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Canadian Imperial Bank of Commerce

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. 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 John Ferren, Senior Vice President, Corporate CFO and Investor Relations, CIBC. Please go ahead, Mr. Ferren.

John Ferren

Senior Vice-President, Corporate CFO & Investor Relations, Canadian Imperial Bank of Commerce

Thank you. Good morning and thank you, everyone, for joining us this morning. CIBC's senior executives will review on today's call CIBC's results for the second quarter of 2017 that were released earlier this morning. The documents referenced on this call, including CIBC's news release, investor presentation, and financial supplements can all be found on our website at cibc.com. An archive of this audio webcast will be available on our website as well later today.

This morning's agenda will include opening remarks from Victor Dodig, CIBC's President and Chief Executive Officer. Kevin Glass, our Chief Financial Officer, will follow with a financial review; and Laura Dottori-Attanasio, our Chief Risk Officer, will provide a risk management update. With us, as usual, for the question-and-answer period are CIBC's business leaders, including Harry Culham, Steve Geist, and David Williamson, as well as other senior officers of the bank.

Before we begin, let me remind you that any individual speaking on behalf of CIBC on today's call may make forward-looking statements that are subject to a variety of risks and uncertainties. These statements may include material factors or assumptions that could cause CIBC's actual results in future periods to differ materially. For more information, please refer to the note about forward-looking statements in today's press release.

With that, let me now turn the meeting over to Victor.

Victor G. Dodig

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

Thanks, John. Good morning, everyone, and thank you for taking the time to join us on a busy day for Canadian bank reporting.

This morning, CIBC has reported solid second quarter results. Our adjusted earnings are CAD 1.1 billion, up 10% from a year earlier, supported by balanced revenue growth and strong credit performance. We delivered a return of equity for the quarter of over 18% and improved our industry-leading CET1 ratio to 12.2%, which positions us well to maintain a strong capital ratio upon the closing of our acquisition of The PrivateBank next month. The PrivateBank is something we're excited about and I'll have more to say about our strategically significant investment at the conclusion of my remarks.

While delivering good financial results, we also made strong progress in the quarter against our strategic priorities of improving client experience, simplifying our bank, and delivering innovation that enables our clients to bank where, when and how they want. I'll provide a few examples of where we are advancing our strategy as I review the performance of our business segments.

Over the past month, developments within the alternative lending space of the Canadian housing market has been a focus for the sector. While these issues don't reflect the Canadian housing market in general or the performance of the broader Canadian economy, the market has understandably been assessing potential implications for the financial system as a whole.

It is important to note that CIBC does not originate subprime or even near-prime mortgage loans. As a large, diversified and predominantly core deposit funded financial institution, we also don't face the same funding challenges as some of the alternative lending business models. That said, we continue to closely monitor the housing market, as David and Laura will speak to later on the call.

Now let's turn to our business unit results. Retail and Business Banking reported year-over-year adjusted earnings growth of 4% this quarter with earnings increasing to CAD 648 million. Strong volume and record growth in funds managed more than offset the decline in net interest margins to contribute revenue growth of 4%. Credit performance was also strong across all product areas. Business investment initiatives contributed to higher expense growth than recent quarters and operating leverage was slightly negative as a result of February being a shorter month than last year.

Subsequent to the quarter, CIBC was recognized by Forrester Research as having the highest score for mobile banking functionality among the major Canadian retail banks. We are proud to receive this distinction for the fourth year in a row as we continue to innovate and deliver a better banking experience to our clients.

An example of this innovation is the introduction this past quarter of a voice-enabled search feature on CIBC's mobile banking app. We are first to market with this technology, which offers a personalized and convenient way for our clients to bank on their phone. My colleague David Williamson is here this morning to answer any questions you might have about Retail and Business Banking and innovation.

Our Wealth Management business reported another strong quarter, with adjusted earnings of CAD 155 million, up 34% from the prior year. Supportive market conditions and client activity contributed to strong revenue growth of 13%.

During the quarter, CIBC Atlantic Trust was recognized by Private Asset Management Magazine with two awards: Best Investment Platform Performance and Best Trusts and Estates Division. This is the seventh straight year in which the CIBC Atlantic Trust has been recognized for excellence in the U.S. high-net-worth segment.

In addition, as part of our strategy to deliver a more integrated experience for our Canadian high-net-worth clients, we have completed eight co-locations of CIBC Private Banking and Wood Gundy locations across our country. And earlier this month, we launched the Private Wealth Management brand campaign, an important initiative focused on connecting with our high-net-worth clients and understanding their banking needs. My colleague, Steve Geist, is here this morning to answer questions on our Wealth Management business.

Turning to Capital Markets, adjusted earnings for the quarter were CAD 292 million, up CAD 32 million from a year ago. Following a very strong first quarter, market volatility was lower in the second quarter, resulting in lower client-driven trading activity than last quarter and a year ago.

While revenue was down 3% from last year, loan recoveries this quarter compared to elevated provisions in 2016 supported positive earnings growth of 12%. During the quarter, our investment banking team led an IPO with iconic Canadian outerwear company Canada Goose and at CAD 391 million this is the largest IPO to-date in 2017.

Other notable transactions this quarter saw CIBC act as the joint bookrunner and co-lead arranger on a $3.5 billion credit facility for CPPIB Capital; joint bookrunner on CAD 1.5 billion bond offering for Bell Canada; and joint bookrunner on a $500 million and CAD 325 million dual tranche bond offering for TELUS. My colleague Harry Culham is here this morning to answer questions on our Capital Markets business.

In summary, we continue to see good momentum across our business, an evidence that our strategy is working. While remaining focused on the near term, we are taking action to ensure CIBC performs well over the long term by remaining relevant to our clients and creating a stronger and more diversified bank for our shareholders.

On that note, we're very pleased that earlier this month PrivateBancorp shareholders voted overwhelmingly in favor of the combination of our two banks. This is a clear recognition that like us, their shareholders see value in our merger.

