CIBC Q1 2021 Earnings Conference Call

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Disclaimer

Forward Looking Information

Corporate Participants

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President and Chief Executive Officer

Hratch Panossian

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Shawn Beber

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Laura L. Dottori-Attanasio

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Harry Kenneth Culham

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Management Discussion Section

Operator

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

I would like to turn the meeting over to Geoff Weiss, Senior Vice President, Investor Relations. Please go ahead, Geoff.

Geoff Weiss, Senior Vice-President, Investor Relations & Performance Measurement

Thank you and good morning. We will begin this morning's presentation with opening remarks from Victor Dodig, our President and Chief Executive Officer. Following Victor, Hratch Panossian, our Chief Financial Officer, will review our operating results. Shawn Beber, our Chief Risk Officer, will close out the prepared remarks with a risk management update.

We are joined in the room by CIBC's business leaders including Harry Culham, Laura Dottori-Attanasio, and Jon Hountalas, as well as Mike Capatides who is joining us remotely from the US. They are all available to take questions following the prepared remarks. When we get to the Q&A, to ensure we allow enough time for everyone to participate, I ask that you please limit your questions and re-queue.

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

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

Victor G. Dodig, President and Chief Executive Officer

Thank you, Geoff, and good morning, everyone. Thanks for joining us and we hope you're all keeping well. In an environment where pandemic-related challenges continue to impact the economy, our diversified business model delivered record adjusted net income of CAD 1.6 billion, which is up 11% from last year. We also continued to build on our capital strength, closing the quarter with a CET1 ratio of 12.3%.

Since the onset of the pandemic, we've clearly demonstrated our preparedness and our ability to manage the crisis at hand, while investing for the future. And we know that the economic recovery won't be a straight line, but we will emerge from the pandemic. And the CIBC team is well positioned to deliver growth as the recovery takes hold.

As we execute on our strategy, we remain very connected to how the pandemic is affecting the lives of our clients and our team. Their well-being remains our top priority. Our strong performance is being driven by the execution of our client-focused strategy, which has three key priorities. First, over the past year, we've made significant enhancements to our Canadian consumer franchise as we accelerate growth. This includes adding new leaders and investing in our people, as well as continuing to innovate and enhance our products and our platforms.

During the quarter, we made further investments to our market-leading CIBC Dividend card, expanding the number of categories eligible for cash-back rewards and increasing the flexibility to redeem those rewards. This further strengthens our offer for clients in the important and growing everyday rewards market. Another area that's driving the improvement in our results this quarter is our continued momentum in our mortgage business. The improved volumes we delivered at the end of last year have continued into this quarter with year-over-year spot balance growth of 8% and sequential growth of 3%. These results reflect enhancements to the end-to-end client experience, as well as strong results from our focus on retention.

In addition, our efforts to improve mutual fund sales were rewarded this quarter with record net flows. Overall, we made significant progress this quarter to reinvigorate our Canadian consumer franchise, which is very much in line with our strategy. We're confident that the strategic technology and talent investments we've made will continue to support growth into the future.

Now, let me turn to our second priority, which is to accelerate the transformation of our bank. Over the past five years, we have focused on streamlining our operations and eliminating inefficiencies to reduce our cost base. Through these efforts, we've achieved cumulative cost savings of more than CAD 800 million. Importantly, these savings have been reinvested in the growth of our business as well as strengthening the foundation of our bank.

We've added resources to our revenue-generating workforce in strategic areas identified as high-growth opportunities. Our technology transformation has embraced cloud services, AI and machine learning as we build the leading-edge data management and analytics function to support strategic decision making across our bank. And we've also launched client-facing platforms such as CIBC GoalPlanner, which has been performing very well since its launch in November.

And another example of how we're investing in technology to enhance the client experience is the recent launch of CIBC Insights. This new feature uses AI and machine learning to provide our mobile banking clients with tailored information and insights into their spending to help them make more informed everyday financial decisions. We're also continuing to focus on risk mitigation activities, such as cybersecurity and anti-money laundering, which are fundamentally important to protecting our clients and to protecting our bank. In fiscal 2021, we expect to realize over CAD 260 million of incremental run rate cost savings and we will strategically reinvest most of it back into the business in support of furthering our strategy.

Our third strategic priority is maintaining and growing our resilient North American Commercial Banking and Wealth Management businesses and our Capital Markets franchise. On both sides of the border, our Commercial Banking and Wealth Management businesses continue to benefit from deep client relationships and the strong culture we've built around referrals, which is driving high-quality loan and deposit growth. As well, our award-winning investment performance, coupled with our emphasis on advice, is supporting strong fund flows in both Canada and the United States. And our Capital Markets franchise continued to deliver record results driven by robust client activity in the key markets where we operate.

Equally core to our business strategy is our bank's commitment to sustainable economic growth. This is fundamental to our long-term strategy and to our purpose, and it guides everything we do. Over the past few years, we've made considerable advances in our ESG strategy and our efforts were recognized by three third-party organizations this quarter. First, CIBC was named to the Dow Jones Sustainability Index in North America for the 16th consecutive year. Second, we've been included in Bloomberg's Gender Equality Index for the sixth consecutive year. And thirdly, we ranked among the top tier of global banks for climate change actions by CDP, which is formally known as the Carbon Disclosure Project.

We're pleased to be recognized for our commitment toward building a more sustainable future and we will continue to strengthen our commitment to sustainability as well as further our support for our corporate clients in this area going forward.

In closing, February is Black History Month and I'm pleased to share with you that we are doubling our annual investment in the next generation of leaders and change-makers from the black community. Working in consultation with the CIBC Black Employee Network and our external partners, including the BlackNorth Initiative, this increased investment will be earmarked for education, skills training and mentorship initiatives. As well, we've launched a new banking program for black-owned businesses in Canada, designed to remove barriers for entrepreneurs from the black community. These efforts are all part of our commitment to an inclusive economy, which is key to our long-term growth.

Now, with that, I'm going to turn the call over to Hratch for a detailed review/overview of our financial results. Over to you Hratch.

