CIBC Q4 2020 Earnings Conference Call

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Forward Looking Information

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Hratch Panossian

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Management Discussion Section

Operator

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

I would 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. Following Victor, Hratch Panossian, our Chief Financial Officer, will review our operating results, followed by a risk management update from Shawn Beber, our Chief Risk Officer. Victor will close out the prepared remarks with a brief update on 2021.

We're joined in the room by CIBC's business leaders including Harry Culham, Laura Dottori-Attanasio, and Jon Hountalas, as well as Mike Capatides who has joined us remotely from the U.S. They will be 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 that have inherent risks and uncertainties. Actual results may differ materially.

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

Victor G. Dodig, President and Chief Executive Officer

Thank you, Geoff, and good morning. Thanks, Geoff and good morning. Thanks for joining us and we hope you're all doing well. 2020 was a year where we experienced a once-in-a-century health crisis that affected all aspects of our society. At the same time, it was a year of continued transformation for our bank as we focused on helping make our clients' ambitions a reality. Our CIBC team acted with urgency and with purpose to support our clients, one another, and our communities while building a relationship-oriented bank for a modern world.

For the full-year, adjusted revenue of CAD 18.7 billion and pre-provision earnings of CAD 8.2 billion were up over 2019, while expense growth was limited to just 2%. Net of a higher provision for credit losses that was primarily pandemic-related, adjusted earnings were CAD 4.4 billion or CAD 9.69 per share. Our capital remained strong with a CET1 ratio of 12.1%. Our investments in technology over the past several years to digitize and simplify our bank are allowing us to provide real-time remote support to our clients at a time when physical distancing has become the norm. These efforts are being recognized by our clients with our highest client experience scores on record and recognition as the top-performing banking brand during the pandemic. We'll continue to convert this momentum into deeper client relationships going forward.

Now, let me turn to our business performance. During the fourth quarter, we saw some improvement in the macroeconomic environment. The resulting increase in consumer activity was reflected in our Canadian Personal and Business Banking franchise, with monthly improvement in card purchase volumes throughout the quarter. Plan applications have also recovered from earlier lows and are generally back to positive year-over-year growth.

We've invested in enhancing our product offerings and leveraging technology to capture this growth as the recovery takes hold. Our innovation is also being recognized as Rewards Canada recently named the CIBC Dividend Visa Infinite Card the Top Cash Back card in Canada.

We also continue to see positive momentum in our mortgage business in the fourth quarter with year-over-year spot balance growth of 5% and sequential growth of 2%. To modernize and simplify the financial planning experience for our clients, we just launched CIBC Goal Planner. Coupled with expert advice, the platform will play a key role in building comprehensive financial plans for our clients while leveraging data and insights to guide decision-making and track their progress digitally. We expect personalized advice and technology platforms like CIBC Goal Planner to create value both for our clients and for our shareholders over time.

Turning to North American Commercial Banking and Wealth Management, loan growth continued to moderate as businesses maintained their conservative stance towards growth-oriented financing, given the uncertain economic outlook. Deposits remain elevated in the fourth quarter as our clients' focus continued to be on liquidity.

To support our Commercial Banking clients, we continue to invest in our cash management platform in a relationship management capability. This, along with our focus on growth markets, will strengthen our franchise as the economy recovers. Despite ongoing market volatility, we also saw continued robust net flows in our Canadian asset management and North American private wealth businesses.

Following an exceptional third quarter for our Capital Markets business, we delivered a solid quarter supported by continued strength and trading activity and a more constructive debt underwriting market from a year ago. Corporate Banking commitments remained strong, increasing 10% year-over-year this quarter and surpassing fiscal 2019's 8% growth rate.

During the quarter, we also continued to increase our focus on environmental, social, and governance matters to help create a more sustainable future. Our commitment to our communities is stronger than ever. Though we couldn't gather in-person for the annual Canadian Cancer Society CIBC Run for the Cure, we took the run virtual and our team raised over CAD 2 million towards life-saving breast cancer research. We also took decisive actions to address systemic racism, including our recent partnership with the government of Canada to launch Canada's first-ever Black Entrepreneurship Loan Fund, which will help grow black-led businesses.

Importantly, we also continued to foster a more sustainable economy hosting our first virtual sustainability conference and the inaugural issuance of our U.S. $500 million five-year green bond to help finance new and existing green projects, assets and businesses that mitigate the risks and effects of climate change. In addition, CIBC was named one of Canada's Top 100 Employers, our ninth consecutive year of receiving that honor, reflecting the strength of our culture.

Now with that, let me turn the call over to Hratch for a more detailed review of our financial results.

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

Thank you, Victor, and good morning, everyone. Starting on slide 8, this morning we reported earnings of CAD 1 billion and diluted earnings per share of CAD 2.20 for the fourth quarter of 2020. Excluding items of note, we delivered earnings of CAD 1.3 billion or CAD 2.79 per share. Adjusted ROE improved to 13.5% for the quarter as our profitability continues to recover from the Q2 trough.

Pre-provision earnings of CAD 2 billion were down 3% from the prior year, reflecting the relative resilience of our diversified franchise in a challenging environment. Revenues of CAD 4.6 billion were down 2% year-over-year as balanced growth across our businesses and solid trading revenues partially offset the impact of lower client activity and interest rates due to the COVID-19 pandemic. Strong expense management helped offset the pressure on revenue with adjusted expenses declining 2% from the prior year as efficiency improvements outpaced targeted investments aligned with our strategy. Provision for credit losses of CAD 291 million were meaningfully lower from the prior year and prior quarter. Shawn will speak to provisions in more detail in his remarks.

Turning to slide 9, we maintained the strength of our balance sheet over this quarter. Average LCR of 145% was relatively stable from the prior quarter and well above the 100% regulatory minimum. Our capital position continued to strengthen, ending the quarter with CET1 ratio of 12.1% or 11.9% excluding the ECL transitional benefit. Internal capital generation and a decrease in RWAs were the primary drivers of capital build in the quarter. Consistent with our previous guidance, RWA migration was a modest headwind to CET1 in the quarter, driven by negative migration in our wholesale portfolios net of improvements in retail.

We remain very comfortable with our current capital outlook. A strong internal generation provides capacity to absorb further credit migration and organic deployment in support of our clients. The balance of my presentation will refer to adjusted results, which exclude items of note.

Slide 10 reflects our Personal and Business Banking results where we continue to see positive trends as we revitalize the business. Net income for the quarter was CAD 635 million, up 5% from last year helped by a sequential improvement in revenue and pre-provision earnings as well as lower provisions on credit losses.

Revenue of CAD 2.1 billion improved 4% sequentially but remained 4% below prior year due to pressure on both net interest income and fees as a result of the ongoing COVID-19 pandemic. Expenses of CAD 1.1 billion were comparable to both the prior year and the prior quarter. Going forward, we expect disciplined expense growth to resume in this business as we balance efficiency improvements with targeted reinvestment to revitalize our consumer franchise. Net interest margin of 243 basis points for the quarter was down 9 basis points from last year, mainly due to declines in interest rates and a change in mix. Margins improved 5 basis points sequentially, primarily driven by the end of the interest rate relief we provided to certain credit card clients and growth in deposits. We continue to expect moderate pressure on NIMs over the medium-term as we absorb the full impact of recent changes in the interest rate environment.

