EQUITY RESEARCH

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September 6, 2022 **Earnings Revision**

Canadian Banks – Q3/F22 Post View

A Mixed Quarter; A Still-challenging Outlook

Sector: Financials

Key Changes

Price Target Changes

- Bank of Montreal ↓
- Bank of Nova Scotia ↓
- Canadian Western Bank ↓
- Laurentian Bank ↓
- National Bank Of Canada ↓
- Royal Bank of Canada ↓
- Toronto-Dominion Bank ↓

Our Conclusion

The two key themes coming out of the quarter are NIM expansion and mounting economic risks. Consensus estimates are saying that these two factors are well balanced. Valuation multiples, however, are discounting consensus estimates, and at an average P/BV of 1.47x, the banks are being priced for a mild recession. We stay in defensive mode while central banks continue to tighten, but risk-reward has improved. RY and NA remain our lone Outperformers.

Key Points

Our investment thesis on the banks is summarized below:

1. **NII growth increasingly about NIM expansion.** Loan growth remains robust, but eventually central bank rate increases will have their intended effect. We forecast loan growth of 5% in F2023, well below 13% in F2022. NIM is taking over as the key revenue driver and that favours TD and RY. Strong deposit franchises win in this environment.

2. **PCLs expected to be a 2023 earnings headwind.** Impairments remain well below historical levels and are taking longer than expected to normalise. The trend for performing PCLs shifted this quarter with all banks adding to allowances, and we expect more in coming quarters. We forecast an average PCL ratio of 33bps in F2023, up from 11bps in F2022. The headwind is biggest for BNS and TD.

3. **Capital ratios are an increasingly important driver of relative valuation multiples.** The group average CET1 was unchanged Q/Q. We expect CET1 to head lower in the next 2-3 quarters, tied to higher PCLs and the Canada Recovery Dividend. That will leave some banks with less capital flexibility (BMO, TD and BNS) and some banks with more flexibility (RY and NA). This seems to be benefitting the relative valuation multiples for RY and NA.

4. **Expense growth higher than expected.** Expense growth of 5% Y/Y was higher than expected, and we have revised our 2023 assumptions further for expense growth. Even with higher expense growth, we are still modeling positive operating leverage of 2% for next year. Our forecasts imply TD can produce the highest operating leverage.

5. **2023 consensus EPS grinding lower, but remains high.** Every one of the banks revised down economic assumptions for the next 12 months and, for the most part, put a higher weight on pessimistic scenarios. We have yet to see the same type of negative revisions for bank estimates with 2023 consensus EPS down only 2% on average from peak. Our estimates are 2% below consensus on average as we think the path forward is lower.

All figures in Canadian dollars otherwise stated.

Please see "Price Target Calculation and Key Risks to Price Target" information on pages 9-10.
For required regulatory disclosures please refer to "Important Disclosures" beginning on page 12.

NII Growth Lifts Q3/F22 Results But F2023 Remains Uncertain

Q3/F22 results were a mixed bag with 2 of the banks beating consensus EPS, 2 missing and 2 reporting in-line results. The primary areas of focus this quarter were NIM expansion and credit provisioning. NIM was up 5bps Q/Q on average, and when combined with still robust loan growth (>3% Q/Q), led to double-digit growth in net interest income (+10% Q/Q on average). Total PCLs were generally lower than consensus expectations with impaired PCLs down from last quarter (-12% Q/Q on average). However, the string of credit allowance releases has been broken with every bank adding a small amount to performing allowances this quarter. This is a start of a new trend in our opinion. There was an upward bias to F2023 consensus EPS following Q3/F22 results (+0.6% on average).

With the 2023 outlook uncertain and risks of recession looming, we prefer banks with more defensive attributes. Banks with higher capital ratios, higher allowance coverage ratios and more diversified sources of earnings will be in a better position in an economic downturn. We continue to favour NA and RY on this basis.

Exhibit 1: Canadian Banks - EPS Summary, Q3/F21-Q3/F22

CANADIAN BANK EARNINGS SUMMARY (Q3/F22)