In The PrivateBank, we are acquiring a high quality middle market commercial and private banking franchise with strong wealth management capabilities. They have a long track record of creating shareholder value through strong earnings growth and their asset-sensitive balance sheet is well-positioned for higher profitability as interest rates rise in the United States. The bank's experienced management team led by Larry Richman has a high touch relationship-based service model that is very much aligned with CIBC's client-focused culture and strategy.

With its presence in attractive markets across the U.S. Midwest, which strategically complement CIBC's existing presence in the United States, the addition of The PrivateBank to the CIBC family will immediately accelerate our U.S. strategy. And importantly, it will provide a strong platform for us to grow from and service our clients' needs throughout North America.

We are now focused on obtaining the remaining regulatory approvals and finalizing our integration plans as we work toward closing the transaction in June. We look forward to continuing to work closely with The PrivateBank team to complete the transaction and realize the full benefits for our shareholders, our employees, our clients and our communities.

Now, I would like to turn the call over to my colleague, Kevin Glass.

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 5.

CIBC had solid results this quarter. We reported net income of CAD 1.1 billion and earnings per share of CAD 2.59. Items of note during the quarter, which included transaction and integration-related costs associated with our pending acquisition of The PrivateBank reduced our reported earnings by CAD 0.05 per share. After adjusting for items of note, our net income was CAD 1.1 billion, EPS of CAD 2.64 is up 10% from a year ago, our Basel III CET1 ratio grew to 12.2%, and our return on equity was over 18%.

Slide 6 provide an overview of The PrivateBank acquisition, which is expected to close next month. We expect our CET1 ratio to remain above 10% after closing and our leverage and liquidity ratios will continue to exceed regulatory minimums. We anticipate incurring total transaction and integration costs in the range of $130 million to $150 million and we report these costs as an item of note in our quarterly results.

In terms of financial impact, we expect the transaction to be accretive by the end of the third year. As Victor mentioned in his remarks, The PrivateBank has delivered consistent results, including strong top line revenue growth, effective cost management and good credit performance. The PrivateBank's well-diversified loan portfolio was CAD 16 billion at the end of March, up 16% year-over-year. About 96% of the loans are variably priced and about 70% are tied for the one-month LIBOR.

Deposits of CAD 17 billion at the end of March were up 15% year-over-year. The deposit book consists largely of money market balances, savings accounts and demand deposits. While building its loan book over the past few years, The PrivateBank has grown its earnings per share by an average of 18% annually, reduced its mix ratio from 54% to 51%, and increased its ROE from 10.9% to 11.4%.

The balance of my presentation will be focused on adjusted results, which exclude items of note. We've included slides with reported results in the appendix on the presentation.

Let me start with the performance of our business segments beginning with the results for Retail and Business Banking on slide 7. So, Retail and Business Banking reported another quarter of solid earnings with good top line growth, partially offset by an increase in expenses. Revenue for the quarter was CAD 2.2 billion, up 3% from last year, driven by growth in both Personal and Business Banking. Revenue in the second quarter of last year benefited from one additional day in February.

Personal Banking revenue of CAD 1.8 billion was up 3% from the same period last year. Performance benefited from strong volume growth across all products, partially offset by one less day in the current year and narrower spreads. Total asset growth was 11%, led by residential mortgage growth of 12%. Our personal lending portfolios, including cards, grew 5% as we continue to see improving results in this area. Personal deposits and GIC growth of 7% benefited from promotions carrying over from the first quarter.

Business Banking revenue was CAD 447 million, up 6% from last year, driven by strong lending and deposit volume growth and higher credit-related fees, partially offset by narrower deposit spreads and impact of the shorter quarter. Business lending balances as well as business deposits and GICs were up 11% from the same period last year. Other revenue of CAD 7 million was down CAD 7 million from the same period last year due to the continued run-off of the exited FirstLine mortgage broker business.

Provision for credit losses was CAD 196 million, down CAD 9 million from the prior quarter, largely due to lower loss rates. Loan losses were down CAD 3 million or 1% from the same period last year, largely due to lower loss rates, partially offset by portfolio growth in cards and personal lending.

Non-interest expenses were CAD 1.1 billion, up 4% from the prior year. Expenses were somewhat higher this quarter as a result of investments in strategic growth initiatives to support our transformation into a modern, convenient and innovative bank. Operating leverage this quarter was negatively impacted by one less day. Net interest margin was down 3 basis points sequentially, mainly due to business mix, reflecting strong mortgage growth. Spreads in our mortgage portfolio continued to be stable. Retail and Business Banking net income was CAD 648 million, up 4% from the same period last year.

Slide 8 shows the result of our Wealth Management segment. Revenue for the quarter was CAD 659 million, up CAD 76 million or 13% from the prior year, driven by strong performance across all businesses. Retail Brokerage revenue of CAD 352 million was up CAD 40 million or 13% from a year ago due to higher fee-based revenue largely driven by asset growth.

Asset Management revenue of CAD 207 million was up CAD 28 million or 16%. This was largely due to higher assets under management resulting from market appreciation and strong net sales of long-term mutual funds. Private Wealth Management revenue of CAD 100 million was up CAD 9 million or 10% mainly due to growth in average assets under management and funds managed.

Non-interest expenses of CAD 460 million were up CAD 31 million or 7%, primarily due to higher performance-based compensation. Operating leverage was strong at positive 5.7%, the result of solid business performance and well-contained expense growth. Net income for the quarter was CAD 155 million, up CAD 40 million or 35% from the same quarter last year.

Turning to Capital Markets on slide 9, we produced solid, well-diversified results. Revenue this quarter was CAD 733 million, down CAD 23 million or 3% from the same quarter last year. Global Markets revenue of CAD 407 million was down CAD 62 million from the prior year as a result of lower revenue from interest rate, foreign exchange, and commodities trading and higher reserves against derivative counterparties.

