Press Release **16th August 2011**

Banks Reshuffle PE Branches as a Result of Regulation

European and US legislation prompts significant changes within PE divisions of banks worldwide

Many banks are changing their private equity investment strategies as a result of new legislation, the latest Preqin research reveals. The private equity arms of many global banks are being restructured, or spun out, as they seek to comply with the Volcker Rule in the US and European legislation Basel III.

Banks have always been significant investors in private equity, with many also running their own captive private equity operations. Preqin data shows that there are currently 136 such operations belonging to 39 different banks. These firms have collected $263.8bn in total capital commitments for 439 different funds in the past.

Captive PE arms of banks:

- Private equity arms of banks currently hold $49.7bn of un-invested capital, 5.4% of aggregate global dry powder.
- Some banks have spun out their entire private equity arms as single entities, while others are taking a more fragmented approach and spinning out individual units of their operations, such as those with a particular strategic or geographic focus.
- The 10 banks with the largest captive private equity operations have raised $207bn and are sitting on $46.3bn in dry powder.

Banks as investors in third-party funds:

- Banks accounted for 9% of all capital invested in private equity as of 2010, equating to an aggregate $105bn. This was slightly less than the $115bn invested as of 2008.
- 45% of banks investing in private equity are based in Europe.
- The proportion of capital contributed by banks to European private equity funds has fallen from 14% for funds closed 2007-2008 to 12% for funds closed between 2009 and 2011.
- There has been a concurrent decline in the proportion of capital contributed by banks to funds globally: from 9% in funds closed 2007-2008 to 6% in funds closed 2009-2011.
- A number of banks have sold portfolios of private equity assets on the secondary market in recent months.

For full details please see the report:
http://www.preqin.com/docs/newsletters/PE/Preqin_Private_Equity_Spotlight_Aug_2011.pdf

Comment:

"The financial crisis and recent changes in legislation have had a lasting impact on banks' activity in the private equity asset class, with the amount of capital committed to the asset class falling over the past few years. We have seen a number of approaches taken by banks to their captive private equity operations and it is clear that there are further changes to come. It is likely that banks will remain a significant and important part of the private equity investment universe, but strengthening capital requirements and the restrictions on private equity investments will force more banks to alter their investment strategies, and may compel private equity firms to seek capital elsewhere."

Helen Kenyon – Company Spokesperson

Note to Editors:

- **Preqin is spelled without the letter "U" after the "Q"**

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