CIBC Q3 2024 Earnings Conference Call

August 29, 2024

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Corporate Participants

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Robert Sedran

Senior Executive Vice-President and Chief Financial Officer

Frank Guse

Senior Executive Vice-President and Chief Risk Officer

Hratch Panossian

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Harry Kenneth Culham

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Matthew Lee

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Management Discussion Section

Operator

All participants, please standby, your conference is ready to begin. Good morning and welcome to the CIBC Quarterly Financial Results Call. Please be advised that this call is being recorded.

I would now 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, followed by Rob Sedran, our Chief Financial Officer; and Frank Guse, our Chief Risk Officer. Also on the call today are a number of our group heads, including Shawn Beber from the US Region; Harry Culham, Capital Markets and Direct Financial Services; Jon Hountalas, Canadian Banking; and Hratch Panossian, Personal and Business Banking. They're all available to take questions following the prepared remarks. As noted on slide 2 of our investor presentation, our comments may contain forward-looking statements, which involve assumptions and have inherent risks and uncertainties. Actual results may differ materially.

I would also remind listeners that the bank uses non-GAAP financial measures to arrive at adjusted results. Management measures performance on a reported and adjusted basis and considers both to be useful in assessing underlying business performance.

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

Victor G. Dodig, President and Chief Executive Officer

Thank you, Geoff. Good morning, everyone, and thanks for joining us today. I'll begin with a few comments about how our client-focused strategy continued to deliver for our stakeholders in the third quarter before turning it over to Rob and Frank to review our performance in greater detail. Our core results were strong again this quarter, demonstrating continued momentum and consistency in execution, while positioning our bank for further relative outperformance. In the nutshell, our strategy is working and it's working well. On an adjusted basis, we reported net income of CAD 1.9 billion and earnings per share of CAD 1.93. Our performance is supported by record earnings, underpinned by continued resilience in our credit performance. Our strong capital liquidity positions are foundational to our continued momentum in deepening relationships and attracting clients to our bank.

We ended the quarter with a 13.3% CET1 ratio and a 126% LCR, both well above regulatory and internal minimums. This also gives us confidence to announce a normal course issuer bid for 2% of our outstanding shares. Adjusted return on equity improved to 14%, even with an elevated capital buffer. ROE is improving as a direct outcome of the momentum we have in our core businesses, and we will continue improving our overall return profile over time. I'd like to highlight for you some of the areas of strength across our bank in the third quarter that highlight this momentum. We'll start with our Canadian consumer franchise, where we are serving the Canadian mass market segment and meeting the needs of clients in the mass affluent segment. Over the past 12 months, we welcomed 640,000 net new personal clients to our bank across our CIBC and Simplii platforms, continuing a trend of strong client acquisition and retention.

During the quarter, we also launched new banking offer bundles for students and those in the skilled trades to further strengthen our leadership position with priority client segments. In Imperial Service, we continue to serve the needs of our Canadian mass affluent client base and deepen relationships. Money-in balance growth for our Imperial Service clients was almost double the growth in the same quarter last year, highlighting our emphasis on this segment. We're confident in our momentum going forward, because we've built out the client experience to enable our CIBC team to earn more business from existing clients and attract new clients to our bank. Our Net Promoter Scores for Imperial Service and digital clients improved for another consecutive quarter and are tracking well above our fiscal year targets.

Now moving to our Commercial Banking businesses, in Canada, client sentiment is improving, with average loans up 2% sequentially this quarter. Our pipeline remains strong and we're continuing to have active dialogue with our clients. In the US, we continue to focus on deepening client engagement and are making meaningful progress on the strategic rebalancing of our portfolio. This quarter, we delivered above-market growth in deposits and in C&I loans, while continuing to de-emphasize certain areas of our institutional commercial real estate business. This continues to improve the overall credit quality of our US portfolio, and Frank will provide more details in his remarks. While tighter monetary policy has slowed demand for loans in the industry on both sides of the border this year, we're expecting business activity to pick up through 2025 amid further interest rate relief and stronger economic growth.

Moving to our Wealth platform, which remains a key – which remains key to our long-term growth strategy, our Canadian Wealth business is performing well. While strong equity markets have contributed to the 20% increase in AUA from the prior year, our Canadian retail mutual fund net sales ranked number one within the Canadian Bank group for the second consecutive quarter. These mutual fund net sales were supported by the early success of our recently launched CIBC Investment-Grade Bond Fund lineup, which had net flows of CAD 1.6 billion into these funds during the third quarter. In the US, we are continuing to invest in our Wealth business and expect it to be a key contributor to our success over time. To scale our teams, we added more relationship managers in target markets this quarter that are aligned with our culture and our strategy.

Our investments in CRM technology are paying off as well, as evidenced by improving client Net Promoter Scores and higher cross business referral volumes from our US Wealth business. Moving to Capital Markets and Direct Financial Services, our differentiated model delivered another quarter with strong top line growth. In line with our strategic objectives, our US Capital Markets' presence continues to grow. Capital Markets' revenues in the US region increased 24% this quarter versus a year ago, supported by increased cross business referral activity. Our highly connected approach is deeply embedded across the CIBC platform and in the CIBC culture, with connectivity revenue up 11% on a year-to-date basis. We also made significant progress on our ambition to leverage AI as a strategic enabler for our bank. We added a number of tools across the AI spectrum in the third quarter.

First, we launched a pilot of CIBC AI, a cutting-edge GenAI platform designed to foster innovation across our organization. This custom-built tool supports team members to improve productivity by providing access to powerful language models. Second, we are piloting GitHub co-pilot, a tool that assists our bank's developers with providing code suggestions, automating repetitive tasks, and enhancing overall coding efficiency. And finally, we're rolling out a GenAI solution aimed at enhancing our frontline team members' experience in using our central information hub to better serve our clients. This pilot was recognized as the Best Gen-AI Initiative Technology Award by Digital Banker. As an early adopter of AI, we continue to recognize there is much more transformative potential if it's utilized effectively.

