

BANKS MAY SELL TRAIN LEASING ARMS

By Nicky Burrige, PA Personal Finance Correspondent
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Two major banks are considering selling their train leasing arms in deals worth £4 billion in a bid to shore up their balance sheets, it was reported today.

Abbey, which is owned by Spanish banking giant Santander, is understood to be close to agreeing a £2 billion sale of its **Porterbrook** train leasing arm to Deutsche Bank, according to the Sunday Times.

At the same time, HSBC has appointed two sets of advisers to carry out a review of HSBC Rail, which could be auctioned off for £2 billion as well.

An announcement on the Abbey sale could come as early as this week, and if both deals went ahead around two-thirds of Britain's trains would change hands.

Porterbrook has a fleet of 5,500 trains, including electric and diesel locomotives, high speed trains and freight wagons, which it leases to 17 of the UK's 24 train operators.

HSBC rail has 4,000 vehicles, including the inter-city trains that are used by National Express on the east coast mainline between London and Edinburgh.

Britain's remaining 4,500 trains are owned by Angel Trains, which was sold by Royal Bank of Scotland earlier this year to the Australian investment bank Babcock & Brown for £3.6 billion as part of the group's capital raising programme in the wake of the credit crunch.

The rolling stock groups were created after the break up of British Rail in the 1990s.

If HSBC decides to go ahead with a sale, the deal will be handled by investment bank NM Rothschild and the group's own investment banking arm.

Santander and HSBC, which are both global giants, have so far survive the credit crunch relatively unscathed, with neither group needing to tap into the emergency funding the Government has made available.

But moves to sell off the assets to help recapitalise their balance sheets are still likely to be welcomed by investors, particularly as their UK rivals have now received state aid.

Shares in HSBC fell by 13% last week over concerns about the bank's exposure to mortgage assets and the health of the Hong Kong economy.

An Abbey spokesman declined to comment on the speculation, and it was not possible to contact HSBC.

Meanwhile Abbey is expected to say it is currently writing one in five new mortgages in the UK when it reports third quarter figures later this week.

It is also thought to be benefiting from anxious savers looking for safe havens for their money due to the strength of its parent Santander, which recently acquired Bradford & Bingley's savings book.

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