# Management's discussion and analysis

Management's discussion and analysis (MD&A) is provided to enable readers to assess CIBC's financial condition and results of operations as at and for the quarter ended January 31, 2018 compared with corresponding periods. The MD&A should be read in conjunction with our 2017 Annual Report and the unaudited interim consolidated financial statements included in this report. Unless otherwise indicated, all financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards (IFRS or GAAP) and all amounts are expressed in Canadian dollars. Certain disclosures in the MD&A have been shaded as they form an integral part of the interim consolidated financial statements. The MD&A is current as of February 21, 2018. Additional information relating to CIBC is available on SEDAR at www.sedar.com and on the U.S. Securities and Exchange Commission's (SEC) website at www.sec.gov. No information on CIBC's website (www.cibc.com) should be considered incorporated herein by reference. A glossary of terms used throughout this quarterly report can be found on pages 178 to 183 of our 2017 Annual Report.

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**A NOTE ABOUT FORWARD-LOOKING STATEMENTS:** From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including in this report, in other filings with Canadian securities regulators or the SEC and in other communications. All such statements are made pursuant to the "safe harbour" provisions of, and are intended to be forward-looking statements under applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements made in the "Overview – Financial results", "Overview – Significant events", "Overview – Economic outlook", "Financial condition – Capital resources", "Management of risk – Risk overview", "Management of risk – Top and emerging risks", "Management of risk – Credit risk", "Management of risk – Market risk", "Management of risk – Liquidity risk", "Accounting and control matters – Critical accounting policies and estimates", and "Accounting and control matters – Other regulatory developments" sections of this report and other statements about our operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies, the regulatory environment in which we operate and outlook for calendar year 2018 and subsequent periods. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate", "forecast", "target", "objective" and other similar expressions or future or conditional verbs such as "will", "should", "would" and "could". By their nature, these statements require us to make assumptions, including the economic assumptions set out in the "Overview – Economic outlook" section of this report, and are subject to inherent risks and uncertainties that may be general or specific. A variety of factors, many of which are beyond our control, affect our operations, performance and results, and could cause actual results to differ materially from the expectations expressed in any of our forward-looking statements. These factors include: credit, market, liquidity, strategic, insurance, operational, reputation and legal, regulatory and environmental risk; the effectiveness and adequacy of our risk management and valuation models and processes; legislative or regulatory developments in the jurisdictions where we operate, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations issued and to be issued thereunder, the Organisation for Economic Co-operation and Development Common Reporting Standard, and regulatory reforms in the United Kingdom and Europe, the Basel Committee on Banking Supervision's global standards for capital and liquidity reform, and those relating to bank recapitalization legislation and the payments system in Canada; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions, and interest rate and liquidity regulatory guidance; the resolution of legal and regulatory proceedings and related matters; the effect of changes to accounting standards, rules and interpretations; changes in our estimates of reserves and allowances; changes in tax laws; changes to our credit ratings; political conditions and developments, including changes relating to economic or trade matters; the possible effect on our business of international conflicts and the war on terror; natural disasters, public health emergencies, disruptions to public infrastructure and other catastrophic events; reliance on third parties to provide components of our business infrastructure; potential disruptions to our information technology systems and services; increasing cyber security risks which may include theft of assets, unauthorized access to sensitive information, or operational disruption; social media risk; losses incurred as a result of internal or external fraud; anti-money laundering; the accuracy and completeness of information provided to us concerning clients and counterparties; the failure of third parties to comply with their obligations to us and our affiliates or associates; intensifying competition from established competitors and new entrants in the financial services industry including through internet and mobile banking; technological change; global capital market activity; changes in monetary and economic policy; currency value and interest rate fluctuations, including as a result of market and oil price volatility; general business and economic conditions worldwide, as well as in Canada, the U.S. and other countries where we have operations, including increasing Canadian household debt levels and global credit risks; our success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels; changes in client spending and saving habits; our ability to attract and retain key employees and executives; our ability to successfully execute our strategies and complete and integrate acquisitions and joint ventures; the risk that expected synergies and benefits of the acquisition of PrivateBancorp, Inc. will not be realized within the expected time frame or at all; and our ability to anticipate and manage the risks associated with these factors. This list is not exhaustive of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements. Any forward-looking statements contained in this report represent the views of management only as of the date hereof and are presented for the purpose of assisting our shareholders and financial analysts in understanding our financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statement that is contained in this report or in other communications except as required by law.

# External reporting change

The following external reporting change was made in the first quarter of 2018.

### IFRS 9 "Financial Instruments"

We adopted IFRS 9 "Financial Instruments" (IFRS 9) effective November 1, 2017. As permitted, prior period amounts were not restated.

As part of the adoption of IFRS 9, we now recognize provision for credit losses on both impaired (stage 3) and non-impaired (stages 1 and 2) loans in the respective strategic business units (SBUs). In prior periods, provision for credit losses on non-impaired loans was recognized in Corporate and Other, with the exception of provision for credit losses related to CIBC Bank USA, which was recognized in U.S. Commercial Banking and Wealth Management, and provision for credit losses on: (i) non-impaired residential mortgages greater than 90 days delinquent; and (ii) non-impaired personal loans and scored small business loans greater than 30 days delinquent, which was recognized in Canadian Personal and Small Business Banking.