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

Thank you, Victor, and good morning, everyone. Starting on slide 6, this morning we reported diluted earnings per share of CAD 3.55 for the first quarter of 2021. Excluding the amortization of acquisition-related intangibles, adjusted EPS was CAD 3.58. The quarter's results highlight our progress against the key objectives we set out at the onset of the COVID-19 pandemic. We've demonstrated the resilience of our balance sheet and continued to build our capital and liquidity positions over the last year. Our Q1 CET1 ratio of 12.3% and LCR of 142% remain significantly above regulatory requirements.

This quarter, helped by constructive markets and strong execution of our strategy, we achieved record results and an adjusted ROE of 17.2%. We are on track to deliver pre-pandemic levels of profitability as the environment normalizes. And finally, as Victor mentioned, our financial results are starting to reflect the improvements we've made to our competitive position across our businesses through the focused strategic investments.

Turning to slide 7, the balance of my presentation will refer to adjusted results, which exclude items of note. Record pre-provision, pre-tax earnings of CAD 2.3 billion and net income of CAD 1.6 billion were up 5% and 11% respectively from the prior year, or 14% and 28% from the prior quarter. These results reflect the positive momentum in our business as well as tailwinds related to strong markets and lower credit losses. Revenue of CAD 5 billion was up 8% sequentially or 2% year-over-year, benefiting from robust capital markets and wealth management flows, continued strength in our commercial businesses, and accelerating growth in Canadian personal banking. These factors were partially offset by reduced client activity due to continued economic restrictions in some of our key markets and the impact of lower interest rates.

Expenses were comparable to the prior year as the benefits of recent efficiency initiatives offset ongoing strategic investments and higher revenue-driven variable expenses. We remain committed to the continued transformation of our cost base to fund long-term investments against our strategic priorities. Consistent with prior guidance, we expect this to result in net expense growth in the low-single-digit range in fiscal 2021.

Before I review the results of our business segments, I'll touch on some of our key revenue drivers. Slide 8 highlights the drivers of net interest income, which accounted for over 50% of revenues in Q1. Excluding stronger trading activity, NII continued to improve sequentially and was comparable to the prior year, as solid volume growth on both sides of the balance sheet offset the continued impact of lower rates. Deposit growth remained robust across our business. We saw improved growth in personal mortgages and Canadian commercial lending and we maintained the momentum in other credit portfolios.

Total bank NIM declined 2 basis points sequentially due to changes in both individual business margins and mix. Canadian personal and commercial NIM declined 5 basis points from the prior quarter due to changes in asset mix and the impact of lower interest rates, partially offset by strong deposit flows. Going forward, we expect continued pressure on P&C NIMs as we absorb the full impact of recent changes in interest rates and further changes in asset mix.

NIM in our US segment was up 23 basis points relative to last quarter, benefiting significantly from loan prepayments, including PPP forgiveness as well as growth in client deposits. Consistent with prior guidance, we anticipate core margin in this business to be relatively stable and expect the incremental benefit from ongoing prepayment activity and elevated deposit levels to normalize later in 2021. Assuming we see the economy open back up in the back half of 2021, we anticipate positive momentum in non-trading NII as volume growth offsets ongoing margin compression from lower interest rates.

Turning to slide 9, non-interest income of CAD 2.1 billion was up 17% from the prior quarter and 1% from the prior year. The strong sequential performance was driven by robust transactional and market-related fees across all of our business segments. Strong market-related revenues reflect robust client activity in Capital Markets as well as market appreciation and strong flows in Wealth Management. While we continue to see improvement in some transactional fee categories from last year's levels, activity in cards and payments continues to be below pre-pandemic levels. As economic restrictions are lifted, we expect client activity and transaction fees to continue recovering.

Turning to slide 10, our capital position continued to strengthen, ending the quarter with a CET1 ratio of 12.3% or 12.1%, excluding the ECL transitional benefit. Strong internal capital generation added 37 basis points this quarter and was partially offset by higher RWAs from organic growth. Average LCR of 142% was relatively stable from the prior quarter and well above the 100% regulatory minimum. We remain well positioned to deploy our balance sheet resources in support of our strategic growth initiatives with over CAD 8 billion of capital in excess of the regulatory requirement.

Slide 11 reflects our Personal and Business Banking results, where we continue to see positive trends as we revitalize the business. Net income for the quarter was CAD 652 million, up 13% from last year, helped by sequential improvement in pre-provision earnings as well as lower provisions for credit losses. While down 3% from the prior year, revenues of CAD 2 billion improved 1% sequentially as solid volume growth on both sides of the balance sheet and the ongoing recovery on non-interest income begins to offset the economic impact of the pandemic. Expenses of CAD 1.1 billion were comparable to the prior year and up 1% from the prior quarter. We anticipate expense growth to accelerate as we continue to invest in our front-line digital capabilities and client offerings in this business.

Moving on to slide 12, net income in Canadian Commercial Banking and Wealth Management was CAD 354 million, up 5% from a year ago, driven by accelerating client activity across both Commercial Banking and Wealth Management. Commercial Banking revenue was up 1% from a year ago driven by higher fees and strong deposit volume growth of 26%, which more than offset the impact of lower rates. This quarter also marked the return to sequential growth in commercial loan balances, which were 2% higher than the prior year. Wealth Management revenue was up 4% from the prior year, primarily driven by higher fee-based assets as a result of both market appreciation and robust client flows. Increased non-interest expenses were impacted by the higher revenue performance.

Slide 13 shows US Commercial Banking and Wealth Management results in US dollars. Net income of $155 million was up 12% from the prior year as we continue to grow market share through increased breadth and depth in our client franchise. Revenues were up 15% due to strong client origination activity, which drove growth in client balances, assets under management and fees. Despite moderating in recent quarters partly due to PPP forgiveness, average loans grew loan 10% from a year ago, while deposit growth of 42% continues to outpace loans. In our wealth business, solid AUM growth of 20% benefited from both client flows and market appreciation. Non-interest expenses were down 2% reflecting the results of our efficiency initiatives and the continued impact of pandemic restrictions on business development activity.

Slide 14 covers Capital Markets, where we continued the recent momentum delivering record results with solid contributions from across the business. Net income of CAD 493 million was up 30% from the prior year, largely driven by pre-provision, pre-tax earnings, which increased 37% sequentially and 27% year-over-year. Revenues of CAD 1.2 billion were up 17% from the prior year, driven primarily by growth across most global markets businesses as well as increased activity in corporate and investment banking and our Direct Financial

Services business. Non-interest expenses were up 6% compared to the same quarter last year, largely due to higher performance-based expenses.