Corporate & Investment Banking revenue of CAD 326 million was up CAD 30 million from the prior year, driven by higher investment portfolio gains as well as higher revenue from U.S. Real Estate Finance and Corporate Banking, partially offset by lower equity underwriting activity.

Reversal of credit losses was CAD 5 million in the quarter compared with a provision for credit losses of CAD 81 million in the prior year. The year-over-year improvement was attributable to the better performance and outlook for the oil and gas sector.

Non-interest expenses of CAD 363 million were up CAD 17 million from the prior year, primarily due to performance-driven compensation and higher spend on strategic initiatives. Net income of CAD 292 million was up CAD 32 million from the prior year.

Slide 10 reflects the results of the Corporate & Other segment. The net loss for this quarter was CAD 25 million compared with a net loss of CAD 36 million in the prior year, largely due to higher revenue in CIBC FirstCaribbean and strong credit performance. We expect to report improved results in the Corporate & Other segment going forward as the decline in the TEB revenue expected for Capital Markets will be offset in Corporate & Other.

Turning to slide 11, we further strengthened our capital position over the past quarter. Our CET1 ratio was 12.2% as at April 30, up 30 basis points from the prior quarter. The increase was driven by solid organic capital generation and the impact of share issuance through our dividend reinvestment and employee share-based plans, offset to a certain extent by an increase in risk-weighted assets and the impact of the Basel I floor adjustment.

For the capital we'll be issuing in The PrivateBank deal, we will continue to be very well-capitalized and in a strong position to maintain our balanced capital deployment plan, which includes investing for future long-term growth and returning capital to our shareholders, while maintaining a prudent buffer of future regulatory changes.

With that, I'll turn the call over to Laura.

Laura L. Dottori-Attanasio

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

Thanks, Kevin, and good morning, everyone. So, slide 13 begins with our loan loss performance. You will see that loan losses this quarter were CAD 179 million. That's down CAD 33 million quarter-over-quarter mainly due to lower losses in our Retail, FirstCaribbean, and Corporate loan portfolios, including a larger reduction in our collective allowance. Our loan loss ratio was 25 basis points compared with 26 basis points in the prior quarter.

Turning to slide 14, new formations were CAD 389 million, down slightly quarter-over-quarter. Growth impaired loans were CAD 1.3 billion or 40 basis points as a percentage of growth loans and acceptances, which is down CAD 85 million or 4 basis points from Q1, mainly due to a decrease in the oil and gas sector, which was partially offset by the impact of the U.S. dollar appreciation.

Slide 15 provides an overview of our Canadian residential mortgage and HELOC portfolios in Canada, the Greater Vancouver area, and the Greater Toronto area. Our late-stage delinquency rates across these portfolios continue to remain low and stable with the Vancouver and Toronto areas performing significantly better than our Canadian average.

Slide 16 shows Beacon and loan-to-value distributions for the CAD 11 billion of uninsured mortgages originated in the second quarter. Of that amount, approximately 43% were to clients in the GTA and 14% to clients in the GVA. Average Beacon scores of new clients continue to be in line with our existing clients and average loan-to-values of new originations also continue to be lower than the national average of 64% with 58% in the GVA and 62% in the GTA.

Slide 17 shows our Beacon and loan-to-value distribution for our overall Canadian uninsured residential mortgage portfolio. The Vancouver and Toronto markets continued to have better credit profiles than the Canadian average. Beacon score distributions are towards the higher end and average loan-to-values were 48% in the GVA and 51% in the GTA, both lower than the national average of 55% and with distribution towards the lower end.

On slide18, we have our Canadian credit card and unsecured personal lending portfolios. On a year-over-year basis, the late-stage delinquency rate of our Canadian cards portfolio was up, driven by a combination of higher unemployment in the oil provinces and credit migration in the rest of the portfolio. That said, the rate has stabilized and was down slightly on a quarter-over-quarter basis. The late-stage delinquency rate for our unsecured personal lending portfolio improved on both the quarter-over-quarter and year-over-year basis, mainly driven by good quality growth.

Slide 19 shows the distribution of revenue in our trading portfolios as compared with VaR. We had all positive trading days this quarter, the same as last quarter. Our average trading VaR was CAD 6.3 million compared with CAD 6.1 million in the first quarter.

And now, I'll turn things back to John.

John Ferren

Senior Vice-President, Corporate CFO & Investor Relations, Canadian Imperial Bank of Commerce

Thank you, Laura. So, that concludes our prepared remarks. We'll now move to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] The first question is from John Aiken of Barclays. Please go ahead.

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

Q

Good morning. David, with the announcement that Air Canada is going to be stepping away from the Aeroplan rewards program. I was wondering, I know this is early days, but what's your thoughts on, I guess, converting the portfolio that remains with CIBC on to your own platform. Is this what you expect and how do you think you go about achieving that?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Hi, John. Good morning. So, I guess, we look at what's been announced, the Aimia and Air Canada have confirmed that it's business as usual till 2020. In addition to that and Aimia has indicated, they are looking to continue to offer strong redemption offer post 2020. And, I guess, in a more of a subjective matter, but you think of the importance of the Aero holders to not only Aimia, but also to Air Canada given they're loyal customers of that airline. So I think there's change here, but it's early days to say what would happen post 2020, again, given the importance of the Aero customers to Air Canada.

The initial reaction from clients has been quite muted, I guess, in part because of those factors. So we wouldn't look to precipitate a conversion. What we're really looking to do really since the sale of half the book is to offer clients an option, right, so they have that option to them. If they are Aero point loyalists and are comfortable with that program, we offer that program and we'll continue to do that. If clients are more comfortable with optionality on the application of travel points, we have Aventura.

So, we will put it – we wouldn't do any proactive. It would really be over to the clients as to which program do they feel best meets their needs.