# First quarter financial highlights

| Unaudited, as at or for the three months ended | | 2018 Jan. 31 | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|---|
| **Financial results** ($ millions) | | | | |
| Net interest income | | **$ 2,473** | $ 2,464 | $ 2,142 |
| Non-interest income | | **1,986** | 1,805 | 2,067 |
| Total revenue | | **4,459** | 4,269 | 4,209 |
| Provision for credit losses | | **153** | 229 | 212 |
| Non-interest expenses | | **2,578** | 2,570 | 2,274 |
| Income before income taxes | | **1,728** | 1,470 | 1,723 |
| Income taxes | | **400** | 306 | 316 |
| Net income | | **$ 1,328** | $ 1,164 | $ 1,407 |
| Net income attributable to non-controlling interests | | **$ 5** | $ 5 | $ 5 |
| Preferred shareholders | | **18** | 24 | 9 |
| Common shareholders | | **1,305** | 1,135 | 1,393 |
| Net income attributable to equity shareholders | | **$ 1,323** | $ 1,159 | $ 1,402 |
| **Financial measures** | | | | |
| Reported efficiency ratio | | **57.8 %** | 60.2 % | 54.0 % |
| Adjusted efficiency ratio [1] | | **55.1 %** | 56.5 % | 56.3 % |
| Loan loss ratio [2] | | **0.22 %** | 0.23 % | 0.26 % |
| Reported return on common shareholders' equity | | **17.4 %** | 15.8 % | 24.4 % |
| Adjusted return on common shareholders' equity [1] | | **18.8 %** | 17.2 % | 20.1 % |
| Net interest margin | | **1.66 %** | 1.72 % | 1.61 % |
| Net interest margin on average interest-earning assets | | **1.86 %** | 1.92 % | 1.80 % |
| Return on average assets | | **0.89 %** | 0.81 % | 1.06 % |
| Return on average interest-earning assets | | **1.00 %** | 0.91 % | 1.18 % |
| Total shareholder return | | **8.45 %** | 6.19 % | 11.49 % |
| Reported effective tax rate | | **23.2 %** | 20.8 % | 18.4 % |
| Adjusted effective tax rate [1] | | **18.1 %** | 21.8 % | 18.5 % |
| **Common share information** | | | | |
| Per share ($) | – basic earnings | **$ 2.96** | $ 2.60 | $ 3.50 |
| | – reported diluted earnings | **2.95** | 2.59 | 3.50 |
| | – adjusted diluted earnings [1] | **3.18** | 2.81 | 2.89 |
| | – dividends | **1.30** | 1.30 | 1.24 |
| | – book value | **67.34** | 66.55 | 58.90 |
| Share price ($) | – high | **123.99** | 114.01 | 113.16 |
| | – low | **112.65** | 104.10 | 97.76 |
| | – closing | **121.86** | 113.56 | 110.81 |
| Shares outstanding (thousands) | – weighted-average basic [3][4] | **441,124** | 437,109 | 397,647 |
| | – weighted-average diluted [3] | **442,852** | 438,556 | 398,311 |
| | – end of period [3][4] | **443,825** | 439,313 | 399,559 |
| Market capitalization ($ millions) | | **$ 54,085** | $ 49,888 | $ 44,275 |
| **Value measures** | | | | |
| Dividend yield (based on closing share price) | | **4.2 %** | 4.5 % | 4.4 % |
| Reported dividend payout ratio | | **44.0 %** | 50.1 % | 35.4 % |
| Adjusted dividend payout ratio [1] | | **40.7 %** | 46.1 % | 42.8 % |
| Market value to book value ratio | | **1.81** | 1.71 | 1.88 |
| **On- and off-balance sheet information** ($ millions) | | | | |
| Cash, deposits with banks and securities | | **$ 110,524** | $ 107,571 | $ 104,913 |
| Loans and acceptances, net of allowance | | **366,679** | 365,558 | 322,094 |
| Total assets | | **586,927** | 565,264 | 513,294 |
| Deposits | | **446,179** | 439,706 | 409,753 |
| Common shareholders' equity | | **29,889** | 29,238 | 23,532 |
| Average assets | | **590,344** | 568,905 | 528,852 |
| Average interest-earning assets | | **528,528** | 510,038 | 470,943 |
| Average common shareholders' equity | | **29,677** | 28,471 | 22,674 |
| Assets under administration (AUA) [5][6] | | **2,222,725** | 2,192,947 | 2,036,008 |
| Assets under management (AUM) [6] | | **225,765** | 221,571 | 186,547 |
| **Balance sheet quality (All-in basis) and liquidity measures** | | | | |
| Risk-weighted assets (RWA) ($ millions) | | | | |
| Common Equity Tier 1 (CET1) capital RWA | | **$ 204,647** | $ 203,321 | $ 169,350 |
| Tier 1 capital RWA | | **204,647** | 203,321 | 169,575 |
| Total capital RWA | | **204,647** | 203,321 | 169,755 |
| Capital ratios | | | | |
| CET1 ratio | | **10.8 %** | 10.6 % | 11.9 % |
| Tier 1 capital ratio | | **12.4 %** | 12.1 % | 13.2 % |
| Total capital ratio | | **14.1 %** | 13.8 % | 15.2 % |
| Basel III leverage ratio | | | | |
| Leverage ratio exposure ($ millions) | | **$ 626,606** | $ 610,353 | $ 555,830 |
| Leverage ratio | | **4.0 %** | 4.0 % | 4.0 % |
| Liquidity coverage ratio (LCR) | | **119 %** | 120 % | 119 % |
| **Other information** | | | | |
| Full-time equivalent employees | | **44,516** | 44,928 | 43,016 |

(1) For additional information, see the "Non-GAAP measures" section.
(2) The ratio is calculated as the provision for credit losses on impaired loans to average loans and acceptances, net of allowance for credit losses.
(3) Excludes 321,440 common shares which are issued and outstanding but which have not been acquired by a third party as at January 31, 2018 (October 31, 2017: 2,010,890; January 31, 2017: nil). These shares were issued as a component of our acquisition of The PrivateBank. These shares are currently held on behalf of CIBC, and may be exchanged or cancelled at CIBC's discretion.
(4) Excludes 189,573 unvested restricted shares as at January 31, 2018 (October 31, 2017: 190,285; January 31, 2017: nil).
(5) Includes the full contract amount of AUA or custody under a 50/50 joint venture between CIBC and The Bank of New York Mellon of $1,751.2 billion (October 31, 2017: $1,723.9 billion; January 31, 2017: $1,630.8 billion).
(6) AUM amounts are included in the amounts reported under AUA.

# Overview

## Financial results

Reported net income for the quarter was $1,328 million, compared with $1,407 million for the same quarter last year, and $1,164 million for the prior quarter. CIBC Bank USA, acquired on June 23, 2017, contributed $102 million to net income, compared with $73 million for the prior quarter.

Adjusted net income[1] for the quarter was $1,433 million, compared with $1,166 million for the same quarter last year, and $1,263 million for the prior quarter.

Reported diluted earnings per share (EPS) for the quarter was $2.95, compared with $3.50 for the same quarter last year, and $2.59 for the prior quarter.

Adjusted diluted EPS[1] for the quarter was $3.18, compared with $2.89 for the same quarter last year, and $2.81 for the prior quarter.

Net income for the current quarter was affected by the following items of note:

- $88 million charge from net tax adjustments resulting from the U.S. tax reforms enacted in the first quarter of 2018 (Corporate and Other);
- $32 million ($24 million after-tax) amortization of intangible assets ($2 million after-tax in Canadian Personal and Small Business Banking, $19 million after-tax in U.S. Commercial Banking and Wealth Management, and $3 million after-tax in Corporate and Other); and
- $10 million ($7 million after-tax net positive impact) in purchase accounting adjustments net of transaction and integration-related costs[2] associated with the acquisitions of The PrivateBank and Geneva Advisors (income of $13 million after-tax in U.S. Commercial Banking and Wealth Management, and charge of $6 million after-tax in Corporate and Other).