	Ticker	Q3/F21	Q4/F21	Q1/F22	Q2/F22	Q3/F22	Q/Q	Y/Y	Result (Q3/F22)	Consensus (Q3/F22)	Difference %	Beat/Miss	Consensus 2023E EPS (8/22/2022)	Consensus 2023E EPS (Current)	Diff
Bank of Montreal	BMO	$3.44	$3.33	$3.89	$3.23	$3.09	(4%)	(10%)	$3.09	$3.14	(1.6%)	Miss	$14.28	$14.32	0.3%
Scotiabank	BNS	$2.01	$2.10	$2.15	$2.18	$2.10	(3%)	5%	$2.10	$2.11	(0.5%)	In Line	$8.66	$8.51	(1.7%)
CIBC	CM	$1.96	$1.68	$2.04	$1.77	$1.85	5%	(6%)	$1.85	$1.83	1.1%	Beat	$7.53	$7.56	0.4%
National Bank	NA	$2.36	$2.21	$2.60	$2.55	$2.35	(8%)	(0%)	$2.35	$2.34	0.4%	In Line	$9.75	$9.86	1.1%
Royal Bank	RY	$3.00	$2.78	$2.82	$2.99	$2.55	(15%)	(15%)	$2.55	$2.66	(4.1%)	Miss	$11.74	$11.93	1.6%
TD Bank	TD	$1.96	$2.08	$2.08	$1.97	$2.09	6%	7%	$2.09	$2.04	2.5%	Beat	$8.83	$8.99	1.8%
							(3%)	(3%)							0.6%
Canadian Western Bank	CWB	$1.01	$1.03	$0.99	$0.84	$0.90	7%	(10%)	$0.90	$0.90	0.0%	In Line	$3.96	$3.80	(4.0%)
Laurentian Bank	LB	$1.25	$1.06	$1.26	$1.39	$1.24	(11%)	(1%)	$1.24	$1.24	0.0%	In Line	$5.23	$5.09	(2.7%)
							(3%)	(4%)							(0.4%)

Source: Company reports, FactSet and CIBC World Markets Inc.

Bank stocks have traded lower in recent weeks, consistent with the broader market as economic uncertainty weighs on valuations. P/E multiples are well below average, signalling that the market sees downside risk to consensus EPS. As shown in the table in Exhibit 2, the Big 6 currently trade at 9.3x F2022E and 9.1x F2023E on average, lower than the historical average of 10.8x. On a P/BV basis, the Big 6 trade at 1.5x, a 10% discount to the five-year average. But there is still downside risk to valuations if we are heading to a full blown recession. The bottom end of the historical valuation range is around 1.2x, roughly 19% below current levels. The current dividend yield is at 4.7%, above the 5-year average of 4.0%.

Exhibit 2: Canadian Banks - Valuation Summary, 2022E-2023E

Bank	Ticker	Rating	Price Target	2022E	2023E	Price/Book Ratio	Dividend Yield
Bank of Montreal	BMO	Neutral	$135	9.1x	8.7x	1.3x	4.6%
Bank of Nova Scotia	BNS	Neutral	$77	8.5x	8.8x	1.3x	5.8%
CIBC	CM	N/A	N/A	8.3x	8.2x	1.3x	5.4%
National Bank of Canada	NA	Outperformer	$100	9.0x	8.9x	1.6x	4.2%
Royal Bank of Canada	RY	Outperformer	$140	11.0x	10.1x	1.8x	4.2%
Toronto-Dominion Bank	TD	Neutral	$93	10.3x	10.0x	1.6x	4.2%
Big Six Average				**9.3x**	**9.1x**	**1.5x**	**4.7%**
Canadian Western Bank	CWB	Neutral	$27	6.8x	6.9x	0.7x	5.1%
Laurentian Bank	LB	Neutral	$40	6.8x	6.9x	0.6x	5.1%
All Bank Average				**9.0x**	**8.8x**	**1.4x**	**4.8%**

* Consensus estimates used for CIBC. Source: Company reports, FactSet and CIBC World Markets Inc.

Price Target & EPS Revisions

We have revised our adjusted EPS estimates and price targets lower as we consider the risks associated with an economic slowdown. Given the NII growth trajectory from the quarter and the forecast next year, we have increased our expense growth assumptions for F2023. We are still forecasting positive operating leverage for the group, but less positive than previously embedded in our forecasts. Our F2023E EPS decline by 1% on average for the Big 6 (excluding CM) vs. -2% for the entire group (excluding CM).

We have also updated our price target multiples to reflect increasing macroeconomic and market risks. Our base multiple for the sector is now 10.0x, lowered from 10.5x. A summary of relative premiums/discounts for individual banks is provided below:

- BMO's multiple of 9.6x reflects a 4% discount (relative to a 1% historical discount), given capital implications associated with the Bank of the West acquisition.
- BNS' multiple of 9.5x reflects a 5% discount (relative to a 3% historical discount), given expected economic weakness in the Pacific Alliance countries, a CET1 ratio that is in the low end of the range and comparably less favourable credit allowances.
- NA's multiple of 10.2x reflects a 2% premium (relative to a 1% historical discount), given its capital strength, credit allowance coverage and diverse revenue mix.
- RY's multiple of 11.5x reflects a 15% premium (relative to a 9% historical premium), given the high CET1 ratio, revenue diversification and historical resilience in weaker economic environments.
- TD's multiple of 10.3x (ex. Schwab) reflects a 3% premium (relative to a 7% historical premium), given the bank's NII sensitivity and strong deposit base, while considering potential acquisition risks with the First Horizon transaction.
- CWB's multiple of 7.7x reflects a 22% discount (relative to a 7% historical discount), given its capital position, no excess credit allowances and current trading multiple.
- LB's multiple of 8.0x reflects a 20% discount (relative to 12% historical discount), as the current environment suggests a wider multiple for smaller-cap stocks.