Slide 11 shows the results of our Canadian Commercial Banking and Wealth Management business. Net income for the quarter was CAD 341 million, up 11% from a year ago primarily due to a stable pre-provision earnings and lower impairments. Commercial Banking revenue was down 1% from a year ago, primarily due to the impact of rates, offset in part by strong deposit growth of 23%. Loan growth continued to be muted during the quarter but is anticipated to resume as the economic recovery takes hold.

Wealth Management revenue was up 1% from the prior year, primarily driven by higher balances in private banking and higher fee-based assets in our full-service brokerage business. NIM was up 4 basis points year-over-year, but down 2 basis points sequentially, driven largely by unfavorable rates. Non-interest expenses reflect higher revenue-linked expenses in Wood Gundy.

Turning to slide 12, U.S. Commercial Banking and Wealth Management results reflect continued growth, marking another record quarter for revenue and pre-provision earnings in local currency. Net income of CAD 144 million was down 24% from the prior year and driven entirely by a higher provision for credit losses. Revenues were up 4% as strong growth in client balances and higher asset management fees helped to offset lower margins and lower transactional loan fees. Despite moderating in recent quarters, average loans grew 13% from a year ago while deposit growth of 33% continued to outpace loans.

In our Wealth business, solid AUM growth of 10% benefited from both client flows and market appreciation. Net interest margin was 277 basis points in this business, up 1 basis point sequentially and down 22 basis points from a year ago, driven by the continued decline in effective LIBOR over the year and the impact of lower yielding PPP loans. Excluding the impact of PPP, we anticipate margins to remain relatively stable as we continue to manage deposit pricing and optimize margins. Non-interest expenses were down 4%, reflecting the impact of our efficiency initiatives and a reduction in travel and business development expenses.

Slide 13 covers Capital Markets where we delivered another solid quarter. Net income of CAD 267 million was up 16% from a year ago driven by higher revenues and a lower provision for credit losses. Pre-provision earnings increased 15%, largely as a result of higher revenues and strong expense discipline. Revenues of CAD 792 million were up 7% from a year ago helped by growth across most global markets businesses, corporate banking and debt issuance activity. These were partially offset by reduced market activity and equity issuance and advisory. Non-interest expenses were largely in-line with a year ago as investments to grow the business were offset by efficiency initiatives.

Slide 14 reflects the results of the Corporate and Other business unit where our reported results were impacted by the items of note discussed in the Appendix of our presentation. On an adjusted basis, net loss of CAD 107 million in the quarter compared to a net loss of CAD 20 million in the same quarter last year due to lower revenues and a higher credit provision, partially offset by a strong expense management. The COVID-19 pandemic continues to pressure revenues in this segment driven by the impact of lower rates and client activities in our international banking business and the cost of the elevated liquidity reserves in Treasury. We expect these factors to moderate when the recovery period takes hold.

Finally, slide 15 shows our fiscal 2020 results which reflect the resilience of our business in the face of significant disruption as well as the impact of ongoing transformation within our bank. In 2020, we delivered adjusted net income of CAD 4.4 billion and EPS of CAD 9.69, down 19% from a year ago driven entirely by the significant increase in our provisions against performing loans. Record pre-provision earnings of CAD 8.2 billion were in-line with fiscal 2019 despite the challenging environment driven by modest revenue growth and strong expense management throughout the year. In addition to supporting this year's solid performance, the progress made in transforming our business this year positions us well to grow our franchise as the recovery period unfolds.

I will now turn the call over to Shawn.

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

Thank you, Hratch, and good morning. While the start of the fourth quarter saw the continued reopening of economies following the restrictive measures implemented at the onset of the pandemic, by the end of the quarter we were starting to see a resurgence in case counts. Since then, we've had a mix of both challenging and positive developments with renewed restrictions occurring in many of the markets we serve while at the same time promising news regarding vaccine development has been announced.

We've continued to evolve our analysis from prior quarters and exercise judgment where appropriate in determining our provisions for credit losses for performing loans. Our overall provisions this quarter were lower than the third quarter. At this time, we're not seeing broad-based credit weakness in the portfolio, and, to-date, performance has been better than had been anticipated at the start of the pandemic as our clients, both Business and Personal, have continued to exhibit prudent financial behavior and given the benefit of ongoing government support. Where we have seen issues, they have arisen in various unrelated sectors and in many cases were experiencing issues before the pandemic. As forecasted, we did see some additional migration from Stage 2 to Stage 3 allowances, which we expect will be a continuing trend over the coming quarters as net credit losses are expected to peak in the middle of 2021.

Turning to slide 17, provision for credit losses was CAD 291 million in Q4, down from CAD 525 million in the prior quarter, with lower provisions in both impaired and performing loans. Provision on impaired loans of CAD 178 million was down CAD 122 million from last quarter, largely due to lower insolvencies and write-offs experienced in our Canadian retail portfolios. Similar to the prior quarter, the decrease in retail insolvencies was in-line with the industry trend as a result of lower consumer filings. The lower level of write-offs resulted from a combination of factors including government support as well as the impact of the assistance offered to clients through our bank relief programs. We expect this trend will reverse over the next few quarters as the vast majority of deferrals have ended and returned to normal repayment status.

On the Commercial side, we experienced lower provisions in our Canadian Commercial & Wealth and Capital Markets businesses offset by an increase in U.S. Commercial. Provision on performing loans was CAD 113 million, largely due to a number of model parameter updates, along with some other moving parts that I'll speak to on the next slide.

Our credit portfolios have generally performed in-line with our expectations this quarter. That said, we do anticipate additional negative credit risk migration across the portfolio, absent to material improvement in actual economic conditions over the coming quarters relative to our current outlook. We believe we've been prudent in recognizing performing allowances to reflect that outlook.

Moving to slide 18, allowance for credit losses grew by 3% to CAD 3.7 billion this quarter and ended the year up 79% or CAD 1.6 billion since Q1. Our performing provision was CAD 113 million in Q4. There are a few elements within this number which we've broken out in the lower left corner of the slide. The largest component was an impact of CAD 128 million for several parameter updates in our ECL model which we do periodically. Partially offsetting this, we had a net CAD 97 million of allowances moved from performing to impaired which is what we would expect to see as certain loans tipped from performing to impaired status, reflecting the ongoing challenges of the pandemic. The last piece is CAD 82 million of growth in provisions related to a continuation of our normal course activity including the impact of FLIs which were a small help, migration within our portfolios as we continue our risk-rating activity, and other portfolio movements. Overall, the loan losses this quarter were somewhat better than expected for both our retail and business governed portfolios. Though as we've discussed before, we believe the relief efforts have had a significant impact on these results, particularly in the cards portfolio and delayed actual losses to future quarters.

Turning to slide 19, we've provided details of our allowances coverage by line of business. Our allowance coverage ratio increased from 86 basis points in Q3 to 89 basis points in the current quarter. The increase was mainly driven by higher provisions recognized in US Commercial Banking and CIBC FirstCaribbean. We feel comfortable with the current level of coverage and remain focused on monitoring the credit quality of our portfolios for potential future adjustment.

On slide 20, we show our credit portfolio mix which remains well-diversified and consistent with last quarter. Our total loan balances were CAD 416 billion and the overall credit quality of our portfolio continues to remain high. Nearly two-thirds of our outstanding loans are to consumers, the majority of which are mortgages with our uninsured mortgages having an average loan-to-value of 52%. The balance of our portfolio is in business and government lending with an average risk rating for the portfolio equivalent to a BBB. This quarter, we have included in the Appendix the additional details we previously discussed on specifically affected industries. Performance of those portfolios is in-line with our prior outlook and expectations at this point.