The above items of note increased revenue by $27 million, non-interest expenses by $49 million, and income taxes by $83 million. In aggregate, these items of note decreased net income by $105 million.

### Net interest income[3]

Net interest income was up $331 million or 15% from the same quarter last year, primarily due to the results of CIBC Bank USA, as well as volume growth across Canadian personal and commercial products and higher treasury revenue, partially offset by lower trading income.

Net interest income was up $9 million from the prior quarter, primarily due to volume growth across Canadian personal and commercial products and higher corporate banking revenue, partially offset by lower trading income and narrower spreads in Canadian Personal and Small Business Banking.

### Non-interest income[3]

Non-interest income was down $81 million or 4% from the same quarter last year, primarily due to a gain on the sale and lease back of certain retail properties in the same quarter last year, shown as an item of note. Excluding this gain, the current quarter had higher non-interest income due to the inclusion of the results of CIBC Bank USA, higher investment management and custodial fees and mutual fund fees, driven by higher AUM and AUA, and higher revenue from hedging activities.

Non-interest income was up $181 million or 10% from the prior quarter, primarily due to higher trading income, higher revenue from hedging activities, and higher investment management and custodial fees and mutual fund fees, driven by higher AUM and AUA.

### Provision for credit losses

Provision for credit losses was down $59 million or 28% from the same quarter last year.

In Canadian Personal and Small Business Banking, the provision for credit losses was down primarily due to a reduction in allowance for non-impaired loans[4] in the current quarter, reflective of an economic outlook that improved in the current quarter. Provision for credit losses on impaired loans was down primarily due to lower bankruptcies and write-offs in the card and personal lending portfolios.

In Canadian Commercial Banking and Wealth Management, the provision for credit losses was down primarily due to a reduction in allowance for non-impaired loans[4] recognized in the current quarter, reflective of an economic outlook that improved in the current quarter. The provision for credit losses on impaired loans was comparable with the same quarter last year.

In U.S. Commercial Banking and Wealth Management, the provision for credit losses was up for both non-impaired[4] and impaired loans due to the inclusion of the results of CIBC Bank USA.

In Capital Markets, the current quarter included a reversal of credit losses, primarily due to a reduction in allowance for non-impaired loans[4] recognized in the current quarter, driven by improvements in the oil and gas sector and an economic outlook that improved in the current quarter. The provision for credit losses on impaired loans was comparable with the same quarter last year.

In Corporate and Other, the provision for credit losses was up primarily due to a higher provision for credit losses on impaired loans as a result of higher write-offs in CIBC FirstCaribbean. The reversal of credit losses on non-impaired loans in the current quarter only included CIBC FirstCaribbean as a result of our adoption of IFRS 9[4].

(1) For additional information, see the "Non-GAAP measures" section.
(2) Transaction costs include legal and other advisory fees, financing costs associated with pre-funding the cash component of the merger consideration, and interest adjustments relating to the obligation payable to dissenting shareholders. Integration costs are comprised of direct and incremental costs incurred as part of planning for and executing the integration of the businesses of The PrivateBank (subsequently rebranded as CIBC Bank USA) and Geneva Advisors with CIBC, including enabling cross-sell opportunities and expansion of services in the U.S. market, the upgrade and conversion of systems and processes, project management, integration-related travel, severance, consulting fees and marketing costs related to rebranding activities. Purchase accounting adjustments, included as items of note beginning in the fourth quarter of 2017, include the accretion of the acquisition date fair value discount on the acquired loans of The PrivateBank, the collective allowance established for new loan originations and renewals of acquired loans (prior to the adoption of IFRS 9 in the first quarter of 2018), and changes in the fair value of contingent consideration relating to the Geneva Advisors acquisition.
(3) Trading activities and related risk management strategies can periodically shift trading income between net interest income and non-interest income. Therefore, we view total trading income as the most appropriate measure of trading performance.
(4) As a result of our adoption of IFRS 9 effective November 1, 2017, we now recognize provision for credit losses on both impaired and non-impaired loans in the SBUs. In prior periods, provision for credit losses on non-impaired loans was recognized in Corporate and Other, with the exception of provision for credit losses related to CIBC Bank USA, which was recognized in U.S. Commercial Banking and Wealth Management, and provision for credit losses on: (i) non-impaired residential mortgages greater than 90 days delinquent; and (ii) non-impaired personal loans and scored small business loans greater than 30 days delinquent, which was recognized in Canadian Personal and Small Business Banking. All provision for credit losses related to CIBC FirstCaribbean continues to be recognized in Corporate and Other.

Provision for credit losses was down $76 million or 33% from the prior quarter.

In Canadian Personal and Small Business Banking, the provision for credit losses was down primarily due to a reduction in allowance for non-impaired loans[1] in the current quarter, reflective of an economic outlook that improved in the current quarter. Provision for credit losses on impaired loans was comparable with the prior quarter.

In Canadian Commercial Banking and Wealth Management, the provision for credit losses was down primarily due to a lower provision for credit losses on impaired loans as a result of lower losses in the commercial banking portfolio. The current quarter also included a reduction in allowance for non-impaired loans[1], reflective of an economic outlook that improved in the current quarter.

In U.S. Commercial Banking and Wealth Management, the provision for credit losses was down primarily due to a lower provision for credit losses on non-impaired loans[1], primarily due to the adoption of IFRS 9, as the prior quarter included $35 million relating to the establishment of a collective allowance for new loan originations and renewals of acquired loans relating to CIBC Bank USA, shown as an item of note. Provision for credit losses on impaired loans was down due to lower loan losses in CIBC Bank USA.

In Capital Markets, the current quarter included a reversal of credit losses, primarily due to a reduction in allowance for non-impaired loans[1] recognized in the current quarter, driven by improvements in the oil and gas sector and an economic outlook that improved in the current quarter. The provision for credit losses on impaired loans was comparable with the prior quarter.

In Corporate and Other, the provision for credit losses compared with a reversal of credit losses in the prior quarter. The provision for credit losses on impaired loans increased as a result of higher write-offs in CIBC FirstCaribbean. The reversal of credit losses on non-impaired loans in the current quarter only included CIBC FirstCaribbean as a result of our adoption of IFRS 9[1], while the prior quarter included a reduction in the collective allowance, shown as an item of note.

(1) As a result of our adoption of IFRS 9 effective November 1, 2017, we now recognize provision for credit losses on both impaired and non-impaired loans in the SBUs. In prior periods, provision for credit losses on non-impaired loans was recognized in Corporate and Other, with the exception of provision for credit losses related to CIBC Bank USA, which was recognized in U.S. Commercial Banking and Wealth Management, and provision for credit losses on: (i) non-impaired residential mortgages greater than 90 days delinquent; and (ii) non-impaired personal loans and scored small business loans greater than 30 days delinquent, which was recognized in Canadian Personal and Small Business Banking. All provision for credit losses related to CIBC FirstCaribbean continues to be recognized in Corporate and Other.