Slide 15 reflects the results of the Corporate and Other business unit; Net loss of CAD 59 million in the quarter compared to net income of CAD 11 million in the same quarter last year. The segment's revenues continued to be impacted by pandemic-related headwinds in our Caribbean business as well as elevated cost of liquidity reserves and Treasury. We expect these factors to persist through 2021 and moderate when the recovery period takes hold. Expenses in this segment are impacted by the timing of enterprise strategic initiatives and we anticipate an increase later in 2021 as we continue investments across our bank.

In conclusion, I'd like to reiterate three key messages. One, the strength of our balance sheet continues to provide us with significant flexibility to support our clients, grow our business and return capital to our shareholders, while maintaining the resilience to absorb any future headwinds; two, we remain well positioned to continue creating value for our shareholders in the immediate term and to return to pre-pandemic ROE levels as the environment normalizes; and three, while we are pleased with the early results from our improved competitive position, we will continue to invest in our bank to build on this momentum.

With that, I will turn the call over to Shawn.

Shawn Beber, Senior Executive Vice-President and Chief Risk Officer

Thank you, Hratch, and good morning. In our first fiscal quarter of 2021, we've seen positive signs that point to an improving economic outlook and economic recovery in the second half of this year and into 2022. Credit performance this quarter was strong and better than we expected due in part to continued low insolvencies and ongoing government support programs. That said and consistent with our views last quarter, we expect to see impaired losses increase from here, and peak in the middle of this year, before reducing again over subsequent quarters as economic performance improves. Overall, government support programs continue to help blunt the economic impacts of the pandemic and our clients continue to exhibit disciplined behavior in view of the economic uncertainty.

Turning to slide 18, provision for credit losses was CAD 147 million in Q1, down from CAD 291 million in the prior quarter with lower provisions in performing loans, partially offset by an increase in impaired loans. Provision on impaired loans of CAD 236 million was up CAD 58 million from last quarter, largely due to higher provisions in both retail and business & government loans.

In Canadian Personal and Business Banking, this quarter saw a sequentially higher provision in personal lending from the unusually low levels in Q4, partially offset by lower write-offs experienced in credit cards. In our business and government portfolio, we experienced higher provisions in the utility sector of our Capital Markets business and in CIBC FirstCaribbean, partially offset by a small decrease in both US and Canadian commercial.

This quarter, we have a provision reversal of CAD 89 million in our performing portfolio. Approximately one-third of this reflects the net transfer of performing provision to impaired provision for loans that became impaired this quarter, and the balance of the reversal reflects our improved outlook and portfolio movement. While credit outperformed our expectations this quarter, we continue to expect additional negative credit risk migration across the portfolio over the next few quarters and for impaired losses to peak midyear. The earnings impact from these losses are expected to be somewhat offset through the transfer of performing provisions to impaired losses.

Turning to slide 19, we've provided details of our allowance coverage by line of business. Our allowance coverage ratio remained relatively flat quarter-over-quarter. We continue to feel comfortable with the current level of coverage and remain focused on monitoring the credit quality of our portfolios for potential future adjustments.

On slide 20, we show our credit portfolio mix, which remains well diversified and consistent with last quarter. Nearly two-thirds of our outstanding loans are to consumers, the majority of which are mortgages, and the balance of our portfolio is in business and government lending with an average risk rating for the portfolio equivalent to a BBB. Again this quarter, we've included in the appendix the additional details on specifically affected industries, which are performing in line with our prior outlook and expectations at this time.

Slide 21 provides an overview of our gross impaired loans. Gross impaired dollars were up mainly driven by business and government loans. The increase was mainly in the real estate and construction sector in the US. While new formations trended higher this quarter, this increase is expected, and we've seen some accounts affected by COVID moving to impairment.

Slide 22 shows the net write-offs and 90-plus day delinquency rates of our Canadian consumer portfolios. Over the past two quarters, we experienced lower insolvencies and flow write-offs as a result of government support programs and bank relief offerings. Flow write-offs continued to remain low in Q1, while insolvencies showed a slight increase off the lows in Q4. Both of these movements are in line with the Canadian national trend. Delinquencies in both credit cards and personal lending increased this quarter, in line with our expectations.

As we've discussed on prior calls, in fiscal 2020, we proactively enabled payment deferrals for a portion of our credit card clients who were already showing vulnerability at the onset of the pandemic. The increase in the 90-plus day delinquencies we saw this quarter is driven largely by clients who have exited the bank relief program and continue to have financial difficulties. Those that remain delinquent will write-off at 180 days, which will occur in Q2 and will result in higher losses, and we've reflected those expected higher losses in our performing provision.

In closing, we had strong performance across our credit portfolios in Q1 and better than we had expected at the start of the fiscal year. Subject to the usual caveats around the uncertain environment, based on what we've seen and our current outlook, we expect impaired provisions to trend higher and peak in the middle of 2021, but expect to outperform our guidance from last quarter. And finally, we remain comfortable with the quality of our portfolios and we'll continue to be both prudent and responsive to the performance of our portfolios as we determine our allowance levels in coming quarters.

I'll now turn the call back to the operator for questions.

Question and Answer Section

John Charles Robert Aiken, Analyst, Barclays Capital Canada, Inc.

Morning. Hratch, the expense performance in the quarter was quite good from my perspective. I was wondering given the fact that you gave us some indications that you expected expenses to increase, particularly the domestic P&C, I think you said, you expect it to accelerate. What outlook or what are you budgeting for in terms of the operating leverage through the remainder of the year?

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

Sure. Good morning. Happy to cover that. And so, part of the colour we wanted to give was that this quarter was a particularly good quarter with expenses being flat. And there's a number of reasons for that, that we don't think we'll continue in that way. So, one, we had some timing differences, as we mentioned. So, this is related to the acceleration of investments against our strategic priorities. And as we plan those initiatives out, some of those activities are increasing and the P&L impacts of those will be increasing through the year.