Slide 21 provides the status of our client accommodations and credit quality details by segment. Most of the deferrals have now run their course, repayments are within expectations and we believe our allowance coverage reflects the current risk in the portfolio.

Slide 22 provides an overview of our gross impaired loans. Gross impaired dollars were down mainly driven by consumer loans. The reduction in impaired consumer loans was principally due to payment deferrals and collection activities in the quarter. While new formations also trended lower, we do expect this to remain volatile in the near-term.

Slide 23 shows the net write-offs and 90-plus day delinquency rates of our Canadian consumer portfolios. In the current quarter, we had lower insolvencies and slow write-offs as a result of government support programs and bank relief offerings. The late-stage delinquencies of residential mortgages are down as we work with our clients who were not part of the deferral program to bring their accounts current. While personal lending delinquencies remain relatively flat quarter-over-quarter, credit card delinquencies have increased.

We proactively enabled payment deferrals for credit card clients who were already showing vulnerabilities and payment difficulties at the onset of the pandemic. The increase in delinquencies is driven by a portion of these clients who have now exited the bank relief program and continue to have financial difficulties. However, the performance overall of the credit card balances that have now exited deferrals is in-line with our expectations.

In closing, the economic outlook remains uncertain as we've seen an increase of new COVID cases, while also receiving encouraging news regarding the development of COVID vaccines. We will continue to monitor the changes in the macro environment and their impacts on our portfolios. Overall, we remain comfortable with the quality of our portfolios and are well-positioned to support our clients while managing through the crisis.

Provisions were lower this quarter. However, we do expect to see impaired provisions trend higher and peak in the middle of 2021. As that occurs and as we saw to some degree in the fourth quarter, we would expect to see more of our performing allowance transfer from Stage 2 to Stage 3 and provide a partial offset to losses in future periods.

I will now turn the call back to Victor.

Victor G. Dodig, President and Chief Executive Officer

Thanks, Shawn. Before we take questions, I'd like to share our thoughts on CIBC's strategic focus for 2021 and beyond. Our first priority is to reinvigorate our Canadian consumer franchise, and this includes gaining share in our core Personal and Small Business products, accelerating growth in our newly created Direct Financial Services business and improving asset management net flows while delivering good investment performance for our clients. We've made good progress in each of these areas throughout 2020, but there's more upside to capture in the year and years ahead. Serving the Canadian consumer is an important part of what we do, and our efforts will deliver enhanced value to our clients and growth to our bank as we go forward.

Our second priority is continuing our transformation journey with a determined focus on bending our cost base and reinvesting a substantial portion of savings into high-return projects, particularly as it relates to process simplification and technology enhancements.

And our third priority is to build on the advantages where we are performing well, including Commercial Banking and Private Wealth on both sides of the border and in our Capital Markets business. Each of these businesses have plans to continue to grow and are also implementing new initiatives to enhance capabilities in fast-growing market segments like the innovation economy and sustainable finance.

With that, let me now provide some colour on our performance expectations for 2021 in each of our strategic business units. For our Canadian Personal Banking franchise, we'll continue to build off our recent improvements and work to get our business back to market levels of growth and doing so consistently. Assuming pandemic-related constraints begin to ease in the latter half of calendar 2021, we expect to see a pickup in consumer activity. In Commercial Banking, while loan growth is expected to slow from historical levels, we expect a return to growth-oriented financing as the economic recovery takes hold. In Wealth Management, we expect to see an uplift aligned to the economic recovery as investors look for alternatives to lower rates on savings deposits.

Strategic hires in our Private Wealth businesses, along with enhanced product offerings will enable us to grow our net flows and our assets under management. Capital markets, equity issuance, and M&A activity could pick up as corporate consolidations increase in the aftermath of the pandemic. Our strong connectivity across our CIBC franchise will continue to provide opportunities and deliver enhanced capital markets capabilities for our clients in Canada and the United States.

While the reopening of the economy provided some cautious optimism in the fourth quarter, the recent increase in infection rates has many municipalities imposing greater restrictions. And that will continue to have an adverse impact on the near-term economic outlook. Our economists' forecast assumes that mass vaccinations or effective treatments will be underway in the middle of 2021, allowing for stronger global recovery in the latter half of the calendar year. While this is our best forecast, we don't know how vaccine access and efficacy will play out, so we remain vigilant and are planning for a range of scenarios to allow us to move with agility as the current situation unfolds.

I want you to know this: We have a strong management team to lead the continued transformation of our bank as our investments help improve efficiency and to capture growth. We're agile. We're well-capitalized. We're well-provisioned. And we'll continue to sensibly adapt to the changing macroeconomic environment.

And with that, let me turn it over to the operator for questions.

Question and Answer Section

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

Good morning. I guess a couple of follow-up questions regarding your strategic priorities, Victor, in terms of reinvigorating the Canadian franchise. One, talk to us in terms of your outlook for mortgage growth. If we do have a decent mortgage market next year, do you think the business is at a point where we should see peer-like growth?

And secondly, what does it mean in terms of when you talk about tight expense management, investing, enhancing the technology platform? What should we expect in terms of the efficiency outlook or just absolute expense growth as we think about next year?

Victor G. Dodig, President and Chief Executive Officer

Good morning, Ebrahim. Thanks for the question. So, let me just – I'll provide a couple of comments and then I can hand off to Laura on the mortgage growth more specifically and to Hratch on the expense growth management going forward.

So, you'll recall that we said to you a year ago that our goal is to get our mortgage growth in particular but our Canadian consumer franchise performing consistently, and at the very least, in-line with market. If you look at our numbers quarter-over-quarter sequentially over the course of the year, we are achieving that target. Last year, we were negative; this year we're quite positive in terms of spot balances. We expect this to continue.

We expect to keep pace with the housing market as the housing market evolves and we certainly expect to keep pace with our competitors in terms of our investments in our Mobile Mortgage Advisors and in our product offering.

With respect to expenses, we're trying to keep them into low-single digits to reflect the economic reality. If things recover, we'll roll with that economy and maintain or capture the upside.

So, why don't I do this: Laura could provide more detail on the progress that she's making leading the Canadian Personal Bank and then Hratch can provide you a little more colour commentary on expense management.

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

Alright. Well, I think you answered that very well, Victor, so I don't know if I have anything to add other than, again, a lot of work has been done to ensure that we can deliver more consistent and sustainable performance and I think that's what we're starting to see in mortgages in particular. And as you mentioned, good news, we reversed the trend that we were on and we're now starting to close the gap with the competition. So, feeling very good about sort of the trajectory that we're on, and maybe over to Hratch on expenses.

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

Sure. Thanks, Laura. And I think Victor covered the punch line, Ebrahim, and good morning. So, we continue to be focused on expense management and we think it's an important part of the transformation of our bank. We've proven that we can deliver efficiency. If you look at this quarter, down almost 2% on a year-over-year basis. For the full year, we contained expenses to 2%. And in a year where we had tough environment on revenues, we contained operating leverage to modestly negative.

And so, we're focused on pre-provision earnings and we're focused on operating leverage. That's the way we could sort of guide our expense targets, if you will. And so, going into next year, we're trying to get that pre-provision earnings to a growth trajectory. We're trying to get to positive operating leverage as soon as possible in what is a tough environment, right? So, to do all of that, we're going to have to pull the levers and we think of expenses in a few buckets. So, the first bucket is revenue-linked expenses. And a number of those will be improving as performance improves. But that, from an operating leverage perspective and a pre-provision earnings perspective, it doesn't work against our objective.