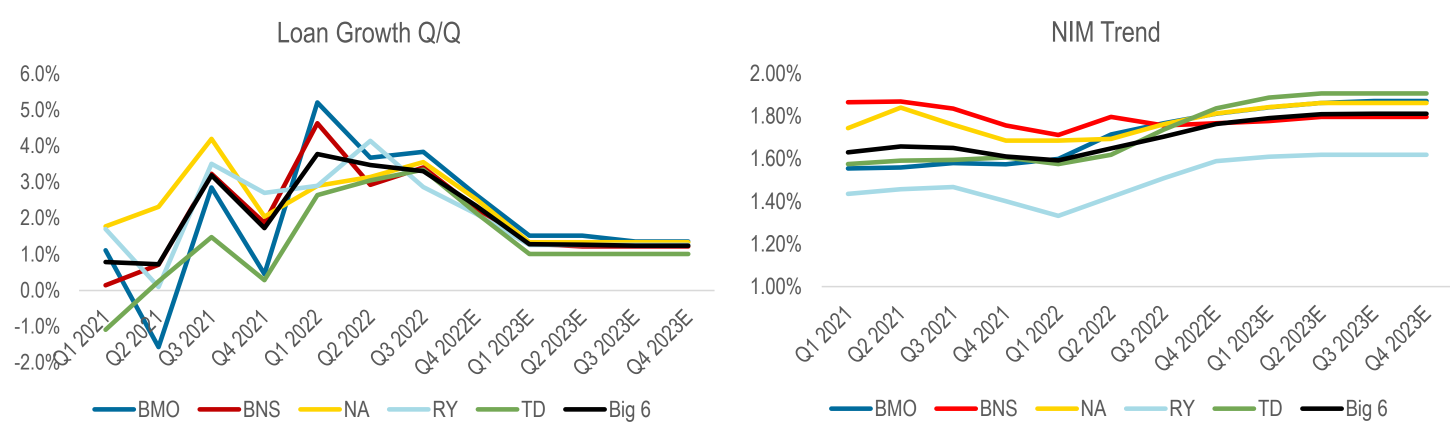
NII Growth Increasingly About NIM Expansion

While a higher rate environment should continue to be beneficial for NIM expansion, it will also temper demand for credit. In Q3/F22, the Big 6 banks reported NIM expansion of over 5bps Q/Q on average. Loan growth was solid again this past quarter but has already started to moderate at 3.3% Q/Q on average vs. Q2/F22 at 3.5% and Q1/F22 at 3.8%. Surprisingly, residential mortgage growth remained strong at +2.6% Q/Q, comparable to the LTM average. However, as the housing market continues to cool and corroborate commentary from management, residential mortgage growth should slow in future quarters. Other retail loans showed some modest slowing (2.3% Q/Q vs. 3.0% Q/Q last quarter), but moderation in commercial loan growth had a larger impact (4.5% Q/Q vs. 5.1% Q/Q last quarter). We forecast F2023 loan growth at just over 5% vs. F2022E at over 13% due to higher borrowing costs and slowing economic conditions.

While we expect loan growth to slow significantly, we still expect NII to grow roughly 15% in F2023 with NIM as the driving force. Further central bank rate hikes in September and asset repricing should provide a lift to NIMs in each of the next two quarters, followed by a diminishing tailwind in subsequent quarters as seen in the chart in Exhibit 3. We are modeling NIM expansion of 6bps for Q4/F22, 3bps for Q1/F23 and an average of 2bps for the remaining three quarters of F2023.

The cost of funding is moving significantly and quickly, which resulted in some negative NIM surprises this quarter. This was partly fueled by customer behaviour, with lower cost notice & demand deposit balances decreasing 2% Q/Q on average and higher cost term deposit balances increasing 8% Q/Q on average. Also, the slowing in overall deposit growth has necessitated more wholesale funding (+4% Q/Q on average). Banks with stronger deposit franchises should be able to outperform on NIM and NII growth over the next year. We expect TD and RY to post the highest NII growth in F2023, and we expect BNS to lag.

Exhibit 3: Canadian Banks – Loan Growth (left); NIM Trend (right), Q1/F21-Q4/F23E



Source: Company reports and CIBC World Markets Inc.