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

Q

I guess, David, as a follow-on question to that is, since the sale of the portfolio, have you seen a migration of your remaining clients from the Aeroplan to Aventura even if CIBC has not been pushing that?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Yeah. It's an interesting question. Actually what we've seen is the Aeroplan books has been remarkably stable. It's been remarkably stable through [ph] the piece (24:25). What we have seen is remarkable growth in the Aventura book unto itself quite substantive compound growth to where it's now. The client base in Aventura is quite a bit bigger than the client base we have in Aeroplan, the Aimia Card. So what we've seen is not really a big transfer of clients from one card to the other. The Aeroplan books have been pretty stable. We've just seen the Aventura book be popular with Canadians and have growth unto itself.

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

Q

Thanks, David. I'll re-queue.

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Okay. Thanks, John.

Operator: Thank you. The following question is from Nick Stogdill of Credit Suisse. Please go ahead.

Nick Stogdill
Analyst, Credit Suisse Securities (Canada), Inc

Q

Hi. Good morning. Sticking with you, David. In the release, you highlighted that 30 banking centers have been transformed to new formats, given the shifting client trends. So, a couple of questions on that. Are these new formats smaller and lower cost? Are those changes taking place predominantly in major cities? And do you see the same opportunity for branch transformations in maybe the smaller towns and cities and rural areas? Thank you.

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Hi, Nick. Good morning. Yeah. The transformations are really more so in the urban centers. They are a smaller footprint sometimes. I mean, the banking center in my neighborhood, same footprint, now just a different layout. So it's, in some respects, less about the square footage, it's more about the layout. And by that, I mean it's – now we recognize in our banking centers is about advice, it's about the higher value kind of transaction investment decisions, mortgage decisions, and much less about paying a bill, picking up cash, that type of thing.

So, the layout will not have customer service rep stations. It will be more you're greeted at the door and you're looking primarily for advice at that point in time, so we'll have office space to talk to you about your needs. So, new-builds would likely be smaller in space, but the conversion of taking the existing space and just resulting in meeting needs in a different way. So, much more open format and not with the teller stations at the back, that type of thing. It's more of an urban focus. That's where the growth is and that's where we're applying our dollars more effectively.

Nick Stogdill
Analyst, Credit Suisse Securities (Canada), Inc

Q

And then just, if the size is the same, does the head count in the branch come down in these new formats, is it there are less employees, sort of less staffing?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

That's an interesting point too. Actually it's bit of a conversion in a sense. So, the total staffing is not different over time. We've been talking about our back to front changes in our staffing levels. So, service positions are decreasing. So, again, service being CSR, more transactionally-oriented or lower-value transactions, that's down. But we've been investing in our sales force and advisory front, our financial advisors and Imperial Service and otherwise. So that's what's helped our revenue. So, while keeping our cost kind of consistent, we've been able to increase revenue by just putting more of our dollars towards advisory and sales force.

Nick Stogdill
Analyst, Credit Suisse Securities (Canada), Inc

Q

Okay. Thank you.

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Thanks, Nick.

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

Meny Grauman
Analyst, Cormark Securities, Inc.

Q

Hi. Good morning. I thought I'd ask a housing question because why not. The growth that you're seeing in the GTA is very strong and just wanted to ask about the outlook considering some of the changes that were recently announced by the Provincial Government. So, for the most recent quarter, you grew 24% year-over-year in the GTA, how do you see that progressing over the next few quarters with these real changes coming into play?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Hi, Meny. It's David again. So, hard to know at this point in time. We are seeing some regional differences, the Vancouver market cooling, Toronto market heating. But that was prior to the recent changes. I'd say it's early to know what the impact of that will be. I would think it will moderate the growth we see in the Toronto market. But we're monitoring to see what it actually does do, but I'd say at this point, we're just a bit early to be able to comment on it.

Meny Grauman
Analyst, Cormark Securities, Inc.

Q

Okay. And then, just if I can follow up on expenses. You highlight higher costs in Retail and Business Banking. And I'm wondering – few things, are there some specific initiatives that you can highlight for the quarter that would have sort of hit, that would have pushed things up, that are notable, like you just talked about the 30 branches? Is that part of the expense story for this quarter in any meaningful way?

And then, more broadly, the lumpiness in expenses, how much visibility and control do you have over the expense as they develop, like on a particular quarter, do you see those jumps happening ahead or is it just a function of – is it controllable or not, I guess, is the question.

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Right. Okay. So, let's take the nature of the spend. Now, there's certain lumpier kind of activities. We're putting in a new telephony system. We've talked about that. We're putting a new frontline system in that drives the deeper relationships, facilitates conversations, that's our COMPASS system. So, those are lumpier type of activities. And, yes, they're highly predictable, like we can see how they flow through, and there might be some, as you put it, lumpiness as certain programs come off and certain programs come on.

I think one underlying theme for investment is the one you touched on, which is the conversion of our bank to meet the modern needs of clients, which as Victor has said in his opening comments, are about allowing our clients to bank when, where and how they want to, which means a multi-channel offer, which means integrated multi-channel, which we need to build the ability for clients to go between channels and for us to know them and offer personalized service amongst those channels. And it also speaks to the need to build out the remote and digital channel. So we're investing in that and we're investing in a way that we do it at a moderated pace.

The fact that we've been recognized by Forrester again this quarter indicates that our investment in digital, which we think is a very important one, is working for us, right? So we've got that leadership in mobile and we do think mobile is highly relevant to banking going forward.

And the final comment I'd make is, when I talk about moderated investment, we're keeping an eye obviously to operating leverage. We've had nine quarters of positive operating leverage. This quarter would be positive if not for being one day less than last year. And we think for the year, we'll be positive for the entire year. So we're investing, we're just trying to do it at a moderated pace as we convert our bank to be the modern convenient bank and a leader in client experience.

Meny Grauman Q
Analyst, Cormark Securities, Inc.

Thank you.

J. David Williamson A
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

Thank you.

Operator: Thank you. The following question is from Sumit Malhotra of Scotia Capital. Please go ahead.

