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Canadian Imperial Bank of Commerce

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the CIBC Quarterly Financial Results Conference Call. Please be advised that this call is being recorded.

I would now like to turn the meeting over to Hratch Panossian, Executive Vice President, Global Controller and Investor Relations. Please go ahead, Hratch.

Hratch Panossian

Executive Vice President, Global Controller & Investor Relations, Canadian Imperial Bank of Commerce

Thank you, operator, and good morning, everyone. In a moment, Victor Dodig, CIBC's President and Chief Executive Officer will kick off our prepared remarks. Our Chief Financial Officer, Kevin Glass, will then review operating results for the third quarter; and Laura Dottori-Attanasio, our Chief Risk Officer, will provide a risk management update before we open the line for questions.

We are joined in the room by CIBC business leaders, including Mike Capatides, Harry Culham, Jon Hountalas and Christina Kramer, who are available to take your questions. For those with multiple questions, we ask that you re-queue to give everyone an opportunity to participate.

As noted on slide 2 of our investor presentation, our comments today may contain forward-looking statements which involve assumptions and have inherent risks and uncertainties. Actual results may differ materially.

With that, I will now turn the call over to Victor.

Victor Dodig

President, Chief Executive Officer & Director, Canadian Imperial Bank of Commerce

Thank you, Hratch, and good morning, everyone. CIBC delivered solid third quarter results through the continued execution of our strategy to build a relationship-oriented bank for a modern world. This morning, we reported net income of CAD 1.4 billion. On an adjusted basis, we delivered earnings per share of CAD 3.10, an increase over the same period last year.

Overall, we are pleased with our core operating results this quarter. Through continued growth and deepening of client relationships, we generated revenue growth of 4% year-over-year. Adjusted pre-provision earnings were a record CAD 2.1 billion. We also continue to diversify our earnings as our highly connected team furthers our momentum in cross-border business growth.

While our provision for credit losses increased modestly this quarter to CAD 291 million, the quality of our book remained relatively stable and we remain comfortable with the outlook. Our capital position also strengthened this quarter. Our CET1 ratio ended at 11.4%, which gives us the flexibility to deploy capital towards investments in our business for long-term growth while also returning capital to shareholders.

We will be disciplined in deploying our capital as we continue to prioritize organic investments across our business and we will use the other three pillars of our deployment strategy to maximize long-term value creation for our shareholders. We remain open to inorganic investments, but only if there is the right cultural fit that enables our client-focused strategy and on financial terms that would make it accretive to our shareholders in a reasonable period of time. Given our strong capital position, in addition to dividend increases, we will engage in share buybacks to return capital to shareholders.

Looking at organic investment, we have consistently invested in our business to enhance our capabilities for our clients as well as to modernize our platforms. These investments are delivering clear results. We're driving strong top line growth in Commercial Banking across North America through new hires and expansion into new markets. We're augmenting our U.S. Capital Markets capabilities with our acquisition of Cleary Gull, a U.S. investment banking firm that will extend our M&A and underwriting capabilities to more business clients in the United States.

Market share is growing in three of our business units despite a highly competitive market and our client-focused strategy in Personal and Small Business Banking is showing clear signs of progress. Our internal client experience metrics improved again this quarter and our clients continue to benefit from our leadership in digital banking. According to the latest J.D. Power survey, we ranked number one in client satisfaction amongst mobile credit card apps offered by Canada's big five banks. And we ranked number one for best overall mobile banking experience in an assessment by Surviscor[(1)]. In addition, we're also modernizing and evolving the way we work to further our client-focused culture.

Good examples of this include our continued migration to cloud-based technologies, including our recent successful transition to Workday, a unified HR platform that further aligns our team by providing better tools, data and analytics to enhance business performance. And our preparations for CIBC SQUARE are well underway. This modern, urban banking campus will help us attract and retain top talent, enable our teams to better collaborate and continue to put our clients at the center of all that we do. These are all examples of our strategy to build a relationship-oriented bank for a modern world, enabling us to generate sustainable growth and returns for our shareholders over the long-term.

I'd now like to turn to our business segments. Personal and Small Business Banking delivered adjusted earnings growth of 2.5% this quarter compared to the same period last year. The modernization of our banking centers to facilitate advice-based conversations and our investment in industry-leading digital capabilities continue to generate solid volume growth and lower acquisition costs across our core business. Margins expanded 8 basis points in the quarter and deposits grew 8% year-over-year, demonstrating our success in delivering leading advice and deepening our relationships across existing and new clients.

In our Canadian Commercial Banking and Wealth Management business, top line growth of 4% was primarily driven by strong volume growth on both sides of the balance sheet as we continued to gain market share in Commercial Banking. In addition, our strategic hires in client-facing roles and the collaboration between our private banking and brokerage teams helped to grow assets under management by 5% year-over-year and drove higher fee income.

Our U.S. Commercial Banking and Wealth Management business delivered strong results with adjusted earnings growth of 6% this quarter, backed by double-digit volume growth in both loans and deposits in excess of our Investor Day targets, supported by fee income growth in our Private Wealth Management business. Growth in existing geographies, deliberate and thoughtful expansion into new market and cross-border referrals have all contributed to the strong results.

Turning to Capital Markets, adjusted earnings of CAD 231 million were lower than last year as market conditions run favorable to underwriting activity and our provision for credit losses was higher this quarter. However, our focus on diversified growth and deepening client relationships is delivering results. We maintained relative league table standings, produced trading revenue growth of 8%, and made continued progress against our U.S. and

[(1)] **2019 Surviscor Canadian Mobile Banking scorCard™ (an independent, non-client facing assessment). www.surviscor.com** cross-bank growth objectives with revenue growth of 10%. In keeping with our strategy, our Capital Markets business is delivering consistent revenues despite challenging market conditions because of our well-diversified business model and connectivity with our broader Bank.

In summary, we delivered strong underlying results across each of our businesses this quarter. I'm pleased that our client-focused strategy and uniquely interconnected franchise continues to generate benefits on both sides of the border and across our Bank. And before I turn the call over to our CFO, I'd like to add a few comments regarding the senior leadership changes we announced this morning. First, Kevin Glass, our Chief Financial Officer, will be retiring later this year. Many of you on the phone will know Kevin well and know that we'll miss not just his expertise, but also his approach and his sense of humor, as well as his cycling expertise. He's a very good cyclist.