## Non-interest expenses

Non-interest expenses were up $304 million or 13% from the same quarter last year, primarily due to the inclusion of the results of CIBC Bank USA and higher performance-based compensation. In addition, the current quarter included higher spending on strategic initiatives, as well as transaction and integration-related costs associated with the acquisitions of The PrivateBank and Geneva Advisors, shown as an item of note.

Non-interest expenses were up $8 million from the prior quarter, primarily due to higher performance-based compensation and benefits. The prior quarter included fees and charges related to the launch of Simplii Financial and the related wind-down of President's Choice Financial, shown as an item of note.

## Income taxes

Income tax expense was up $84 million or 27% from the same quarter last year primarily due to net tax adjustments resulting from the U.S. tax reforms enacted in the current quarter, shown as an item of note.

Income tax expense was up $94 million or 31% from the prior quarter, primarily due to the net tax adjustments noted above and higher income.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (U.S. tax reforms), which reduces the U.S. federal corporate income tax rate to 21% effective January 1, 2018, resulting in a significant decrease in CIBC's U.S. deferred tax assets. The U.S. tax reforms introduce other important changes to U.S. corporate income tax laws including the creation of a new Base Erosion Anti-abuse Tax (BEAT) that subjects to additional taxes certain payments from a U.S. Corporation to foreign related parties. The BEAT provision is not applicable to CIBC until fiscal 2019. CIBC continues to evaluate the impact of BEAT on our U.S. operations.

In prior years, the Canada Revenue Agency (CRA) issued reassessments disallowing the deduction of approximately $3 billion of the 2005 Enron settlement payments and related legal expenses. The matter is currently in litigation. The Tax Court of Canada trial on the deductibility of the Enron payments is set to commence in February 2019. Should we successfully defend our tax filing position in its entirety, we would recognize an additional accounting tax benefit of $231 million and taxable refund interest of approximately $201 million. Should we fail to defend our position in its entirety, we would incur an additional tax expense of approximately $820 million and non-deductible interest of approximately $157 million.

The 2015 Canadian federal budget, released on April 21, 2015, contained new rules for "synthetic equity arrangements" which eliminated the tax deductibility of Canadian inter-corporate dividends for Canadian corporations in certain circumstances. The rules became law effective as of November 1, 2015, with a set of transition rules that applied between November 1, 2015 and April 30, 2017. The new rules have resulted in a higher effective tax rate, as the tax deductibility of certain Canadian corporate dividends is diminished.

In June 2016, the CRA reassessed CIBC approximately $118 million of additional income tax by denying the tax deductibility of certain 2011 Canadian corporate dividends on the basis that they were part of a "dividend rental arrangement". In May 2017, the CRA reassessed CIBC additional income tax of approximately $180 million related to the tax deductibility of dividends during the 2012 taxation year. The circumstances of the dividends subject to the reassessments are similar to those prospectively addressed by the rules in the 2015 Canadian federal budget. It is possible that subsequent years may be reassessed for similar activities. CIBC is confident that its tax filing positions were appropriate and intends to defend itself vigorously. Accordingly, no amounts have been accrued in the consolidated financial statements.

## Foreign exchange

The following table provides the estimated impact of U.S. dollar translation on key lines of our interim consolidated statement of income, as a result of changes in average exchange rates.

| $ millions, except per share amounts, for the three months ended | Jan. 31, 2018 vs. Jan. 31, 2017 | Jan. 31, 2018 vs. Oct. 31, 2017 |
|---|---|---|
| Estimated increase (decrease) in: | | |
| Total revenue | $ (51) | $ (2) |
| Provision for credit losses | (1) | – |
| Non-interest expenses | (27) | (1) |
| Income taxes | (8) | – |
| Net income | (15) | (1) |
| Impact on EPS: | | |
| Basic | $ (0.03) | $ – |
| Diluted | (0.03) | – |
| Average USD appreciation (depreciation) relative to CAD | (5.3) % | (0.3) % |

## Impact of items of note in prior periods

Net income for the prior quarters was affected by the following items of note:

*Q4, 2017*

- $98 million ($71 million after-tax) in fees and charges related to the launch of Simplii Financial and the related wind-down of President's Choice Financial (Canadian Personal and Small Business Banking);
- $46 million ($29 million after-tax) in transaction and integration-related costs as well as purchase accounting adjustments[1] associated with the acquisitions of The PrivateBank and Geneva Advisors ($3 million after-tax in U.S. Commercial Banking and Wealth Management, and $26 million after-tax in Corporate and Other);
- $19 million ($12 million after-tax) amortization of intangible assets ($1 million after-tax in Canadian Personal and Small Business Banking, $1 million after-tax in Canadian Commercial Banking and Wealth Management, $9 million after-tax in U.S. Commercial Banking and Wealth Management, and $1 million after-tax in Corporate and Other); and
- $18 million ($13 million after-tax) reduction in the portion of the collective allowance recognized in Corporate and Other[2].

The above items of note increased revenue by $22 million, provision for credit losses by $17 million, non-interest expenses by $150 million, and decreased income taxes by $46 million. In aggregate, these items of note decreased net income by $99 million.

*Q1, 2017*

- $299 million ($245 million after-tax) gain on the sale and lease back of certain retail properties (Canadian Personal and Small Business Banking); and
- $6 million ($4 million after-tax) amortization of intangible assets ($1 million after-tax in Canadian Personal and Small Business Banking, $2 million after-tax in U.S. Commercial Banking and Wealth Management, and $1 million after-tax in Corporate and Other).

The above items of note increased revenue by $299 million, non-interest expenses by $6 million, and income taxes by $52 million. In aggregate, these items of note increased net income by $241 million.

(1) Transaction costs include legal and other advisory fees, financing costs associated with pre-funding the cash component of the merger consideration, and interest adjustments relating to the obligation payable to dissenting shareholders. Integration costs are comprised of direct and incremental costs incurred as part of planning for and executing the integration of the businesses of The PrivateBank (subsequently rebranded as CIBC Bank USA) and Geneva Advisors with CIBC, including enabling cross-sell opportunities and expansion of services in the U.S. market, the upgrade and conversion of systems and processes, project management, integration-related travel, severance, consulting fees and marketing costs related to rebranding activities. Purchase accounting adjustments, included as items of note beginning in the fourth quarter of 2017, include the accretion of the acquisition date fair value discount on the acquired loans of The PrivateBank, the collective allowance established for new loan originations and renewals of acquired loans (prior to the adoption of IFRS 9 in the first quarter of 2018), and changes in the fair value of contingent consideration relating to the Geneva Advisors acquisition.
(2) Relates to collective allowance (prior to the adoption of IFRS 9), except for: (i) residential mortgages greater than 90 days delinquent; (ii) personal loans and scored small business loans greater than 30 days delinquent; (iii) net write-offs for the card portfolio; and (iv) the collective allowance related to CIBC Bank USA, which are all reported in the respective SBUs.

