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CIBC boosts its dividend as profit triples, beating estimates

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Bank raises its dividend by 2.8 per cent to $1.09 a share

Canadian Imperial Bank of Commerce raised its quarterly dividend for the fourth consecutive time as the lender follows through on its goal of increasing the quarterly payout relative to its earnings.

The latest boost, announced in conjunction with the bank's fiscal second-quarter results, takes the dividend to $1.09 a share, up 3 cents.

Victor Dodig, CIBC's chief executive, said in a conference call with analysts that the bank's payout ratio was now 44.9 per cent, or midway in his targeted payout range of 40 to 50 per cent, implying the potential for more dividend hikes ahead if the economic backdrop remains healthy for the bank.

"Our intention is to continually increase our dividends until we approach the higher end of that existing range," Mr. Dodig said.

"Our businesses are performing well. The strategy that we laid out around consistent, sustainable earnings, and smart organic investments that drive those earnings, is delivering the ability to deliver dividend growth to our shareholders."

CIBC reported net earnings of $911-million in its second quarter, or $2.25 a share, about triple its earnings from a year ago.

However, after accounting for some exceptional items in 2014, adjusted earnings rose 4.2 per cent, to $924-million or $2.28 a share, beating the average analyst estimate by about 5 cents.

In midday trading in Toronto, CIBC shares were down 47 cents, to $94.56.

CIBC's wealth management unit stood out during the quarter, after net earnings rose 10 per cent over last year.

Earnings from wholesale banking rose 17 per cent thanks to higher underwriting and advisory activity.

Earnings from retail and business banking rose a more modest 7 per cent.

"We delivered strong results in the second quarter across all business lines," Mr. Dodig said in a statement. "We continued to execute well on our client-focused strategy to build a strong, innovative, relationship-oriented bank that delivers consistent and sustainable earnings growth."

The bank remains open to expanding its wealth management operations with a U.S. acquisition in private banking and asset management worth about $2-billion to $3-billion – part of its long-term goal of increasing the wealth management unit's contribution to CIBC's overall earnings to about 15 per cent.

However, Mr. Dodig reinforced that he is in no rush for a deal, as strong performance within the domestic business and previous investments in the United States bring that goal within reach.

Still, Steve Geist, CIBC's head of wealth management, said that the bank continues to mull potential deals.

"We are being very disciplined in terms of valuation and consistency with our strategy," he said. "Things are definitely not cheap, but we'll continue to have discussions and pursue opportunities if appropriate."