Our strategic collaboration with the Creative Destruction Lab will enable us to leverage best practices from industry leaders, and our enhanced partnership with the Vector Institute will bolster our AI talent development programs. Our track record of innovation extends to our commitment to removing barriers for the next generation of leaders from the indigenous community as well. For the second consecutive year, CIBC received the Indigenous Reconciliation Award and the Innovation Award as part of the 2024 Employment Equity Achievement Awards. In closing, we're continuing to stick to our game plan, and it's paying off. Our approach is clear; we are prioritizing high-return client segments, advancing digital capabilities, deepening client relationships, and realizing efficiencies across our footprint.

We have a differentiated strategy, we remain focused on consistent execution, and we are delivering results today while positioning our CIBC franchise for the long-term.

And with that, I'll now turn the call over to Rob. Thank you.

Robert Sedran, Senior Executive Vice-President and Chief Financial Officer

Thank you, Victor, and good morning, everyone. I'll begin with three takeaways from our results. First, our underlying results were strong this quarter. While there were a few puts and takes that I will describe in my comments, our performance shows continued execution against our strategy. Second, we managed to another quarter of positive operating leverage, the fourth consecutive one. Excluding the items I just referenced and revenue-linked costs, our operating expenses were in the mid-single-digit range, which remains our guidance moving forward. And third, our balance sheet positions us well to navigate the current dynamic environment and supports our organic growth aspirations and those of our clients. Let's now move on to a detailed overview of our performance, I'm on slide 9. Unless otherwise noted, results are being compared with Q3 of 2023.

The quarter saw an increase in net interest income, continued fee income growth, credit quality stabilization and capital accretion, with strong performance across all of our business units. Adjusted EPS was CAD 1.93 and adjusted ROE was 14%. Please turn to slide 10. Adjusted net income of CAD 1.9 billion increased 28%. Pre-provision pre-tax of CAD 2.9 billion were up 13% and revenues of CAD 6.6 billion were up 12%, supported by improved spread income as well as continued growth across our fee-based businesses. We also continue to manage expenses relative to revenues while investing to support our strategy and posted 60 basis points of positive operating leverage. Provisions for credit losses were down significantly from a year ago due to lower losses in the US office portfolio, and so impaired loan losses came in better than our annual guidance range. Frank will discuss credit in detail in his presentation.

Slide 11 highlights the key drivers of net interest income. Excluding trading, NII was up 14%, driven by expanding margins and continued balance sheet growth. As a reminder, the net interest margin is affected by benchmark reform, which is a revenue-neutral shift to NII from other income. We've included more information on this dynamic in the appendix. Excluding trading, total bank NIM was up 17 basis points from the prior year and 12 basis points sequentially on a combination of higher deposit margins, business mix, and improved product margins. We also saw benefit from market-related treasury revenues that added 3 basis points to the margin this quarter. Canadian P&C NIM of 267 basis points was up 4 basis points, driven by favorable business mix and deposit volume growth.

For both the consolidated and P&C margin, we maintain our expectation of a neutral to gradual positive bias over time based on the current interest rate assumptions embedded in the forward curve. In the US segment, NIM of 342 basis points was stable to the prior quarter as lower-yielding tractors roll into higher rates, offset by some higher deposit costs. Turning to slide 12, non-interest income of CAD 3.1 billion was up 17% from the

prior year, amid growth in trading as well as continued momentum in market-sensitive businesses that drove an 11% increase in market-related fees. Transaction-related fees were down 3% and represent the flip side of the NII discussion as the decline was mainly due to the permanent shift of BA-related revenues into net interest income.

Slide 13 highlights our balanced approach to expense management. Excluding performance-based compensation linked to the stronger revenues and continued investments, expenses grew 6%. Over the last year, we realized efficiencies while investing in our strategy. We expect expense growth to be in the mid-single-digit range for the full year, but we will manage – we will continue to manage expenses relative to revenue growth. Slide 14 highlights the strength of our balance sheet. Our CET1 ratio ended the quarter at 13.3%, up from 13.1% last quarter, and positions us well to absorb volatility in the operating environment while supporting our clients. Solid organic capital generation was partially offset by RWA increases. Our liquidity position continues to be strong with an average LCR of 126%, intentionally down from last quarter.

Starting on slide 15 with Personal and Business Banking, we highlight our strategic business unit results. Net income of CAD 633 million increased 20% due to lower total provisions for credit losses. Supported by core business momentum, pre-provision pre-tax earnings were up 6%. Revenues of CAD 2.6 billion were also up 6%, helped by volume growth and higher margins. Expenses of CAD 1.4 billion were up 7% and included higher revenue-related expenses and a software impairment charge. On slide 16, we show Canadian Commercial Banking and Wealth Management where net income and pre-provision pre-tax earnings were stable to a year ago. Revenues of CAD 1.4 billion were up 7%, driven by strong Wealth Management growth of 15%, with higher average fee-based assets on both increased client activity and market appreciation. This was partially offset by Commercial Banking revenue which declined marginally.

Expenses increased 13% from a year ago, mainly from higher compensation linked to the strong Wealth Management revenues and increased spending on strategic initiatives. Additional detail on our combined Canadian Personal and Commercial Banking franchise have been included in the appendix. Turning to US Commercial Banking and Wealth Management on slide 17, net income of US $163 million was up significantly from the prior year, mainly due to lower loan loss provisions in the office portfolio. Revenues were up 6%, with non-interest income up 28%, mainly from strong syndication activity, as well as market performance in Wealth, partly offset by a 3% decline in net interest income. Expenses were up 19%, reflecting performance-based compensation as well as continued investment to grow our business and further build infrastructure to support that growth, aligned with regulatory expectations.

Turning to slide 18 and our Capital Markets and DFS segment, net income of CAD 476 million was down 4% year-over-year. Revenues of CAD 1.5 billion were up 9% as we continue to earn through the impact of federal budget changes affecting dividends received. Strong results across our Global Markets and Direct Financial Services businesses were partly offset by lower advisory revenue. Expenses of CAD 770 million were up 14% and included the impact of higher performance-based compensation linked to the stronger revenues and the charge taken in connection with the industry-wide recordkeeping investigations being conducted in the United States. Slide 19 reflects the results of the Corporate and Other business unit, which shows net income of CAD 96 million, compared with a net loss of CAD 98 million in the prior year, driven by higher market-related treasury revenues and higher revenues from CIBC Caribbean.