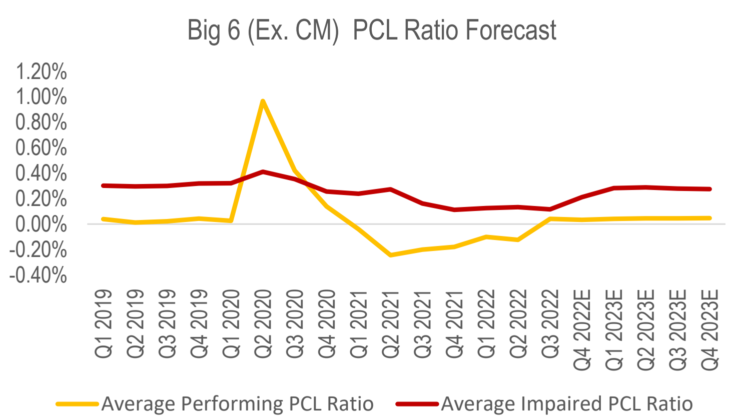
PCLs Expected To Be A 2023 Earnings Headwind

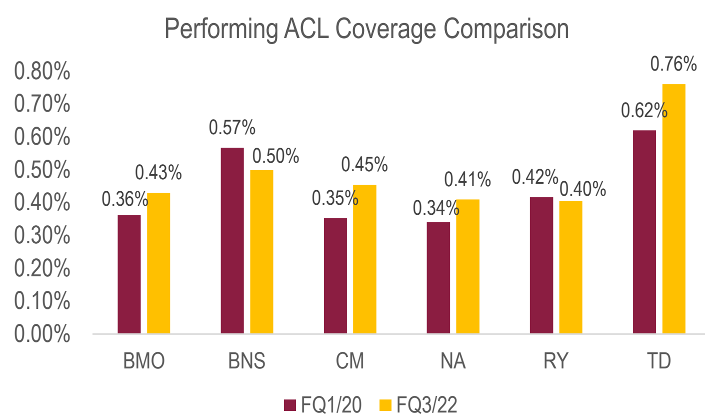
Credit performance remains strong, but a shift in provisioning has started to take place. After 6 consecutive quarters of aggregate performing allowance releases, all of the Big 6 added to performing allowances this quarter. The performing PCL ratio averaged +5bps with a range of 1bp and 9bps. While all banks showed a negative shift in forward-looking macroeconomic indicators, some banks used leftover COVID related allowances as an offset. Overall, the average performing ACL ratio was relatively unchanged from last quarter, as the build in allowances was matched by loan growth. Performing ACL ratios on average are 12% higher than Q1/F20 with CM and TD maintaining the most significant increase. BNS and RY are the only two banks with a current ACL ratio below pre-pandemic. Going forward, we expect all the banks will need to add to performing allowances when economic forecasts incorporate higher recession probabilities.

Impairment trends remain below historical averages with the impaired PCL ratio coming in at 12bps, down from 14bps last quarter and under the F2018-F2019 average of ~29bps. Gross impaired loans decreased another 3% on average sequentially, sitting nearly 20% lower than the end of F2019. Gross impaired loan formations increased 24% sequentially on average this past quarter, implying there is some change in trend. TD was the only bank to report a sequential increase in impaired PCLs. Management teams continue to expect a slow normalization in impaired PCLs, and this is what we have assumed in our forecasts.

Our average F2023 PCL ratio forecast is 33bps, slightly above the F2018-F2019 average of 31bps, as we expect banks will have to build performing allowances in the coming quarters, illustrated in the chart in Exhibit 4. Based on current performing allowances, loan mix and past credit provisioning, we forecast BMO (21bps) and NA (25bps) to have the lowest PCL ratios in F2023 and BNS (46bps) and TD (42bps) to have the highest.

Exhibit 4: Canadian Banks – PCL Forecast, Q1/F19-Q4/F23E (left) And Performing ACL Coverage Comparison, Q1/F20-Q3/F22 (right)





Source: Company reports and CIBC World Markets Inc.

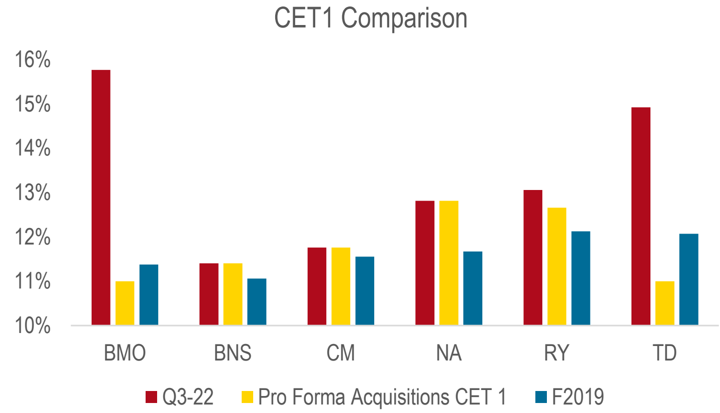
Capital Ratios Remain An Important Driver Of Relative Valuation Multiples

