CBC News – November 30, 2023

Big banks announce layoffs and more bad loans as TD, Royal and CIBC post quarterly results

TD, CIBC eliminate thousands of jobs; RBC, Scotia previously announced similar layoffs

Pete Evans || November 30, 2023

Four of Canada's six big banks have posted quarterly results so far this week, and all four of them are setting aside a lot more money to cover bad loans. (Brent Lewin/Bloomberg)

Three of Canada's biggest lenders posted quarterly earnings on Thursday, and as was the case at Scotiabank earlier in the week, they're all putting a lot more money aside to cover loans that might go bad.

Royal Bank, TD Bank and CIBC revealed their financial results to investors before stock markets opened on Thursday, and while all three remain very profitable, they all showed a sharp uptick in the amount of money they're setting aside to cover bad loans, a closely watched banking metric known as provisions for credit losses.

At Royal Bank, Canada's biggest lender set aside $720 million to cover loans that either aren't currently being paid back as planned, or the bank is worried might soon be. That figure is up by 89 per cent from $381 million a year ago.

At TD, the bank set aside $878 million in provisions, an increase of 42 per cent from $617 million this time last year.

At CIBC, the bank set aside $541 million. That's an increase of 24 per cent from last year's level.

Loan loss provisions at the first two were worse than analysts were expecting, but at CIBC they actually came in lower than some forecasts.

The figures come after Scotiabank revealed earlier this week that Scotiabank set aside almost $1.3 billion in potentially soured loans.

While the uptick in troubled loans is a concern, the figures are a drop in the bucket when viewed against the backdrop of the overall financial picture at all three lenders

At Royal Bank, the bank posted a quarterly profit of $4.13 billion, up from $3.88 billion a year earlier, and raised
its dividend to $1.38 per share — up from $1.35 previously.

At TD, profit fell from $6.67 billion to $2.89 billion but it, too, felt confident enough to increase its payout to shareholders to 1.02 per share, up from 96 cents previously.

CIBC also raised its dividend to 90 cents per share, up from 87, as its profits increased from $1.19 billion to $1.48 billion.

Job cuts

TD did announce, however, that it is taking a $363-million restructuring charge during the quarter, relating to severance and other costs.

The bank said in filings it plans to cut its its current full-time work force by about three per cent. In TD's case, that works out to just over 3,000 people.

In a presentation to investors, CIBC said it has cut as much of five per cent of its full-time employees in its past fiscal year. That's almost 2,400 people.

RBC and Scotia have previously announced similarly sized layoffs.

Dominique Lapointe, director of macro strategy for Manulife, says that Canada's biggest banks are closely tied to the interest rate picture and overall economic environment, and that's playing out in their outlooks right now

"In the next couple of quarters, we think for the sector in general, it's going to be a tougher economic environment," he said in an interview Thursday. "That doesn't mean that this will lead to any sort of massive changes into the employment picture but for sure, some difficulties ahead.

"If and when interest rates start to be lower ... banks will face stronger profits and are going to reduce their provisions for potential losses."