Sumit Malhotra Q
Analyst, Scotia Capital, Inc.

Thank you. Good morning. I wanted to start with Kevin Glass. First off, just on Private, I'm not sure if you mentioned this. Is this going to be its own segment going forward? Is this going to be U.S. banking segment or you're putting it in Wealth?

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

No. I intended to set up a separate segment that would include PrivateBank as well as Real Estate Finance and the U.S. Wealth business that we have. So, Atlantic Trust will be included in that and any other Wealth business [ph] that we did (32:54) on this. So, that's our intent from a segment reporting point of view, Sumit.

Sumit Malhotra Q
Analyst, Scotia Capital, Inc.

Okay. So, that's just for my clarification. Now, the actual question, on the capital level of the bank, so you have been mentioning consistently, I think since you announced the deal, that you intend to be above 10% on closing. Your capital build the last few quarters including this one is such that by my math you'd be better than that. You'd be closer to 10.5%. Just before I go any further, is that reasonable or is there maybe some other pieces I'm not taking into account?

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

I think you're right that our guidance has been to above10%. I wouldn't go to the decimal point at this point, Sumit, but certainly we anticipate being also 10% when we close, so when we close the transaction.

Sumit Malhotra
Analyst, Scotia Capital, Inc.
Q

The reason I ask is in a lot of these acquisitions upon close, there can be a mark of the credit portfolio that's taken place, which by my understanding has short-term impact on capital, but does give you the ability to have perhaps a lower level of loan losses initially. Is that something you're contemplating at this time, taking a mark against the credit book upon close?

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

Well, in terms of the credit mark, that'd simply be part of the purchase price equation and it will wash out. So when we give our guidance, we've taken all of that into account, including the fair value market we may – that we anticipate potentially taking on the transaction.

Sumit Malhotra
Analyst, Scotia Capital, Inc.
Q

So, I'll leave it here. The level of loan loss provisioning we've seen from Private in the near term, which is, looking at the numbers, has been averaging around 20 basis points or slightly below. It's your view that when we see this bank on your balance sheet beginning next quarter, the run rate and provisioning initially shouldn't be too different than what they've been doing as a standalone?

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

Yeah. I mean, I think that's correct. They run a very effective business. We would look at their practices, but I think that's a fair assumption.

Sumit Malhotra
Analyst, Scotia Capital, Inc.
Q

All right. Thank you for your time.

Operator: Thank you. The following question is from Gabriel Dechaine of NBF. Please go ahead.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.
Q

Good morning, everyone. First one on – I guess, I have a follow-up on the branch thing. They're not closure, they're transformation. I guess, I'm wondering why you wouldn't take a more aggressive stance on your branch network overall. I look at your bank versus some of the others, your branch network is the third largest in Canada, single-digit percentage smaller than the next one or the second biggest one, sorry. But your asset base is quite a bit smaller. So, I guess, your productivity for branch, if you want to look it that way, it doesn't look as favorable. That, to me, presents a big opportunity for efficiency improvement in the future. What's the outlook there?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Hi, Gabriel. It's David speaking. So, yeah, there're, I guess, a couple of comments [ph] to kind of mind (36:23). Our focus is on meeting client needs, growth and, obviously, the costs associated with that. So, that would be point one. So I wouldn't want to retreat too much from a channel that will be relevant in the future. It's certainly important to recognize the nature of that channel will be different and hence the focus on converting those to a format that works for clients in the future.

I guess, one point of note for our bankers, we're strong in rural representation of branches and our banking centers in urban less so. So although you've cited our total number of banking centers, there is some bifurcation there as far as urban versus rural. So we'll be looking for that adjustment. So, what you might see is a continued investment in urban and a change in our rural footprint, especially as we're able to meet the needs of rural customers remotely, right? We've introduced Imperial Service Direct where you can have an Imperial Service advisor remotely as opposed in your banking center. You can now deposit checks remotely. You can move cash remotely. There's a whole lot of things you can do remotely. So, what you might see is less noise on the bottom line as far as banking centers and some change above the line as to the nature of those banking centers and where they're located.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.

Q

Okay. The other question I had, this is on the mortgage business, and a lot of people have difficultly, including myself, sizing the alternative mortgage market in Canada, subprime, whatever you want to call it. And do you have an estimate in mind? But also, if I look at the breakdown of your mortgages, slide 17 here, uninsured residential mortgages, it's only 8% of your book that has a Beacon score less than 650. But in absolute terms, that's still about CAD 8 billion. Now, how would you define those borrowers? How do you classify those? And why wouldn't I look at that 8%, CAD 8 billion of mortgages and say, oh, they're near-prime or they're something along – they're not prime? Let's have that discussion.

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

A

Hi, Gabriel. It's Laura. So I'll attempt to take that one. So I'm not going to focus on sort of how large the alternative mortgage is or isn't, but what I can tell you is from a CIBC perspective, we only originate B20-compliant loans. And so, as you can appreciate, as is typical, I'd say in all of our credit businesses, there's always a credit migration sort of post origination and some exceptions.

And so when you look at that slide, to your 8%, when we look at what we would consider to be, if you will, our portfolio of weaker clients and that's how we really focus on this because it's important to look at sort of your weaker clients on the margin, we describe that and I believe it's in our prepared remarks as 1% of our uninsured portfolio. We take those clients that have a Beacon score that is less than 650, but we add on to that where there's a loan-to-value of greater than 75%. Because that would be for us really the client segment that is more, if you will, at risk in the event of increased unemployment or a serious drop in housing prices.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.

Q

Okay. I don't mean to pick on you. It's just you're the only bank that discloses this stuff, so it's helpful, and it begets the question, I guess. And my last one is on the capital floor. We saw that pop up this quarter. And just wondering how – did that factor into your guidance of a post PrivateBancorp close of 10% or above? Do you have some plans in place to kind of address that issue? Because it could alter your asset growth capacity, right?

