that establish pricing and structural precedents. These transactions can set the foundation for future public issuance, while allowing first movers the chance to capture excess spread by entering markets before they mature into broadly syndicated opportunities.

IV) Conclusion

Ironically, US policy has provided a key catalyst for Europe to embrace strategic investments, financial reforms and growth initiatives, making it a more exciting investment destination today than at any point in the past decade. The European private credit market, still nascent in its growth strategy, may be approaching an inflection point, offering capital solutions that align with the region's evolving economic priorities. The complexity created by Europe's patchwork of nations, coupled with the need for customized solutions, creates opportunity for managers to originate and structure assets with attractive spread premiums. Against this backdrop, we believe European private credit has strong tailwinds, presenting investors with US-heavy private credit exposure an opportunity to complement and diversify their global portfolios.

While there is growing momentum behind a growth-oriented reform agenda in Europe, we are closely monitoring the latest developments and remain mindful that persistent national differences, along with Europe's historical difficulty in uniting around long-term strategies, continue to pose a risk to the cooperative action required for meaningful, region-wide reform.

Finally, we believe that the success of asset managers in the European direct lending market hinges on several key ingredients. First, lenders must be equipped to navigate diverse legal and regulatory frameworks across jurisdictions. This demands a strong grasp of local laws, compliance requirements, and the ability to embrace cross-border complexity. Second, having a regional presence, including local offices and teams, is essential for building strong relationships with local stakeholders, understanding market nuances, and responding quickly to evolving deal dynamics.

About Apollo Europe

Apollo Global Management has a strong and growing presence in Europe with a commitment to deliver integrated asset management and retirement services across European markets. Apollo has invested in Europe for 25 years with a physical presence on the continent since 2006. Today, Apollo has a team of nearly 500 across Europe, including 192 investment professionals, and six offices across the continent.

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[32] Bloomberg data, May 2025, Bruegel, "The European Union's remarkable growth performance relative to the United States," October 2023, Wiley, "Has European corporatism delivered?" January 2022.
[33] European Commission, *The future of European competitiveness,* September 2024.
[34] Morgan Stanley, Mid-Year Outlook, May 2025.

About the Authors

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Akila Grewal is a Partner in Client and Product Solutions, where she serves as the Lead of the Institutional Product Specialist team and Co-Lead of Product Management focused on strategies in Credit across Apollo's platform. As part of her role, Akila leads a global team of professionals who work closely with internal stakeholders and external partners on capital formation across Credit, Private Equity, Real Assets, and Infrastructure. Akila sits on several committees, including the Firm's Credit Management Team, Credit Allocations Sub-Committee and the Apollo Opportunity Foundation's Council. Akila also serves on the not-for-profit Braven's NYC Board as well as the PK AirFinance Board. Prior to joining in 2016, Akila was on the Proprietary Trading and Risk Management team at Mariner Investment Group. Previously, she was in the Business Development group at MKP Capital and she started her career at Credit Suisse on the Hedge Fund of Fund's Portfolio Management team. Akila graduated from New York University's Stern School of Business with a BS in Finance and is a CFA charterholder.

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Since joining Apollo in 2006, Rob has focused on Apollo's credit businesses in a variety of capacities, including as Co-Head of Liquid Opportunistic Credit, Head of Research for Global Corporate Credit, and currently as Co-Head of Opportunistic Credit. He has also led research coverage of a variety of sectors including consumer/retail, technology, telecom/media, and chemicals. Rob currently serves as the Co-Chair of the Opportunistic Investment Committee and as a member of several investment committees across the Apollo platform. He co-founded Apollo's digital asset strategy and is a member of Apollo's Credit Management Committee.

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Tal Barak Harif is a Principal and Head Credit Writer at Apollo, working in partnership with the Institutional Client & Product, Investing and Marketing/Branding teams on content creation and strategy. Prior to Apollo, Tal spent 17 years at Bloomberg News where she launched and led innovative news products, managed global teams across domains, and produced exclusive agenda-setting stories on companies, industries, markets and economies. Early in her career, Tal was a financial and emerging markets reporter, editor and team leader at Bloomberg, Wall Street Journal, and Dow Jones.
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