



What Investors Should Know Before Canadian Imperial Bank of Commerce's Q3 Earnings Release

Description

In the mix of the big six Canadian banks, **Canadian Imperial Bank of Commerce** ([TSX: CM](#))([NYSE: CM](#)) often gets left out of most conversations. Now the time has returned for the banks to post their quarterly reports, leaving investors wondering who they should put their money behind.

Royal Bank of Canada ([TSX: RY](#))([NYSE: RY](#)) was the first to release its stellar quarterly report last week and most of the other banks are set to report this week; Thursday is when Canadian Imperial reports its numbers. Should investors continue to turn a blind eye to this bank, or is it time to pay attention?

Banking on rewards and partnerships

Canadian Imperial Bank of Commerce is often considered one of the more “boring” banks of the bunch — with the odd exception, of course — focused primarily on Canadian deposits. However, the bank has used alternative means to get its brand in front of Canadians through the use of rewards programs and retail partnerships.

The most recent rewards program is with **Tim Hortons Inc.**, which is a cash-back system linked through a Visa credit card issued by the bank. This gives the restaurant’s customers greater incentive to shop not only with plastic but also with a bank they would have otherwise ignored.

There have also been several smartphone app programs launched in conjunction with both **Rogers Communications Inc.** and **Telus Corporation** that allow people to use smartphones as a credit card, linked of course to an account with the bank.

However, the bank’s most iconic partnership, even if most people don’t realize it, is the one with **Loblaw Companies Limited** that began back in 1996. In this partnership, the bank became the financial infrastructure to what is now known as PC Financial. This has grown from deposits to mortgages and credit cards linked to the PC Points program. Canadian Imperial Bank of Commerce has perhaps been the most successful of the big six banks in terms of retail partnerships

and rewards-based marketing strategies.

Making up for past mistakes

While these rewards schemes have been a bright spot for the bank, there have been more than a few dark stains on the books. Almost all of these have come from outside of its core Canadian operations, such as the \$10.7 billion in writedowns the bank took following its position in the U.S. subprime mortgage implosion, or the bank's alleged participation in helping Enron "adjust its books" — a fiasco that cost it over \$3 billion in fines and lawsuits.

The future of the company

Not to be left out, the bank has also announced a new head of the company, making it the fourth bank in two years to do so. The hope is that Victor Dodig can turn around the both the bank's financials and the stock's performance.

During the tenure of the bank's previous administration, it was the worst-performing of the big six in terms of stock price growth. It posted a stock price growth of only 27%; compare this to Royal Bank of Canada, which increased its stock price by 108% during the same period. However, Canadian Imperial Bank of Commerce's dividend offers the second-highest return among the big six banks, with an annual payout of \$4.00 and a yield of 3.82%.

Aside from a few checkered moments, this bank is seen as one of the more boring and stable banks in the country. The bulk of its profits come from Canada, and its lack of international exposure means it is prone to less risk, which makes it appear to be a more stable option for investors — that is, of course, only if it has finally learned its lesson from the past 10 years of U.S. missteps.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CM (Canadian Imperial Bank of Commerce)
2. TSX:L (Loblaw Companies Limited)
3. TSX:RCI.B (Rogers Communications Inc.)
4. TSX:RY (Royal Bank of Canada)
5. TSX:T (TELUS)

Category

1. Dividend Stocks
2. Investing

Date

2025/08/23

Date Created

2014/08/25

Author

cameronconway

default watermark

default watermark