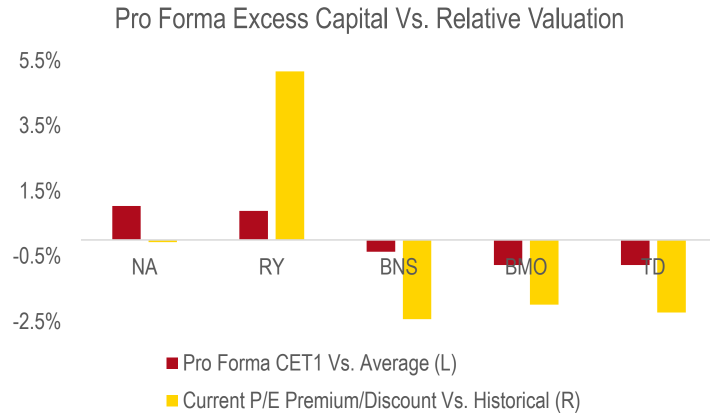
The group average CET1 ratio of 13.3% was unchanged from last quarter. Organic capital generation net of dividends added 34bps on average, while RWA growth on average consumed 31bps. Inorganic capital actions were limited with BNS and RY each consuming roughly 10bps of CET1 for share buybacks. The past year has seen significant capital deployment from all the banks (organic and inorganic), but excess capital has now largely been allocated - the two exceptions being RY, which expects to continue with its share repurchases, and NA, which is being patiently opportunistic.

We expect CET1 ratios, even excluding acquisitions, to trend lower over the next 2-3 quarters due to the outlook for commercial loan growth, prospect for higher PCLs and the Canadian Recovery Dividend. Consider first that net organic capital generation was effectively zero this quarter with still low PCLs. We can easily envision an upcoming quarter where RWA growth remains high, but where impaired PCLs shoot higher due to a change in economic indicators. The Canadian Recovery Dividend is expected to pass legislation for the 2022 tax year and by our estimates would reduce CET1 ratios by 20bps-30bps. The combination of these factors could force banks with lower capital ratios (TD, BMO and BNS) to slow loan growth or take other capital actions.

In Exhibit 5, we provide a comparison between CET1 ratios and relative P/E multiples. There is not a perfect linear relationship, but there is a clear dichotomy in valuation multiples between the banks with the highest CET1 ratios and those with the lowest CET1 ratios. This supports our thesis that the market is placing increasing importance on excess capital and our preference for banks with more excess capital, namely RY and NA.

Exhibit 5: Canadian Banks – CET1 Comparison (left); Liquidity Coverage & Pro Forma Excess Capital Vs. Relative Valuation (right), Q3/F22





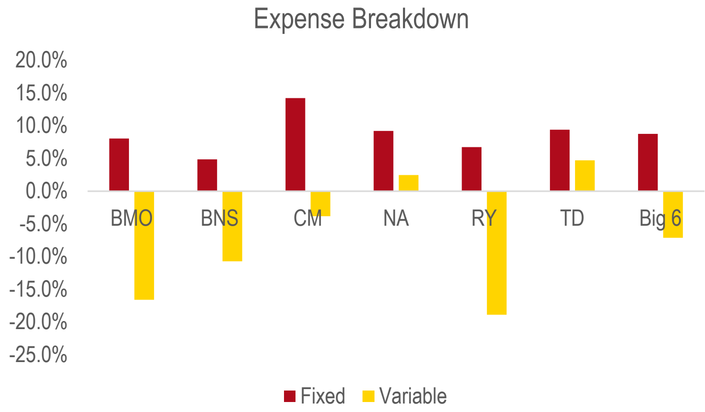
Source: Company reports and CIBC World Markets Inc.

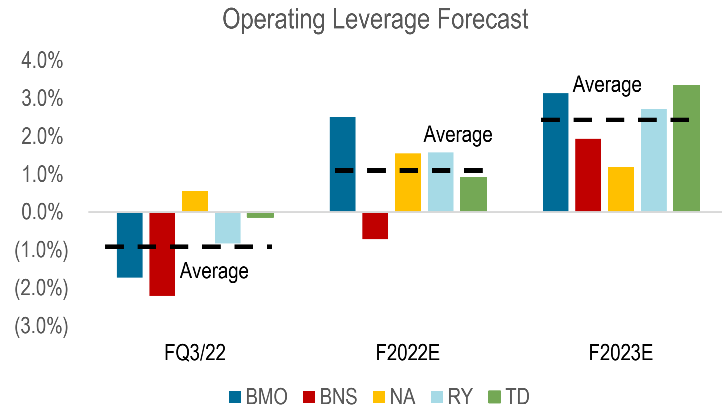
Expense Growth High; Positive Operating Leverage Remains The Objective

