CIBC highlights

CIBC is Canada's fifth largest Canadian bank based on loans, assets and market capitalization. CIBC continued its profitable growth with a record year reporting net income of CA$3,331 million – an increase of CA$453 million compared to 2011. Led by Retail and Business Banking, CIBC maintained its return on common shareholder equity of approximately 22%. Based on the strong results, CIBC increased its quarterly dividend to CA$0.94 from CA$0.90, which represents an increase of 4.4% during the year. Although CIBC has had a successful year, it was the only one of the Big Six Canadian banks to reduce its overall bonus pool compensation from the previous year, reducing it by approximately 2% which is consistent with the global trend of major banks.

The Retail and Business Banking continued its growth, as net income was up CA$102 million or 5% compared to 2011, largely driven by volume growth and higher fees, but offset by reduced interest rate spreads given the low interest rate environment. Business loans experienced the highest level of growth year-over-year at 8%, while personal loan growth was flat at 2% year-over-year. CIBC is continuing to look at mobile innovations to help expand its retail banking operations including point-of-sale mobile credit card transactions. Going forward, CIBC will continue to look at volume and fee growth as the low interest rate environment continues in the near future.

Wealth Management had a successful year, increasing net income by CA$60 million or 22% compared to the prior year. The positive earnings for Wealth Management in the current fiscal year were largely driven by the increased asset management revenue. The increase was largely driven by the full year results of the proportionate share (41%) of American Century Investment which was acquired halfway through 2011. In 2012, the retail brokerage and private wealth management revenues were relatively flat compared to 2011. Overall assets under administration grew 7% to CA$14.2 billion, largely impacted by higher average client assets and increased net sales.

The Wholesale Banking group increased net income in a tough capital market by CA$69 million dollars, largely driven by decreased expenses and a lower effective tax rate. Overall the corporate and investment banking division had the toughest year of the Wholesale Banking group with revenues down CA$147 million or 16% compared to the prior year, largely driven by lower advisory and equity issuance revenue.

The Corporate and Other group of CIBC includes six functional groups as well as the international banking and joint venture operations of CIBC. In the current fiscal year, net income increased to CA$101 million from a loss of CA$128 million in 2011, largely driven by the CA$203 million goodwill impairment taken against FirstCaribbean Bank. International banking revenue increased CA$16 million from 2011, driven by the positive impact of a weaker Canadian dollar on CIBC FirstCaribbean operations.

The provision for credit losses increased in the fiscal year to CA$1,291 million compared to CA$1,144 million in the prior year. The increase of CA$95 million was largely driven by Wholesale Banking, which was exposed to higher losses in US real estate finance and the US leveraged finance portfolios. Overall, the Retail and Business Banking provisions were down CA$16 million compared to 2011, driven by higher recoveries and lower bankruptcies.

In fiscal 2012, CIBC continued to be active in terms of acquisitions and divestitures, including the following key events:

- Completed the acquisition of Griffis & Small, LLC, a Houston-based energy firm specializing in the exploration and production sector.
- Completed the acquisition of the private wealth manager business MFS McLean Budden, which had approximately CA$1.4 billion in assets under management on July 31, 2012.
- Completed a CA$194 million equity investment in Maple Group.