This quarter, Treasury benefited from a parameter update in addition to episodic market-related gains for a total of roughly CAD 90 million in revenue. It's our preference to be closer to zero in this segment, since it gives us and you a better reflection of business line performance. So given that, we are not changing our guidance of a loss of between zero and CAD 50 million, but we do expect to be closer to zero in the coming quarter. Let me

close with the three takeaways I started with. First, the underlying drivers of our results continue to reflect strong and consistent execution of our client-focused strategy and positive momentum across our bank. Second, we continue to manage expenses to sustain positive operating leverage by focusing our investments and driving further efficiency, including through the use of AI.

And third, our disciplined resource allocation approach allows us to balance volume and margin, support our clients and drive sustainable shareholder value. With that, I'll turn it over to Frank.

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Thank you, Rob, and good morning, everyone. This quarter, our credit portfolios performed well and loan losses remained moderate, reflecting the diversified nature of our portfolio, our strategic efforts of building strong client relationships and focus on working proactively with those clients experiencing financial stress. We continue to monitor our portfolios closely and focus on reaching out early to pre-delinquent clients. In addition, we have made significant progress on downsizing the impaired balances of our US office book. Our strong allowance coverage reflects our prudent risk management approach against uncertainties that continue to exist in the macroeconomic outlook. Turning to slide 23, our total provision for credit losses was CAD 483 million in Q3, compared to CAD 514 million last quarter, with our allowance remaining flat quarter-over-quarter.

Our performing provision was CAD 79 million this quarter, driven by both migration and changes to our economic outlook in the retail and business and government portfolios. Provisions on impaired loans was CAD 404 million, down CAD 43 million quarter-over-quarter. This was due to lower provisions in the US Commercial portfolio, partially offset by higher write-offs in retail, as well as increased provisions in Canadian Commercial and Capital Markets. Turning to slide 24, total bank impaired PCLs this quarter was down 5 basis points, with a few offsetting movements across the business units. In Personal and Business Banking, our impaired PCL trended slightly higher as we guided to last quarter. We anticipate PCLs to remain elevated into Q4. Our business and government portfolios collectively performed very well with impaired provisions down CAD 71 million this quarter, largely driven by strong performance in US Commercial Banking.

Both Canadian Commercial and Capital Markets portfolios experienced an increase in impaired PCLs. We do expect occasional episodic events in these portfolios and are comfortable this does not indicate systemic or sectoral risks. US Commercial impaired PCL has seen improvements over the past few quarters with lower provisions in the office sector. Consistent with our past guidance, we do not expect the high level of losses we previously experienced to repeat. We remain comfortable with our full-year mid-30s guidance for fiscal 2024. Slide 25 summarizes our gross impaired loans and formations. Gross impaired loans were down 2 basis points this quarter, mainly due to the disposition of US office loans, partially offset by an increase in Canadian residential mortgages. Slide 26 summarizes the net write-off and 90-plus day delinquency rates of our Canadian Consumer portfolios.

As unemployment remains elevated and as clients continue to navigate this macroeconomic environment, our net write-off ratio has increased by 3 basis points. While net write-offs in credit cards and unsecured products are higher this quarter, we have seen delinquency rates decreasing for these products. We remain comfortable with the overall credit quality of these portfolios. In our mortgage portfolio, we continue to see positive trends in negatively amortizing mortgages. Balances were down from CAD 38 billion in Q1 to CAD 28 billion this quarter, impacting over 19,000 mortgages. Even with the help of two rate cuts seen this past quarter, clients are continuing to voluntarily increase payments. Overall, we do not expect material losses from our real estate secured lending portfolio.

In closing, we continue to manage through the current credit cycle with strong third quarter loan loss performance. As mentioned, we remain comfortable with our full-year guidance of mid-30s for impaired PCLs, and we will continue to proactively assess our portfolios and stay engaged with our clients. Our strong allowance coverage allows us to respond to any changes in the macro environment.

And with that, I will now turn the call back to the operator.

Question and Answer Section

Operator

Thank you. [Operator Instructions] There will be a brief pause while participants register for questions. We thank you for your patience. Our first question is from Ebrahim Poonawala from Bank of America. Please go ahead.

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

Hey, good morning. Maybe going back, Victor, to your opening remarks around sentiment improving, pipeline strong in Canada, give us a sense of have we moved past the concerns around higher rates impacting the Canadian consumer, housing market and economic activity, and are things looking – are we on the other side of that, would love your perspective as you talk to your bankers, clients around how likely it is that we do see the GDP rebound next year. And maybe, Frank, I would love your perspective on how that informs resolving in your outlook on credit. Thank you.

Victor G. Dodig, President and Chief Executive Officer

Morning, Ebrahim. Thank you for your question. I would say that we're in the transition to getting to a better place. We've only had one rate cut. So, I think that sentiment will continue to improve both on the consumer side as well as on the business side as we continue to see more and more rate relief, which we are expecting both in Canada and the United States. I think the – our commercial clients are feeling more buoyant. I think our retail clients, our consumer clients are feeling a little more tentative when it comes to borrowing. But with two or three rate cuts and five-year fixed mortgages getting to a better rate, a price point maybe slightly below 4%, I think you'll see that sentiment become more solidified and we would see that as encouraging for the business going forward. Frank?

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Yeah. And Ebrahim, thanks for the question. From a credit perspective, we continue to maintain a prudent outlook on credit performance overall. I think unemployment continues to be a headwind for a little while. It's very hard to say when exactly that will peak and get better. We don't expect it to go up dramatically and that's what you see in our outlook and in our provisioning. But we continue to expect this to be a headwind. And then over time, interest rates will have a positive impact and will mitigate some of that pressures, but that was lagging – will be lagging a little bit as well. So, as I said, more cautious or still prudent outlook on credit, but we also don't expect any material increases or substantive increases in those portfolios.

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

And just one follow-up on capital, so you announced the buyback or authorization, but Victor, I'm sure you spend a lot of time in terms of capital allocation. Just give us a sense of the opportunity set ahead of you in

terms of going after growth in Canada. There have been a bunch of deals announced, if there are any dislocations that create that opportunity, as well as in the US with some of the pressure on the regional banks, are you doing more at or through private to gain market share and that could – at some point, would you look at inorganic opportunities as well? Thanks.