## Significant events

### Launch of CIBC Innovation Banking and acquisition of Wellington Financial

On January 8, 2018, CIBC announced the launch of CIBC Innovation Banking, a full service business that delivers strategic advice and funding to North American technology and innovation clients at each stage of their business cycle. As part of the launch of CIBC Innovation Banking, and to further deepen its capabilities and complement CIBC Bank USA's existing commercial banking team, on January 5, 2018, CIBC acquired the loan assets of Wellington Financial Fund V LP (Wellington Financial) and its management team for a combination of cash, common shares, and exchangeable shares. Based in Toronto with U.S. presence in New York City and Menlo Park, Wellington Financial was a leading, privately-held provider of growth capital to early and mid-stage technology companies. The results of the acquired business have been consolidated from the date of close and are included in our Canadian Commercial Banking and Wealth Management SBU. For additional information, see Note 3 to our interim consolidated financial statements.

### Aeroplan developments

Air Canada announced on May 11, 2017, that it will not be renewing its exclusive Aeroplan partnership with Aimia Inc. (Aimia) upon the expiry of the contract in 2020. CIBC's Aeroplan clients are not immediately impacted by this announcement, as Aeroplan members may continue to collect miles and redeem them for Air Canada travel until Aimia's contract with Air Canada expires in 2020.

## Review of quarterly financial information

| $ millions, except per share amounts, for the three months ended | 2018 | | | | 2017 | | | 2016 |
|---|---|---|---|---|---|---|---|---|
| | **Jan. 31** | Oct. 31 | Jul. 31 | Apr. 30 | Jan. 31 | Oct. 31 | Jul. 31 | Apr. 30 |
| Revenue | | | | | | | | |
| Canadian Personal and Small Business Banking | **$ 2,138** | $ 2,093 | $ 2,039 | $ 1,937 | $ 2,303 | $ 2,005 | $ 1,946 | $ 1,879 |
| Canadian Commercial Banking and Wealth Management | **954** | 922 | 903 | 886 | 879 | 846 | 830 | 800 |
| U.S. Commercial Banking and Wealth Management [(1)] | **432** | 422 | 239 | 102 | 113 | 106 | 93 | 83 |
| Capital Markets [(1)] | **801** | 622 | 679 | 692 | 830 | 626 | 772 | 719 |
| Corporate and Other [(1)] | **134** | 210 | 244 | 81 | 84 | 98 | 495 | 150 |
| Total revenue | **$ 4,459** | $ 4,269 | $ 4,104 | $ 3,698 | $ 4,209 | $ 3,681 | $ 4,136 | $ 3,631 |
| Net interest income | **$ 2,473** | $ 2,464 | $ 2,276 | $ 2,095 | $ 2,142 | $ 2,110 | $ 2,113 | $ 2,037 |
| Non-interest income | **1,986** | 1,805 | 1,828 | 1,603 | 2,067 | 1,571 | 2,023 | 1,594 |
| Total revenue | **4,459** | 4,269 | 4,104 | 3,698 | 4,209 | 3,681 | 4,136 | 3,631 |
| Provision for credit losses | **153** | 229 | 209 | 179 | 212 | 222 | 243 | 324 |
| Non-interest expenses | **2,578** | 2,570 | 2,452 | 2,275 | 2,274 | 2,347 | 2,218 | 2,242 |
| Income before income taxes | **1,728** | 1,470 | 1,443 | 1,244 | 1,723 | 1,112 | 1,675 | 1,065 |
| Income taxes | **400** | 306 | 346 | 194 | 316 | 181 | 234 | 124 |
| Net income | **$ 1,328** | $ 1,164 | $ 1,097 | $ 1,050 | $ 1,407 | $ 931 | $ 1,441 | $ 941 |
| Net income attributable to: | | | | | | | | |
| Non-controlling interests | **$ 5** | $ 5 | $ 4 | $ 5 | $ 5 | $ 4 | $ 6 | $ 5 |
| Equity shareholders | **1,323** | 1,159 | 1,093 | 1,045 | 1,402 | 927 | 1,435 | 936 |
| EPS – basic | **$ 2.96** | $ 2.60 | $ 2.61 | $ 2.59 | $ 3.50 | $ 2.32 | $ 3.61 | $ 2.35 |
| – diluted | **2.95** | 2.59 | 2.60 | 2.59 | 3.50 | 2.32 | 3.61 | 2.35 |

(1) Capital Markets and U.S. Commercial Banking and Wealth Management revenue and income taxes are reported on a taxable equivalent basis (TEB) with an equivalent offset in the revenue and income taxes of Corporate and Other.

Our quarterly results are modestly affected by seasonal factors. The second quarter has fewer days as compared with the other quarters, generally leading to lower earnings. The summer months (July – third quarter and August – fourth quarter) typically experience lower levels of market activity, which affects our brokerage, investment management, and Capital Markets activities.

### Revenue

Canadian Personal and Small Business Banking revenue has benefited from volume growth, partially offset by the continued low interest rate environment, and attrition in our exited FirstLine mortgage broker business. The first quarter of 2017 included a gain on the sale and lease back of certain retail properties.

Canadian Commercial Banking and Wealth Management has benefited from strong volume growth in deposits and loans, and continued growth in AUA and AUM as a result of market appreciation and positive net sales of long-term mutual funds. This was partially offset by a sustained low interest rate environment.

U.S. Commercial Banking and Wealth Management includes the revenue of CIBC Bank USA after the close of the acquisition on June 23, 2017.

Capital Markets revenue is influenced, to a large extent, by market conditions and activity in the equity derivatives business, which includes tax-exempt income. Tax-exempt income was substantially lower in the second half of 2017. The first quarter of 2017 included higher trading revenue, while the third quarter of 2016 included a gain from the structured credit run-off business.

Corporate and Other includes the offset related to the TEB component of tax-exempt income reported in the revenue of Capital Markets and U.S. Commercial Banking and Wealth Management. We recognized a gain, net of related transaction costs, on the sale of our minority investment in American Century Investments in the third quarter of 2016. The second quarter of 2016 included a gain on sale of a processing centre.

