

## What's Next for Royal Bank of Canada?

### Description

On January 29, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) conceded defeat in the island nation of Jamaica. RBC announced that it would be selling RBC Jamaica and subsidiary RBTT Securities to competitor **Sagicor Group** for \$97 million. The deal includes 13 branches, 42 ATMs and 550 staff members, as well as \$56 billion in assets, 8,000 loans and 120,000 clients.

The expansion into Jamaica was difficult for RBC, which only achieved a 9% loan market share. To compare, **NCB Jamaica** and **Scotiabank** ([TSX: BNS](#))([NYSE: BNS](#)) make up a combined loan market share of 75%.

This sale comes with a high price tag for RBC, which is expected to take a loss of \$60 million for its Jamaican endeavors. The losses are mainly attributed to “an estimated write down for the proportionate share of RBC Jamaica goodwill and other intangibles”. There is also the undisclosed costs it incurred restructuring the newly acquired company.

RBC originally purchased RBTT Financial Group in 2008 at a price of US\$2.2 billion; this expansion was supposed to complement its existing presence in the Caribbean.

### The future for RBC in the Caribbean

Despite the set-back RBC has stated that it remains committed to the Caribbean, where it has over 100 years of history, and won't be “cutting and running any time soon”. Its focus will shift to countries with better market share in place — that is, countries that are less affected by drops in tourism and are more resource-based.

Before this sell-off, RBC had 1 million clients and 116 branches spread over 19 countries and territories in the Caribbean. While the company claims that it has “no plans for further divestitures”, there have been minor layoffs in Barbados, Bahamas and Trinidad and Tobago.

### Foolish bottom line

For a region that still has not fully recovered from the 2008 crash, RBC may just be the first of many to experience pain in the Caribbean. Even **CIBC** ([TSX:CM](#))([NYSE:CM](#)) announced that it would be restructuring operations across the 17 islands it operates in, looking for a 10% reduction in staff.

In the long run, this retreat by RBC could be an opportunity to strengthen its remaining Caribbean assets, and offset the \$60 million that went up in smoke in Jamaica.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:RY (Royal Bank of Canada)

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