

RBC to bulk up domestic market share with \$10B megadeal for HSBC Canada

Article

The deal: Royal Bank of Canada has agreed to buy HSBC's Canadian business for CAD \$13.5 billion (\$10.1 billion) in an acquisition that it says will enhance its global competitiveness.

- HSBC will make an estimated pre-tax gain of around \$5.7 billion from the sale.
- The deal is expected to be completed in late 2023.

The bigger picture: Last month, we named RBC as a favorite to buy HSBC's Canadian arm after rumors began to swirl that the British bank was seeking a buyer.

The deal follows pressure from HSBC's biggest shareholder, Chinese insurer **Ping An**, to break up its business to focus on its more lucrative operations in Asia. Although it publicly rejected the suggested split, HSBC has made several changes over the past two years that are in line with a divestiture of its non-Asian operations, including **selling its French retail banking** arm and exiting its operations in Greece.

Domestic acquisitions are rare in the Canadian banking sector and the deal will be thoroughly scrutinized by domestic regulators keen to avoid the Big Six being overly dominant.

What does it mean for HSBC? The sale of its Canadian business will:

1. **Free up capital.** The cash deal could allow HSBC to pay a hefty dividend to alleviate pressure from investors. It would also give it fresh reserves to expand its presence in Asia, where it's likely to redirect investment.
2. **Ease pressure.** A clear sign that HSBC is divesting itself of businesses in North America, along with launching products in a narrow selection of markets, will help placate Ping An by highlighting that its focus is on Asia.
3. **Allow it to focus on other markets.** HSBC is reportedly weighing up future acquisitions, according to Bloomberg, and the money from the sale could fund purchases in China or other Asian markets.

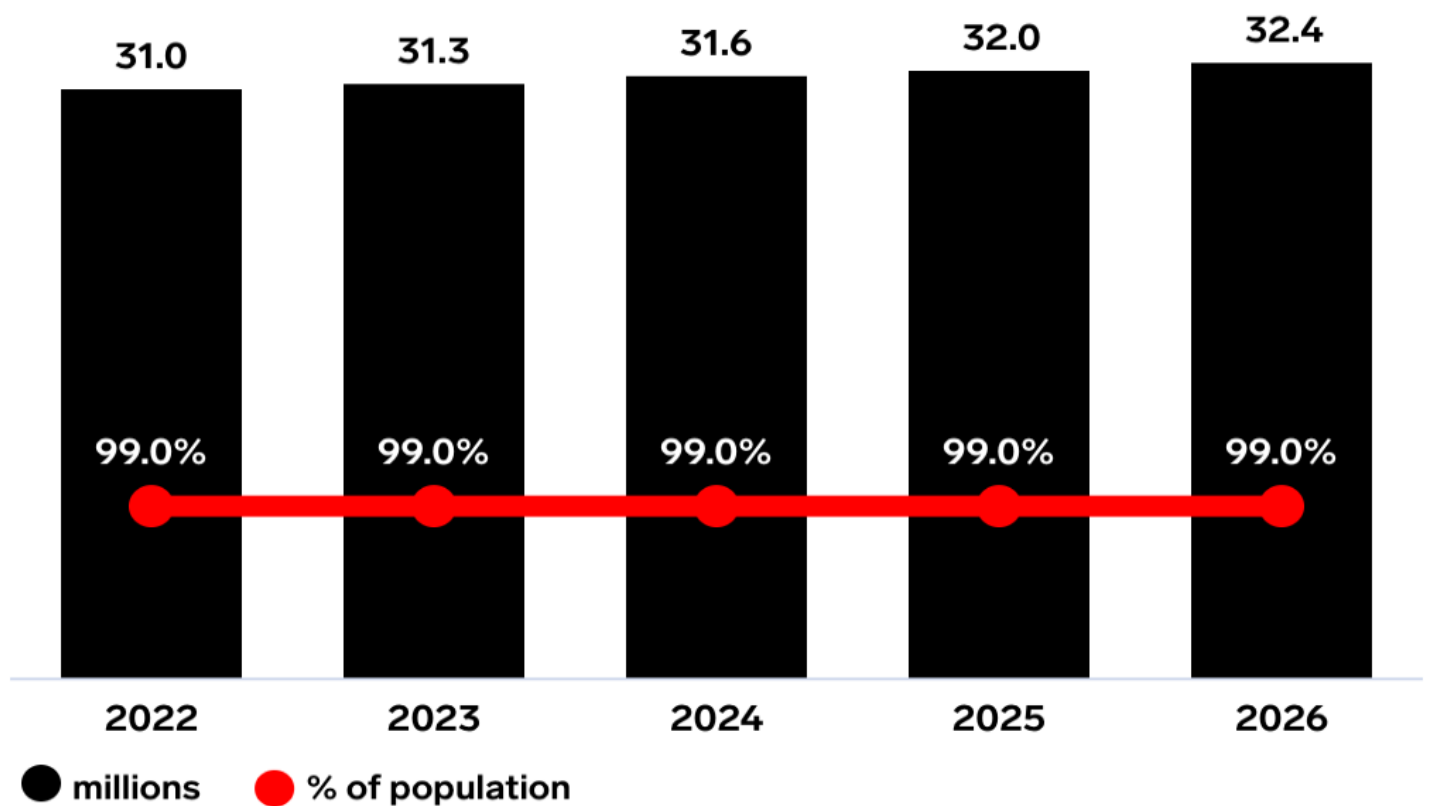
What it means for RBC. The Canadian banking giant's megadeal can help it to:

1. **Grow its domestic market share.** HSBC's Canadian unit is the country's seventh-largest bank and can bulk up RBC's already substantial scale while enabling it to benefit from HSBC's business clients.
2. **Expand its branch network.** Although branch closures have become increasingly common, RBC will have the option to keep HSBC Canada's 130 branches and 4,200 full-time staff.

3. **Strengthen it abroad:** HSBC's commercial bank and wealth and personal banking business have long focused on serving international clients. The takeover of these accounts can help RBC compete better on the global stage.

Bank Account Holders and Penetration

Canada, 2022-2026



Note: individuals ages 18+ who have a bank, credit union, credit card or brokerage institution account

Source: eMarketer, March 2022

[InsiderIntelligence.com](https://insiderintelligence.com)

*This article originally appeared in **Insider Intelligence's Banking Innovation Briefing**—a daily recap of top stories reshaping the banking industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

- *Are you a client? [Click here to subscribe.](#)*
- *Want to learn more about how you can benefit from our expert analysis? [Click here.](#)*