### Provision for credit losses

Provision for credit losses is dependent upon the credit cycle in general and on the credit performance of the loan portfolios. In the first quarter of 2018, we adopted IFRS 9 and now recognize provision for credit losses on both impaired and non-impaired loans in the SBUs. In prior periods, provision for credit losses on non-impaired loans was recognized in Corporate and Other, with the exception of provision for credit losses related to CIBC Bank USA, which was recognized in U.S. Commercial Banking and Wealth Management, and provision for credit losses on: (i) non-impaired residential mortgages greater than 90 days delinquent; and (ii) non-impaired personal loans and scored small business loans greater than 30 days delinquent, which was recognized in Canadian Personal and Small Business Banking).

In Canadian Personal and Small Business Banking, the first quarter of 2018 included a reduction in allowance for non-impaired loans, reflective of an economic outlook that improved in the first quarter of 2018. Losses in the card and personal lending portfolios have trended lower after the first quarter of 2017.

In Canadian Commercial Banking and Wealth Management, the fourth quarters of 2016 and 2017 included higher losses in the commercial banking portfolio.

In U.S. Commercial Banking and Wealth Management, the loan losses of CIBC Bank USA have been included since the acquisition on June 23, 2017. The fourth quarter of 2017 included $35 million relating to the establishment of a collective allowance (prior to the adoption of IFRS 9) for new loan originations and renewals of acquired loans relating to CIBC Bank USA. The third quarter of 2017 included higher losses in our pre-existing U.S. real estate finance portfolio.

In Capital Markets, the first quarter of 2018 included a reduction in allowance for non-impaired loans, reflective of an economic outlook that improved in the first quarter of 2018. The third quarter of 2016 had higher losses in our exited European leveraged finance portfolio. Performance in the oil and gas sector improved since the fourth quarter of 2016.

In Corporate and Other, the final three quarters of 2017 included reductions in the collective allowance. The second quarter of 2016 included an increase in the collective allowance.

### Non-interest expenses

Non-interest expenses have fluctuated over the period largely due to changes in employee-related compensation and benefits, higher spending on strategic initiatives, and movement in foreign exchange rates. The fourth quarter of 2017 included fees and charges related to the launch of Simplii Financial and the related wind-down of President's Choice Financial. Non-interest expenses increased in the third quarter of 2017 and onward, as the results of CIBC Bank USA were included after the close of the acquisition on June 23, 2017. The third quarter of 2017 and second quarter of 2016 included legal provisions in Corporate and Other, shown as items of note. The fourth quarter of 2016 included restructuring charges primarily relating to employee severance.

### Income taxes

Income taxes vary with changes in income subject to tax, and the jurisdictions in which the income is earned. Taxes can also be affected by the impact of significant items and the level of tax-exempt income. The first quarter of 2018 included net tax adjustments resulting from U.S. tax reforms, partially offset by the resulting favourable impact on the effective tax rate in U.S. Commercial Banking and Wealth Management. Income taxes increased in the third and fourth quarters of 2017, primarily due to substantially lower tax-exempt income and the inclusion of the results of CIBC Bank USA following the close of the acquisition on June 23, 2017. The second quarter of 2016 included an income tax recovery due to the settlement of transfer pricing-related matters.

## Economic outlook

Canada's economy is likely to moderate with real gross domestic product expected to grow at a still healthy rate of roughly 2% in 2018, as it begins to feel the constraints on labour supply after reaching full employment in some provinces. The Bank of Canada could raise interest rates by a further 25 basis points over the remainder of the year as it seeks to contain subsequent inflation pressures. In response to higher rates and tightening mortgage regulations, housing could become a weaker source of growth. Capital spending by business could remain on a cautious path owing to uncertainties tied to the North American Free Trade Agreement (NAFTA) talks, while consumer spending should see a moderation in growth after a very strong run. While the unemployment rate is lower after dropping sharply towards the end of 2017, further improvement is expected to be much slower over the remainder of the year.

The U.S. has room to grow at roughly 2.5% to 3% without inflationary concerns, with ongoing job creation and a modest pick-up in wage gains supporting a consumer-led expansion, tax cuts lifting business capital spending, and recent additions to government spending plans. Although core inflation is expected to start the year below the central bank's target, a very gradual increase over the course of the year should justify 75 basis points in interest rate increases from the U.S. Federal Reserve.

Canadian Personal and Small Business Banking should see a moderation in consumer and mortgage lending growth reflecting interest rate increases and regulatory measures.

Growth in corporate profits should support equity-related business in Capital Markets and Canadian Commercial Banking and Wealth Management, while financing infrastructure spending should offset lower government deficits as a driver of fixed income activity. Growth in corporate bond issuance is likely to moderate after a sharp acceleration in 2017. Credit quality should remain healthy given low unemployment and stable energy prices. Business loan demand is expected to grow at a steady pace, having moderated in 2017 as companies extended term in the bond market.

In U.S. Commercial Banking and Wealth Management, commercial banking activity should benefit from the impact of further rate increases on margins, and from the financing needs associated with steady economic growth and healthy business credit quality. Wealth management could benefit as U.S. tax reforms and economic growth provide a greater high-net-worth savings pool. Although interest rates are moving higher, they remain low by historical standards, and should support growth in U.S. real estate finance.

# Non-GAAP measures

We use a number of financial measures to assess the performance of our business lines. Some measures are calculated in accordance with GAAP (IFRS), while other measures do not have a standardized meaning under GAAP, and accordingly, these measures may not be comparable to similar measures used by other companies. Investors may find these non-GAAP measures useful in analyzing financial performance. For a more detailed discussion on our non-GAAP measures, see page 14 of the 2017 Annual Report. The following table provides a reconciliation of non-GAAP to GAAP measures related to CIBC on a consolidated basis.

