Profits jump at HSBC as it moves to fend off break-up calls from China

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SBC today moved to fend off pressure from one its biggest shareholders to break up the group and return chunks of cash to investors.

Ping An, a Chinese financial group which has a long history with Britain's biggest bank, thinks it should split the Asian and Western arms in two, clearly believing the Asian arm to be superior.

Today HSBC said it would pay a dividend for the year of 32 cents a share, the highest since 2018, and promised another special dividend soon. That will come from the sale of its Canadian arm, a possible sop to the Chinese.

HSBC management, led by no-nonsense chairman Mark Tucker, think Ping An are wrong.

CEO Noel Quinn said: "It has been, and remains our judgement that alternative structural options would not deliver increased value for shareholders."

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HSBC has always argued that its global presence lowers its borrowing costs.

And while it has an increasingly Asian focus anyway, moving the HQ to Hong Kong would be a serious blow to London's standing as a financial centre.

Ping An has held a stake since 2017, a move that turned the tables on HSBC, previously an investor in the Chinese group.

Ping An soon began pressuring for a seat on the board and proposed joint business ventures, which didn't take off, although Tucker and Ping An chair Peter Ma are well known to each other.

HSBC profits doubled in the last quarter thanks to rising interest rates around the world. HSBC made profit of $5.2 billion (£4.3bn) in the final three months of 2022, a rise of 90%.

For the year overall however profit fell $1.4 billion to $17.5 billion.

Chief executive Noel Quinn was paid £5.6 million, up from £4.9 million. while departing CFO Ewen Stevenson got £4.7 million, up from £3.6 million.

Quinn added: "2022 was another good year for HSBC. We are on track to deliver higher returns in 2023."

HSBC has been steadily closing UK bank branches. It shut 114 more in November. It has also exited the US mass market business and the French retail sector.

Some City analysts say the bank needs a large share buyback programme, which should perhaps be unveiled in 2024.

Richard Hunter at interactive investor said: “For a bank of HSBC’s size, the challenges of the transformation cannot be underestimated. Equally, there are economic difficulties arising in many of its main markets, while geopolitical tensions remain a concern in the Asian region. By the same token, however, should the expected Chinese economic recovery gain full traction this year, HSBC would be a clear beneficiary.”

HSBC shares today rose 9p to 613p, at which price the business is worth £122 billion. Over five years, the stock is down 15%.

In a note to clients, Shore Capital said it thinks the shares are worth 735p.

Rob Murphy at Edison Group said: “Management has stepped up its capital return policy following these results and perhaps also in response to pressure from Ping An to split the bank rather than continue its capital re-allocation strategy towards Asia. In a move that will undoubtedly prove popular to investors in Hong Kong, HSBC has confirmed that it would resume paying quarterly dividends at the start of this year and also announced a 50% payout policy going forward. “

He added: “HSBC is making a strong effort to demonstrate its strategy is working and literally paying dividends to shareholders.”