Victor G. Dodig, President and Chief Executive Officer

Sure, Ebrahim. So, just to clarify, there were two cuts, not one cut, as Geoff Weiss reminded me. So, thank you, Geoff. Now, look, on capital, our focus has been on building capital organically and delivering a premium ROE. And we're pleased with the results that we've been delivering so far. We're not going to rest on our laurels, as I mentioned in my remarks. We're going to continue on executing against the strategy we've laid out, which we believe will generate capital and we believe will generate a premium ROE. So, as we think about capital deployment and capital allocation, we as a team spend a great deal of time focusing first and foremost on organic growth in our business and how we can help our clients realize their growth ambitions by using our balance sheet prudently and working with them. So that remains focus number one.

I think as you've seen in my remarks, in the Canadian commercial landscape, in the private economy of Canada, you're starting to see sentiment improve. But we need more rate cuts, more clarity, a US election that gets behind us for people to see their confidence bolstered. I think in the Capital Markets business, you're starting to see constructive view. In our US business, what you're seeing is a shift and I'm happy to have Shawn talk about this. The shift from commercial real estate to C&I and in growing with our clients, we're seeing that sentiment shift as well. Second priority is dividend growth. We will grow our dividends as we grow our earnings. We're going to announce those once a year, as we said to you earlier this year. Third is share buybacks.

So, we've actually activated the share buyback. We believe there's an opportunity for us to both grow our earnings and deploy our capital prudently by returning capital to our shareholders. And the last piece is around opportunistic tuck-in M&A. We are leading an organic growth strategy first and foremost. It is going to deliver that premium ROE. It is going to create capital for our shareholders and we believe it'll deliver strong share price performance over time.

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

Got it. Thanks, Victor.

Operator

Thank you. Following question is from Matthew Lee from Canaccord Genuity. Please go ahead.

Matthew Lee, Analyst, Canaccord Genuity Corp.

Hey, good morning, guys. Thanks for taking my questions. Maybe first on the Canadian banking loan growth side, deposit growth was 5%, loan growth was just 1%. Is that a function of being more selective with customers or are there maybe some other puts and takes to consider there?

Hratch Panossian, Senior Executive Vice-President and Head of Personal and Business Banking, Canada

Morning, Matthew. Thanks for the question. It's Hratch. I'll take it and I'll speak mostly to the Personal side and happy to have Jon speak to the Commercial side of Canadian Banking. Look, on the Personal side, I'll just

remind everybody, we have a very clear strategy. Victor spoke about this for the whole bank. It's the same in our personal bank. We have a focused strategy. We've always talked about building a relationship-oriented bank. We're building the relationship-oriented bank of the future. And that means selecting certain clients who need a deeper relationship and value a deeper relationship with the bank, winning with those clients, having the best solutions, leading with differentiated advice, leveraging our data and analytics and leveraging our Imperial platform and our digital capabilities to build deeper relationships with those clients.

And we're digitizing the business to drive efficiency in the front lines and the back end. That's our strategy. And we've talked about what that strategy will deliver. We believe that strategy will deliver aligned with Victor's comments growth that's above market. We've talked about high-single digits revenue growth in our business and we've been delivering that. Operating leverage over time, again, we've been delivering that, and improving NIX and ROE, which are going to help the bank's profitability overall improve. And so that's the strategy we've been following rather than trying to grow loans or deposits. So, what does that means day-to-day? I think what you're seeing on our balance sheet and on our income statement is a direct result of that. Yes, loan growth has been slow. Overall, consumer growth has been low-single digits. On the loans' side, when you look at Canada, we've been a bit lower than that.

We've been about stable on mortgages on a year-over-year basis. We've been about 1% on loans overall, as you said. But we're winning where it matters. We're winning in money-in. We referenced the effect numbers in terms of long-term net sales. On deposits, when you dig into that 5% deposit number, you'll see particularly in the last few quarters, we're starting to win in demand deposits where margins are higher, where relationship value is higher, and we're being more selective on the GIC front, where it's been competitive, margins are a bit smaller, and frankly, they're not that relationship-oriented in terms of the business with clients. And so, we're going to continue doing that. We've got an amazing team. We've got great data and technology supporting that.

We're going to keep rolling tools out to understand our clients' needs better and to enable our team to serve those, and we think with that we'll continue winning with revenue and ROE, and I'm less concerned about the numbers on volumes. But as Victor said, we think volumes will accelerate as confidence comes back as we get into next year. But I'll pass it on to Jon on Commercial.

Jon Hountalas, Senior Executive Vice-President and Group Head, Canadian Banking

Thanks, Hratch, and thank you, Matthew. We've spoken a little bit about this on prior calls. Our view of kind of commercial lending over the last year was more cautious. So, as a result, our loan growth was slower than market and that was a conscious choice. At the same time, our loan losses are flat or down versus history, while industry loan losses have gone up. So net-net, we think that's a good trade-off. Going forward, we'll see interest rates come down, we've seen inflation more under control, our entrepreneurs' confidence level is increasing, so we have a more constructive view of the market. What I think you'll see going forward is loan growth that is higher than what we've had in the past. Our quarter-over-quarter growth is an indication of that. So, as you think about next year, higher loan growth, more driven by non-real-estate business. In the real estate business, it continues to remain quiet.

Matthew Lee, Analyst, Canaccord Genuity Corp.

All right, guys. That's great. I'll pass the line to next.

Operator

Thank you. Following question is from Gabriel Dechaine from National Bank Financial. Please go ahead.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Hi. A quick one and then a more, I don't know, detailed one. The tax adjustment that was backed out of earnings or adjusted earnings, can you explain that one? And is that like some sort of true-up of previously recognized TEB revenues?

