PRIVATE EQUITY

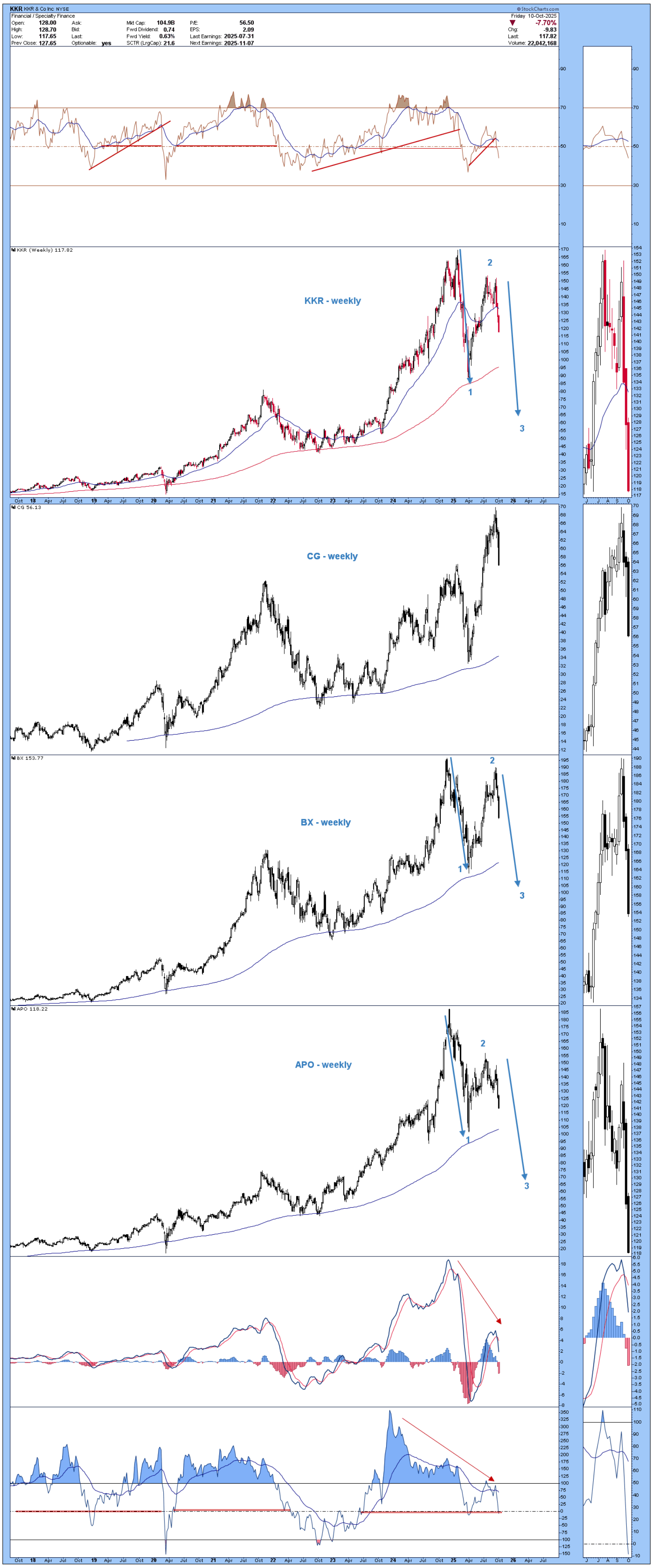
The financial crisis won't start with the banks, even though many small banks are floundering on the stock market this month, but with private equity and private credit, which have grown enormously since 2009.

Try reading here to find out what they do. In practice, banks aren't exposing themselves like they were before 2009, but are providing lines of credit to entities that relieve them of bad or risky assets, and they do all this under the umbrella of private credit.

A key thing to remember about private loans is the leverage multiple; these loans are never 1:1, but rather 10:1, 15:1, 25:1, or 50:1. The higher tiers of leverage are not provided directly by the issuing bank & post-issuance they are not classified as exposure to said bank, the “counterparty” exposure on said loan is transferred to the purchasing entity, once subscribed to the issue. How? The firm participating in the deal has an open line of credit at another bank, known as the trustee. The participating firm & trustee have pre-negotiated the broader lending terms & posted the initial funding requirements, thus allowing them to purchase assets before the deal is finalized. Once the deal terms (open/closed?, reinvestment?, securitization?, etc.) are agreed upon, the warehouse's assets are transferred (on leverage) into a newly formed legal entity where investors can be allocated. This new entity that holds the loans (and leverage) doesn't have any traditional counterparty exposure directly, as the individual tranches of the deal investors subscribe to are assigned to them (or w/e passthrough entity they're using for cash funding) as commitments (a legal pledge to purchase), and throughout the deals lifecycle you (the investor) will get capital calls for funding, which then becomes an allocation (fee-paying investment). A warehouse could also be securitized instead. Typically, this is associated with syndicated loans (BSLs), but can also include various levels of bonds/directs/NR, among others, which is a CLO. These have different mechanics in that once securitized, the fund is essentially a stand-alone entity, where individual loans are not investible/tradeable outside of the manager (and only during specific periods defined in the indenture). So, tranches are created by "slicing" the underlying loans, by wgt/mat/rating/etc., which are backed by the fund's overall collateral pool; however, they are rated (by agencies) & invested (by entities) independently at the individual tranch level. I'm laying this out because I know you want to track "PE loan exposure" at the banks; however, it's basically impossible because you're dealing with private assets, with almost zero reporting requirements (even/especially to investors), and the loans themselves are interesting, it's really more about "how levered are these and who holds that risk?" You will never get that answer until you really just don't wanna fucking know it. I wrote this a while back when I saw a dude pumpin' a CLO mutual fund on BBG and almost died from laughter. Obviously, it's a "5-Star, literally risk-free + higher return" fund, on the surface, at least.

Private equity giants like KKR, which acquired the Telecom Italia network in Italy, Apollo, and APO Carlyle... are collapsing on the stock market even as the S&P is at its highest. These are people who buy companies and properties with debt and also lend (like a bank), and they're not regulated.

There are now 19,000 of them! There are 14,000 McDonald's in America, but there are 19,000 private equity firms, all purely financial. They speculate. But they don't do it on the stock market; they buy "assets" and finance them.


KKR KKR & Co Inc NYSE
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Financial / Specialty Finance
Friday 10-Oct-2025
Open: 128.00
High: 128.70
Low: 117.65
Prev Close: 127.65
Ask:
Bid:
Last:
Optionable: yes
Mkt Cap: 104.9B
Fwd Dividend: 0.74
Fwd Yield: 0.63%
SCTR (LrgCap): 21.6
P/E: 56.50
EPS: 2.09
Last Earnings: 2025-07-31
Next Earnings: 2025-11-07
-7.70%
Chg: -9.83
Last: 117.82
Volume: 22,042,168
KKR - weekly
CG - weekly
BX - weekly
APO - weekly
1
2
3

Private equity stocks are collapsing, and it seems they're dragging the smaller banks down with them... the regional ones (below) are starting to suffer... the avalanche always starts with a snowball.