Expense growth was elevated in Q3/F22 due to wage inflation, strategic business investments and the normalization of certain expenses that trended lower during COVID (e.g., travel, entertainment, etc.). Total operating expenses increased 5% Y/Y on average, with fixed expenses up nearly 9% Y/Y and variable compensation down nearly 7% Y/Y (in line with capital markets results coming in lower). Total operating expenses were 1% higher than consensus on average, with four out of six banks reporting higher expenses. As a result, operating leverage was not so favourable this quarter. If we adjust for the loan underwriting markdowns experienced by BMO and RY, operating leverage was close to 0% this quarter. RY, BMO and NA were the three banks that produced positive operating leverage (excluding loan markdowns).

Despite less stellar operating leverage in Q3/F22, and continued expectation for high expense growth, management teams still expect positive operating leverage in the coming quarters. We believe this is an achievable target as NII growth should provide a big lift to revenue growth and both capital markets and wealth results should improve gradually. In F2023, we forecast average revenue growth at 9%, largely due to elevated NII growth of 15% and expense growth of over 6%. This results in operating leverage of +2% on average, with TD leading the pack (largely from higher interest rate sensitivity) as seen in Exhibit 6.

Exhibit 6: Canadian Banks – Expense Breakdown Y/Y (left), Q3/F22; Operating Leverage (right), F2022E-F2023E





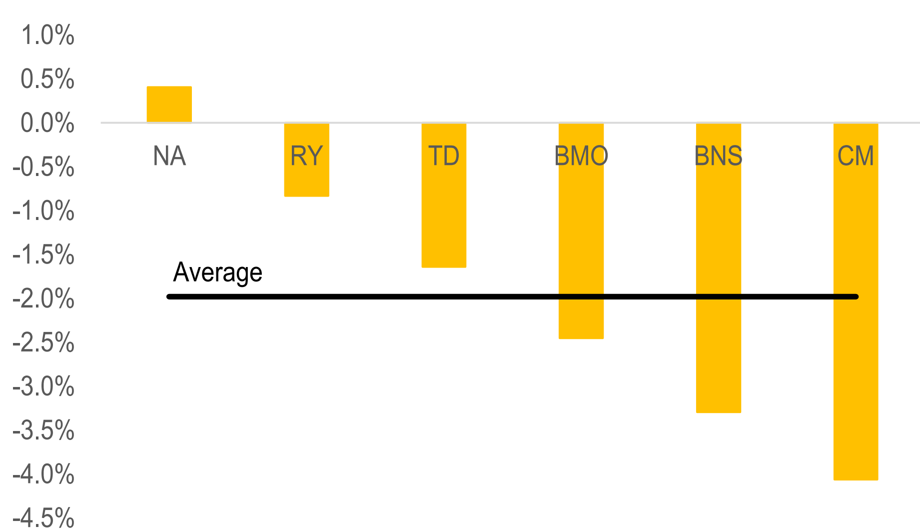
Source: Company reports and CIBC World Markets Inc.

2023 Consensus Grinding Lower, But Remains High

The economic outlook has changed significantly from the beginning of the year, which was evident with negative changes in economic forecasts from every bank this past quarter. Base case assumptions became less favourable and pessimistic scenarios became more pessimistic. The banks in general also increased the probability weighting towards those pessimistic scenarios. Banks are referred to as cyclical stocks for good reasons; earnings do tend to be highly geared to economic conditions. We would argue that the divergence between consensus economic forecasts and consensus bank earnings is growing, and this implies analysts are looking for some sort of catalyst to reduce 2023E EPS (Q3/F22 results were not that catalyst).

Consensus EPS estimates for F2023 are only 2% lower than the peak estimates that were established in March. We estimate that a mild recession could be a 10%-15% hit to EPS while a more severe recession would be take 25%-30% off EPS. Clearly consensus has not embedded either of those scenarios but rather a soft landing type scenario. Our F2023E EPS is 2% below consensus on average, as we also have not fully embedded a recession into our assumptions but do believe the path forward for consensus EPS is lower.

Exhibit 7: Canadian Banks – Current 2023 Consensus EPS Estimate Vs. Peak



Source: FactSet and CIBC World Markets Inc.

NII Growth Keeping PTPP Positive

PTPP increased 4% Y/Y on average, comparable to last quarter, however with different underlying trends. PTPP excluding capital markets was up a very healthy 9% Y/Y with all banks showing positive growth and four of the six posting double-digit growth. BNS and NA were the laggards on PTPP growth excluding capital markets.

