

Aircraft financing as the model for wholesale banking

22/06/2009 – 7 am edition

(Translated by Calyon)

This activity makes it possible to increase cross-selling but another USD 8 to 10 billion are needed to meet needs

Like the manufacturers who left the Bourget air show on an optimistic note, aircraft financing showed positive signs given the current context. However another EUR 8 to 10 billion are needed to meet the needs for the year which amount to between USD 70 and 72 billion globally (USD 68 billion for new deliveries and USD 2 to 4 billion for refinancing). This outlook does not worry José Abramovici, the global head of aircraft and rail financing at Calyon, which for the past several years has claimed the number 1 ranking.

“The funding gap will be absorbed by the end of the year. Planned increases in capital by the companies – USD 13.6 billion according to our estimates – are expected to increase by USD 1 to 2 billion. Similarly, we can expect an increase in export credit lines which are currently estimated at USD 22 billion.” In addition, bankruptcies, postponements of deliveries and the cancellation of M&A deals could reduce financing demand.

Considered dead with the drying up of credit, the securitisation market has not stopped for aircraft. Unlike synthetic transactions, the securities are backed by assets that are tangible and liquid because they are relatively standardised. For example, Continental Airlines has just securitised a portfolio of new and refinanced Boeing aircraft with a USD 400 million issue for which Morgan Stanley, Goldman Sachs and Calyon Securities acted as the bookrunners.

From the bank's perspective, one of the attractions of this market is its ability to lead to cross-selling opportunities: alongside financing there can be not only securitisations but also leasing and hedging (interest rates, currencies and fuel) deals, etc. Thus Calyon claims to have generated 38 cents in cross sales from each dollar financed, which is largely higher than the 12 cents the bank averages on structured finance transactions. Calyon intends to duplicate the aircraft model wherever possible and especially in the energy market. The long-term objective is to obtain a cross-selling rate of 40% to 50% for the entire business line.

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