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

A

Gabriel, it's Kevin. So, in terms of hitting the floor this quarter, it's just a question of timing. The B-I floor is not risk-sensitive, so as these added assets, the floor is coming to play. Looking forward, what's interesting is closing The PrivateBank deal actually takes the floor issue away. Their assets – their credit assets are on a standardized basis. The floor is also less than 100%, so deductions create a fair amount of room there. So we don't see – once we close the deal, we don't see the floor being an issue until late 2018 into 2019.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.

Q

Also your [indiscernible] (41:25) higher proportion of standardized RWAs not all benefit you in getting rid of that floor, right?

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

A

I mean, you could use the word benefit, but from a math point of view, that's correct, the floor won't be an issue.

Gabriel Dechaine
Analyst, National Bank Financial, Inc.

Q

Okay. Thank you very much.

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

A

Thanks.

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

Steve Theriault
Analyst, Eight Capital

Q

Thanks very much. First, just a couple of quick follow-ups for David. Just going back to Aeroplan for a second. I was interested in your comments there. You said Aeroplan have been stable. Does that mean that your new core customers are almost entirely taking the Aventura Card versus the Aerogold Card or, I guess, other cards versus the Aerogold Card? Or is that more just a statement that the mix has stayed the same over time? Just interested in how you're selling that.

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Yeah. Hi, Steve. Yeah. What we're doing is we try to put it forward to our clients as to their choice and some are interested in cash back, some are interested in travel, and if travel then which travel card are you most interested in. And for some period of time now it's – Aventura has been the choice relative to the Aero Card by a fair margin. So we certainly aren't in any way, just I spoke to an earlier question, guiding clients. We're just trying to offer them a portfolio of choice. But to answer your question directly, yeah, the clients are predominantly picking the Aventura.

Steve Theriault
Analyst, Eight Capital
Q

Yeah. And when you say stable, like the balances are stable relative to when you sold half the book?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce
A

Yeah. The balances have been pretty stable. Like I actually anticipated a higher degree of run-off because we're not actively marketing that book as part of the agreements. We're not in the market and can't be in the market advertising that book. So I anticipated a higher degree of run-off. It really has been quite stable. And the good news is, Percy the Penguin and the Aventura Card have been quite popular and have really shown quite remarkable growth.

Steve Theriault
Analyst, Eight Capital
Q

Okay. That's great. And the other one I had for you was, you had some deposit promotions going on in Q1. I think that also leaked into Q2. So, has that now run its course, has that been discontinued? And maybe you can refresh us on an outlook for the margin in the second half, given that change and, I guess, in the context of the mortgage growth you've seen as well?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce
A

Right. Yeah. And that last point, it really is the differentiator for us, I think relative to our peer group with our different level of mortgage growth. Mortgages offer a good return on capital. They just have a lower NIM. So, as our mortgage book grows, that's the primary driver in our NIM change.

I think Kevin said in his comment, our NIMs in the mortgage business are stable. It's really just a mix as that book grows relative to the other products. The promo, yeah, that's kind of an industry spring thing and that's run its course for the time being. And then there's the macro industry factor of just lower rates and the continued run-off of tractors into lower rates. But, for us, the bigger differentiator is the mix factor on mortgage growth.

Steve Theriault
Analyst, Eight Capital
Q

And so the margin in second half?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce
A

That takes us into what we'd anticipate are relative mortgage growth to be relative to peer groups. And what we've talked about in the past is our relative difference is we've been quite significantly expanding our distribution channels specifically, obviously, the mobile channel. Clients like to have a flexibility of meeting our sales force when, where and how they would like, and that channel has done particularly well, it's come from [indiscernible] (45:36) channel to outsize.

Now, this is second quarter, I'll make the statement that we're happy with our staff complement in the mobile channel. So, that means two quarters of stable numbers. It also means two more quarters where you're going to have that year-over-year change still in the number of mobile advisors and the productivity gains that kind of go with the growth in that channel.

So, I think two factors here. You're still going to have a couple of quarters where you're going to have the impact of a larger sales force. You also have the impact of less run-off in the FirstLine book, right, which is also another factor that changes our relative mortgage growth. So, then, you take that to NIMs to the extent that we're likely to grow faster than our peer group in mortgages for a little while longer, we'll still see some pressure on NIMs.

Steve Theriault
Analyst, Eight Capital

Q

And so, you've been growing faster for quite a while, I'm interested, the products per customer more recently versus products per new customer on the mortgage front a year or two years ago, is it better, is it worse or is it the same?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Yeah. I appreciate you asking few question. It's better. The sales force – and this is an important point, we talk about mortgages a lot and we should, but we're picking up market share in unsecured lending – unsecured retail lending, we're picking up market share in business lending, we're picking up market share in Personal and GIC books. And so we're picking up market share on both sides of the balance sheet. And that speaks to your point, which is deeper relationships.

Our sales force is focused on money coming in and taking care of investment needs as much as the demands for mortgage needs. That's resulting in our product – the depth of the relationships with clients expanding, which has all the knock-on effects regarding attrition and client satisfaction and so forth. So, the trend line continues to be good as far as depth of relationship and attrition and client experience. All of that because our teams are thinking about deeper relationships on both sides of the balance sheet. So the trends are good on that front.

Steve Theriault
Analyst, Eight Capital

Q

Okay. Thanks for that. And if I could sneak one more in for Steve Geist. You had what look like record positive operating leverage this quarter. So, as we look ahead, should we expect that 70% efficiency ratio to be sustainable with the higher asset levels, and they're quite a bit higher in the quarter? Or is there an element of unsustainability or catch-up here, given the very strong asset growth? A bit of an outlook there would be helpful. Maybe not even in terms of the efficiency ratio because that can bump around, but in terms of the operating leverage looking ahead given the big delta in assets this quarter.