Robert Sedran, Senior Executive Vice-President and Chief Financial Officer

Hey, Gabe. Good morning. It's Rob. So, yes, it is exactly that. So, in the first couple of quarters, we had an adjusting item in the opposite direction related to the change in the dividends received deduction legislation. It hadn't yet been substantively enacted. And so for the first couple of quarters, we continue to recognize that through our numbers. In Q3, it was substantively enacted. And so what you see on a year-to-date basis is a zero, but this quarter it's the reversal of the benefit we saw in Q1 and Q2.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Okay. Perfect. Actually, Rob, I got you here and I get the message from CIBC that you're balancing revenue and expense growth and that makes sense. If I look at the segments, I've got a few here, Commercial Banking, US Banking, Cap Markets, expenses' growth is all mid-teens against revenue growth, it's high-single digits, we'll call it. And if not for a good Treasury quarter, it seems like it would have been nearly impossible to achieve the consolidated balance. So, the balance that we saw at the all-bank level between the revenue and expense growth. I guess another way of asking all that or those are statements, but my question is how much are these segment expenses are cash versus accrual, like you had some opportunistic gains in Treasury and were able to step up some investment spending accruals, something like that, or if there's another perspective you want not share, I'm all ears.

Robert Sedran, Senior Executive Vice-President and Chief Financial Officer

Yeah, I would say there's a few items this quarter, that's what I referenced as the puts and takes, Gabe, that were both positive and negative. We did have a couple of expense items. That we show on slide 13, the expense slide, an aggregate of CAD 65 million. One was in the Personal and Business Bank, one was in Capital Markets, and those would be the two that I would call out that sort of at least I would twin them against some of the unusual revenue from Treasury this quarter.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Okay.

Robert Sedran, Senior Executive Vice-President and Chief Financial Officer

On an overall basis, we – like, the 60 basis points of positive operating leverage, we're happy to have that streak continue. And it – but we are trying to manage the bank with better visibility as best we can get it to deliver that operating leverage. So, that the other bigger piece is just, the revenues were strong. And when the revenues are strong, and particularly from where the revenues are coming, you do end up with some of the performance-based compensation and variable expenses coming along for the ride.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Yeah. Okay. Now, I just wanted to get a sense of how you can be so nimble, not from a skeptical standpoint, but just to appreciate that dynamic more on a go-forward basis. Thanks.

Operator

Thank you. Our following question is from Meny Grauman from Scotiabank. Please go ahead.

Meny Grauman, Analyst, Scotiabank

Just a few questions on credit line, in terms of clarification, the sequential growth on the credit cards' side, I'm not sure how much of that is seasonality. I assume some of that is as travel ramps up. But I just want to check if there's something there beyond seasonality and broader question just in terms of following on what Ebrahim asked just in terms of the health of your credit card customer and are you seeing any trends there, any signs of stress in that product in particular?

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Yeah. Thank you, Meny. So, yeah, now I would say it is seasonality and there's nothing else really to call out. It's – I would say still a modest increase that that we are seeing there. And then overall from a health perspective on the credit card book, we do feel very confident with the credit quality of our book. We do see increases and we do think there is a reflection of where we are in economic environment. But if you look into a little bit more detailed utilization rates, revolve rates, payment rates, all of those are very strong and compare favorably to where we were pre-pandemic. So, again, speaking to good credit quality and good resilience in the book against the macroeconomic backdrop.

Meny Grauman, Analyst, Scotiabank

Thanks for that. And then, Frank, just a question about how we should view the renewal rates, obviously, it was a bigger concern before we saw rate cuts happening. But how worried should we be about the renewal rates? And can we say that it's an issue that's in the past or is it more nuanced than that in your view?

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Yeah. So, we are still watching that closely, of course. And it's still in our presentation, in the appendix. We did update our disclosures, and what we did was we reflected that interest rates have come down, so we now provide a 5% and a 6% scenario. And we continue to believe that renewal rates do provide some discomfort to clients. And, yes, they are higher but overall, they are very manageable. And if you see, I think it's on slide 41, in terms of net income or in terms of income for our clients that we see an origination fee, the average increases peak at around 2% in that 5% scenario, and that would be in 2026. So overall, as I said, we are watching it closely and we are not calling it over, but we also believe it continues to be quite manageable.

Meny Grauman, Analyst, Scotiabank

Thanks, Frank.

Operator

Thank you. Following question is from Doug Young from Desjardins Capital Markets. Please go ahead.

Doug Young, Analyst, Desjardins Securities, Inc.

Hi. Good morning and thanks for taking my question. Victor, you mentioned a bunch of times just premium ROE. And I guess the question is what needs to happen to get back to the 16%-plus ROE target? If you can kind of itemize some of those items and whether it's credit, expenses, capital. And then, how long do you think it takes to get back there?

Victor G. Dodig, President and Chief Executive Officer

So, it's a good question, Doug. Good morning to you. When we had our Investor Day, we outlined a strategy that was targeting an ROE of 16%-plus at the time when the regulatory CET1 requirement was 11.5%. Since that time, it has gone up. If you actually look at it on a like-for-like basis, that number would be 14.5%. Now, we're not abandoning our goal of getting to a more premium ROE. We saw an improvement this quarter to 14%. And the question is how do you get there? One way, and the primary way, to get there is to build deeper, more meaningful client relationships which, by definition, have a premium ROE, particularly when you have a balance with money-in and money-out, so not as credit-intensive. And our affluent strategy, if you actually did all the math, that is the most premium ROE segment when you look at that business, and that business done well.

The second piece is just the connectivity across our SBUs. Our Personal Bank working with our Capital Markets business on FX, our Commercial Bank working with our Wealth Management business on making sure that we can manage the wealth of our clients and our entrepreneurs. All of those things are ROE-enhancing. The second thing is operating our CET1 in the 12.5%-plus range, that's really our goal. Today, we're at 13.3%. We've announced a buyback. We think that, over time, that will be ROE-enhancing. And then, finally, we've made some real significant investments in technology over the last number of years. I think you've all been with us through that journey. And our goal now is to scale those investments to ensure that the investments that we've made continue to deliver real returns for our shareholders.

And with that, I think you work your way toward a better and better ROE number, a more premium ROE number over time, and doing it in a way that's consistent, without volatility and meeting your expectations quarter-in, quarter-out, fiscal year-in, fiscal year-out.

Doug Young, Analyst, Desjardins Securities, Inc.

And is there one area – you listed four, I appreciate all the detail here. Is there one area that you think is more accretive to that ROE? And, I mean, is this a five-year journey? And I get it that it's a hard question to answer in terms of timing given all the different moving pieces. But when you think back and you look at the strategy that you sort of laid out internally, like, is this a five-year timeframe or is this sooner?