What we're really focused on is the other two buckets which is our investments against the strategy and to transform the business and discretionary expenses. And so, between those two, we're pulling the levers so that discretionary is eliminated where it's not value-creating and we're investing in the right places. And net-net of those two, we'll actually manage the outcome to get the pre-provision earnings and operating leverage where we want to.

And as Victor said, in the current environment we think that means that low-single digit. The recent restructuring we did this year, that's largely completed. It will give us that full-year benefit of CAD 250 million we had talked about and we had telegraphed that at the time. That's going to allow us to stay at that low-single digit level. We think we have opportunities to be at that level while even accelerating investments by doing even more in efficiency initiatives as we go forward in 2021.

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

Yeah. Thank you very much.

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

Hratch, just a quick follow-on in terms of the efficiency discussion. I noted that you still got about CAD 200 million left from the restructuring charge taken this year. How much do you think that can benefit your expense plans in 2021?

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

Sure. Thank you, John, and that's a bit of accounting. So, as we had mentioned on the last call, we anticipated to largely complete that in this fiscal year and we have done that. So, it is mostly complete from a taking-action perspective and so the benefits will start accruing.

From an accounting perspective, what happens is when folks elect deferred payments over time then the accounting reserve will come down over time as those payments are made to individuals. And so, you're going to see that grind down slowly over time, but the benefit in the earnings will already be realized for fiscal year 2021.

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

Thanks. And if I can add one quick on, I noted that FirstCaribbean moved from available for sale in terms of the accounting treatment. Can you update us in terms of where the deal of the transaction sits at this point?

Victor G. Dodig, President and Chief Executive Officer

Yeah. Let me just provide some perspective on that, John, and then Hratch will get into some of the technicalities.

Just to remind everyone, we have an engaged buyer with a genuine interest in the Caribbean banking sector and a proven track record in banking. Our business there, like any other well-run banking platform, is adjusting sensibly to the economic reality of the pandemic and it is good business. It's going to recover as the economy recovers.

Our focus now is to continue to pursue the regulatory approval process and that's been complicated by the COVID pandemic as well. When we have an important development on that front, we will advise our investors accordingly. This quarter was an accounting quarter and I just want to pass it on to Hratch for some of the technicalities around that.

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

Sure. Thanks, Victor. And you're going to have time as you do, John, to go through the MD&A and the notes to our statements in the annual report and you'll see all of this reported there, so not much to add to what's in the disclosures. But for the benefit of folks on the call, really the accounting classification of held-for-sale and the assessment of recoverable value on goodwill, both of those are governed by the relevant accounting guidance under IFRS and this was really triggered by us following the guidance.

So, I'm really delineating the accounting here from the deal, as Victor said. So the changes particularly with the accounting in the quarter were triggered by the increased uncertainty surrounding the deal as we have described in the disclosures and we have spoken about before: complexity of the regulatory environment, COVID-related complexities, and so forth.

And so that increased uncertainty given the technical requirements here when we considered the circumstances and the guidance, we determined it was appropriate to discontinue the held-for-sale accounting this quarter and to revert to using an estimated value based on current market circumstances for the purposes of assessing the goodwill versus using the terms of the actual proposed deal with GNB. And so that's what really drove that, but as Victor said we continue to pursue the transaction.

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

Thanks, Hratch. Hopefully, the rest of your questions won't be leading you into the weeds on accounting. I'll re-queue.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Yeah. Are there any other implications of that accounting change other than like the valuation of the goodwill, which I assume is on every other quarter or something like that?

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

No. There wouldn't be, Gabe. So, we had – as you recall, we had added disclosures specific to held-for-sale classification. There was a summary of balance sheet and so forth put in. And so that's really the only changes in the disclosures.

In terms of how we were accounting for the business, we had continued to consolidate the business and the earnings coming in through the Corporate and Other segments. So that will continue.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Okay. My real question is on the mortgage growth strategy and I guess the overall growth strategy for the Canadian retail business. And Victor you mentioned the words market-level growth and consistent growth; and Laura you reiterated that. What are you doing differently this time? Because a few years ago, we had a bit of a roller coaster move around in the mortgage growth rates. It was really high at one point then really low. Like what are you doing differently to make sure it's more consistent and I guess building better relationships overall?

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

Good morning, Gabriel, so I'm happy to take that one. I guess I would – I think it's worth mentioning that we do have a new management team in – across the board but overseeing mortgages in particular and we've given full end-to-end accountability for client journeys to this management team which I believe will make a difference and I guess two things: So on acquisition, I'd tell you that we're very focused on the quality of our growth and the anchoring of our new clients and so that will certainly help us on a go-forward basis.

And then secondly, you might recall in the last quarter I spoke about retention. And while I tell you that, we haven't been as successful as I would have liked in terms of retaining some of our past vintage clients when they came up for renewal. I believe we've laid the groundwork to ensure that we get not just better retention on a go-forward basis but better acquisition. We've worked to increase our level and points of contact via the different channels we've had, we've eliminated friction points, et cetera.

So, all of that to say that I expect we're going to see improvements on a go-forward basis in mortgages. And as Victor pointed out, this is all about laying the groundwork so that we can deliver you more consistent and sustainable performance.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

If I look at Investor Day material...

Victor G. Dodig, President and Chief Executive Officer

I just want to – if I can just add to Laura's comments...

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Yes.

Victor G. Dodig, President and Chief Executive Officer

...because the business is heading in the right direction and it's all consistent with the long-term strategy that we've laid out.

When we say building relationship-oriented bank for the modern world, you've got to decouple not just the numbers that you're seeing in the business, but also some of the numbers that we don't accentuate as much, like our client experience scores. Our client experience scores at CIBC are the highest that they've been in two decades. That has been a steady climb up. It is a reflection of all the things that we're doing to improve process, to improve our product offerings which are way more competitive than they were before and super competitive relative to our peer group. And that's why we're starting to win business.

On our checking account front, if you have $6,000 in the bank with CIBC, you pay no fees. We have alternatives through our Direct Financial Services. At Simplii, if you have less, you can pay no fees through our direct bank. When it comes to our mutual fund offer, we launched our smart portfolios which are more sharply priced than any other multi-asset portfolio offered by our peer group. Again, you see a growth in the managed money portfolio. We've launched CIBC Goal Planner to build deeper relationships with our clients.

All of this stitched together. With Laura's leadership and the team's leadership around continuing that trajectory, we'll deliver that against that performance gap that we have, and it will close. And, over time, the market will continue to see us as the bank that we are: A new bank, a relationship-oriented bank and one that's ready to take on the future.

Gabriel Dechaine, Analyst, National Bank Financial, Inc.

Thank you.

Meny Grauman, Analyst, Scotia Capital, Inc.

Hi. Good morning. Just wanted to ask about the potential for reserve releases through the cycle and specifically what would be reasonable timing, and then also where would it be more concentrated, consumer versus the commercial loan book?

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

Good morning, Meny. It's Shawn. So, thanks for the question. We expect, as I mentioned in my prepared remarks, that our impaired losses will increase going forward and peak sometime mid next year. So obviously an uncertain environment, but based on our current outlook, we expect to average somewhere in the low-to mid-40 basis points for impaired losses.