| $ millions, as at or for the three months ended | | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|---|
| **Reported and adjusted diluted EPS** | | | | |
| Reported net income attributable to common shareholders | A | **$ 1,305** | $ 1,135 | $ 1,393 |
| After-tax impact of items of note [1] | | **105** | 99 | (241) |
| Adjusted net income attributable to common shareholders [2] | B | **$ 1,410** | $ 1,234 | $ 1,152 |
| Diluted weighted-average common shares outstanding (thousands) | C | **442,852** | 438,556 | 398,311 |
| Reported diluted EPS ($) | A/C | **$ 2.95** | $ 2.59 | $ 3.50 |
| Adjusted diluted EPS ($) [2] | B/C | **3.18** | 2.81 | 2.89 |
| **Reported and adjusted efficiency ratio** | | | | |
| Reported total revenue | D | **$ 4,459** | $ 4,269 | $ 4,209 |
| Pre-tax impact of items of note [1] | | **(27)** | (22) | (299) |
| TEB | | **153** | 38 | 118 |
| Adjusted total revenue [2] | E | **$ 4,585** | $ 4,285 | $ 4,028 |
| Reported non-interest expenses | F | **$ 2,578** | $ 2,570 | $ 2,274 |
| Pre-tax impact of items of note [1] | | **(49)** | (150) | (6) |
| Adjusted non-interest expenses [2] | G | **$ 2,529** | $ 2,420 | $ 2,268 |
| Reported efficiency ratio | F/D | **57.8 %** | 60.2 % | 54.0 % |
| Adjusted efficiency ratio [2] | G/E | **55.1 %** | 56.5 % | 56.3 % |
| **Reported and adjusted dividend payout ratio** | | | | |
| Dividends paid to common shareholders | H | **$ 574** | $ 569 | $ 493 |
| Reported dividend payout ratio | H/A | **44.0 %** | 50.1 % | 35.4 % |
| Adjusted dividend payout ratio [2] | H/B | **40.7 %** | 46.1 % | 42.8 % |
| **Reported and adjusted return on common shareholders' equity** | | | | |
| Average common shareholders' equity | I | **$ 29,677** | $ 28,471 | $ 22,674 |
| Reported return on common shareholders' equity | A/I [3] | **17.4 %** | 15.8 % | 24.4 % |
| Adjusted return on common shareholders' equity [2] | B/I [3] | **18.8 %** | 17.2 % | 20.1 % |
| **Reported and adjusted effective tax rate** | | | | |
| Reported income before income taxes | J | **$ 1,728** | $ 1,470 | $ 1,723 |
| Pre-tax impact of items of note [1] | | **22** | 145 | (293) |
| Adjusted income before income taxes [2] | K | **$ 1,750** | $ 1,615 | $ 1,430 |
| Reported income taxes | L | **$ 400** | $ 306 | $ 316 |
| Tax impact of items of note [1] | | **(83)** | 46 | (52) |
| Adjusted income taxes [2] | M | **$ 317** | $ 352 | $ 264 |
| Reported effective tax rate | L/J | **23.2 %** | 20.8 % | 18.4 % |
| Adjusted effective tax rate [2] | M/K | **18.1 %** | 21.8 % | 18.5 % |

| $ millions, for the three months ended | | Canadian Personal and Small Business Banking | Canadian Commercial Banking and Wealth Management | U.S. Commercial Banking and Wealth Management | Capital Markets | Corporate and Other | CIBC Total |
|---|---|---|---|---|---|---|---|
| **2018 Jan. 31** | **Reported net income (loss)** | **$ 656** | **$ 314** | **$ 134** | **$ 322** | **$ (98)** | **$ 1,328** |
| | **After-tax impact of items of note [1]** | **2** | **–** | **6** | **–** | **97** | **105** |
| | **Adjusted net income (loss) [2]** | **$ 658** | **$ 314** | **$ 140** | **$ 322** | **$ (1)** | **$ 1,433** |
| 2017 Oct. 31 | Reported net income (loss) | $ 551 | $ 287 | $ 107 | $ 222 | $ (3) | $ 1,164 |
| | After-tax impact of items of note [1] | 72 | 1 | 12 | – | 14 | 99 |
| | Adjusted net income [2] | $ 623 | $ 288 | $ 119 | $ 222 | $ 11 | $ 1,263 |
| 2017 Jan. 31 | Reported net income (loss) | $ 805 | $ 276 | $ 29 | $ 347 | $ (50) | $ 1,407 |
| | After-tax impact of items of note [1] | (244) | – | 2 | – | 1 | (241) |
| | Adjusted net income (loss) [2] | $ 561 | $ 276 | $ 31 | $ 347 | $ (49) | $ 1,166 |

(1) Reflects impact of items of note under "Financial results" section.
(2) Non-GAAP measure.
(3) Annualized.

# Strategic business units overview

CIBC has four SBUs – Canadian Personal and Small Business Banking, Canadian Commercial Banking and Wealth Management, U.S. Commercial Banking and Wealth Management, and Capital Markets. These SBUs are supported by the following functional groups – Administration, Client Connectivity and Innovation, Finance, Human Resources and Communications, Internal Audit, Risk Management, and Technology and Operations, as well as other support groups, which all form part of Corporate and Other. The expenses of these functional and support groups are generally allocated to the business lines within the SBUs. The functional and support costs of CIBC Bank USA are recognized directly in the expenses of U.S. Commercial Banking and Wealth Management. Corporate and Other also includes the results of CIBC FirstCaribbean and other strategic investments, as well as other income statement and balance sheet items not directly attributable to the business lines. The key methodologies and assumptions used in reporting financial results of our SBUs are provided on page 17 of the 2017 Annual Report.

In the first quarter of 2018, we adopted IFRS 9. See "External reporting change" section for additional details.

## Canadian Personal and Small Business Banking

**Canadian Personal and Small Business Banking** provides personal and small business clients across Canada with financial advice, products and services through a team of advisors in our banking centres, as well as through our direct, mobile and remote channels.

### Results[1]

| $ millions, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| Revenue | | | |
| Personal and small business banking | **$ 2,125** | $ 2,086 | $ 1,992 |
| Other | **13** | 7 | 311 |
| Total revenue | **2,138** | 2,093 | 2,303 |
| Provision for (reversal of) credit losses | | | |
| Impaired [2] | **180** | 181 | 196 |
| Non-impaired [2] | **(32)** | 2 | 6 |
| Total provision for credit losses | **148** | 183 | 202 |
| Non-interest expenses | **1,098** | 1,161 | 1,041 |
| Income before income taxes | **892** | 749 | 1,060 |
| Income taxes | **236** | 198 | 255 |
| Net income | **$ 656** | $ 551 | $ 805 |
| Net income attributable to: | | | |
| Equity shareholders (a) | **$ 656** | $ 551 | $ 805 |
| Efficiency ratio | **51.3 %** | 55.5 % | 45.2 % |
| Return on equity [3] | **69.3 %** | 57.8 % | 81.5 % |
| Charge for economic capital [3] (b) | **$ (93)** | $ (93) | $ (96) |
| Economic profit [3] (a+b) | **$ 563** | $ 458 | $ 709 |
| Full-time equivalent employees | **14,773** | 14,709 | 15,568 |

### Financial overview

Net income for the quarter was $656 million, down $149 million from the same quarter last year, which included a gain on the sale and lease back of certain retail properties, shown as an item of note. The current quarter had higher revenue excluding the gain noted above, and a lower provision for credit losses, partially offset by higher non-interest expenses.

Net income was up $105 million from the prior quarter, primarily due to lower non-interest expenses, as the prior quarter included fees and charges related to the launch of Simplii Financial and the related wind-down of President's Choice Financial, shown as an item of note. The current quarter also had higher revenue and a lower provision for credit losses.

### Revenue

Revenue was down $165 million or 7% from the same quarter last year.

