



## How Will CIBC CEO Gerry McCaughey Be Remembered?

### Description

Last week, **CIBC** ([TSX:CM](#))([NYSE:CM](#)) CEO announced that CEO Gerry McCaughey will retire in two years, making the announcement well in advance to allow for a smooth succession. By the time he steps down, he will have been CEO for more than a decade.

So now it's worth taking a look back at his tenure, and asking, what will he be remembered most for? Below are the three main things we will remember him by.

#### 1. The financial crisis

This is a little unfair. Mr. McCaughey became CEO in 2005 (after the bank got caught up badly in the Enron debacle), a time when its U.S. capital markets activities were well-established. In fact as early as 1996, CIBC was running television advertisements on CNBC featuring a Hummer (representing CIBC World Markets) rolling past a couple of awestruck bankers.

Fast forward to 2007, and CIBC's experience in the United States was ironically no better than Hummer's. The bank found itself on the wrong side of bets involving subprime mortgages, eventually leading to more than \$10 billion of write-downs. But it would have been unreasonable to expect Mr. McCaughey to shut down the U.S. capital markets business so soon after becoming CEO. It's too bad that he was the one to face the cameras when the bank got burned.

#### 2. A big retrenchment

Since the crisis, Mr. McCaughey has moved swiftly to bring CIBC back to its roots: plain old Canadian banking, where it has a much stronger position and there are fewer competitors. As a result, the bank has a return on equity among the highest of Canada's big banks. Growth will be a challenge, and exposure to the Canadian real estate market is a concern, but he is widely commended for these moves.

More broadly, Mr. McCaughey has not shied away from abandoning businesses when they're not profitable enough. In 2012, he decided to wind down the country's largest mortgage broker, FirstLine. Then in 2013, CIBC did not match **TD's** offer for the Aeroplan credit card portfolio.

### 3. To be determined

CIBC is in an uncertain environment right now, with a lot of questions hanging over its head. Where's the growth going to come from? How will the bank reinvest its earnings? Will Canadian real estate prices crash? And if so, how will that affect CIBC?

A lot of those questions will be answered, at least partially, over the next couple of years. And however it all plays out, it will comprise a big part of Mr. McCaughey's legacy. So if CIBC is unable to grow earnings or suffers from a real estate downturn, he may not be remembered fondly. But if he can buy some asset managers without overpaying, and the Canadian real estate issues don't affect the bank, then Mr. McCaughey will likely be remembered as a turnaround artist.

### Foolish bottom line

Gerry McCaughey has generally been a strong CEO, even if he presided over the biggest crisis in CIBC's history. The bank's shareholders should thank him, and hope the next CEO is able to pick up where he left off.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

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