Kevin Patterson, who leads our Technology and Operations team, will retire next spring. Kevin has been with our Bank for more than 35 years and his tremendous leadership and wisdom have been an incredible asset to us. Kevin and Kevin will be with us for a while longer as part of our plan to transition. We also announced appointments to the Bank's Executive Committee that draw on the depth of CIBC's leadership team and will further our efforts to build a relationship-oriented bank. Hratch Panossian will take on the role of CFO on the November 1st. Shawn Beber joins our Executive Committee as General Counsel and also leads Corporate Development. And Deepak Khandelwal will assume a new role as CXO or Chief Client Experience Officer. Hratch, Shawn and Deepak are all very talented, client-focused leaders and I look forward to continue to work with them in their new roles.

With that, I'd like to turn the call over to Kevin Glass for a more detailed review of our financials.

Kevin A. Glass

Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce

Thanks, Victor. In my presentation, we'll refer to the slides that are posted on our website, starting with slide 6. CIBC reported earnings of CAD 1.4 billion and EPS of CAD 3.06 for the third quarter of 2019. Adjusting for items of note detailed in the appendix to this presentation, our net income was CAD 1.4 billion and EPS was CAD 3.10. We generated revenue of CAD 4.7 billion for the quarter, which is up 4% year-over-year. We continue to invest in our businesses while delivering an efficiency ratio of 55.4% and we increased our quarterly dividend by CAD 0.04 to CAD 1.44 per share.

Turning to capital on slide 7, we ended the quarter with a CET1 ratio of 11.4%, up 20 basis points from the prior quarter and comfortably above our target range. Our strong internal capital generation of 32 basis points this quarter was partially offset by higher risk-weighted assets, which increased by CAD 2 billion largely reflecting growth in our Commercial businesses, both in Canada and the U.S. Our leverage ratio was 4.3% and our liquidity coverage ratio was 129%. The balance of my presentation will be focused on adjusted results, which exclude items of note.

Let me now turn to the performance of our business units. Slide 8 reflects the results of Personal and Small Business Banking. Net income for the quarter was CAD 659 million, up 2% from last year. Revenue of CAD 2.2 billion was up 3% from last year, primarily driven by favorable rates and deposit volume growth, partially offset by lower fee income. Net interest margin was up 8 basis points sequentially largely due to the impact of deposit promotions ending and also due to the benefit of favorable rates.

Based on current rate expectations, moving forward, we expect some downward pressure, but relatively stable NIMs. Noninterest expenses were CAD 1.1 billion, up 3.5% from the prior year as we continued to invest in modernizing our infrastructure, distribution channels and products. Provision for credit losses was up CAD 5 million from the prior year driven by an increase in provision for performing loans. Laura will speak to credit quality in more detail in her remarks.

Slide 9 shows the results of Canadian Commercial Banking and Wealth Management. Net income for the quarter was CAD 348 million in line with the results of the year ago. Commercial Banking revenue was up 6% driven by strong deposits and lending volume growth with higher credit-related fees. Deposit balances were up 15% and lending balances were up 12% from the same period last year. Wealth Management revenue was up 2% primarily driven by higher AUA of 2% and higher AUM of 5%. Net interest margin with down 4 basis points sequentially, primarily due to lower BA rates impacting the Commercial Banking deposit business.

On a combined basis, NIM for Personal and Commercial Banking was up 6 basis points sequentially as the impact of wider prime/BA spread in Commercial Banking was more than offset by the impact of favorable rates and deposit pricing in our Personal and Small Business Banking business. We've included a slide showing results for the combined Personal and Commercial Banking business in the appendix to this presentation. Provision for credit losses was up CAD 21 million mainly due to higher provisions on impaired loans. Noninterest expense were up 4%, primarily driven by spend associated with strategic initiatives including hiring in client-facing roles.

Slide 10 shows the results of U.S. Commercial Banking and Wealth Management where net income grew by CAD 11 million or 6% from the prior year. Results reflect solid business performance and investments to support growth, assisted by a stronger U.S. dollar. Revenue was up 15% from the prior year, driven by double-digit volume growth, higher asset management revenue from growth in AUM, as well as increase in syndication fees. Average loans grew CAD 3.6 billion or 15% from a year ago, reflecting continued momentum in client development. The growth in loans was driven largely by increases in the Commercial, Real Estate and C&I portfolios.

The Institutional Real Estate portfolio, formerly our U.S. Real Estate Finance business, has remained relatively flat. Average deposits grew CAD 3.4 billion or 20% from a year ago, reflecting organic growth from new clients and deposit initiatives. Net interest margin for the segment was 318 basis points, down 2 basis points sequentially and down 7 basis points from a year ago. The yield on interest-earning assets benefited from certain nonrecurring items which contributed about 7 basis points. This was offset by higher deposit costs as well as a decline in core loan yields as the one-month LIBOR drifted lower. Going forward, we expect NIM to compress given the rate outlook in the U.S.

The trajectory of NIM will be further determined by the rate at which we can renegotiate deposit costs which will lag the loan book. We would still expect growth in NII as volume growth continues. Provision for credit losses was up CAD 15 million mainly due to higher provisions on impaired loans. Expenses increased 17% from the prior. We should remember that the prior year quarter included a recovery in the Institutional Real Estate business. Normalizing for this recovery, expense growth was 12% and expenses in this quarter include investments in head count to support growth and higher marketing expenses. Overall, we're very pleased with the performance of our U.S. segment, which continues to execute on our high-touch, relationship-oriented strategy.

Turning to Capital Markets on slide 11, net income of CAD 231 million was down CAD 34 million from a year ago reflecting lower revenue, higher noninterest expenses and a higher provision for credit losses. Revenue this quarter was CAD 746 million, down CAD 6 million or 1% from a year ago, reflecting lower equity and debt underwriting activity, lower foreign exchange and equity derivatives trading revenue, and lower investment portfolio gains. But this was partly offset by higher interest rate trading and Corporate Banking revenue, as well as higher revenue from our financing businesses. Noninterest expenses were up CAD 6 million or 2% from a year ago primarily driven by higher spends on growth initiatives, partially offset by lower performance-related compensation. Provision for credit losses was up CAD 43 million due to higher provisions on both performing and impaired loans.