Steve Geist
Senior Executive Vice-President & Group Head, Wealth Management, Canadian Imperial Bank of Commerce

A

Sure. Good morning. Our operating leverage was particularly strong in Q2, it was also very strong in Q1, driven by the very strong revenue growth and solid expense containment. We still expect operating leverage to be positive over the remainder of the year, probably not quite to the same extent it has been over the first half. But we would expect solid revenue growth and I think the expenses will remain contained.

All of that clearly, if the markets remain somewhat accommodating for wealth, which was a big factor of our growth over the first half. Our mix has been coming down from that growth. We expect it will continue to come down. We're focused on improving that, driven by the business mix that we have in our overall portfolio and just the continued scale as we continue to grow overall.

So I think the trajectory is quite good, but we're not going to see op leverage consistently at the 6% measure that we had in Q2, but it will remain positive.

Steve Theriault
Analyst, Eight Capital

Q

Okay. Thanks very much. Appreciate the time.

Steve Geist
Senior Executive Vice-President & Group Head, Wealth Management, Canadian Imperial Bank of Commerce

A

You're welcome.

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

Doug Young
Analyst, Desjardins Capital Markets

Q

Hi. Good morning. Hopefully this will be relatively quick. Kevin, just on the Corporate side, it looked like there was recoveries of about CAD 12 million. I assume that's related to FirstCaribbean. Hoping just if you can give some color on that or, Laura, if you can give some color on that? And then, Kevin, in your remarks, you mentioned the loss in Corporate, going forward the run rate should come down, do you have a sense of what that should be on a normalized basis as we move into the tail-end of this year and into next year what the Corporate loss rate would be?

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

A

Sure. I mean, from a Corporate perspective, I'd be looking for something around breakeven would be where I'd be going on that. And perhaps for the FCIB, I could hand that over to Laura.

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

A

Hi, Doug. As it relates to our loan losses this quarter, which were very good, most of it related to recoveries in our oil and gas portfolio. There was a bit in FCIB, but it was primarily the oil and gas portfolio.

Doug Young
Analyst, Desjardins Capital Markets

Q

Is that what went through on the Corporate side?

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

A

Yes.

Doug Young
Analyst, Desjardins Capital Markets

Q

In oil and gas, okay. Why would it – I can chat with you offline on that. And then, David, just Canadian P&C banking, right, and just kind of putting together just some of your comments, it sounds like you're pretty confident that in the back half of this year you'll be able to achieve positive operating leverage, even taking into consideration mix, taking into consideration the investments that you're making. Is that a fair characterization or is there additional investments that you foresee that may take you off that upside that positive operating leverage in the second half? Thanks.

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Hi, Doug. It's a balance obviously, right, because there's opportunities to meet client needs, there's opportunities to grow our business. I talked about investment in our sales team, I talked about investment in digital and omni-channel. So, there's a tremendous amount of opportunity to enhance our bank and our service to our client. And then with that, we trade off – as I said earlier, just stay focused on our operating leverage.

And this quarter, I think you've seen pretty substantive expense growth across our peer banks as well. So, there's investment going on, but there's actually pretty substantive revenue growth too. And for us, we're picking up market share pretty broadly. So, which means the engines, I guess, are running well since we're investing, but we're also seeing growth as a result of that investment.

We've had nine quarters of positive operating leverage. This is the first quarter not. So we're managing probably hopefully to that level. I think for the year you'll see us be positive in operating leverage and this quarter being – one quarter is only marginally negative. But I just wouldn't want to imply the second half will be kind of substantively different from the rate we've been running the last little while.

Doug Young
Analyst, Desjardins Capital Markets

Q

Have you ever given – I mean, other banks will say 1% to 2% positive operating leverage is what they're expecting and I can't recall if you have ever thrown a number out there a round-off guidance for a positive operating leverage?

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

No. Not really. I've spoken to what we're expecting for the year coming type of thing, positive, negative. I think the key factor that we've been focused on as a bank is being leading in client experience and leading in growth, getting our bank to a place where we're meeting client needs across the country, but doing it in a cost-sensible way and we refer to a mix of 55% as a level we'd like to get to and I think Kevin has just spoken to the fact that we're tracking to that level.

Doug Young
Analyst, Desjardins Capital Markets

Q

Great. Thank you.

J. David Williamson
Senior Executive Vice-President & Group Head, Retail and Business Banking, Canadian Imperial Bank of Commerce

A

Thank you, Doug.

Operator: Thank you. The following question is from Sohrab Movahedi of BMO Capital Markets. Please go ahead.

Sohrab Movahedi
Analyst, BMO Capital Markets (Canada)

Q

Thank you. First, Victor, congratulations on getting the Private deal done.

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

A

Thanks, Sohrab.

Sohrab Movahedi
Analyst, BMO Capital Markets (Canada)

Q

Laura, you, on page 16 of the presentation, say you had CAD 11 billion of originations in Q2 2017. How many individual adjudication decisions would that have entailed?

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

A

Well, Sohrab, thanks for the question. I don't have that number off the top of my head. Suffice it to say, many. You do have to understand because I know if you're trying to do the calculation, we do have a part of our portfolio that is auto-adjudicated. So it's an algorithm and systems-making decisions and then we do have another part of the portfolio where it is manual adjudication taking place, so it does make your calculation a little more difficult to do.

Sohrab Movahedi
Analyst, BMO Capital Markets (Canada)

Q

Can you tell us how much of that decisioning would have been automatic versus manual?

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

A

Yeah. I think we're somewhere around the 20% range would be what is automatically done. Again, from a number perspective, it would – I mean, it would move around, but I'm guessing and I can reconfirm after, but we're somewhere in that 30,000 to 40,000 range in terms of number of applicants that we're looking at.

Sohrab Movahedi
Analyst, BMO Capital Markets (Canada)

Q

Sorry. 35,000 to 40,000 applicants you're looking at in the quarter?

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

A

Yes.

Sohrab Movahedi
Analyst, BMO Capital Markets (Canada)

Q

Okay. And so that would be something you're looking at and what would be the approval rate? Like if you look at 35,000, 40,000 you would be approving three out of four type of thing?

