

## **HSBC completes record rights issue**

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HSBC on Monday completed a record £12.5bn (\$18.7bn) rights issue after an overwhelming number of investors subscribed to the new shares.

In total 97 per cent of investors subscribed to the shares, which were priced at 254p, and the remaining shares were sold on the open market.

The sale of the rump 173m shares, which was co-ordinated by Goldman Sachs and JPMorgan Cazenove, and completed on Monday was priced at a 13½p premium to Friday's closing price of 434½p.

The offering is the biggest-ever in the UK, eclipsing Royal Bank of Scotland's £12bn issue last year, and underlines the perceived strength of the UK's largest bank compared with the problems that have weakened its rivals.

The offer's success was widely expected. Shares in the bank have risen by almost a quarter since the offering was announced early in March. On Monday they rose a further 4 per cent or 19p to 453½p. They have now risen nearly 50 per cent since the launch of the rights issue at the beginning of last month.

HSBC's London-listed shares are down 49 per cent compared with their level of a year ago, but this is still far less than the 92 per cent fall in RBS stock or the 65 per cent slide in Barclays.

The bank's Hong Kong shares jumped more than 5 per cent on Monday to a five-week high. The stock closed at HK\$52.05 and have risen 70 per cent since hitting a low of HK\$30.55 before the rights issue was announced.

The cash raised will be used to strengthen the bank's capital ratios by about 1.5 percentage points each. Its core equity tier one level will rise to 8.5 per cent and its tier one ratio to 9.8 per cent.

"This underlines our determination that HSBC should maintain its signature financial strength," said Stephen Green, HSBC group chairman, in a statement confirming the high take up of the new stock. "We remain confident that HSBC is well-placed in today's environment and that our strength leads to opportunity."

HSBC reported pre-tax profits of \$9.3bn last year in spite of writing off \$10.5bn of goodwill linked to its US consumer business. However, profits were less than half those of the previous year.

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