In Capital Markets, we continue to make progress against key objectives, including growth in the U.S., as well as growing revenue from nontraditional Capital Markets clients across CIBC. On a year-to-date basis, the earnings contribution from our U.S. region, which includes the U.S. segment and the U.S. portion of our Capital Markets, was approximately 17%. You can refer to slide 21 in the appendix to this presentation that shows how this contribution has grown over the years.

Slide 12 reflects the results of Corporate and Other, where our net loss for the quarter was CAD 5 million compared with the net loss of CAD 30 million in the prior year. Results reflect higher treasury revenue, as well as strong performance in CIBC FirstCaribbean, including a loan loss recovery in this quarter. Expenses this quarter were up 7% compared to the prior year, driven by investments in strategic initiatives and regulatory projects. Going forward, we do anticipate elevated expenses as we invest in defensive and growth initiatives.

With that, let me turn the call over to Laura.

Laura L. Dottori-Attanasio

Senior Executive Vice President & Chief Risk Officer, Canadian Imperial Bank of Commerce

Thank you, Kevin, and let it be transcripted that we are going to miss you. You are a wonderful colleague, a fantastic human being. We're going to miss you, Kevin. So, good morning, everyone. Turning to slide 14, provisions on impaired loans increased from CAD 250 million to CAD 272 million this quarter, and this was mainly due to higher provisions in U.S. Commercial Banking and Capital Markets, partially offset by a decrease in provisions in Canadian Commercial Banking and lower write-offs in our Personal Lending portfolio. This resulted in a 1 basis point increase in our loss rate to 27 basis points. Provisions on performing loans were CAD 19 million this quarter. The increase was primarily driven by higher forecasted provisioning in the oil and gas portfolio as a result of continued softening of natural gas prices in Canada.

The next slide provides an overview of our gross impaired loans which were down from 52 basis points to 45 basis points this quarter. The decrease was mainly driven by the completion of the sale of a previously noted impairment in the utilities sector, which was partially offset by a small number of new impairments, half of which were in our Canadian agriculture portfolio with the balance in the U.S. business services sectors. On a year-over-year basis, our gross impaired ratio is up by 1 basis point.

Slide 16 provides the net write-off rates of our Canadian consumer portfolios. Overall, the write-off rates are stable year-over-year and they remain in line with our expectations.

Slide 17 provides the 90-plus days delinquency rates of our Canadian consumer portfolios. On a quarter-over-quarter basis, delinquencies have remained stable and performed within our risk appetite.

To conclude, while we expect to continue to see some movements in our portfolios, commensurate with the later stage of an economic cycle, overall, our asset quality remains well-positioned with no broad industry or sector themes emerging other than for certain gas producers in our energy portfolio. At this time and as we communicated earlier in the year, barring any unforeseen events, we continue to expect to see our impaired provisions for credit losses come in below 30 basis points for the 2019 fiscal year.

With that, I'll turn the call back to the operator for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you, Laura. [Operator Instructions] Our first question is from Ebrahim Poonawala from Bank of Montreal Merrill Lynch (sic) [Bank of America Merrill Lynch] (00:19:42). Please go ahead.

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch

Q

Not yet I guess, Bank of America still, but good morning. Just a question on capital, I guess, for Victor or Kevin, CET1 at 11.4%. One, given the environment, like do you think the capital ratio is essentially close to where you would like to stay? And if that is the case, it seems like given your desire for inorganic growth, there would be some tendency to build excess capital and have some dry powder, particularly given sort of the relative valuation improvement for the Canadian banks versus U.S. regional banks. So, if you could help reconcile in terms of where you want to maintain capital? And if inorganic growth is something that may happen 6, 12 months out, would you rather have some dry powder and build capital from current levels?

Victor Dodig
President, Chief Executive Officer & Director, Canadian Imperial Bank of Commerce

A

So, a couple things: one is we're pleased with the growth in our CET1 ratio through the performance of our business; two is we don't think about capital as a dry powder factor, we think about it in our four-pillar framework. We've been very, very clear about that. The first order of business has always been to strengthen our existing franchise, and you see that in the investments that we've been making in digital technologies where we continue to be recognized as a leader in Canadian banking, you see that in the expansion of our footprint organically into the U.S. as we expand into new markets, and the investments that we're making and continue to make in technologies across our business, both from an offensive standpoint and from a defensive standpoint.

The second thing I'd say is dividends continue to be an important piece of our pillar framework and that's why we increased the dividend again this quarter. We're confident in our business, we're confident where it's heading and we increased our dividend by CAD 0.04. The other two are mergers or acquisitions or inorganic growth, as you describe it, and buybacks. We've been very, very clear that we think of those levers as potentially active, but we've been very, very clear on the M&A front that we're very patient. It's going to take time. It's going to take time to find the right fit. It's going to take time to find the right business that will enhance the growth profile of CIBC. And we've been very clear in today's call that while we've announced an NCIB last quarter, we plan to be more active on the share buyback front in our own market here.

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch

Q

Got it. So, the capital ratios, are we close to target levels or should we anticipate some build up just generally?

Victor Dodig
President, Chief Executive Officer & Director, Canadian Imperial Bank of Commerce

A

I think we're in a good place, Ebrahim.

Ebrahim H. Poonawala
Analyst, Bank of America Merrill Lynch

Q

Got it. Thank you very much, Victor.

Operator: Thank you. Our following question is from Meny Grauman from Cormark Securities. Please go ahead.

Meny Grauman
Analyst, Cormark Securities, Inc.
Q

Hi. Good morning. Victor, in the past, you've talked about your view that double-digit Commercial loan growth at least in Canada is not sustainable. I'm wondering if you could update your thinking about that. Is that still your view or how do you view the outlook for Commercial loan growth in both Canada and also in the U.S.?