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

A

Our approval rates, and we do follow them, I can assure you they have not changed much on a quarter-over-quarter basis as we look at them, and they range in that, call it, 65% to 70% range.

Sohrab Movahedi
Analyst, BMO Capital Markets (Canada)

Q

Excellent. Okay. Thank you. And I just wanted to confirm, you don't think you're going to have to add to the collective when you bring PrivateBancorp on? Is that what you said?

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

A

I believe that's what Kevin said. Kevin, did you want to add anything?

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

A

It's correct.

Sohrab Movahedi
Analyst, BMO Capital Markets (Canada)

Q

Okay. And just one last one for Steve Geist. Steve, mutual fund balances were up, but the mutual fund revenues were not. Is there a story to that?

Steve Geist
Senior Executive Vice-President & Group Head, Wealth Management, Canadian Imperial Bank of Commerce

A

No. Mutual fund revenues are contained in the Asset Management line, which as Kevin noted was up about to 16% year-over-year, fairly consistent with the volume growth, and the mutual fund business has been up quite significantly, and sales were up more than 100% year-over-year.

Sohrab Movahedi
Analyst, BMO Capital Markets (Canada)

Q

Okay. So maybe I'll just follow that up in detail to understand how that works. Thank you.

Steve Geist
Senior Executive Vice-President & Group Head, Wealth Management, Canadian Imperial Bank of Commerce

A

Sure.

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

Darko Mihelic
Analyst, RBC Capital Markets

Q

Hi. Thank you. Good morning. I noticed in your shareholders' report that the Canada Revenue Agency has come back to you for more taxes from the tax year of 2012, CAD 180 million now for the dividend rental. That's two years running. And my first question on this is, was there anything special or different about the way you book those dividend rentals in 2011 and 2012 versus 2013 to 2016? And the reason why I ask is I don't understand why the CRA would stop there. I mean, it seems to me like they'd continue to come after you for every subsequent year for more tax bills.

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

A

So, Darko, it's Kevin. So, no, there's nothing substantively different. And I think it's just a question of which year they've actually audited. So, we can't speak for the CRA, but the two years that they've reassessed would be in the years that they've actually audited.

What I would say is that when we look at this, they've reassessed this as dividend rental agreements. But synthetic equity arrangements rules were introduced in the 2015 budget and actually represent a modification to the dividend rental arrangement rules, and our filing position with respect to those dividend rental arrangements haven't changed since the introduction of the rules. And so, we don't think it's appropriate for the CRA to apply new legislation retroactively to prior taxation years. We're confident in our position and we'll defend it vigorously.

Darko Mihelic
Analyst, RBC Capital Markets

Q

Yeah. The reason why I mention it, Kevin, is that, in your particular case, you're also potentially on the hook for another CAD 820 million of taxes with respect to the Enron, which I think next year is when that trial commences. I mean, your tax bill already potentially could be over CAD 1 billion. And then, of course, the CRA could come [indiscernible] (59:21) 4.5 years of taxes on the dividend rental. And, I guess, where I'm going with this is, you have nothing accrued in the balance sheet for it. So, is the answer that you should carry more capital just in case because the existing potential of the Enron plus these two is already 65 basis points of capital and your ratio will drop to 10% after PrivateBancorp or thereabouts. I mean, how does the regulator think of this?

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

A

So I think you need to look at it in terms of our position on these particular tax issues. And they're two completely different items. So, on Enron, we do have a proportion of that reserved. But again, we've been down this path a long way and, again, we're very confident in our position on that and we feel that we've reserved conservatively frankly.

And to simply set aside additional capital simply because the CRA happens to come in and we believe inappropriately assess us [indiscernible] (01:00:26) strongly seems – I mean, just setting aside capital just because of that is a wrong – we feel will be the wrong thing to do. We're very comfortable in our position. The fact that they [indiscernible] (01:00:36) to something where they've introduced new legislation lends additional weight to our position. So, setting aside additional capital at this point would not be appropriate.

Darko Mihelic
Analyst, RBC Capital Markets

Q

Okay. Thanks for the color.

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

A

Okay.

Operator: Thank you. There are no further questions registered at this time. I'd like to turn the meeting back over to Victor.

Victor G. Dodig

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

Thanks, operator. And thanks, everyone. Nobody ever wishes a bank happy birthday, so it's our birthday this year. It's the country's birthday. I thought I'd just share a few remarks before we wrap up the call that we at CIBC here share a very proud and longstanding history with our country that traces back to 1867, the year of our country's Confederation. We've had the privilege of helping clients, helping communities and businesses prosper and grow for 150 years and I hope all of you will join us in celebrating our sesquicentennial Canada Day celebrations we've planned across our great nation.

Some of you should also be probably go into our modern branches and maybe see what they're like. CIBC will be involved in 20 Canada Day celebrations coast to coast to coast, at least one in each province and territory, and that's going to help create a ripple effect of pride and excitement for both our teams and our communities and our clients. As a proud Canadian company, we've contributed to building our nation into one of the best in the world. We're committed to ensuring our communities continue to be a great place to live and work for the next 150 years.

To continue our investment in Toronto as Canada's financial capital, I think you all know that we recently announced that we'll be the anchor tenants in a new world-class urban campus that will serve as our new headquarters and home for approximately 15,000 of our bank employees in the Greater Toronto area. Over the course of the development, this development itself will create more than 4,000 construction-related jobs in the Greater Toronto area. This urban campus development will be modern, it'll be tech-enabled, it's going to foster collaboration, it's going to help us attract the best and retain the best talent.

We're building a modern innovative bank that puts our clients at the center of everything we do and we're very excited to bring that to life for our own team not only with our new headquarters but everything that we're doing and investing in CIBC.

In closing, I want to thank our team for another strong quarter and everything that they do for our clients. And also, I want to thank our shareholders and the analyst community for your continued support. Have a great day.

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