Victor G. Dodig, President and Chief Executive Officer

Oh, look, it's a medium term timeframe, clearly. Every one of our business leaders at CIBC is focused on delivering a premium ROE. You can go through every single business unit. I think what we need to do overall as a bank is continue to simplify our business, simplify our processes, get some of the grit out of our cost base so that we can actually use that and bring that down to the bottom line for our shareholders. So, the business leaders are focused on ROE. You can ask any one of them and they'll tell you that that's what their goal is, is to generate capital and to generate returns in excess of their cost of capital. And then, managing the business for connectivity but managing the business for less friction I think over time will deliver those results. And quite frankly, you're starting to see that in our NIX ratio as well and our goal on delivering positive operating leverage pretty consistently.

Doug Young, Analyst, Desjardins Securities, Inc.

Appreciate the color. Thank you.

Operator

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

Mario Mendonca, Analyst, TD Securities, Inc.

Good morning. Shawn, let me start with you in the US. I appreciate that the elevated expense growth is part of a longer-term strategy, and I get what you're up to there. What would be helpful to understand is how long this runway is. Like, how many years left of this, let's say, elevated spending, negative operating leverage before mission's accomplished and you can start to grow again in the US, I mean, grow pre-tax pre-provision profit because I see that net income was up this quarter?

Shawn Beber, Senior Executive Vice-President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA

Good morning, Mario. Thanks for the question. So, our expense growth, as you said, is part of a long-term strategy. It's continued investment in our growth initiatives as well as in our infrastructure to drive client experience, enhancing our systems and technology aligned with both our business aspirations and regulatory expectations. And this quarter, it's about 50/50 between growth and performance-related expenses and the other half being more related to our infrastructure build and sort of normal course growth. This quarter in particular had I'd say a heavier project delivery timetable, and so you see that in our results right now. We expect that to moderate. I think quarter-on-quarter, we're expecting more like a flat expense number Q4 over Q3, but it is a longer-term journey. I think we've got certainly a number of quarters in front of us where we will continue on that pace of investment.

But our objective over time, and I would echo Victor's comment, over a medium term horizon to get to that place where we are ultimately generating positive operating leverage, and it'll require some level of constructive markets. Obviously, credit demand industry-wide has been lower. We are growing faster in C&I, which is a strategic focus of ours. At the same time, we're still pivoting on the commercial real estate side. It's still a very important business for us. But given the steps that we've taken in the portfolio, particularly around institutional and office, that's been a bit of a headwind to overall loan growth in the US. That'll take a few quarters to play out, but we expect to resume growth going forward in the loan book and then continue to invest in our wealth management platform, making that a bigger part of the overall business. All of that should drive better revenue growth over time and drive towards that operating leverage target.

Mario Mendonca, Analyst, TD Securities, Inc.

Yeah, maybe slightly different, I think going this might be best for Rob. Several banks have reported this quarter that their Treasury activities were helpful to the NII. And from what I said, that statement, although helpful, is somewhat opaque to me. I'm not really sure what that means. Would be helpful then, if you could address this in two ways? First, describe maybe even with an example what that is, and then, secondly, the conditions that were in place in the quarter that led several banks to benefit from treasury activities. Those are the two things I'd like to understand.

Robert Sedran, Senior Executive Vice-President and Chief Financial Officer

Good morning, Mario. It's Rob. So, I obviously can't speak to the other banks, but I can say in terms of ours, it's a number of things that add up to the roughly CAD 90 million-odd that I called out in my prepared remarks. So, for starters, rates did come down during the period. And we're talking about a balance sheet that has CAD 1 trillion on each side of it. And our Treasury is active daily in terms of positioning and hedging the balance sheet effectively. And so, from an execution perspective, they saw some opportunities and there was a benefit as rates were falling and they took advantage of that. There's also in any given quarter, you're going to get a series of market-related sort of esoteric items that matter only to treasurers, things like hedge ineffectiveness and extinguishment accounting and all these kind of things. That were also moved in the right direction for us this quarter.

And in our case specifically, we also had the revaluation of a funding vehicle or a parameter update on a funding vehicle that added another CAD 30 million-odd to our revenues. So, it was a series of things that were going in the right direction from a Treasury perspective. And so, it's difficult to call out any one individual thing as the reason, but I will say when rates are moving and we are positioning ourselves in that environment, opportunities can present themselves and we took advantage of it. So, it's very much in keeping with the strategy of the Treasury to try to keep the noise down as best as possible and keep it over the longer term, which is why I don't know that I would want to run rate the numbers that you saw this quarter, but the opportunities were there.

Mario Mendonca, Analyst, TD Securities, Inc.

Thank you.

Operator

Thank you. Our following question is from John Aiken from Jefferies. Please go ahead.

John Aiken, Analyst, Jefferies Securities, Inc.

Good morning. Frank, just a couple of quick clarifications on the commercial real estate exposure. And I apologize; I had to jump on and off, so if you already answered this, just yell at me and tell me to look at the transcript. On slide 42, you mentioned the watch list and we expect to see some new inflow. Is that additional loans on to the watch list or transition from a watch list on to gross impaired?

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Well, it's – I think it's a little bit of both. We have seen very low or very strong performance. We have seen gross impaired loan ratios, as you see on the slide, actually going down and we are quite pleased with those results. But what we are calling out here is, in general, as we said in previous quarters, we have put the worst behind us, but we do not think that the strength we have seen in the US office market as the market overall is over, yet. As I said in my prepared remarks that you may have missed, we are not expecting any of the large losses we have seen previously to reoccur. But what we are seeing here is there could be some that will still come.

John Aiken, Analyst, Jefferies Securities, Inc.

Thanks, Frank. And as you guys have discussed, as you're managing the portfolio, there were some dispositions this quarter. Can you give us a sense as whether or not there were any gains or losses associated with those dispositions?

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Yeah. So generally, there was – I think we used that a couple of times, a few gives and takes on those, but we did see and our strong result in the US was helped by that. We do see – we did see some reversals on some of those dispositions overall and not a very large number, but it's certainly contributed to the very strong results we've seen in the US this quarter.

John Aiken, Analyst, Jefferies Securities, Inc.

Great. Thanks, Frank. Appreciate it.