Victor Dodig
President, Chief Executive Officer & Director, Canadian Imperial Bank of Commerce
A

Well, I'm going to make a few comments, but then I'm going to hand it off to my colleagues, Jon Hountalas and Mike Capatides. One is, to emphasize that our Commercial Banking growth in both Canada and the United States has been not only on the lending side, but on the deposits side, it's been double-digit on both. In Canada, the investments that we've made in cash management technologies and the investments that we've made in relationship management has helped us to drive strong deposit growth as well as lending growth. In the United States, you see the same factor. The credit rating that we lent to PrivateBank with our acquisition was an important factor, as well as some of the cross-border business that we're seeing and the connectivity to Wealth Management. So, in terms of growth going forward, I'm going to pass it on to Jon first for the Canadian business and then to Cap for the U.S. business.

Jon Hountalas
Senior Executive Vice-President and Group Head, Commercial Banking and Wealth Management, Canada, Canadian Imperial Bank of Commerce
A

So, thank you, Victor. It's Jon. Our pipeline is healthy. It's in line with where it's been over the last four quarters. So, we're feeling pretty good. We review our clients annually in a credit review process. We just – this is the heaviest period, the summer period, we went through that. Our clients are in good shape. Our risk ratings confirm all that. So, it's all pretty positive. I guess the new factor versus a few months ago was kind of the trade issues out of Asia, and I'd say they've added a little bit of caution into the mix.

Lower interest rates help in the short-term. Trade issues hurt in the long-term. Our clients are generally thinking things will sort themselves out before it impacts their business materially. Like Victor, we've been pretty consistent. The double-digit loan growth that we're seeing in the industry feels high. On Investor Day, we thought it would be in the mid high-single-digits. We still think that's what it will revert, and we still believe we can outperform and grow in the kind of 9%, 10% range.

Michael G. Capatides
Senior Executive Vice President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA, Canadian Imperial Bank of Commerce
A

So, this is Mike Capatides. So, I'm going to echo some of Jon's comments with a little bit of a twist. And that is our loan growth reflects the fact that we have great growth from our existing and organic footprint. But as we said before, we've made some investments ever since the acquisition. We have new offices in Tampa, Miami, Dallas, we have significant build outs of our offices in Atlanta and Boston, and in all these offices, as was always the plan, we're putting in C&I bankers, both on the C&I side, the real estate side, and we're building out our Wealth platform and private banking platform as well.

So, all of this has resulted in a very good loan growth, very good deposit growth and one-third, over one-third of that growth is coming from these new initiatives. So, when you back those out, our growth is a little bit closer to what you're seeing in the market elsewhere in the U.S. But we continue to believe that the investments that we've made in the U.S. in building out these additional initiatives and markets with a decline in the costs of doing that, which we see this quarter, are going to continue to deliver low-double-digit loan and deposit growth in the U.S. region.

Meny Grauman
Analyst, Cormark Securities, Inc. Q

Just as a follow-up on that. We're obviously talking a lot about trade uncertainty and wondering what it all means for business confidence. But it seems like if I look at the Commercial loan growth on both sides of the book, it doesn't really seem to be impacting things very much at all. Is that your view or when you look deeper on the ground, do you see trade issues coming into play more than in the past? Are they impacting what you're seeing in terms of business activity?

Jon Hountalas
Senior Executive Vice-President and Group Head, Commercial Banking and Wealth Management, Canada, Canadian Imperial Bank of Commerce A

So, I would – there's pros and cons, right. There's mixed signals. GDP is good. Unemployment is strong. Interest rates are coming down. Those are positives. The trade issues are being discussed more. The NAFTA thing was a much bigger deal in clients' minds and that seems to be kind of sorted out or feels better. The Asia thing is more distant. Canada's trade with China isn't as mature as it was with the U.S. So, overall, I think clients believe that this will get sorted out before it impacts their business. And if it doesn't, the balance sheets of our clients are good and they think they can adjust. So, a little more caution, but so far I haven't seen a material change in how they're operating in their business.

Michael G. Capatides
Senior Executive Vice President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA, Canadian Imperial Bank of Commerce A

So, again, this is Cap, I'll echo those comments. Our customers are still positive about their business and our business with them. But the discussion about trade issues and potential issues in the economy are in the conversation. So, we're staying very close to them. But right now, today, we're just not seeing an effect on business.

Meny Grauman
Analyst, Cormark Securities, Inc. Q

Thank you.

Operator: Thank you. Our following question is from Steve Theriault from Eight Capital. Please go ahead.

Steve Theriault
Analyst, Eight Capital Q

Thanks very much. A question on margins, Kevin, you're somewhat clear on Canada and I know it's difficult for the U.S. business. But could you give us any kind of base case of what you think the margin downside could be if we get the four rate cuts in the U.S. that seem to be expected by the forward curve?

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce A

Thanks, Steve. Well, let me just follow – let me talk about both. So, I mean obviously, NIM is impacted by rate moves, but also changes in business mix and pricing changes. So, based on our current expectations, both in Canada and the U.S., we certainly expect some margin compression, but we feel it's manageable. So, from a Canadian perspective, just to put my comments into context, we invest our core capital and deposits in long-term tractors. And so, what that means is changes in rates will manifest over time as the balance sheet re-prices. So, when you look at our Canadian operations, that's why I said we expect NIM to be fairly stable, but with some downward pressure as a result of falling rates over the next 12 or so months, but we continue to anticipate modest growth in NII.

So, as far as the U.S. is concerned, we would expect NIM compression as due to the rate decreases that are priced in the market, but we'd still anticipate a modest growth in NII in medium-term as volume growth continues. So, there's a bit of a timing element to this. After each rate cut, a lot of our deposits are negotiated. So, in the shorter term, you'd see more of an impact, but over time, we'd see that stabilize. And I think what's important to understand from our perspective is, since the acquisition and particularly over the last few quarters, we've taken a number of balance sheet actions to reduce our rate sensitivity in the U.S. where we try to adjust our structural interest rate risk to be more in line with where we were before we did the acquisition. So, the intent is to manage rate risk to stable and predictable earnings. So, there certainly will be downward pressure, but more acute straight after a rate drop, but manageable over the longer term.