Lending NII was the largest driving force in positive PTPP growth this quarter as it increased significantly (17% Y/Y on average) with all banks in the double digits. Expense growth remained high, mostly from fixed expense growth (9% Y/Y on average). Expense growth is expected to remain high. While we expect NII to continue to be the biggest tailwind for PTPP in the next year, other revenue streams should perform relatively better going forward. We forecast F2023 PTPP growth to come in at 12% on average.

Capital markets results were a big drag for most of the banks, as PTPP decreased 20% Y/Y on average. BMO and RY reported the largest declines, which was partly a result of loan markdowns. Excluding the markdowns, BMO still showed the largest Y/Y decrease in PTPP, but RY moved into the middle of the pack.

Exhibit 8: Canadian Banks - PTPP Earnings Growth Scorecard, Q3/F22

Growth (Y/Y)	BMO	BNS	CM	NA	RY	TD	Average
PTPP	**(1%)**	**(2%)**	**10%**	**9%**	**(2%)**	**8%**	**4%**
PTPP (Capital Markets)	*(48%)*	*(21%)*	*(1%)*	*14%*	*(52%)*	*(14%)*	*(20%)*
PTPP (ex-Capital Markets)	**12%**	**2%**	**13%**	**6%**	**11%**	**11%**	**9%**
Revenue	**1%**	**1%**	**10%**	**8%**	**(1%)**	**9%**	**4%**
Lending NII	*23%*	*13%*	*14%*	*17%*	*19%*	*15%*	*17%*
Core Fees	*(7%)*	*1%*	*3%*	*4%*	*(2%)*	*6%*	*1%*
Insurance	*(16%)*	*36%*	*1%*	*37%*	*(14%)*	*12%*	*9%*
CMRR	*(29%)*	*(32%)*	*(4%)*	*4%*	*(33%)*	*(4%)*	*(16%)*
Other Fee Income	*(30%)*	*(29%)*	*22%*	*(26%)*	*(33%)*	*(81%)*	*(29%)*
Revenue (ex-CMRR)	**8%**	**6%**	**12%**	**9%**	**5%**	**11%**	**8%**
Expenses	**2%**	**3%**	**10%**	**7%**	**(1%)**	**9%**	**5%**
Variable Compensation	*(17%)*	*(11%)*	*(4%)*	*2%*	*(19%)*	*5%*	*(7%)*
Fixed Expenses	*8%*	*5%*	*14%*	*9%*	*7%*	*9%*	*9%*

Source: Company reports and CIBC World Markets Inc.

Price Target Calculation - BMO

We are revising our price target from $143 to $135 as a result of realigning our industry valuation multiple to price in higher recessionary risks. We derive our $135 price target by applying a 9.6x P/E multiple to our F2023 EPS estimate of $14.01. The target multiple is slightly lower than the historical valuation for the bank given the Bank of the West transaction risk.

Key Risks to Price Target - BMO

The primary risks to our price target include acquisition risks, a delayed or slower-than-expected rebound in commercial loan growth, a significant increase in PCLs beyond our expectations, prolonged capital market activity weakness, rapid and substantial changes in global interest rates, key personnel changes, and changes in business strategy.

Price Target Calculation - BNS

We are revising our price target from $84 to $77 as a result of realigning our industry valuation multiple to price in higher recessionary risks. We derive our $77 price target by applying a 9.5x P/E multiple to our F2023 EPS estimate of $8.08. The target multiple is slightly below the historical valuation for the bank relative to peers given the bank's sensitivity to recessionary times.

Key Risks to Price Target - BNS

The primary risks to our price target include a significant increase in PCLs beyond our expectations, prolonged capital market activity weakness, rapid and substantial changes in global interest rates, key personnel changes, changes in business strategy, and instability in select international markets.

Price Target Calculation - NA

We are revising our price target from $104 to $100 as a result of realigning our industry valuation multiple to price in higher recessionary risks. We derive our $100 price target by applying a 10.2x P/E multiple to our F2023 EPS estimate of $9.81. The target multiple is slightly higher than the historical for the bank given the bank's revenue mix.

Key Risks to Price Target - NA

The primary risks to our price target include a significant increase in PCLs beyond our expectations, prolonged capital market activity weakness, rapid and substantial changes in global interest rates, key personnel changes, and changes in business strategy.

Price Target Calculation - RY

We are revising our price target from $146 to $140 as a result of realigning our industry valuation multiple to price in higher recessionary risks. The target multiple is a 15% premium for the bank, slightly higher than the historical premium given RY's strong balance sheet position.

Key Risks to Price Target - RY

The primary risks to our price target include a significant increase in PCLs beyond our expectations, prolonged capital market activity weakness, rapid and substantial changes in global interest rates, key personnel changes, and changes in business strategy.