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Thanks, John.

Operator

Thank you. Our following question is from Nigel D'Souza from Veritas Investment Research. Please go ahead.

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

Thank you. Good morning. I had some follow-ups here on credit. When I look on slide 38 and your delinquency rates across uninsured mortgages, I'm noticing there's an uptick there in the GTA category. And wondering if you could point to any specific trends or segments that's driving that fixed versus variable, owner occupied versus non-owner occupied, or any specific vintages that are driving higher delinquencies?

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Yeah. So, in general, what I would call out is that we do feel quite comfortable with the credit quality of our mortgage book. As I said in my prepared remarks, we do not expect material losses from these portfolios. I think it's on the slide, but from a sector – segment perspective, investor mortgages tend to perform favorably compared to owner-occupied mortgages, that's what we are seeing in the books. I think if you are looking into and if you're segmenting it, it's probably a little bit of a higher delinquency rate on variable rate mortgages. It's a lower delinquency rate on fixed rate mortgages. But even in that, I would say nothing concerning going on there. What we have seen is just a very, very slow market. And that, of course, supports a little bit off or drives a little bit of the delinquency rates.

Hratch talked about our disciplined approach from a volume growth perspective and even that is contributing a little bit to our delinquency rates, because our denominator is not growing as much. And as such, as I said, we are not concerned and we do believe our credit quality is quite strong. If I give you a couple of metrics, our liquid assets, or liquid assets our clients sold to cover payments is an average of 7 times to 10 times their monthly payments, depending on, again, what segments you look at. Less than 1% of our uninsured clients we would classify as high risk, meaning they have high LTVs and low Beacon scores. And, overall, even in those delinquent mortgages, the average LTV is less than 60%. So, we're very well covered from an exposure perspective, even if you assume some moderate house price declines could still happen from here.

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

Thanks, Frank. And on the broader retail portfolio, are you seeing any differences in trends between homeowners and renters, and what I'm getting at here is now are strong balance sheets for homeowners,

particularly on the asset side, with real estate prices being stable, is that what's helping mitigate delinquencies or credit losses in your portfolio, or is there no noticeable difference between the two buckets of retail borrowers?

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Well, I would say there is some differences, and generally, homeowners perform better and would carry less unsecured debt and would perform stronger on the unsecured debt. I wouldn't say it's a dramatic difference, but there is a difference there. And typically, our unsecured losses would not be with clients that are homeowners or carry a mortgage with us.

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

Great. And last question here on FLIs on page 45, the unemployment rate right now is a bit higher than your base case assumption and it's expected to trend a bit higher. So is there potential for upward pressure on your performing provisions next quarter based on where unemployment currently is?

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Yeah. And as always, as you can appreciate, a little bit of timing in those numbers, you're also looking at an average over the next 12 months. So, there is a little bit of an expectation that unemployment has not yet peaked and will trend higher from here. I wouldn't speculate yet on next quarter's performing allowances, because that would be way too early, but unemployment is certainly one area that we are watching closely, because it has been and continues to be a headwind in the overall economy.

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

Okay. That's it for me. Appreciate it.

Operator

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

Darko Mihelic, Analyst, RBC Capital Markets

Hi. Thank you. I wanted to go back to Shawn Beber for a moment on the US business. And I just wanted to when I look at the suggestion that you're sort of reshaping the portfolio mix, can you maybe provide a little more color around that and how I should – I am just thinking about loan growth parameters for the model and the NIM associated with that. How long – I think I heard you say it's a few quarters before you're repositioned, so maybe you can just give us some – a bit more color on how far you need to run off commercial real estate and what the puts and takes are to the NIM and revenue growth in the next few quarters based on this repositioning?

Shawn Beber, Senior Executive Vice-President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA

Thanks for the question, Darko. So in terms of where we are on the journey, we've had, I think, a positive impact on the portfolio through the steps that we have taken over the last several quarters. I think as I mentioned, that's going to continue to play out. Depending on what happens with the rate environment, with rate cuts, we might actually see some even further payoff activity or accelerated payoff activity in the CRE

portfolio. At the same time, we're seeing encouraging signs on the C&I side. We have seen that loan recovery started a couple of quarters ago that continued this quarter. And based on the level of activity of discussions that we're seeing, the pipeline is improving. We're encouraged by what we're seeing in terms of being able to deliver on the C&I growth. So, the headwind that CRE has been into overall loan growth, I think will dissipate over time. As I say, it can still take a couple of quarters.

It's a bit early to be giving guidance next quarter, but I would say overall loan growth, we had growth this quarter. I'd say I expect a level of continuation of that recovery in loan demand, assuming that we get the constructive or more constructive environment over the next couple of quarters on the rate side and the overall macro backdrop based our outlook. In terms of NIMs, we're still calling for pretty stable NIMs. We're not anticipating there having a material impact on that. And that also has to do with the deposit franchise and what we're doing there in terms of being proactive and responsive to the rate environment as we have been. So that's up and down. And so again, assuming rate cut environment comes through, then we we're anticipating being quite responsive to that, balancing the competitive environment and ultimately resulting in a stable NIM outcome. So loan growth, probably still modest over the next little bit and stable NIM.

Darko Mihelic, Analyst, RBC Capital Markets

Okay. That's very helpful. Thank you, Shawn. And just if you could remind me, when I look at your balance sheet is CAD 36 billion or so, call it, of loans. Can you just remind me, like, how much of that is actually like syndicated and is that – that should be an area where can press on the gas and hit the brakes whenever you like, has that changed at all, is that part of this build or this – when you say infrastructure build and so on, is that what you're changing how you originate the loans or is how you originate in the proportion of syndicated loans that you originate more or less the same?

Shawn Beber, Senior Executive Vice-President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA

Yeah, pretty stable in terms of what we're originating. I mean, we are either the lead agent or sole bank on the vast majority of our loans, like more than three quarters of our loans. So that hasn't changed. The infrastructure build is really twofold. It's driving better client experience elevating. We just had a wires migration. We consolidated our wealth platform onto a single, much more modernized platform. We completed that a couple of quarters ago. We continue to invest in that as we bring on new capabilities in support of our Wealth business, which strategically is one that we are quite focused on and looking to grow as a proportion of the overall bank. So – and the other part of the infrastructure build is the regulatory environment continues to evolve. We are looking to make sure that we are keeping pace with that, and so that investment continues.