Steve Theriault
Analyst, Eight Capital

Q

I guess maybe another way to look at it is if the revenue growth has been high-single-digits, appreciating that the margin might be impacted immediately and then as you mentioned repricing, I guess, is that sustainable with that four rate cuts looking ahead? Just trying to get a sense, the perception is I think that the margins are going to be more volatile in the U.S. business. And I hear you that it's going to translate into revenue and you've got loan growth, but maybe boiling it down to revenue would be helpful.

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce

A

So, I mean, I think that if you would take the impact of a 25-basis-point rate cut, all-in, once things stabilize, we'd say that's about a CAD 10 million per year hit, but it's going to be more acute in the shorter term, so max up to CAD 15 million. So, that would be what your NII impact would be over the longer term.

Steve Theriault
Analyst, Eight Capital

Q

Okay. That's helpful. And then just on the margin, the run off of deposit promotions in Canada, is there any more impact from that or have we seen it all now?

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce

A

No. I mean, I think you've certainly seen the benefit of that now and this will be a new base for us to move forward from.

Steve Theriault
Analyst, Eight Capital

Q

Okay. Thanks for that, Kevin, and it's been great working with you. Congratulations on your retirement.

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce
A

Thanks very much.

Operator: Thank you. Our following question is from Scott Chan from Canaccord Genuity. Please go ahead.

Scott Chan
Analyst, Canaccord Genuity Corp.
Q

Good morning. Just on the U.S. business side, it seems like you changed the disclosure a little bit relating to CIBC Bank USA and PrivateBancorp. Specifically, I'm just trying to unwind the growth components of PrivateBancorp in terms of Commercial Mortgages and Commercial Real Estate, and I guess [indiscernible] (00:32:56) that material. I was wondering if you could provide data points on that for fiscal Q3.

Victor Dodig
President, Chief Executive Officer & Director, Canadian Imperial Bank of Commerce
A

So, I'll just talk about the disclosure, I mean, from a general perspective on the slide show, we manage the U.S. SBU as an integrated unit, and we certainly talk about – or we can talk about the contribution of CIBC Bank USA which continues to perform extremely well. The sensitivity we've spoken about is generally in that unit, and a lot of the loan growth and deposit growth we've talked about is almost all coming out of the original [ph] PrivateBank USA (00:33:34), because our Institutional Real Estate business from a loan growth is flat.

Scott Chan
Analyst, Canaccord Genuity Corp.
Q

And maybe perhaps if I look at the 15% year-over-year growth, did Commercials or Commercial Real Estate, which is the bigger driver of that growth year-over-year?

Michael G. Capatides
Senior Executive Vice President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA, Canadian Imperial Bank of Commerce
A

Hi. This is Mike Capatides. We're seeing good growth across all segments of the SBU unit and the growth has been about equal between the C&I portfolio and real estate which is consistent with the historical pattern. So, again, that's consistent with our approach of building out these offices with both C&I and CRE professionals. So, it's very balanced and we see that to continue going forward.

Scott Chan
Analyst, Canaccord Genuity Corp.
Q

Okay. Thank you very much.

Operator: Thank you. Our following question is from Gabriel Dechaine from National Bank Financial. Please go ahead.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.
Q

Good morning. I just want to flip that deposit pricing impact question around a little bit here. It had a beneficial impact on your margins, whereby the promos ended, your margins went up. But I also see the deposit growth has been ramping up for a number of quarters. Just wondering where you expect deposit growth in Canada to end up since these promotions are gone and have you seen any of that trend yet?

Christina Kramer
Senior Executive Vice-President and Group Head, Personal and Small Business Banking, Canada, Canadian Imperial Bank of Commerce

A

So, Gabriel, it's Christina speaking. Thank you for the question. We're pleased with the performance of our deposits business. And as you mentioned, we've achieved strong and profitable revenue growth driven by year-over-year balance growth of nearly 8% and that's also with the benefit of expanding margins. So, as we look to the second half of the year, so including Q3, we will see slower growth, but with strong retention of balances, so that will result in compensating positive impact on margins for the year.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.

Q

So, have you started to see deceleration already or?

Christina Kramer
Senior Executive Vice-President and Group Head, Personal and Small Business Banking, Canada, Canadian Imperial Bank of Commerce

A

We have actually seen strong retention of the balances that we put on promotion. We're actually pleased with our year-over-year performance in that regard.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.

Q

Okay. And then, Commercial Real Estate, a different question here. I just look at the slide – oh, I hope I got the right quarter here – 23, and if I add up real estate and construction plus non-resi mortgage in Canada, it's about 36%, 37% of your wholesale loan book, and in the U.S., it's a bit over 30% – sorry, it's in the high-30s, and in the Canada, in the low-30s. Just wondering, do you have a limit on how big you want or able to take CRE too in your total wholesale book? And by extension, how does that affect your M&A strategy in the U.S.? Because a lot of the targets could potentially have big CRE books, is that an impediment?

Laura L. Dottori-Attanasio
Senior Executive Vice President & Chief Risk Officer, Canadian Imperial Bank of Commerce

A

So, Gabriel, it's Laura, I'll kick it off and maybe I'll hand it over to Cap or Jon if they want to add on. So, of our portfolio – and it's pretty well split, I'd say, between Canada and the U.S. So, again, it's a very good book, like the majority of it is really loans to investment-grade public companies, institutional borrowers, all very well-diversified whether we look at it by property type or borrower type. So, I'm very comfortable with the asset quality of the portfolio. It remains very strong and we do have limits. We have limits on different types of property buckets, borrower buckets, overall buckets, where we want to be in certain regions and how, and that includes whether it be Canada, the U.S., and we go further and break it down by region, and so all of that is very well managed within our risk appetite. Maybe...

Gabriel Dechaine
Analyst, National Bank Financial, Inc.

Q

Are you bumping up in any of those limits?

Laura L. Dottori-Attanasio
Senior Executive Vice President & Chief Risk Officer, Canadian Imperial Bank of Commerce

A

Yeah. We're coming close in some of the segments to some of the limits. And as you would have heard us mention I think on previous calls, we're putting more emphasis on growing the C&I business in the U.S. in particular and that's where we have started to see some of the growth from, and maybe I'll hand it over to Cap to add on to that.