Price Target Calculation – TD

We are revising our price target from $97 to $93 as a result of realigning our industry valuation multiple to price in higher recessionary risks. We derive our $93 price target by applying a 10.3x P/E multiple to earnings excluding Schwab (resulting in $80) and then adding the value of TD's stake in Schwab at the consensus target price ($13 per TD share).

Key Risks to Price Target - TD

The primary risks to our price target include a significant increase in PCLs beyond our expectations, prolonged capital market activity weakness, rapid and substantial changes in global interest rates, weaker performance from Schwab, key personnel changes, and changes in business strategy.

Price Target Calculation – CWB

We are revising our price target from $29 to $27 as a result of realigning our industry valuation multiple to price in higher recessionary risks. We derive our $27 price target by applying a 7.7x P/E multiple to our F2023 EPS estimate of $3.54. The target multiple is a 22% discount to peers, which compares to a 7% five-year average historical discount for the bank given the higher sensitivity to recessionary risks.

Key Risks to Price Target - CWB

The primary risks to our price target include a significant increase in PCLs beyond our expectations, rapid and substantial changes in Canadian interest rates, key personnel changes, changes in business strategy, inability to transition to AIRB, prolonged weakness in commodity prices, and prolonged weakness in Western Canadian economic growth.

Price Target Calculation – LB

We are revising our price target from $43 to $40 as a result of realigning our industry valuation multiple to price in higher recessionary risks. We derive our $40 price target by applying a 7.9x PE multiple to our F2023 EPS estimate of $5.05. The multiple implies a 21% discount, larger than historical given the higher sensitivity to recessionary risks.

Key Risks to Price Target - LB

The primary risks to our price target include a significant increase in PCLs beyond our expectations, prolonged capital market activity weakness, rapid and substantial changes in global interest rates, key personnel changes, and changes in business strategy. Upside risks to our price target and rating relate to the bank's ability to navigate the execution of the strategic plan. Continued low levels of provisioning relative to the Big Six banks would be viewed positively. Additionally, success in lowering the efficiency ratio permanently would be viewed positively and would require progress on both revenues (e.g., consistent loan growth, improvements in the margin) and expenses.

CIBC Ratings and Price Targets

Ticker	Price	Price Target Prior	Price Target Current	Rating Prior	Rating Current
BMO-CA	C$120.50	C$143.00	C$135.00	Neutral	Neutral
BNS-CA	C$70.68	C$84.00	C$77.00	Neutral	Neutral
CWB-CA	C$24.31	C$29.00	C$27.00	Neutral	Neutral
LB-CA	C$34.18	C$43.00	C$40.00	Neutral	Neutral
NA-CA	C$86.90	C$104.00	C$100.00	Outperformer	Outperformer
RY-CA	C$122.50	C$146.00	C$140.00	Outperformer	Outperformer
TD-CA	C$84.11	C$97.00	C$93.00	Neutral	Neutral

Source: Company reports and CIBC World Markets Inc.

Changes To CIBC Estimates

Ticker	Earnings Type	FYE	2021 Prior	2021 Current	2022 Prior	2022 Current	2023 Prior	2023 Current
BMO-CA	Adj. EPS	Oct	C$12.96	C$12.96	C$13.43	C$13.43	C$14.03	C$14.01
BNS-CA	Adj. EPS	Oct	C$7.88	C$7.88	C$8.42	C$8.42	C$8.40	C$8.08
CWB-CA	Adj. EPS	Oct	C$3.81	C$3.81	C$3.58	C$3.58	C$3.66	C$3.54
LB-CA	Adj. EPS	Oct	C$4.57	C$4.57	C$5.17	C$5.17	C$5.17	C$5.05
NA-CA	Adj. EPS	Oct	C$8.98	C$8.98	C$9.73	C$9.73	C$9.85	C$9.81
RY-CA	Adj. EPS	Oct	C$11.26	C$11.26	C$11.23	C$11.23	C$12.30	C$12.16
TD-CA	Adj. EPS	Oct	C$7.99	C$7.99	C$8.30	C$8.31	C$8.67	C$8.53

Source: Company reports and CIBC World Markets Inc.

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Neutral	NT	Stock is expected to perform in line with similar stocks in the coverage universe during the next 12-18 months.
Underperformer	UN	Stock is expected to underperform similar stocks in the coverage universe during the next 12-18 months.
Tender	TR	Shareholders are advised to tender shares to a specific offer as we do not believe a superior offer will materialize.
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Marketweight	M	Sector is expected to equal the performance of the broader market averages.
Underweight	U	Sector is expected to underperform the broader market averages.
None	NA	Sector rating is not applicable.

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(as of 06 Sep 2022)	Count	Percent	Inv. Banking Relationships	Count	Percent
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Neutral	134	43%	Neutral	134	100%
Underperformer	8	3%	Underperformer	8	100%
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