But in terms of the origination activity, I'd say fairly stable in terms of our approach to market.

Darko Mihelic, Analyst, RBC Capital Markets

Okay, great. Thank you. That's very helpful. I have two follow-ups but they're very technical. I'll call Geoff afterwards. Thank you.

Operator

Thank you. Our following question is from Sohrab Movahedi from BMO Capital Markets. Please go ahead.

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

Okay. Thank you, and I'm going to stay also with Shawn. Shawn, I look at your sup pack, the results this quarter in US dollars is $158 million, a couple of years ago this quarter $152 million. You're doing it on similar provision levels, $28 million couple of years ago versus $33 million this quarter. And you're doing it with a couple quarters of improving loan dynamics from a volume growth perspective, but you're also doing it with quite a number more FTE. My question, I guess, just to kind of dovetail from Darko and Mario's, is are we now approaching a stable kind of earnings contribution level here from this segment? And is this a good base to work off of to go up? Number one. And number two, have we seen a plateauing of this FTE build? Or do you anticipate that this kind of infrastructure, continued infrastructure investment will require further FTE build?

And then, number three, is this FTE build going to have revenue benefits at some stage in the future?

Shawn Beber, Senior Executive Vice-President and Group Head, U.S. Region; President and Chief Executive Officer, CIBC Bank USA

Sohrab, thanks for the question. So, look, we are driving towards – I think it's a good starting point from which we expect to grow. The infrastructure investments, we will be absorbing that cost as we go. Part of that is on the infrastructure side. But as I said, about half of the growth in expenses that we've seen this quarter, and that would have been similar last quarter, has been around growth initiatives. And so, we expect those to start paying off over the next – the coming quarters. And so from here, we would expect growth. The investment that we're making in FTE on both infrastructure and our growth initiatives we expect to continue, but we don't expect the same pace of expense growth going forward. So, I think it's a good starting point; and from there, continued growth both on the infrastructure side and on the front office side as we grow out the components of our business in the US.

Operator

Thank you. Our last question is from Lemar Persaud from Cormark Securities. Please go ahead.

Lemar Persaud, Analyst, Cormark Securities, Inc.

Yeah. Thanks. I'll turn to credit for Frank. Obviously, there has been a repositioning of the bank's US office commercial real estate portfolio. But even then, I would expect some reversion to a mean in US commercial PCL. So, how should we think about losses in that business on a more normalized basis? Like, where I'm going at with this is I fully appreciate the mid-30s impaired PCL guidance. But if I were to plug in a more normal level of losses in that business, you'd be well above the mid-30s guidance. So, bottom line, like, could we be looking at impaired PCLs meaningfully above that mid-30s guidance near-term? Or are there some takes across other businesses that you see?

Frank Guse, Senior Executive Vice-President and Chief Risk Officer

Yeah. So, we put out guidance of mid-30s for the bank out because we feel very comfortable with that guidance. And that guidance does include some episodic events that we could see once in a while in the US business or in other businesses as well. You're absolutely right, we do not expect the very strong performance we saw in the US this quarter from a credit perspective to be the new normal. And the new normal run rate would be, I would say, a little bit higher. I mean, pre-pandemic, we saw in the mid-double-digit loss rates in the US portfolio, and that's probably a longer-term timeline or run rate. And then in the shorter-term, it can be a little bit higher. So, I'm not giving you a precise answer here because I don't think we give SBU guidance in particular quarter-over-quarter, but it will be lower than what we've seen in the past few quarters.

It may be a little bit higher than what we've seen this quarter. And overall, it will fit very well within our mid-30s guidance for the full bank.

Lemar Persaud, Analyst, Cormark Securities, Inc.

Okay. And then, maybe turning over to Rob. Just when looking at expense growth at CIBC, you're going to be running into some pretty tough comp quarters because there was a real slowdown of expense growth towards the end of 2023. The bank went essentially from the upper single digits to low single digits. Wondering if you could walk us through your thoughts on expense growth in the context of tougher comp quarters and then also operating leverage if some of these Treasury gains don't materialize as you look forward.

Robert Sedran, Senior Executive Vice-President and Chief Financial Officer

Thanks, Lemar. Good morning. So, the reason we show the expenses the way we do on slide 13 is that that's actually how we manage the expenses, right? We focus on our operating expenses and we're thematically linking our investment portfolio with generating the efficiencies to help fund it, and that helps keep operating leverage in view. And while we may not get it every quarter, we're certainly happy with the four-quarter winning streak we're on, and we do start the year expecting to get operating leverage based on our plans. This year, revenues have been stronger, and so total expense growth has actually been higher. So, I appreciate your comment on some of the comps, but we've been seeing expense growth trend higher as revenues have come in better than originally planned.

So, when we look forward, we still think that construct of mid-single-digit expense growth is a reasonable assumption going forward. And we plan for the operating leverage and we plan to work these things against each other so that if revenues don't come in the way we are hoping they come in, we have some levers to pull to maintain that operating leverage. Again, we're not going to get it every quarter, but it's certainly our goal to get it annually.

Lemar Persaud, Analyst, Cormark Securities, Inc.

Appreciate the time.

Operator

Thank you. That concludes the question-and-answer session. I would now like to turn the meeting back over to Victor.

Victor G. Dodig, President and Chief Executive Officer

Thank you, operator, and thank you, everyone, for your questions. As you heard this morning, we delivered another strong quarter while positioning our bank for further success. Our performance builds on the consistency that we've demonstrated over the past several years, and we remain committed as a leadership team to producing reliable results for all of our stakeholders across all of our businesses. Our bank has a dedicated, experienced leadership team in place, a differentiated strategy and a healthy balance sheet. This time I also want to acknowledge those affected by the extreme weather events in Canada and the United States. The CIBC – our CIBC team has been proactively working with our affected clients to provide financial relief, advice and support. I'm very proud of our teammates that bring our purpose to life each day, to strengthen the communities where we work and serve them.

In closing, I'd like to extend a thank you to our dedicated CIBC team around the world. Have a good day and enjoy the rest of the summer.

Operator

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