3 Major Takeaways From CIBC's Latest Results

Description

After the first four of Canada's big five banks reported better-than-expected numbers for the most recent quarter, it was only fitting that **Canadian Imperial Bank of Commerce** (TSX: CM)(NYSE: CM) do the same. And on Thursday morning, that's exactly what the bank did, with adjusted earnings per share of $2.17, beating analysts' estimates of $2.06.

One thing that did distinguish CIBC from its peers was the presence of one-time items in its results. When these are not included, the bank made only $0.73 per share. But there is no mistaking the fact that CIBC has kept the Canadian banks' winning streak alive.

Below are the three biggest takeaways from the quarter.

1. Caribbean writedown

The biggest of these one-time items was a writedown of $543 million in the bank's Caribbean division. This was comprised of a $420 million goodwill impairment charge and loan losses of $123 million. CIBC is not the only one to have difficulty in the Caribbean — **Royal Bank of Canada** (TSX: RY)(NYSE: RY) has been struggling in the region as well.

The problem is that tourism levels in the region have not recovered as quickly as most people thought they would after the economic crisis. As a result, too many loans to fund new resorts and business expansions have gone sour.

2. The transition to Aventura

Adjusted net income in the retail and business banking segment fell 2% from the second quarter a year ago, the big event of course being the loss of half the Aeroplan credit card portfolio, which now resides at **Toronto-Dominion Bank** (TSX: TD)(NYSE: TD).

CIBC is doing its best to make up for that lost credit card business with its Aventura credit cards, and seems to be doing well — the company claims that sales of the new card have already exceeded expectations for the entire year. But as every bank executive knows, it can be very difficult to get people to switch credit cards. Investors will have to be patient.

Excluding the impact of the credit card acquisition, CIBC enjoyed a great quarter in this segment, with income increasing 8%.

3. Use of capital

Again like the other banks, CIBC's strong earnings leave it with plenty of capital to work with. By the end of Q2, the bank's Common Equity Tier 1 Ratio stood at 10%. In response, the bank announced a quarterly dividend increase of $0.02 to $1.00 per share. Based on that new payout, the shares yield approximately 4.1%.

And that is something that CIBC's investors can count on. No matter what problems there are in the Caribbean, or how many credit card accounts must be replaced, the core operations of CIBC are strong enough to maintain a healthy dividend. The bank remains a compelling option for investors looking for some steady income.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:RY (Royal Bank of Canada)
6. TSX:TD (The Toronto-Dominion Bank)

Category

1. Investing

Date
2025/09/14
Date Created
2014/05/30
Author
bensinclair