Michael G. Capatides
Senior Executive Vice President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA, Canadian Imperial Bank of Commerce
A

Thanks, Laura. So, as I mentioned before, we have a general guideline in the U.S. segment of CRE being less than 50% of the book. And if you deconstruct that a bit and you go back to the CIBC Bank USA, that split is more two-thirds, one-third; one-third real estate. And then, when you add in the legacy CIBC real estate business, which is a more institutional business, we're purposely keeping that segment flat. So, we're seeing very good C&I growth. And on the CRE side, we're very diversified and within the context of being very cautious, we like our book. We like where we're sitting right now and we see good growth there, but it's going to be balanced against good growth against the C&I portfolio.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.
Q

And on the M&A, how does that affect the M&A strategy?

Michael G. Capatides
Senior Executive Vice President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA, Canadian Imperial Bank of Commerce
A

Well, I'll go back to Victor's comments about our four pillars of capital deployment and with all the caveats in terms of when and if we didn't do something on the M&A side. But I will tell you that one of the very attractive aspects of the legacy PrivateBank was that it was heavier in the C&I portfolio and we would expect that emphasis to continue going forward with this 50%-50% balance. To the extent anything, I'd rather not speculate, but I think you'll see in the market M&A activity would involve acquisitions where CRE portfolios are run down. But again, that's pure speculation and we're not there at this point.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.
Q

And just a final point that, is that 50% – [indiscernible] (00:40:26) CRE exposure is 50%, and based on slide 10 here, it looks like about a quarter of the loan book is CRE. So, theoretically, you could have some room for more CRE heavy mix in the target.

Michael G. Capatides
Senior Executive Vice President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA, Canadian Imperial Bank of Commerce
A

So, just to repeat and we'll have to get back to you with the tie back to the slides, but in CIBC Bank, which is pretty much the legacy PrivateBank where all the expansion is taking place, it continues to be approximately two-thirds C&I and one-third real estate. And when you add in the legacy CIBC Institutional Real Estate business into the U.S. SBU, you start to approach a 45% figure for CRE.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.
Q

Okay. Thank you.

Michael G. Capatides
Senior Executive Vice President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA, Canadian Imperial Bank of Commerce

A

You're welcome.

Operator: Thank you. Our following question is from Mario Mendonca from TD Securities. Please go ahead.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Good morning. A question for Christina, you expressed confidence that you would retain these deposits. It would be helpful to understand when the promotion was removed, was that also – is that soaked in so far as new deposits are concerned or are there existing deposits where that rate, that higher rate has now been lowered to something more standard?

Christina Kramer
Senior Executive Vice-President and Group Head, Personal and Small Business Banking, Canada, Canadian Imperial Bank of Commerce

A

So, in terms – thank you, Mario. It's Christina speaking. Thank you for the question. The deposit promos, and there were a few, largely came off at the end of March, April timeframe and that's why we're speaking confidently around the retention of balances.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Yeah. But what I was asking was, do you – were the deposit promos – are there existing deposits where the rate has now been removed, because – lowered, because the reason I'm asking it that way is that would speak to retention going forward.

Christina Kramer
Senior Executive Vice-President and Group Head, Personal and Small Business Banking, Canada, Canadian Imperial Bank of Commerce

A

The answer is yes.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Okay. But obviously, you've had enough history to suggest that they're holding tight?

Christina Kramer
Senior Executive Vice-President and Group Head, Personal and Small Business Banking, Canada, Canadian Imperial Bank of Commerce

A

Yes. And our experience – as I mentioned to a prior question, our experience year-over-year in the retention of the balances has been stronger.

Mario Mendonca
Analyst, TD Securities, Inc.

Q

Okay. And then just a real quick question on – I think someone said, maybe it was Kevin, I think you said that there was 7 basis points of unusual – the margins could have been down something like – would have been down 7 basis points, but there were some unusual NII in the U.S. business. Can you just rephrase that for me?

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce
A

Sure. No. There were a couple of one-time items in the U.S. that we would have had an impact of about 6 basis points or – 5 basis points or 6 basis points. So, if you take the impact of that that would have meant a 7 basis points overall reduction, Mario.

Mario Mendonca
Analyst, TD Securities, Inc.
Q

Okay. And I just did a quick math, that doesn't amount to much, maybe like CAD 0.01 on EPS. Is that fair?

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce
A

Correct. I mean, it's – and that's about right. Yeah.

Mario Mendonca
Analyst, TD Securities, Inc.
Q

Okay. Thank you.

Operator: Thank you. Our following question is from Doug Young from Desjardins Capital Markets. Please go ahead.

Doug Young
Analyst, Desjardins Capital Markets
Q

Hi. Good morning. Just I guess a question for Laura, a two-part question. I guess, PCLs on the U.S. Commercial book were up and I'm hoping to get a little bit of color what you're seeing around credit on the Commercial book. And then, I think there was mentioned in the MD&A that there was negative migration in the Canadian Personal portfolio. Just hoping to get a little color about what that related to and what you're seeing. Thanks.

Laura L. Dottori-Attanasio
Senior Executive Vice President & Chief Risk Officer, Canadian Imperial Bank of Commerce
A

Sure. I guess I'll start by telling you we're not seeing anything of concern across any of the books. We continue to have really strong quality of the books and that's across the board. I think you wanted me to speak more specifically, if I heard you correctly, to PCLs as they relate to the U.S.?

Doug Young
Analyst, Desjardins Capital Markets
Q

That's correct. Yeah.

Laura L. Dottori-Attanasio
Senior Executive Vice President & Chief Risk Officer, Canadian Imperial Bank of Commerce
A

Yeah, nothing again unusual there. From an impaired perspective, we had three losses this quarter. Again, I would classify that as business as usual when you're lending in Commercial. They were across different sort of business sectors, and so no scenes emerging there. From a performing provisions perspective with the U.S., you'll see in that segment we had a release and that's really due to repayments and transfers that went into impaired, if that helps. And then from – I think the second part of your question related to retail and what we were seeing in retail.