The second is, Q1 itself has a – on a year-over-year basis over last year – has a benchmark that's pre-pandemic. And so, on that basis, once we get to Q2 and later in the year, we did have those decreased expenses due to decreased travel, business development, advertising as the restrictions set in. So, on a year-over-year basis, those are tougher comps. And so, those are the things I would watch out for. And when you put all that together, what we're reiterating here is that, that low-single-digit range for core expense growth, we think, is the right level.

We're committed to continuing to find investment opportunities and we're committed to find initiatives on efficiencies to fund that. And at the same time, we're seeing some pretty good revenue performance. So, I would say that core, we think, is low-single digits and that can get pushed up if the revenue-linked expenses end up higher, if we continue performing beyond our expectation. So, that's the guidance I would give on expenses.

And on the operating leverage, yeah, it's a tough year for operating leverage. We're working towards a positive operating leverage that we can sustain. I think this quarter's operating leverage, as I spoke about, if you go through that dynamic on expenses, I wouldn't look for that to sustain through the rest of the year. But as we come out of the end of this year and accelerate on the revenue side as the economy opens up, we're looking for that positive operating leverage.

John Charles Robert Aiken, Analyst, Barclays Capital Canada, Inc.

Thanks, Hratch. And just as a quick follow-on. When you talk about the strategic initiative spending, as we drill down into technology spend, would you say that your technology spend is accelerating, maintaining the same or decelerating?

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

We are accelerating on the technology front, and there's a number of things in that. It's defensive investments for the bank, it's offensive in digital capabilities on the sales and service side, it's across the board. But we do see – when we talk about that transformation of the bank, we see technology playing a big role in that. And so, there's investments on the technology side that will help us take out non-technology side – and on the non-technology side expenses and get more efficient in that way.

John Charles Robert Aiken, Analyst, Barclays Capital Canada, Inc.

Thanks, Hratch. I'll re-queue.

Meny Grauman, Analyst, Scotia Capital, Inc.

Hi, good morning. Shawn, it sounds like you're talking about impairments increasing, but at a slower pace than what you thought when you talked to us in Q4. I'm wondering if you could just translate that into the guidance you gave on the PCL ratio, the PCL ratio on impaireds, I think you talked about 40 basis points, it was 22 this quarter. So, I'm just wondering what the outlook is. Do you still hold to that 40 or is it lower in your mind?

Shawn Beber, Senior Executive Vice-President and Chief Risk Officer

Sure. Good morning, Meny. So, our credit outperformed this quarter, as I mentioned, particularly in the retail side. It's a combination of government supports, the bank relief programs that we had instituted last year, prudent client behavior, and also our activity in terms of proactively reaching out to clients who have shown early signs of stress. So, we still expect to see the peak in the middle of the year. But subject to the uncertainty caveat is typical, we're now looking at our impaired loss ratio coming in towards the mid-30s. So, that would be down from where we were in Q4 and that's really driven by a number of elements: the benefit of another quarter of data, what we've seen in the portfolios and our updated outlook.

Meny Grauman, Analyst, Scotia Capital, Inc.

Thanks, Shawn.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Hi. Good morning. A question on the mortgage business, it's been on fire for everybody and I see CAD 17 billion of origination, I think that's the highest ever for your bank. A lot of that's from the pent-up demand phenomenon, buying second homes and stuff like that. I'm just wondering is there a – because we're missing the demand from Canada's immigration trends over the past few years. So, is there, maybe, a big drop-off in the mortgage business that you could see next year if immigration levels don't return to their pre-COVID levels? And this isn't just CIBC-specific, obviously.

Laura L. Dottori-Attanasio, Senior Executive Vice-President and Group Head, Personal and Business Banking, Canada

Bonjour, Gabriel.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Bonjour.

Laura L. Dottori-Attanasio, Senior Executive Vice-President and Group Head, Personal and Business Banking, Canada

It's Laura. I'll take that question. So, yes, the market remains hot. I like to believe the good performance you're seeing from CIBC also has a lot to do with a lot of the hard work that our team members have been putting into turning our performance around. I'd tell you from our side, from an outlook perspective, we're continuing to expect high-single-digit mortgage growth. So, we'd expect that for the remainder of 2021. We do expect immigration at some point is going to open back up too, which will help. We're mostly focused on 2021. And I'd say that the rest of the year is looking good. Does that answer your question?

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Yeah. So, I guess, but this year, the outlook is, I think, still pretty good. But what happens if immigration doesn't come back in the next year or two?

Victor G. Dodig, President and Chief Executive Officer

Gabriel, it's Victor here. I don't know where it's going, but I'm pretty certain that the government's announced a policy to increase immigration to well above 400,000 people.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Right.

Victor G. Dodig, President and Chief Executive Officer

And I think that that will continue to provide a tailwind for us. The important thing to note about our mortgage growth is we've closed the gap from where we were a year ago, just like we said we would.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Yeah.

Victor G. Dodig, President and Chief Executive Officer

We did that through investments in technology, investments in our mobile advisor force and continuing to be competitive in the marketplace. And we've won back share on a relative basis over this past year. And I fully expect that our team will continue to lead that trend. And as immigration opens up, we'll continue to capture more than our fair share.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Well, certainly, it's been a good turnaround, a good performance in that business. Thanks.

Ebrahim H. Poonawala, Analyst, BofA Securities, Inc.

Good morning. I guess, just moving maybe on the commercial side, it appears that the demand probably slow in the first half of the year both in Canada and the US. Just talk to us in terms of your view of your competitive positioning in both markets on the commercial lending side. And also, in the US, we saw the retirement of Larry. Does that change anything in terms of, strategically, things that you may or may not do in the US?

Victor G. Dodig, President and Chief Executive Officer

Good morning, Ebrahim. So, couple of things there. Our commercial businesses are performing well in terms of both deposit and loan growth. The US business is performing particularly well because the economy is more opened up than it is in Canada. With the Canadian economy opening up, we would expect our performance to continue to capture again more than our fair share in that growth. In terms of personnel changes, Larry became Chair last year. Mike Capatides has been running the business for a year. It's all well in hand. Larry decided to retire. He's a good friend of the bank. And you can read the press release. He'll be helping us from the shadows in his retirement as we continue to grow the business. But to give you more colour on our commercial banking businesses, let me start off with Jon Hountalas for Canada and then we'll hand it off to Mike Capatides in the US.