As those impairments come through, we would expect to see the performing allowance get pulled through as a function of that. And what's contributing to that impaired loss ratio, you would have seen this quarter we had a particularly low level of impairments this quarter. That was driven by a combination of strong credit performance, but also some of the deferral activity that we had had and we expect to see that deferral activity particularly in the consumer side roll through. So, as a result, we'll see that – those performing allowances sort of come through and offset some of those impaired losses in fiscal 2021.

In terms of sort of how that perform – the rest of the performing allowance behaves relative to those loans that won't ever go impaired or statistically aren't expected to go impaired, that's going to be a function of a bunch of different moving pieces: credit performance, outlook. And so, that will be over a six to eight quarter period we expect to see most of that build that we saw over the course of fiscal 2021. We were up about 79% with our allowances. You'd see that sort of pull-through. But that's going to be – I think there may be timing mismatches between those releases and what you see on the impaired side.

Meny Grauman, Analyst, Scotia Capital, Inc.

If – well, maybe switching gears a little bit just on a pre-tax, pre-provision basis, would you say – do you have confidence that you can get to a positive PTPP growth in fiscal 2021?

Victor G. Dodig, President and Chief Executive Officer

Yeah, Meny, that's our goal. That's our goal. That's – winning market share and bending the cost curve done right with some economic tailwinds, we'd expect to start heading into positive territory.

Meny Grauman, Analyst, Scotia Capital, Inc.

And can you give us any more in terms of detail? Like how positive, and more specifically, what are the key drivers there? Is it really about revenue more than expenses?

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

Yeah. So, Meny, maybe I'll jump in and give a little bit more colour and obviously I'll caveat that with it's a tough environment to predict as we all know that, but we'll base this on our current expectation.

So, I think as we look at the revenues this year for the full-year given the tough environment, we had just over 1% growth on the revenue side and that modestly negative operating leverage I spoke about which drove the decrease in pre-provision earnings. So that's what we're trying to revert here. And we're going to look at both sides of that revenue and the expense, and we alluded a bit to expenses earlier, but I think the revenue side will be part of the story so we are seeing some good momentum as we talked about in the retail business as well as other businesses.

And so, from an NII perspective, we're going to continue to have pressure from lower interest rates. But the balance growth with client business that we're doing in all of our businesses, there's good momentum and we think as we get into that latter part of the year last year, the latter – next year, the latter half, once the recovery takes hold, we think those will accelerate. And so, we think NII trajectory will start shifting.

From the fee perspective, we are also seeing some good momentum there. We are seeing the recoveries on the card side. Some of the foreign exchange on that is still lagging, but all of those things as well later next year will come in. Wealth Management side and investment fees, we're seeing good momentum as we've talked about and we expect if markets stay cooperative that continues as well. And then on the Capital Markets side, we've seen some good strength on trading, obviously a tough year as a comp. But the team is going to be working very hard to produce growth on top of the year this year from a revenue perspective. So, we think that bodes well for revenue relative to where we were this year, hoping to bring revenues in at a higher pace than this year.

And then as I said, we're trying to contain the expenses to that low-single digit and as much contained as possible. So, between those two as we get later into next year, we think we can turn this around on the PPE and eventually operating leverage as well.

Meny Grauman, Analyst, Scotia Capital, Inc.

Thank you.

Scott Chan, Analyst, Canaccord Genuity

Hi. Good morning, Victor. In your opening remarks, you talked about robust net flows on both sides of the border and there's a lot of cash on the sidelines at low rates being reinvested industry wide. But is there anything you can elaborate on that kind of specific to CIBC and is it directed towards any certain client segment like retail, private wealth or institutional?

Victor G. Dodig, President and Chief Executive Officer

Yeah. Good morning, Scott. Thank you for that question. I'd say there's a couple of things that are driving our net flows on both sides of the border: One is investment performance. Our investment performance in our Canadian asset management business and in our U.S. asset management platform is in the top half and top quartile of performance, consistently good across important asset classes to our clients.

I'd say the second thing is we've been really working hard particularly in the Canadian market where our footprint is larger to ensure that our product offering is competitive relative to our peer group and is relevant to our clients. And that's what's driving our growth. We launched something called our smart portfolios last year with smart beta embedded in them, and that is really, really getting good traction in our Canadian Personal Banking franchise.

And then I'd say the third piece is on the higher net worth segment. The strategy of putting together Commercial Banking and Wealth Management where we're seeing the monetization of assets from our clients in our Commercial Banking business, from the sale of businesses to private equity, or to strategic buyers, we're capturing those assets into our private wealth business in the U.S. and our private wealth business in Canada.

Notably in the U.S., we've gone from zero to over CAD 70 billion in AUA over the last six years. And in the Fall of this year, Barron's ranked us the number two registered investment advisor in the United States, that's CIBC Private Wealth Management; something that we don't focus on enough. So again, three things: Investment performance, products that are relevant to our clients, and the referral activity within our bank is quite robust and we expect that to continue.

Scott Chan, Analyst, Canaccord Genuity

And, Victor, you talked about the Commercial and Wealth Management connection, maybe, Laura – maybe you can kind of talk about the strategy on the retail side and in the wealth management and how that too may coincide?

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

Sure, Scott. I'll cover sort of some of the retail and maybe on the wealth side, if Jon wanted to add in his views.

I think as you heard from Victor, a lot of the work that we've done I'd say in retail was really to start with laying that groundwork to deliver, again, the consistent sustainable earnings. And so, a lot of what we've done, we've re-prioritized our investments, so – into better digital capabilities, so really on the – starting with the sales and servicing capabilities. And then we're really focused on increasing our sales force productivity.

Victor referenced earlier on before the Q&A, he talked about that financial planning tool that we have. So, we think that's going to allow us to elevate our advice offering because we have our clients who can come in either to banking centers or they can do sessions with us virtually. We think that's actually going to help move the dial. So, we're really focused on, I would say those segments where we see that we can grow, and I'm going to say even regain our natural market share.

So, we've done all the prioritization. And I'd say 2021 is really about execution. So, what we've invested in has to deliver results. We're being granular. We're being targeted. And I think you're going to see, and we're starting to see, somewhat better client experience and ultimately better results as we go forward for our shareholders.

And maybe I'll stop there and see if Jon wants to add in on the Wealth side.

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

So, most of what needs to be said has been said. The one thing that I would add is our confidence level is high and we are adding people in every channel in the Wealth side to keep up with the flows. Everything we talked about is working. We need more people to handle the volume.

Scott Chan, Analyst, Canaccord Genuity

Thank you very much.

Doug Young, Analyst, Desjardins Securities, Inc.

Hi. Good morning. I was just thinking about the all-bank NIM and you did mention the impact from higher liquidity in your comments as well. Wondering how we should think about this going into fiscal 2021. So, maybe we can think about like what was the impact in fiscal 2021 from the additional liquidity on your balance sheet and how do you think that unfolds through fiscal 2021 and how does that roll through your all-bank NIM? Just hoping to get a little bit more colour on that.

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

Sure. I'm happy to elaborate on that. So, yes, if look at the all-bank NIM, I think it's been a story of the degradation we saw through the year and then now stabilizing, right? So, this quarter all-bank NIM was down only 1 basis point and really the drivers behind that are some of the benefits that we saw in the retail NIM with the recovery there, offset by a small pressure from changes in mix towards lower yielding parts of the balance sheet. So that part is abating and that's related to your comments with respect to the excess liquidity.