Doug Young
Analyst, Desjardins Capital Markets

Q

In Canadian, it looked like Canadian Personal, there was a mention of migration and I was just curious what segment that would relate to, was that auto, was that unsecured lending, little more color.

Laura L. Dottori-Attanasio
Senior Executive Vice President & Chief Risk Officer, Canadian Imperial Bank of Commerce

A

Well, we had more moving parts, if you will, in our provisioning on performing for retail. So, in that segment, I think you saw it was up CAD 7 million. And so, our [ph] FLI moves (00:45:50), I'd say were pretty muted this quarter. So, there was some credit migration, and then we have parameter updates in our cards and in our Personal Lending portfolio that really related to updates to our historical loss data. So, nothing – again, nothing really to report in there, I would tell you, it's a bit of the gives and takes in that particular portfolio. Like, our – when we look at our delinquencies and whatnot, they've been relatively stable, and in fact from a card's perspective, I would tell you that that came in somewhat better than I would have expected. Does that answer your question?

Doug Young
Analyst, Desjardins Capital Markets

Q

Yeah. And lastly, just I mean from a 10,000 foot view, 2 basis points on performing loans. Does that feel like that's something that we should be anticipating, assuming there's no other bumps, it seems like that's a reasonable expectation as you continue to grow the book and there's puts and takes, but just hoping to get some color there.

Laura L. Dottori-Attanasio
Senior Executive Vice President & Chief Risk Officer, Canadian Imperial Bank of Commerce

A

Yeah. I always hesitate to agree to a number there, because it does move, but yes, that sounds reasonable. And again, just to add things that you know, but really it will depend on growth in the portfolio, migrations within the portfolio, and then whatever changes we may make to our forward-looking indicators. And then, you add on to that all the probability weightings that we assign to whether it'd be the downside, upside base case scenarios, but that would be an acceptable range of a number to use.

Doug Young
Analyst, Desjardins Capital Markets

Q

Fair to say it doesn't sound like anything is keeping you up at night right now.

Laura L. Dottori-Attanasio
Senior Executive Vice President & Chief Risk Officer, Canadian Imperial Bank of Commerce

A

No, and I know I've said this on a call, maybe one of my first calls, would still only be my children, certainly not our credit book. It is still solid credit quality. We're adequately provisioned, and so no concerns from that perspective.

Doug Young
Analyst, Desjardins Capital Markets

Q

Okay. Thank you.

Operator: Thank you. Our following question is from Sumit Malhotra from Scotiabank. Please go ahead.

Sumit Malhotra
Analyst, Scotiabank

Q

Thank you. Good morning. I want to start with Kevin. Kevin, I better get these capital questions in for you while I can. So, I'll start with you. One of your counterparts mentioned yesterday that to start 2020, there would be a few implementations that would have an impact on capital. I was hoping you could provide us with an update there. And somewhat relatedly, in these periods of lower bond yields, we have seen in the past that there are pension deficit issues for capital. I didn't see it listed in the slides. Is that something that had an impact on CIBC this quarter or something you're expecting before the end of the year?

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce

A

Thanks, Sumit. Well, let me just talk about the changes we're expecting. So, there are some accounting and regulatory changes coming through in Q1. We think that we can earn through that because – I mean overall, we think that it will be like kind of between 10 basis points and 15 basis points. The big impact there would be IFRS 16, and then also the changes to securitization. So, you put those two together and we'd say like between 10 basis points and 15 basis points is what we're anticipating on that front.

As it relates to pension volatility, what we've done is we've implemented a hedging program that largely immunizes up clients exposure to rate risk. That's a part of our liability-driven approach to investing. So, I mean, clearly there's a bit of residual risk, because it's not a 100% hedge. But what – I mean, to give you a sense of sensitivity, right now we'd say that 25-basis-point declining rate is about a 1-basis-point negative impact to CET1 to give you sort of an order of magnitude as to how we're managing that.

Sumit Malhotra
Analyst, Scotiabank

Q

What's the offset to that change in strategy? Is there an increased expense that you take through the income statement as a result of that shift?

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce

A

Well, it's part -I mean, it will be part of the cost of running the pension plan, Sumit, and it's – they're just hedging overlays that we are putting in place. So, there's a cost, but it's relatively modest given the risk that we're mitigating and it's – I mean, clearly, as you can see from this quarter and certainly to this environment, it's working well for us.

Sumit Malhotra
Analyst, Scotiabank

Q

Okay. So, the takeaway for me is 10 basis points to 15 basis points in Q1 2020 as a result of those implementations?

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce

A

No. I'd say – I think 10 basis points to 15 basis points would have been more than what I would put it, but that's okay. I mean 10 basis points to 20 basis points is something like [indiscernible] (00:51:03).

Sumit Malhotra
Analyst, Scotiabank

Q

Oh, I thought I said 10 basis points to 15 basis points, but we'll make sure we're on the same page there. And then just relatedly, Victor, we've spoken and on this call, you've spoken about share repurchases in the past. I think we did so last quarter. It hasn't seemed like it's been a top of mind priority and that seems to be somewhat different today. Simply put, is this a reflection of valuations and what's happened to Canadian bank stocks and CIBC more specifically that the share repurchase lever looks more attractive to management at these prices?

Victor Dodig
President, Chief Executive Officer & Director, Canadian Imperial Bank of Commerce

A

The button is on now. I'd just say that we've always been pretty consistent in our four-pillar approach. It's really hard to kind of communicate quarter-to-quarter what we're going to be doing. What I want our investors to know and I'm going to repeat it again as much as I may sound like a broken record, we've got a strategy. The strategy is to invest organically to strengthen the Bank. Bank is really strong relative to where it was five, six, seven years ago. When it comes to digital technologies, number one; when it comes to migration to cloud, a leader; when it comes to cyber and AML, an important file for us; when it comes to dividend growth, really important. We've heard that from our shareholders and it's also a sign of confidence in our business. When it comes to the other two levers, buybacks today, it's always been an active lever, we will use it and I think I've been pretty clear that we'll start to be more active on that front, because we think we've got a great company and we think it's not a bad place to put some of our capital.