Jon Hountalas, Senior Executive Vice-President and Group Head, Commercial Banking and Wealth Management, Canada

So good morning, and thank you, Victor. I'd start with saying that our clients – I'm probably more optimistic than I've been in a few quarters because our clients are more optimistic. In talking to them, I think the speed of the US recovery has surprised over the last few months. And most of Canada's kind of mid-market and even smaller businesses, their growth was coming from the US. So, entrepreneurs are optimists. They see the US opening. They're ready to go. You couple that with private company M&A is pretty reasonable. Our good real estate clients are active. We're prudently following them. Our utilization rates have started to kind of bottom out and they've been on a drop for probably four quarters, for sure.

So, you combine all that with the investments we've made over the last year in people, in technology, we're ready. We were ready to support our clients through difficulties in March and April, we're ready when they're ready to grow, and we're looking forward to getting back and calling on our prospects. It feels better than it did a few months ago. Mike, can I pass it over to you?

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

Yeah. Thank you, Jon. Well, in the US, we continue to see healthy loan growth from our clients, which has moderated a bit by the forgiveness process on the first round of the PPP loans. But significantly, over half our loan generation came from our new offices, our new products, our new initiatives that reflect the investments of the past several years. And we added 210 new strategic clients in the past quarter alone. In fact, we could do more, but we're not compromising on our margins or our credit.

But I also want to add that the build out of our wealth and private banking platform, which has a very healthy referral numbers between our commercial bank, is also starting to come online and helping fuel growth in all these areas. So, looking forward, we have a strong pipeline, again moderated by the PPP forgiveness. But we do expect our growth and our performance to continue into the second half of this year as our clients continue to come online and private equity starts to accelerate the deployment of the large amounts of cash they have available for transactions.

Ebrahim H. Poonawala, Analyst, BofA Securities, Inc.

Got it. Thank you. I'll re-queue.

Mario Mendonca, Analyst, TD Securities, Inc.

Good morning. A quick question on small business lending; I know it's a small portion of your overall lending, but we are seeing what was surprising – surprising to me, at least, a pretty good spike in small business lending, and also sort of perhaps connected, an increase in credit fees. Could you just talk to what's happening in small business lending at the bank and if, in fact, it is connected to the increase you're seeing in credit fees?

Laura L. Dottori-Attanasio, Senior Executive Vice-President and Group Head, Personal and Business Banking, Canada

Hi, Mario. It's Laura. It's a bit hard to hear the last part of your question. I believe it had to do with what we're seeing in our small business banking.

Mario Mendonca, Analyst, TD Securities, Inc.

Yes.

Laura L. Dottori-Attanasio, Senior Executive Vice-President and Group Head, Personal and Business Banking, Canada

So, I'd tell you, we're not seeing a lot of lending or requests from a client acquisition or a deposit growth perspective, though, that is actually looking positive. Now, a lot of that has to do with the various government funding programs that are in place. And so, deposit growth has actually been strong for us. It's been up about 25% year-over-year. What's interesting is we're seeing our account open activity is actually up quite a bit, at about 50%. So, we see, I would say, small business managing very prudently, holding on to their dollars and moneys they've received from the government as many wait for the economy to reopen. And so, we think there's a measured opportunity on the business lending side as things start to open up again.

Mario Mendonca, Analyst, TD Securities, Inc.

Okay. I had just observed that it was up sequentially, but again from a small base. Maybe we could just turn to credit fees then. If anyone could speak to what's happened in the last couple of quarters to credit fees, they've moved materially higher. And with loan growth only now showing some momentum, I was a little surprised to see the move in credit fees back to well above pre-pandemic levels.

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

Hey. Good morning, Mario. It's Hratch. I'll take that on the credit fee side, and there's a number of things in that credit fee line that are driving it. One of the things I would point out is there are the BA-related activity. And so when you see clients in the commercial bank, particularly in Canada, as they grow or they draw their facilities via BAs, and that does tend to skew by industry so on the real estate side BAs tend to be utilized more, that shows up there rather than showing up into NII. So, that's a big part of it when you look at the credit fees. The other side of it is syndication fees. And so, in our US business, we continue to have very strong syndication activity that is driving that as well. And so when you look at that, quarter-over-quarter for us, it was CAD 22 million, year-over-year CAD 33 million, a large part of that is coming from those two items, right: the BAs and commercial banking about half of the year-over-year number, US commercial about a quarter of it, and the rest of it is sort of on the corporate banking side with fees on some of the lending and standby facilities that have been put in place.

Mario Mendonca, Analyst, TD Securities, Inc.

Thank you.

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

Is that helpful?

Mario Mendonca, Analyst, TD Securities, Inc.

Yeah. Thanks.

Doug Young, Analyst, Desjardins Securities, Inc.

Hi. Good morning. Just maybe starting on credit, just a decent bump in the commercial non-gross impaired loan formations. I think you mentioned real estate, but it looked like there were some oil and gas and education utilities. Maybe you can just unpack a little bit more about what you're seeing in there. Thank you.

Shawn Beber, Senior Executive Vice-President and Chief Risk Officer

Sure. Good morning, Doug. So, we did see a handful of accounts go impaired this quarter, nothing out of our expectations in terms of how things have been progressing. There were a couple in the real estate sector. There were a couple in the utility sector. They were a bit chunky, so they would have moved the gross impaired loan number up this quarter. You've seen it – it's reflected now in our impaired provision number and they don't kick off particularly large losses; our impaired losses are continuing to perform well quarter-over-quarter and by historical. So, I would say, normal portfolio activity, a handful of names that are contributing to that, and not outside of our expectations.

Doug Young, Analyst, Desjardins Securities, Inc.

Okay. And then if I can just sneak a quick one in just on US NIMs, I mean they were much higher than what we expected. It seems like – and this is across the group, not just for yourselves, but the PPP repayment activity is having quite a big impact on NIMs. Can you quantify what that would be for the quarter? And how you see that evolving over the next year?

