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Business News: SVB's New Owner Accuses HSBC of Poaching Bankers

By Josh Mitchell

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English

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The plan was allegedly dubbed "Project Colony."

At around 9 p.m. on Easter Sunday, dozens of top bankers from the recently failed Silicon Valley Bank pressed send on an email to their new employer, First Citizens BancShares, announcing their resignation, according to a new lawsuit.

Without delay, the bankers were all hired by HSBC Holdings, the lawsuit says.

First Citizens says the mass resignation was part of a broad plan by HSBC and a former top SVB banker to steal a hugely profitable business that First Citizens had acquired through its purchase of SVB.

Much of the business came from SVB's life-sciences and **technology**-banking team, the lawsuit alleges.

First Citizens said it would buy most of what was left of Silicon Valley Bank in late March. It acquired billions in SVB's deposits and loans, and hoped to leverage SVB's established relationships with businesses in **technology** and other areas to expand its footprint.

In a lawsuit filed Monday in U.S. District Court in Northern California, First Citizens sued HSBC for more than \$1 billion, alleging an illegal "scheme to plunder" one of SVB's core businesses that it says rightly belonged to First Citizens.

An HSBC spokeswoman declined to comment Tuesday.

The lawsuit says HSBC's plan stemmed from the British banking giant's purchase of the U.K. arm of SVB on March 13 for just over \$1. SVB had just collapsed, stoking a banking crisis that would roil markets on both sides of the Atlantic. Days later, HSBC hired David Sabow, a former senior executive at SVB, the lawsuit says. According to the lawsuit, Sabow devised a plan to recruit more than three dozen top bankers from the collapsed SVB to HSBC.

Sabow told HSBC it could earn well over \$1 billion in profits within five years if the plan worked, the lawsuit says. Through HSBC, Sabow didn't respond to a request to comment.

Two weeks later, on March 27, First Citizens, a big regional lender based in North Carolina, bought large pieces of SVB. Then, on April 9, 42 employees resigned from First Citizens within 30 minutes, and were immediately hired by HSBC, the lawsuit says. The lawsuit also accuses Sabow and other former SVB bankers of stealing proprietary information that belonged to First Citizens.

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HSBC Posts Record \$10 Billion Profit --- Acquisition of U.K. unit of Silicon Valley Bank and renewed retail talks boosted results

By Josh Mitchell and Elaine Yu

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HSBC's profit soared to a record in the first quarter, making the London banking giant one of the biggest beneficiaries of the new era of higher interest rates and the rapid reopening of China.

The lender said profit nearly quadrupled from a year earlier to \$10.3 billion in the first three months of 2023, its highest quarterly tally on record, according to S&P Global Market Intelligence. HSBC said it would pay its first quarterly dividend since 2019 -- after suspending them during the pandemic -- and buy back up to \$2 billion worth of shares.

The dividend and buyback are likely to ease pressure on HSBC, Europe's largest bank by market value, after a year-long attempt by its largest shareholder, Ping An Insurance of China, to restructure the bank in a way that would isolate Asian operations from other units around the world.

"Do I think it's sustainable? Yes I do," Chief Executive Noel Quinn told reporters of the bank's quarterly performance. He added that profit rose across all major geographic regions and businesses. "This is broad based."

The bank's London-listed shares rose 3.5% in Tuesday trading.

Pretax profit was boosted by two temporary factors: its recent acquisition of Silicon Valley Bank's U.K. unit and renewed talks on the sale of its French retail business.

The bank booked a provisional \$1.5 billion boost in profit as a result of its acquisition of the U.K. subsidiary of collapsed lender Silicon Valley Bank, announced in March.

Mr. Quinn said the bank was a natural fit as it gives HSBC more access to entrepreneurs in the emerging **technology** and life-sciences sectors.

HSBC took an accounting hit last year after it announced the planned sale of its French retail bank. But it was recently forced to renegotiate the deal because rising interest rates had increased capital requirements for the buyer, a company owned by the private-equity firm Cerberus Capital Management.

On Tuesday, HSBC said that talks continue and that if the sale closes, it will be delayed. That led to a \$2.1 billion reversal of the previous accounting charge.

The bank said it also benefited from more lasting changes. Rising interest rates have enabled it to charge borrowers more for loans.

But it hasn't yet faced enough competitive pressure to raise the rate that it pays depositors by a commensurate amount.

Net interest income hit \$8.96 billion in the first quarter, driving revenues to over \$20 billion, around two-thirds higher than the first quarter of 2022.

The reopening of Hong Kong and mainland China after several years of tight restrictions to combat Covid-19 has led to resurgence of business, Mr. Quinn said. China's real-estate market is holding up, he said.

HSBC will hold its annual shareholder meeting Friday in England. Shareholders are set to vote on a resolution that calls for HSBC to look regularly at structural changes, including a potential spinoff.

Ping An has pushed for HSBC to restructure in a way that would isolate its Asian operations from other units, a change that it says would lift earnings and the stock value. HSBC has resisted the move, arguing it would undermine the bank's strategy of connecting businesses and regions around the world.

Ping An said last month it supported the shareholder proposal in principle and that it also backed a plan in which HSBC's Asian operations would be listed separately in Hong Kong, with HSBC remaining a controlling shareholder.

Ping An said Tuesday that the latest results didn't change its position.

"HSBC's improved first-quarter results, which were flattered by multiple one-off positive items and interest-rate rises, do nothing to detract from Ping An Asset Management's fundamental deep concerns about HSBC's strategy and underlying performance," the company said.

HSBC is based in London but earns most of its pretax profit in Asia, including in Hong Kong and mainland China.

The bank is in the middle of a revamp, shifting more resources to Asia while exiting or retrenching from key markets in North America and parts of Europe.

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