So, if I look at that piece particularly, it has been something that's built up since the middle of the year and we've spoken about it quite a bit. It's really because of the growth in deposits versus loans. We're pleased to have been growing deposits very robustly with our clients. And when you look at our data rates, it's over CAD 80 billion over the year of growth in deposits versus just less than CAD 20 billion on loans. So, that delta has added up to the liquidity on the balance sheet, but that has stabilized.

In terms of the cost of that, it's been sort of, and it varies quarter-over-quarter, but it's been in that teens territory in terms of basis points impact to NIM. But I should point out it's not a big negative to NII. It's really the balance, so that if you do the math just on the numbers I gave you, it would say CAD 60 billion, but it's more like a CAD 50 billion balance increase to the denominator that's driving it. So, when that goes away, that can recover pretty quickly.

So, when we get into next year, we do think that liquidity is going to get deployed and we do think that loan growth is going to accelerate, and we feel confident about that. You've heard from Victor and the businesses just a moment ago. So as that happens, we think that that will start coming back down and that will help offset some of the pressure that we're still going to have from rates. And so, net-net, I think those will help moderate the decrease in NIM from here.

Doug Young, Analyst, Desjardins Securities, Inc.

And is that built into – you did a great job kind of outlining how you think revenue and expenses flow next year, is that built into your expectations or is it not?

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

No, absolutely, it is. It is. So what we would have built in expectations is stable NIMs in the U.S. as we've talked about, we feel pretty good about that; a small gradual decline in retail as we absorb the impact of lower rates; and a normalization of the excess liquidity. All of those are in our forecast.

Doug Young, Analyst, Desjardins Securities, Inc.

Perfect. And then just second, there was a charge related to the consolidation of the real estate portfolio, just hoping you can unpack what that is?

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

Yeah. Sure. I'm happy to do that. And maybe Victor can start with the overall Square project because it is related to our consolidation in Square and then I'll give you a bit more on the accounting.

Victor G. Dodig, President and Chief Executive Officer

Yeah. Thanks again for that question. Again, I take us back to what are we trying to achieve over the long-term? We are playing the long game here. Well before the pandemic, we had a vision to consolidate our head office footprint and the 23 locations that we have scattered across the Greater Toronto Area, where a significant amount of our head office team is located, into a modern, purpose-built headquarters, and it's called CIBC Square.

It exemplifies the future of work. And what I mean by that is it's flexible, agile space; collaborative space; modern space; it reinforces employee wellness and convenience; and we'll be happy to highlight more of that into the future as we start moving in there. And, it's equipped with the most advanced ventilation systems and technology. So, the - and now with the pandemic, it's allowed us to accelerate our consolidation plan, which is the result of some of the accounting that we undertook this quarter.

As we move into a more normal environment, I got three points to highlight here: One is our team is going to return to the office including CIBC Square and into our other locations across Canada and the U.S., but we're going to do this with safety in mind, health in mind, and we're going doing it in a very staged fashion because keeping our team healthy and well and engaged is the most important thing to us.

Some of our team members are going to work remotely more permanently. We've had great success with our contact center team working from home. They're engaged. They're productive. They're speaking to our clients and making their experience much better.

And the other thing I'll say is this: I think it's important to recognize that many of our CIBC team members have continued to serve our clients in the workplace throughout the pandemic. That includes in our banking centers, in our currency operations, our technology operations, and it's really been a team effort. I mean many of us have worked remotely. Some of us have had to go to the workplace each and every day. I admire them for their courage, and what we've done is tried to keep them healthy and safe and well-protected while engaged with our clients.

Now, the accounting of what happens with the real estate, Hratch let me hand it off to you. If nothing, I just want you to talk about accounting but it's part of the question that was asked.

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

Sure. Thank you. Thank you, Victor. Yeah, so as Victor said, it was an important context, right? This isn't something we've done in isolation. It was always part of the plan and we are not taking on more real estate. We are moving into Square, taking on square footage and we were always going to give up square footage.

But we've always got our eye on optimizing shareholder value and creating value for shareholders. So, in the current circumstance, we sort of looked at how we could optimize the exits that we were already going to do. Some of the spaces that is sitting vacant at this point in time with teams working from home, there's cleaning expenses, utilities, and so forth. So there really was a positive payback for our shareholders when we looked at it to exiting some of the space earlier.

And then this is where it gets into the accounting. The technicals of the accounting, since we adopted IFRS 16 and put the right-of-use assets on the balance sheet, is that when you vacate space at that point in time you've got to take the charge. And so this was a quarter where we vacated a number of those spaces as people worked from home until we get into Square as Victor mentioned, and so that was the CAD 114 million charge related to the right-of-use assets plus a number of other things related to it with respect to the fixed assets on those properties and so forth.

But as I said, there's a positive payback for our shareholders on that. And that's why we took the decision when we did.

Doug Young, Analyst, Desjardins Securities, Inc.

And just – sorry, what is the positive payback? And so, this is just determination of leases essentially, is that essentially it?

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

So, it is exit of the existing leases. There is positive payback from a few things: One, there is a sublease recovery assumption. We've been very modest with that sublease recovery assumption that's netted off that CAD 114 million. We understand it's a tough environment but there are some leases here with value.

The second one is related to some of those other expenses related to the properties I spoke about, and then the third one is really the savings on the expenses on the future rent. But to be fair, that offsets to some extent with the additional new cost of moving into Square and those expenses.

Doug Young, Analyst, Desjardins Securities, Inc.

Great. Thank you very much.

Lemar Persaud, Analyst, Cormark Securities

Thanks. My question is for Shawn. Shawn, I just want to take your answer on the PCL outlook a step further just because it's important to my estimates. I think you said that the impaired loss ratio would be in the low- to mid-40 basis point range, but that's going to be offset by some performing releases. So, my question is how should we think about the total PCL ratio for 2021?

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

Yeah. Thanks for the question. Look, the behavior of the performing provision is it's going to be variable through the year. I mean, as I said in the earlier remarks, we built a significant amount of allowance coming in to the pandemic over the course of Q2 and Q3, in particular a little bit this quarter as well. And we anticipate that that would kind of run through that incremental amount, holding all else constant, would run through the P&L over, call it, a six- to eight-quarter period. But how that's going to play out quarter-to-quarter is going to vary based on a whole bunch of factors, so I'm reluctant to put a particular number around it. I would say there's an amount of that performing provision that is going to move across as those impaired loans move because there's a certain amount of that performing allowance that would be booked against those particular loans. But for the balance of the portfolio, that's going to be, as we've talked about, the macroeconomic factors, credit behavior over the course of time and so, I think that's kind of the guidance that we could we could provide at this point.

And the other thing I would say is over that six- to eight-quarter period, it's likely a little bit more front end-loaded than back end.

Lemar Persaud, Analyst, Cormark Securities

You mean the release of the performing is more front end-loaded?

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

Just on the basis of the way the allowances build. And then as the economic things play out the way they're forecasted to, at least at this point, you'd see those macroeconomic variables improve and so you'd see some level of that performing allowance come through over the course of time. And, generally, it will be probably a more leading indicator. But there's – so, as I say, quite a bit of uncertainty. It will be more front end-loaded we would expect.

Lemar Persaud, Analyst, Cormark Securities

Got you. And then at the end of that six- to eight-quarter period, should we expect the ACL to revert back to historical levels or would it remain elevated from where you're at right now?