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

Yeah. Certainly. Good morning, it's Hratch. I would say, the core dynamic in the US NIM continues to be what we expected and what we had guided to. And so, just quickly to cover that and I'll get specifically to your question in a second. So, on the core dynamic, we as you know have in the high 90s percent of our assets there are LIBOR-linked. And so, LIBOR didn't move much this quarter. It was down about 1 basis point. So, the loan yields are pretty stable. The spreads on the loans are pretty stable. You look at the deposit side, we've continued to see growth and we've continued to see the re-pricing activity. So, we had said that we expect the core dynamic, as we replace deposits, to be slightly up, but net of those two things, pretty stable to slightly up. And so, we saw that. So, you see on the slide, we had the deposits, 9 basis point help that we had. 2 basis points, roughly, of that 9 basis point was that re-pricing, and the rest is the growth. And we continue to see that good growth on deposits.

On the prepayment side, you're right, that contributed, we had on the slide, 14 basis points, right. And that's not just the PPP program. So, we had the start of prepayment of PPP this quarter and that was just a little bit over half of that 14 basis points number came from the PPP prepayments this quarter. So, going forward, what do we expect? As I said in my remarks, we still think that core dynamic is the same, stable to slightly up. We think deposit levels will stay elevated for a while here and may continue to go a bit further, but those are going to decline later in the year as deposits start getting deployed for growth in our clients' balance sheets.

And then, on the prepayment side, there's going to be some noise, right? So, we expect PPP prepayments or forgiveness to really accelerate here going into the next quarter or so. And then, we're going to have the second wave of PPP that has already started coming in. So, in the short term, I expect some continued activity there that will help the NIM. But the way I would think about it is, if you strip that away, that core dynamic is stable to up as deposits grow.

Doug Young, Analyst, Desjardins Securities, Inc.

Helpful. Thank you.

Sohrab Movahedi, Analyst, BMO Capital Markets Corp. (Canada)

Okay. Thank you. Victor, maybe a bit of a higher level management question, it looks like – I mean you obviously have an investment schedule, you've got some plans to make investments this year, probably next year. It looks like it's obviously hard to make the call, but it feels like it's going to be an abnormally low – for the industry, abnormally low provisioning here, if you will. Is there an opportunity, is there any discretion that you can – around the timing of future period expenses that could actually be loaded into this year to allow for a better growth trajectory into 2022?

Victor G. Dodig, President and Chief Executive Officer

Sohrab, that's a great question. You always ask the big picture questions, which I appreciate. I think it's important to note where we've come from. I look at the bank over the last several years and what we've been able to do with our NIX ratio, what we've been able to do to transform our businesses from a technology standpoint, what we've been able to do from deploying capital and create a diversified durable bank that's prepared for growth irrespective of the environment that's ahead of us, and better relative competitive performance than we've delivered over the last year, let's just say.

As we look at the year ahead, the plans that we have, the investments that we're making, we're very comfortable that that will continue to deliver superior performance in all of our core business lines. If we see the economy pick up at a more rapid clip than prognosticators are projecting, we will have the ability to continue to invest at maybe a more rapid clip. But I'm very comfortable with the investments that we're making today in the backbone of our technology, in the client user experience of our technology and in our product portfolio. And I believe that what we have today, Sohrab, will deliver that superior performance. You're seeing that across every single business line at CIBC. We said that we're going to grow at market or above market, and you're seeing it everywhere. It's not only emerging this past quarter, it's emerged in the last couple of quarters. And I think you're going to be able to see that in the quarters ahead.

Sohrab Movahedi, Analyst, BMO Capital Markets Corp. (Canada)

Okay. Thank you. I'll re-queue.

Scott Chan, Analyst, Canaccord Genuity

Good morning. Hratch, you talked about overall expenses and increases on the Canadian side. But on the US side, expenses were down 2% year-over-year and revenue growth was up 15%. So, how do you kind of view expenses on the US side? Especially calling out reduced business development spend, but I think Jon commented that you actually added 210 new clients in the quarter. So, maybe kind of talk about that comment as well.

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

Sure. Good morning, Scott. Happy to take that and I can also pass on afterwards to Mike, if you want to add anything on what is happening in the business, but the core dynamic in the US is still that we are growing the business. So, we are hiring on the front lines, we are developing client relationships and we are serving our clients. Some of what has happened, though, is the way you do that has changed since the pandemic restrictions have come in. And so, that's what you're seeing there is some of the client development activities, the travel, the entertainment and so forth, the advertising, the sponsorship events, all of those things have taken a bit of a backseat. And so, the way client development is done now is different. We haven't stopped. We continue to cover our clients and we continue to invest in the business as well.

So, the net of those, at this point, is providing a benefit. But we do see expense growth overall growing this year, particularly as we see the economy opening up and that client development going back to being done the way it was always done. And it's going to be in the back half of the year. Hopefully, if the US continues on the trajectory it is, on a year-over-year basis, you're going to be comparing a period of restrictions on travel and so forth to a period with no restrictions. And so, we do expect that to accelerate. And on a net basis, like I said, expenses being up year-over-year. But maybe Mike can give you a bit more colour on client development.

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

Yes. Thank you, Hratch. Just to go back to our basic approach in the US, we are a relationship-oriented bank in both the commercial banking area and in the wealth area as well. And the team has done a fantastic job over the course of the past year bringing in new strategic relationships, in large part through referrals from other parts of the US SBU in our Canadian and Capital Markets colleagues. And so, we have done a good job.

We have expanded on those significant client relationships. But at the end of the day, because we are a relationship-oriented bank, we have to get back out and see our clients. So, that's what we're talking about in the back half of the year, going out and again sitting down with our clients, talking about new business – new business opportunities, and also going out and prospecting for new clients. Again, I'll go back to the build out of our Private Banking network in the US, which has had a spectacular success, and we hope to continue to build on that. And all that is going to entail us going out and visiting with our clients. So, that's why we talk about increase in those types of expenses in the back half of the year.

Scott Chan, Analyst, Canaccord Genuity

Right. No, that makes more sense to me now. Thank you very much.

Lemar Persaud, Analyst, Cormark Securities

Thanks. Can you comment on what you're seeing in terms of narrowing the performance gap on domestic mortgage renewals? It looks like to me this quarter a lot of it could have just been due to strong originations. But I'm just looking for an update. And I think other performance gaps on the RESL side that could cause your mortgage growth to actually outperform peers.

