



Private Credit CLOs in Europe: From Pioneering Structures to a Scalable Product

Following Europe's first private credit CLO in November 2024 - **Barings' inaugural European deal** - two further transactions closed in 2025, building on the Barings template. Drawing on our role advising on the first three European private credit CLOs, this article summarises the defining features of those deals and the components likely to set market precedent for future issuances. We also set out our predictions for the year ahead.

Ares European Direct Lending CLO 1

- First European private credit CLO to feature a reinvestment period: the inaugural Barings deal was static.
- Notes denominated in sterling to align with the currency of the underlying loans.
- Vehicle established in Luxembourg — a first for the European CLO market.

Barings Euro Middle Market CLO 2025

- 4.5-year reinvestment period, enabled by strong investor response to the inaugural static Barings European private credit CLO.
- Notes predominantly denominated in euro, with a sterling AAA tranche. The multi-currency structure allows assets to be purchased in euro and sterling with a natural hedge - euro proceeds used for euro assets and sterling proceeds for sterling assets.

EU / UK private credit market in 2025

Private credit has accelerated across Europe and the UK in 2025, with deployment outpacing its current share of global AUM. Europe offers a compelling relative value proposition, meaningful scope for further growth, diversification within private credit exposure and, in many cases, attractive risk-adjusted returns. As the market's track record has lengthened and corporates have become more familiar with private credit, deal activity has accelerated. Structural tailwinds are also material: renewed focus on energy, transport, digital infrastructure and defence in Europe is creating multiyear financing needs. Reflecting these dynamics, European direct lending broke records in 2025, with year-end market estimates of €41.4 billion across 160 transactions, surpassing 2024 levels.¹

As private credit in Europe and the UK expands, managers will require stable, scalable financing: private credit CLOs can act as a key funding channel for continued growth.

¹ PitchBook, European Private Credit Monitor, December 2025.

Predictions for 2026

- ▼ Expect wider adoption of multicurrency features. Building a diverse asset pool is a core challenge in EU private credit CLOs, and multicurrency structures support diversification.
- ▼ Positive investor response to reinvesting structures suggests most future deals will include a reinvestment period.
- ▼ New managers will enter the market, building on the foundations laid by the Barings and Ares transactions.

The European private credit CLO market is poised for expansion: the EU and UK private credit markets are accelerating, investor demand is demonstrated, and the Barings and Ares transactions have established robust precedents with practical structural innovations. We look forward to seeing what lies ahead for this fast-growing market in 2026.

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