Press Release **23rd May 2012**

Banks’ Involvement in Private Equity Declines

However, majority do not anticipate recent regulation impacting on their PE allocations

Legislation, such as Basel III and the Volcker Rule – part of the Dodd-Frank Act in the US, coupled with liquidity concerns and a fall in client appetite, has resulted in a decline in banks’ involvement in the private equity asset class, a Preqin study reveals. Banks accounted for 11% of all private equity capital in 2008 but this figure fell to 8% in 2011. Despite this, 74% of banks interviewed by Preqin stated that their private equity investment programs had not been affected by regulatory changes, and 55% felt it unlikely that such changes would impact their level of private equity investment in the future.

Of the 26% of banks that have ceased or reduced investment activities in the asset class, 90% are based in either North America or Europe, the regions in which investors are directly impacted by regulatory changes. Some of these institutions have already sold fund interests and 40% would consider selling. However, over the longer term, 75% of banks stated that they will seek to either maintain or increase their private equity allocations.

Other findings:

- Of the banks investing in private equity, 45% are based in Europe, 13% in North America and 42% in Asia and Rest of World.
- Europe is the most popular region for investment amongst banks despite the recent problems in the eurozone; 37% stated that they are keen to pursue opportunities in the region in the next 12 months.
- 67% of banks will consider committing to emerging markets-focused private equity funds.
- Small to mid-market buyout is the most popular fund type among banks looking for new private equity fund investments.
- 19% of banks are currently below their target private equity allocations.
- 87% of banks looking to make new fund commitments are open to forming new GP relationships.
- 16% of banks expect to increase their allocations to the asset class over the longer term, while 25% expect them to fall.
- 21% believe liquidity is a serious issue in the current market, and 18% stated that client appetite* for private equity is a concern.
- 10% of banks have ceased investment in private equity as a result of the Volcker Rule and Basel III.

Please see the full report for more information and detailed analysis:
http://www.preqin.com/docs/reports/Preqin_Special_Report_Banks_as_Investors_in_Private_Equity.pdf

Comment:
“Banks unaffected by the recent changes to regulations in the US and Europe plan to continue investing in private equity, both in the short and longer term, with a number planning to increase and just over half planning to maintain their allocations to the asset class. However, a larger proportion of banks expect to decrease their exposure to the asset class than those planning to increase their allocations, and it is likely that some banks will make fewer commitments to private equity funds than they have in the past.”

Emma Dineen, Manager – Private Equity Investor Data

Note to Editors:
*Many banks invest on behalf of their clients rather than from their own balance sheets.

Breakdown of location of survey respondents: 42% Asia and Rest of World, 40% Europe and 18% North America.

Preqin is spelled without the letter ‘U’ after the ‘Q’ – the company name is an amalgamation of its former incarnation “Private Equity Intelligence”

About Preqin:
Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com.

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