Laura L. Dottori-Attanasio, Senior Executive Vice-President and Group Head, Personal and Business Banking, Canada

Good morning, Lemar. I'll take that one. As I said earlier, I think a lot of the changes that we've made – Victor talked about, the investments that we made to our mortgage platform. We've also put new people in roles. We've made a number of process improvements. A lot of things that have helped to, say, increase our advisor productivity and our turnaround times. So, not only are we seeing an increase in new originations that are up just under a 100% on a year-over-year basis, we're seeing that we're doing better on the client retention front. So, we're being more proactive with our reach-outs, we've got increased points of contact, all aimed at better anchoring our clients. So, we're doing better on client retention.

I would say, a year ago, our retention numbers were sort of in the 80-plus percent area and now we're at retention where we're just at 90%. So, we are making, I would say, really good progress. We've got some strong performance indicators that we track weekly to ensure that we're headed in the right direction. So, yes, the fact that the market is up and the market is hot is certainly helping. It's what we're seeing in the industry. But we are making changes to how we do things in such a way that, I believe, that we're going to be able to deliver, I'm going to say, more consistent and sustainable performance over the long term. Does that answer your question?

Lemar Persaud, Analyst, Cormark Securities

It does. It does. Thanks. I'll re-queue. Thanks.

Darko Mihelic, Analyst, RBC Dominion Securities, Inc.

Hi. Thank you. Good morning. And I apologize if you'd kind of gone over this. My phone kicked out while you were doing your opening remarks, Victor. So, again, I apologize if you've already covered this. But my question is – there's two questions. The first one's – and they're both related. The first question is, what happens with FirstCaribbean now? Is it still for sale? Would you consider IPO-ing it again? And if not, do you have to make some investments there? And what's your expectation there? It leads into the next part of the question, which is with corporate, but I'll leave that second question for – as a follow-up after I hear your answer to this first one.

Victor G. Dodig, President and Chief Executive Officer

Okay. So, let me take the first one. Sorry, about your phone service Darko. FirstCaribbean, as you know, we highlighted the complexity of the regulatory review process earlier to all of you. And you all know that the regulator made the decision to turn down the change in control transaction. And I think it's affected by the COVID pandemic and the particularly acute impact on the economy in the Caribbean region. Our plan was to sell it to a regional investor, to transform the bank and to get more regional scale. Our alternate plan today, which was always – there was always a plan B for us, is to continue to transform our bank. It's a good franchise. We've been in there for 100 years. We have a plan to improve performance, improve profitability and make it the durable franchise for the long term that I know it is.

I'm going to pass it on to Harry because he oversees that business with our team down there. And he can shed some additional light, and then I'll take your second question.

Harry Kenneth Culham, Senior Executive Vice-President and Group Head, Capital Markets, Canada

Thank you, Victor. Yes. Hi, Darko. Good morning. As Victor said, we have a long history in the Caribbean. We have a strong team that's leading our business in the region with a great client franchise, I might add. And so, now the focus is truly on optimization of our business and really positioning FCIB for a post-COVID world successfully. And I believe that we have the path forward now in execution to make that happen. So, I'm rather optimistic on this team and on the client franchise, and that's the plan – as Victor said, the plan on the path forward.

Darko Mihelic, Analyst, RBC Dominion Securities, Inc.

Okay, great. Thank you for that. And my second question takes FirstCaribbean and really what I want to ask Hratch about is really the Corporate segment. There's a couple of things in there that I'm curious about. One is, you do mention there's going to be higher expenses because of strategic enterprise. Can give me an example? I mean, why would Corporate house a lot of the strategic spend? Why wouldn't the strategic spend be pushed out into the segments that are actually doing the spend?

And then, secondarily, so am I to take – I mean I've always, maybe erroneously, thought that you tried to work hard in the past to get Corporate and Other down to a very minimal sort of loss. But it sounds like what you're saying is the loss in Corporate will be larger from here. And maybe you can give me a hand with the model. If we're not getting more revenue from Treasury and FirstCaribbean, is it purely just higher expenses from here on in? And is the loss going to be similar to last year's kind of quarterly run rate of losses in the Corporate segment?

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

Sure. Morning, Darko, happy to take that. And okay, you're right on the philosophy. We've historically guided to the segment as a small loss. But I would break that down and say there's a number of different components to it that happen to come up to that. So, number one is the FirstCaribbean business, and that's a business. So, overall, that adds and that's a profitable business. The profitability of that business was in the segment. Treasury, we manage Treasury not as a profit center. So, we manage treasury as a utility. And so, we aim overall for net around zero profitability for Treasury. And the reason for fluctuations is really always just noise; noise because of market factors and transfer pricing not catching up with the speed of movement in rates and so forth, things like that; but, I would say noise that normalizes over time. That's why Treasury has ran historically in the plus or minus range.

And so, what ends up happening is you've got the expense side then left as a third component. And historically, what we had is the profitability of FirstCaribbean actually offsetting almost entirely the expense side of what's not allocated and stays in Corporate and Other. And that's why you had the result that you had. But the dynamic of each of those components is changing, right. So, if we look at the expense side, it is accelerating. And just to give you some of the examples of the types of things, you're right, most of the things that are directly attributed to businesses we allocate out. There's some of the other Corporate and Other expenses that are related to enterprise kind of head office and overhead-type costs that stay there that aren't allocated in the normal course. And when it comes to project, there's enterprise-wide initiatives, whether it's through a defense-type technologies and so forth that cut across the entire enterprise. Some of those types of things are kept in the center, or anything else that we deem is not directly sort of driving business results, those kinds of things would be staying in the center, to some extent.

So, that's what's driving that, Darko. And so, when we look forward, I see that accelerating a little bit, as we go through this year. Nothing drastic, but accelerating a little bit. And then, the decline in both Treasury and FCIB that has happened is going to be with us for a little while. And so, net-net, that's going to drive the loss in the segment a little bit higher than where it's been. Again, I think you had last quarter at CAD 110 million, this quarter at CAD 68 million, somewhere between those two is where I would guide you as a range. So, this isn't a big shift we're talking about. But it's driven by those two items on the revenue side being a bit more unusual and they will normalize over time.

Darko Mihelic, Analyst, RBC Dominion Securities, Inc.

That’s great. Thanks.

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

Does that help?

Darko Mihelic, Analyst, RBC Dominion Securities, Inc.

Yeah, that’s very helpful. Thank you very much.