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

Well, taking to account frankly all of the new information that we get having gone through this pandemic, there will be presumably portfolio growth at the same time. So, hard to say where it will land at the end, but if you think about sort of the arc of the whole exercise, when the pandemic hit, we took – we went through the portfolios generated or recognized allowances. When you get to the other side of all of this where will those provisions be, you'd expect to see back to some level of normalcy. But we'll be taking into account all of the information that we gain through this whole experience to inform our allowances at the end of it.

Lemar Persaud, Analyst, Cormark Securities

Okay. Thanks. And if I could squeak another one in there. So last quarter you provided some disclosure in what delinquency rates would be in the Canadian consumer portfolio, excluding the impact of deferrals. It looks like residential mortgages and personal lending is trending better than expected but cards is a bit worse. Can you talk about the trends moving forward?

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

Lemar, it's Geoff here. Can I ask you to reach you? We've got a number of people in line and we're going to run over.

Lemar Persaud, Analyst, Cormark Securities

Yeah. Sure. Sure.

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

So, we're trying to limit everybody. We'll catch up after or reach you. Thanks.

Lemar Persaud, Analyst, Cormark Securities

No problem. Thanks.

Mario Mendonca, Analyst, TD Securities, Inc.

Good morning. Shawn, if we could go back to your – back to you. You referred to getting impaireds or impaireds approaching 40 or 45 basis points in 2021. Now, impaired loan losses were around 17 basis points this quarter, if I'm doing it correctly, that would imply a 2 to 2.5 times increase in the impaireds in 2021. First, is that really what you're guiding us to about a 2 to 2.5 times increase from this quarter?

And secondly, if so, what line items or what loans in particular? Is it credit cards you would be sensitive to or Commercial, if you could help me answer that?

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

Yeah. So, as I mentioned, this quarter the impaired losses were particularly low and impacted pretty significantly in the credit cards side from the deferrals. So, we would expect – so in answering your question, yes, we're talking about low-to mid-40s for impaired. Some of that is going to be catching up for the credit cards, in particular deferrals, that we'll be running through.

So, I think on the consumer side, you'll see it less so. So, on the business and government side, that's as you know, historically, pretty lumpy. We do expect it to come through over the course of 2021. But in terms of the particular outperformance this quarter relative to what we anticipate and what our allowances that we have built would be reflective of, it will be, in part, the consumer side and then the business and government which will be lumpy and episodic over the course of the year is still our expectation.

Mario Mendonca, Analyst, TD Securities, Inc.

Thank you.

Darko Mihelic, Analyst, RBC Dominion Securities, Inc.

Hi. Thank you. A question for Laura Dottori. Laura, as we do a post-mortem on 2020, I've done some preliminary math but I'm hoping you've done this math too and you can provide some guidance on it. I'm interested in understanding the revenue impact in credit cards. So – and I don't really need it line-by-line. I'm just thinking about the drop in net interest income, the relief you provided, the drop in balances, the drop in revolve rates; you name it, fees.

So, if we look at 2020 versus 2019, how much did that drop and how much do you think you can recoup in a recovery? And maybe you can speak to the results so far in November, what is credit card usage look like in November? Are we bouncing back? Are balances back up? Are people using the cards again? Are they spending on Christmas? So, any kind of thought process there on just helping me pencil in a bit of revenue pickup from people going back into credit cards.

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

Okay. Thanks, Darko. That sounded more like a statement than a question but let me see if I can provide a little bit of colour. I guess I'd start just by saying a lot of sort of the performance we're going to see on a go-forward basis will matter, like in terms of economic activity, consumer activity.

I would tell you that in the month of November, we have seen increased activity. We're expecting, from an NII perspective, and maybe this is a bit broader than cards but as you know cards have higher margins, so it tends to drive more of the business. We do expect to see NII growth in the later half of 2021, so somewhere around the second quarter. So, I do think that's going to help offset some of that NIM compression that Hratch was talking about earlier.

I think we're going to see some good usage from the cash back card that Victor talked about with our dividend enhancement card and the great ratings that we have. When I look at our applications for those cards, they're up significantly. Assuming those get utilized and we have revolving balances; I would expect to see a better trajectory, if you will, in 2021 than we've seen in 2020.

As you saw, and I think we provided some of that in our disclosure, you can see where purchase volumes have come back somewhat and then remains to be seen if it continues. But for the time being, I would tell you that we're feeling pretty good, including our Aventura card. We did a really good job, in my view, in terms of modifying some of the rewards that we provide, so that they're not just travel. And in fact, from an outstandings perspective, we have seen an increase in our outstandings, and I would say almost flat from a purchase volume perspective. So, I think we've managed to do well in that regard.

But as far as everyday rewards, cash back cards go, that's – I would say we're seeing more activity there from a purchase volume perspective and I would expect to see more from an outstandings, but it will really depend on the way forward from a consumer activity perspective. Does that help answer the questions you had?

Darko Mihelic, Analyst, RBC Dominion Securities, Inc.

Well, I prefer to hear – I'd prefer to hear the revenue impact in 2020 versus 2019. If you're not willing to provide that, that's fine. So, I'd love to know though in your assessment of 2020, how much credit card revenues were down versus 2019 in totality, if you have that number handy. I mean...

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

Yeah. And maybe, Darko, I'll jump in. It's Hratch. I think Laura can maybe answer anything more on the business side if you want, right? But we do not disclose P&L at the product level, so let me start with that. But I will give you some pieces just to help you think through what you're thinking through and I think you're trying to get to what this means for 2021 more importantly.

Darko Mihelic, Analyst, RBC Dominion Securities, Inc.

Right.

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

So, when I look at this year, you're right, you mentioned a number of the pieces. You can do the math on the credit card interest rate relief from the basis points. You see most of the 5 basis points increase this quarter as I said was related to that, but I'll save you the math on that one. That was probably around sort of between the two quarters that's really impacted, it was kind of CAD 40 million, just over CAD 40 million for the year. So that's one impact.

The other one is which you would see coming in the card fees line in our SFI, which I'm sure you've looked at. And then there's also a piece in the FX other than trading piece, that's related to cards FX transactions.

So, on those, the cards line there is the broader lines. So, when you really just look at the Personal and Business Banking element of that, fees on cards this quarter were recovered. They were down a bit more than this in the last couple of quarters, but this quarter they were still down about just over CAD 10 million, and that number may have been double that over of the last couple of quarters. And then on the FX side as well, there is about another similar number just over CAD 10 million this quarter.

So, when you look at it, about CAD 20 million or so this quarter from that line item. And as I said that line was larger in Q3 and Q2. And then you put that together with the CAD 40 million from the interest rate relief and then the NII balance, I'm sure you can do based on the balance drop and the average outstanding you saw, that will get you a pretty good estimate for the year. Is that helpful?

Darko Mihelic, Analyst, RBC Dominion Securities, Inc.

Thanks, great. Yeah, that's very helpful. That's what I was looking for. Thanks very much.

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

Thanks, Darko.

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

Thank you. Good morning. I had a follow-up for you on the payment deferrals for your credit card book. And when I look at your reactive versus proactive portfolios, it looks like there's a divergence there in credit performance. And I was wondering if you could touch on what characteristics specific to the proactive portfolio that's driving less favorable experience? Because when I look at FICO scores, they seem to be relatively similar.

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

Yeah, good morning. Thanks for the question. So, the population that we show is the proactive. We had identified a group of clients at the outset of the pandemic who were already experiencing some level of difficulty going into the pandemic, and so we provided that group with the proactive deferrals. At the time, and I think we had this disclosure in last quarter's investor presentation, that group would have been – 68% of that group would have been current coming into the pandemic.