Sumit Malhotra
Analyst, Scotiabank

Q

Thanks for that. And my last question will be for Christina, in your segment, we've had some back and forth over the last couple years in terms of growth in the resi, real estate portfolio for the Bank. At least from an industry perspective, volumes and pricing trends in the GTA have been stronger, and we've seen some pickup in aggregate levels for the industry. Hasn't been the case for your business yet and was hoping you could provide an update on what your outlook is and how some of the shifts you've enacted are playing out in terms of residential real estate.

Christina Kramer
Senior Executive Vice-President and Group Head, Personal and Small Business Banking, Canada, Canadian Imperial Bank of Commerce

A

Thank you, Sumit, for the question. It's Christina responding. We continue to be focused on our clients and delivering great advice to help them with their goal. So, as you commented in terms of the overall market, there has been some positive momentum, and we've seen in GTA some rebound and GVA continues to be somewhat challenged. We are seeing some positive signs on our focus on improved growth and I'll speak to why I see that – say that. Our resi portfolio was roughly flat quarter-over-quarter on a spot basis and this is the first quarter after several of declines. We also see continued strong retention rate with our existing book and our pipeline has improved. So, if I compare Q3 to the same period last quarter, we see positive improvements in our pipeline both in total units and in average dollar size. So, our teams are helping more clients with their homeownership goals, and it's early, but it's positive signs on our focus on improved growth in the space.

Sumit Malhotra
Analyst, Scotiabank

Q

Do you expect to be back into growth in the near-term?

Christina Kramer
Senior Executive Vice-President and Group Head, Personal and Small Business Banking, Canada, Canadian Imperial Bank of Commerce
A

We expect continued improvement in our performance based on what we're seeing in the market.

Sumit Malhotra
Analyst, Scotiabank
Q

Thanks for your time, and Kevin, thanks for all of your help over the years.

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce
A

Thanks, Sumit.

Operator: Thank you. Our following question is from Darko Mihelic from RBC Capital Markets. Please go ahead.

Darko Mihelic
Analyst, RBC Capital Markets
Q

Hi. Thank you. I wanted to follow-up there on the mortgage question, Christina, and I'm going to press you for a couple of details. The first is, if your originations are CAD 9 billion in the quarter and you're flat Q-over-Q on a spot balance, that tells me that there's still some runoff happening. And so, what I'm curious about is a couple of things, the first is what's running off? Is it lower margin product versus what you're putting on now? That's the first question on that. The second question is why is it running off? If it's not margin, there must be some sort of an issue there, and I don't know if it's because they're not great clients or there's been perhaps a credit quality issue, but I'm just curious about what is running off and when will that stop running off?

Christina Kramer
Senior Executive Vice-President and Group Head, Personal and Small Business Banking, Canada, Canadian Imperial Bank of Commerce
A

So, thank you for the question, Darko. It is Christina again responding. We are seeing normal pay downs in the mortgage portfolio that we normally would have seen. If I take you back to the prior conversations around – on the call regarding our focus and our performance relatively, our focus was indexed on the GTA and GVA markets, so particularly in the at mass affluent segment and that's where we've seen pullback in activity. So, as we start to see some positive momentum in the market, we're going to see and I'm anticipating seeing growth in our relative performance. So, we're not seeing anything unique in terms of run off or pay downs. It seems to be fairly consistent. What we're focused on is the net new sales and net new volume to grow our total portfolio.

Darko Mihelic
Analyst, RBC Capital Markets
Q

And the NIM versus – I mean it just seems peculiar that if I had – if you had last quarter CAD 6 billion of originations and if your balances were flat and this quarter you had CAD 9 million and your balances were flat, but somehow there isn't any runoff happening. That's just a little confusing.

Christina Kramer
Senior Executive Vice-President and Group Head, Personal and Small Business Banking, Canada, Canadian Imperial Bank of Commerce
A

Some of that's just seasonal that we see in the relative quarter, so nothing unique in that to comment on.

Darko Mihelic
Analyst, RBC Capital Markets

Q

Okay. And just lastly then, I like to look at year-to-date when I look at expense growth versus revenue growth, and we've seen a bit of difficulty here for you on the expense side. Can you give us some color on whether or not Q4 will see any kind of a difference in terms of your expense growth? And just generally speaking, when you talk to your efficiency targets, are we seeing the light at the end of the tunnel or are we seeing – perhaps is it possible that the 52% efficiency ratio is at risk here? Just any color on the cost side would be beneficial. Thanks.

Kevin A. Glass
Senior Executive Vice President & Chief Financial Officer, Canadian Imperial Bank of Commerce

A

So, Darko, it's Kevin. I mean our expense growth this quarter was – it was around 5% and I think that what we guide to is for the next little while. As we continue to invest in the business, we'd probably be running at about that rate. With respect to the 52%, we come pretty close – we'll be pretty close to our 55% target for this year. The economic environment has clearly changed since we last spoke about that. But I think it would be premature for us right now to give a detailed guidance on the 52%, but that will give you a sense for where we're at and what we see in the short-term.

Darko Mihelic
Analyst, RBC Capital Markets

Q

Fair enough. Thank you.

Operator: Thank you. We have no further questions registered at this time. I would now like to turn the meeting back over to Victor.

Victor Dodig
President, Chief Executive Officer & Director, Canadian Imperial Bank of Commerce

Thank you, operator. So, I think we all know we're operating at challenging macroeconomic environment with geopolitical tensions and global trade uncertainties, but having said that, we remain confident in our ability to manage through this environment. Our long-term client-focused strategy is going to continue to shape our decision-making, aimed at further diversifying our earnings growth, improving our operational efficiency and deepening our client relationships.

I believe we're well-positioned to be flexible in a changing market. We have enhanced our strategic position in serving the private economy this quarter through solid organic growth across Canada and the United States. We will continue to focus on building our presence in the U.S., relying primarily on our strong organic growth. On behalf of CIBC's Executive Committee and our board and all my colleagues, I'd like to thank our shareholders for their continued support and our entire team for their dedication to helping make our clients ambitions a reality. Thank you and have a good day.

Operator: Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.