Nigel D’Souza, Analyst, Veritas Investment Research Corp.

Thank you. Good morning. I wanted to touch on deposits and it sounds like you expect deposits to normalize and to give back some of the benefit you're seeing on margins, but to offset that with loan growth. So, I'm trying to get a sense of timing. Do you expect the bulk of that loan growth to lag deposit normalization or do you expect loans to pick up and grow at the same time deposits normalize?

Victor G. Dodig, President and Chief Executive Officer

Let me take a crack at that, Nigel. Good morning. I expect that, as the economy opens up, the deposits normalize, as you outlined. And I would expect that our personal and business bank will see an uptick in credit card balances as consumers begin to spend, while continuing to maintain and grow market share in the mortgage segment. I expect that the notable changes in our commercial bank, particularly in Canada, as the economy opens up, will see an uptick in loans. And the corporate bank, I think, will continue to behave as it's behaving today. Corporate clients are tapping the debt capital markets and we're participating meaningfully there and growing their bank debt kind of, I think, at the same level that you've seen over the past year. So, I'd see the most notable impacts in the credit card balances. And I would see that also in the Canadian commercial bank as the economy begins to open up.

Nigel D’Souza, Analyst, Veritas Investment Research Corp.

Got it. Appreciate the colour.

Mike Rizvanovic, Analyst, Credit Suisses Securities (Canada), Inc

Hi. Good morning. A question probably for Laura, maybe Hratch. I wanted to talk about the Canadian P&C NIM, and thanks for the added colour, it's on slide 8 of your presentation. And I guess, when I look at the chart on the bottom left, what surprises me is the magnitude of the impact from business mix, and I'm guessing that's the mortgage growth that we're seeing that's coming back. And so, going back to maybe Laura's comment earlier, where you do continue to expect to see that gravitate toward industry levels, you're still about 200 basis points below your peers in terms of year-over-year growth.

And so if I was to normalize for rates and maybe assume the rate impact of 5 bps goes to zero and deposit growth maybe doesn't provide the boost that you had this quarter sequentially, it sort of indicates – and correct me if I'm thinking about this the wrong way, but you could see some pretty sizable margin compression just on business mix alone, if the other two factors sort of wash each other out. Could you maybe see like a 10 basis point decline over the course of the rest of this year maybe on an aggregate basis? Is that too high or like what would mitigate that business mix impact if you continue to see this book grow?

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

Yes. Sure. Thank you. It's Hratch. I'll start and then Laura can maybe provide colour on the business afterwards. So, you've touched on some of the key elements. When you look at the margin, and we had it right there on the slide, it's impacted by business mix and it's impacted by rates. And it gets helped by deposits, because as deposits grow, you get the NII, but you don't have an increase in your interest-earning assets. So, deposits do have quite a bit of leverage on NIM because of that dynamic.

So, if I go through each of those components, number one, rates, you touched on it. So, we knew rates were going to be a headwind on this business. We had said in the past that rate to loan is in the low-single-digit range, if you will, on a quarter-over-quarter basis, as we continue to track through the re-pricing of the longer-term part of the balance sheet. And that dynamic is largely the same. It's a little bit better now. I mean you've seen quite a bit of steepness. You look at the three- to five-year swap rates, they're materially up. I mean they're up even more than 10 basis points since quarter-end to now. So, that helps. So, that takes a bit of the sting off. But that's a few basis points and maybe it's a little bit lower now than what we expected.

The other element of rates is the short-term rate re-pricing, and that happens fairly quickly. So, after Q2, Q3, when we did see those rates drop, there is – I'd say, about half of the rate impact that that business is feeling now is that short-term re-pricing. So, that impacted the margin year-over-year, but that goes away once we get past Q2 and Q3. So, the rate impact, think of it as getting to about half of what it is now and continuing unless rates continue to improve.

Then the asset mix component, again, has two pieces to it. So, one is the mortgage is growing, but the other one is really the decline in card balances. And so, when you look at the card balance side, you have a significant decline, again, from Q2 levels last year, but it has stabilized. We're not seeing growth again in card outstanding balances, but it's stabilized. So, once again, once you get through Q2 and your comp on a year-over-year basis becomes a margin with the current, call it, and then maybe similar balances of cards, then that impact will be smaller, too. So, net-net of all of that, I expect a few basis points a quarter for the remainder of the year. But as you get to the tail end of the year and as card accelerates, you could see it be even better than that.

Mike Rizvanovic, Analyst, Credit Suisses Securities (Canada), Inc

Okay. So, a couple basis points per quarter through the rest of the year and then some stability, is that...?

Hratch Panossian, Senior Executive Vice-President and Chief Financial Officer

I think that current – what you're seeing in terms of current, a bit more than a couple, it's probably the next couple of quarters here and then better maybe after that. Yeah.

Mike Rizvanovic, Analyst, Credit Suisses Securities (Canada), Inc

Okay. Perfect. That's very helpful. Thanks very much.

Operator

Thank you. This will conclude the question-and-answer session. I'd like to turn the meeting back over to Victor.

Victor G. Dodig, President and Chief Executive Officer

Thank you, operator. I got to put my mic on. Our results this quarter demonstrate the strength of our core franchise, and the benefits from our diversified business mix, and our client-focused growth strategy. We're delivering for our stakeholders and we're delivering by executing against our strategy. I hope that came through in the questions that you asked and the answers that we provided.

Our balance sheet position remains strong. It provides us with significant flexibility to continue to support our clients, to continue to grow our business and, fundamentally, to drive shareholder value and return the capital to our shareholders, which is what we've been doing for the last bit. And you see that in our numbers, you see that in our share price.

We're going to continue to take a conservative approach to our risk and expense management. We're reinvesting our cost savings into organic growth and we are leveraging technology to improve efficiency and to improve client experience right across every business unit at CIBC. We remain well capitalized. We remain well provisioned. And we're going to continue to sensibly adapt to the changing macroeconomic environment.

I want to thank our 44,000 team members globally for their unwavering support for our clients, for our communities and for one another, and for bringing our purpose to life each and every day. It's truly a team effort that makes CIBC a success. And to our shareholders, thank you again for your continued support. And to the analysts and investors on the call, thank you for your fine questions and we look forward to speaking with you again soon. Stay safe.

Operator

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