HSBC Agrees to Sell Canada Unit to RBC

HSBC will look to exit its Canadian business and sell the unit to local giant RBC with considerations of issuing a one-off dividend through the surplus generated from the deal.

HSBC has agreed to sell its Canada business to RBC for C$13.5 billion ($10.1 billion) in cash, according to a statement. The Canadian lender will also acquire about C$1.1 billion in preferred shares and C$1 billion in outstanding subordinated debt issued by HSBC Canada.

This deal is expected to generate a pre-tax gain of around $5.7 billion and HSBC's board is considering a potential one-off dividend or share buyback using surplus capital from the transaction.

Subject to regulatory and government approvals, the deal is expected to complete in late 2023.
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Category: Finance Wednesday, 30 November 2022 09:51

Lacking Scale

Last month, HSBC said it was reviewing strategic options for the Canadian unit and group chief executive Noel Quinn said in an analyst call that the business lacked scale and international connectivity, despite positive performance.

«HSBC Canada is a high performing and profitable bank, with strong leadership and exceptional people,» Quinn said in the latest statement. «We decided to sell following a thorough review of the business, which assessed its relative market position within the Canadian market and its strategic fit within the HSBC portfolio, and concluded that there was a material value upside from selling the business.»

Last year, HSBC’s Canadian business generated a pre-tax profit of $768 million. The bank also held gross assets totalling $94.6 billion, as of end-2021, across about 130 branches housing 4,200 employees in the country.