So, with the deferrals running off, that group is now 75% current, so actually an uptick. So, they've had more time to sort of address their financial situations. We provided that relief. And so relative to coming into the pandemic, they're actually doing better at this point. Now, it's still early stages and we will continue to watch that portfolio very carefully. But that's what sort of gives rise to the differential between the two populations.

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

Okay. That's really helpful. And I have just a quick question on performing loan loss provisions. When I look at your forward-looking indicators, it looks like they've improved across each of your scenarios. So, the offset to that, the model parameter update, is that more so management overlay and scenario weighting-driven? Could you just provide some colour there?

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

So, we also had a scenario weight change. So, we put more weighting towards the downside from the upside, so that would have also contributed to it. But beyond that, it's been sort of regular way of risk-weighting activity, et cetera that's contributed to the performing balance this quarter.

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

Okay. Thank you. Appreciate the colour.

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

Okay. Thank you. Maybe, Victor, two quick questions for you, you've obviously done very well by the clients. A lot of the actions you've taken, maybe waiving fees and what-have-you, net beneficial both to clients and I guess to customer retention. Do you think brokerage commissions will go to zero in Canada?

Victor G. Dodig, President and Chief Executive Officer

I don't know. I think the most important thing in our model, and I would say that we're not the low-cost producer. Our model is relationship based. It's actually, if you lift the hood on, our Investor's Edge business which sits within Direct Financial Services as does Simplii Financial. The biggest, most substantive part there is our Premium Edge service which is very competitively priced. Clients are trading from CAD 4.95. They actually have a relationship manager and it's very connected to our most affluent clients. So, the business model works very, very well.

For our other clients, within our Personal Bank that are in our sort of mass affluent and core segments, we're priced at $6.95 which is market-leading for the peer group banks. The offering is very, very good. It satisfies their needs. So, we will stay competitive. That's the most important thing I can tell you. And we will stay relationship-oriented in terms of our focus.

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

Okay. And so when you look ahead and assuming credit is in hand, so to speak, and when you think about the recovery and your complex of businesses here, do you feel like it's going to be more of a consumer or a commercial-led recovery?

Victor G. Dodig, President and Chief Executive Officer

Well, let me just take a step back and talk about sort of my perspective on our perspective on the economy today. I think it's important to recognize that there are parts of our economy, particularly in the discretionary consumer sector and in the small business sector that have really been feeling the economic fallout of the pandemic. It's going to take some time for them to recover and they're an important part of our economy, so that is something that we need to be very mindful of. We don't talk about it enough.

Having said that, I believe in Canadian and American entrepreneurial spirit and I see businesses starting to retool in terms of their business models. And I think that they'll come back. Perhaps with some targeted government support, they'll come back more quickly, and we'll be there to support them. From a broader macro...

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

Thank you.

Victor G. Dodig, President and Chief Executive Officer

So, from a broader...

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

I – I – no, I – I think I see – you gave me the point. I mean I think you've got the US franchise as well which I suspect is actually very well-positioned with improved sentiment as well.

Victor G. Dodig, President and Chief Executive Officer

It is. Mike Capatides is on the call. So, maybe Mike if you want to chime in on that?

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

Sure. Thanks for the question. We think we are incredibly well-positioned for that. We had a very good outing earlier this year with the PPP program. We got applications and funding in from literally every one of our clients who requested it; a lot of goodwill, our relationship-based approach to Commercial Banking. We're in contact with our customers around-the-clock. And I will say we – looking forward, we're positioned for growth with those customers.

And lastly, our Wealth platform, you heard earlier that we've had positive net flows literally every quarter on the back of performance and the strength of CIBC. But something that has gone unnoticed is we literally built out our private banking platform and the loan balance is there. Our year-over-year are up almost 100%. So, we're feeling good about how we're positioned for the coming year with the customer sentiment.

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

Okay. I appreciate that. Thanks. I know it's been a long call, so I'll leave it at that. Thank you.

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

Hi. Good morning. I wanted to go back to Laura on your mortgage growth and clearly you've had a pretty decent pick up, but when I look at your market share among the Big 6, you actually lost a bit more market share this quarter sequentially than last. So, I'm wondering if you're comfortable in maybe giving us a timeline on when you think CIBC could see that market share steady or potentially grow?

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

Hey, Mike. I did – I have the chart that you prepared that is locked in my mind. So, again, I do want to highlight that – and you're right, like we're still in that sixth place from a year-over-year growth perspective. We lost some ground in the last months. But again, I just want to point out and Victor said, that we have a lot tighter performance distribution. I do feel we're headed in the right direction. And the consistent, sustainable performance is really what matters the most in this one. So, I don't know that I'm prepared to tell you it's one or two quarters in. What I would expect, and again there's movement from quarter-to-quarter but that you will see a gradual improvement over the course of 2021. That would be the expectation.

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

Okay. Fair enough. And then, really quickly, what are your thoughts on mortgages being an anchor product for your business? It's something that I tend to think about with respect to what the broader implications might have been on the share that you've lost over, say, like the past year. Like when you do lose a client on a renewal that doesn't stay with CIBC, does that typically mean that they take over a lot of their other services with them to the competitor?

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

That really depends on the client and there are differing views out there. There's a lot of research that tells you that as we go more digital, clients are more inclined to want to have that one product from that one institution. The way we operate and the competition, we're all the same. Once we sell a product, whether it's a mortgage or credit card, you name it we all work to anchor the client because it's just better. We know our client better. It's better from a risk management perspective. Usually better for the clients as well but you know remains to be seen.

Look, a lot of the mortgage growth we had in the past, those were mortgages from clients that dealt elsewhere. So, it depends. It depends on the client. I guess all I can leave you with is that, like everyone, we work really hard from when we do provide a mortgage to try to anchor that client because, (a), we think it's better for the client and better for the organization.

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

Okay. Thank you for the insight.

Operator

Thank you. Ladies and gentlemen, this will conclude today's question-and-answer session. I'd like to turn the meeting back over to Victor.

Victor G. Dodig, President and Chief Executive Officer

Thank you, operator, and thank you all for your very good questions and your patience as we've kind of managed through an extended webcast.

Let me just close as follows: I want to tell you that our bank has performed well in a very challenging 2020, supported by a sound strategy focused on deep client relationships, a diversified earnings mix, and a conservative approach to risk and expense management. Our investments in talent and technology positioned as well to provide remote client support throughout the pandemic and it's going to provide us with that support going forward. In the year ahead, whatever the economic trajectory, we'll capture the upside as economic tailwinds prevail and we have a strong balance sheet to weather any prolonged economic downturns.

Today, we also announced that the Honorable John Manley will be retiring as the Chair of our board. And Kate Stevenson, who's served as a Director of CIBC for nine years will take on the role of Chair upon a re-election at our Annual Meeting in 2021. John's strong leadership and his commitment to inclusion have helped us – helped guide our bank through a period of change in the industry and strengthened our CIBC culture. I want to thank John for his guidance and counsel, and I look forward to working with Kate who'll bring a wealth of leadership experience to her new role.

And before we end today's call, I want to thank our 44,000 CIBC colleagues globally for honoring our history of being there for our clients in challenging times. I couldn't be more proud of how our CIBC team has rallied to support our clients, to support our communities and one another as we lived our purpose. And to our shareholders, thank you for your continued support. Have a safe and happy holiday season and we'll speak to you in the new calendar year. Take care.

Operator

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