Personal and small business banking revenue was up $133 million, primarily due to volume growth and higher fees.

Other revenue was down $298 million, due to the gain noted above.

Revenue was up $45 million or 2% from the prior quarter.

Personal and small business banking revenue was up $39 million, primarily due to volume growth and higher fees, partially offset by narrower spreads.

Other revenue was up $6 million, primarily due to the fees and charges in the prior quarter noted above.

### Provision for credit losses

Provision for credit losses was down $54 million from the same quarter last year, primarily due to a reduction in allowance for non-impaired loans[2] in the current quarter, reflective of an economic outlook that improved in the current quarter. Provision for credit losses on impaired loans was down primarily due to lower bankruptcies and write-offs in the card and personal lending portfolios.

Provision for credit losses was down $35 million from the prior quarter, primarily due to a reduction in allowance for non-impaired loans[2] in the current quarter, reflective of an economic outlook that improved in the current quarter. Provision for credit losses on impaired loans was comparable with the prior quarter.

### Non-interest expenses

Non-interest expenses were up $57 million or 5% from the same quarter last year, primarily due to higher spending on strategic initiatives that have accelerated our transformation into a modern, convenient and relationship-focused bank.

(1) For additional segmented information, see the notes to the interim consolidated financial statements.
(2) As a result of our adoption of IFRS 9 effective November 1, 2017, we now recognize provision for credit losses on both impaired and non-impaired loans in the SBUs. In prior periods, provision for credit losses on non-impaired loans was recognized in Corporate and Other, with the exception of provision for credit losses on: (i) non-impaired residential mortgages greater than 90 days delinquent; and (ii) non-impaired personal loans and scored small business loans greater than 30 days delinquent, which was recognized in Canadian Personal and Small Business Banking.
(3) For additional information, see the "Non-GAAP measures" section.

Non-interest expenses were down $63 million or 5% from the prior quarter, primarily due to the prior quarter fees and charges noted above, partially offset by higher spending on strategic initiatives in the current quarter.

### Income taxes

Income taxes were down $19 million from the same quarter last year, primarily due to lower income, partially offset by a lower effective tax rate on the gain in the same quarter last year noted above.

Income taxes were up $38 million from the prior quarter, primarily due to higher income.

## Canadian Commercial Banking and Wealth Management

**Canadian Commercial Banking and Wealth Management** provides high-touch, relationship-oriented commercial and private banking, as well as wealth management services to meet the needs of middle-market companies, entrepreneurs, high-net-worth individuals and families, along with institutional clients across Canada.

### Results[1]

| $ millions, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| Revenue | | | |
| Commercial banking | **$ 354** | $ 348 | $ 323 |
| Wealth management | **600** | 574 | 556 |
| Total revenue | **954** | 922 | 879 |
| Provision for (reversal of) credit losses | | | |
| Impaired [2] | **4** | 11 | 4 |
| Non-impaired [2] | **(3)** | n/a | n/a |
| Total provision for credit losses | **1** | 11 | 4 |
| Non-interest expenses | **523** | 520 | 498 |
| Income before income taxes | **430** | 391 | 377 |
| Income taxes | **116** | 104 | 101 |
| Net income | **$ 314** | $ 287 | $ 276 |
| Net income attributable to: | | | |
| Equity shareholders (a) | **$ 314** | $ 287 | $ 276 |
| Efficiency ratio | **54.8 %** | 56.4 % | 56.7 % |
| Return on equity [3] | **39.2 %** | 37.1 % | 36.2 % |
| Charge for economic capital [3] (b) | **$ (78)** | $ (76) | $ (74) |
| Economic profit [3] (a+b) | **$ 236** | $ 211 | $ 202 |
| Full-time equivalent employees | **5,017** | 5,081 | 4,908 |

### Financial overview

Net income for the quarter was $314 million, up $38 million from the same quarter last year, primarily due to higher revenue, partially offset by higher non-interest expenses.

Net income was up $27 million from the prior quarter, primarily due to higher revenue and a lower provision for credit losses.

### Revenue

Revenue was up $75 million or 9% from the same quarter last year.

Commercial banking was up $31 million, primarily due to volume growth, wider spreads, and higher fees.

Wealth management revenue was up $44 million, primarily due to higher investment management and custodial fees and mutual fund fees from higher average AUM and AUA.

Revenue was up $32 million or 3% from the prior quarter.

Commercial banking revenue was up $6 million, primarily due to volume growth and wider spreads.

Wealth management revenue was up $26 million, primarily due to higher investment management and custodial fees and mutual fund fees from higher average AUM and AUA.

### Provision for credit losses

Provision for credit losses was down $3 million from the same quarter last year, primarily due to a reduction in allowance for non-impaired loans[2] recognized in the current quarter, reflective of an economic outlook that improved in the current quarter. The provision for credit losses on impaired loans was comparable with the same quarter last year.

Provision for credit losses was down $10 million from the prior quarter, primarily due to a lower provision for credit losses on impaired loans as a result of lower losses in the commercial banking portfolio. The current quarter also included a reduction in allowance for non-impaired loans[2], reflective of an economic outlook that improved in the current quarter.

### Non-interest expenses

Non-interest expenses were up $25 million or 5% from the same quarter last year and up $3 million or 1% from the prior quarter, primarily due to higher performance-based compensation.

### Income taxes

Income taxes were up $15 million from the same quarter last year and up $12 million from the prior quarter, primarily due to higher income.

(1) For additional segmented information, see the notes to the interim consolidated financial statements.
(2) As a result of our adoption of IFRS 9 effective November 1, 2017, we now recognize provision for credit losses on both impaired and non-impaired loans in the SBUs. In prior periods, provision for credit losses on non-impaired loans was recognized in Corporate and Other.
(3) For additional information, see the "Non-GAAP measures" section.
n/a Not applicable.

## U.S. Commercial Banking and Wealth Management

**U.S. Commercial Banking and Wealth Management** provides high-touch, relationship-oriented commercial, personal and small business banking, as well as wealth management services to meet the needs of middle-market companies, executives, entrepreneurs, high-net-worth individuals and families in the markets we serve in the U.S.

On June 23, 2017, we completed the acquisition of PrivateBancorp, Inc. (PrivateBancorp) and its subsidiary, The PrivateBank and Trust Company (The PrivateBank, subsequently rebranded as CIBC Bank USA).

### Results[1]

| $ millions, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 [2] | 2017 Jan. 31 |
|---|---|---|---|
| Revenue | | | |
| Commercial banking | **$ 295** | $ 290 | $ 47 |
| Wealth management | **133** | 119 | 64 |
| Other | **4** | 13 | 2 |
| Total revenue [3][4] | **432** | 422 | 113 |
| Provision for credit losses | | | |
| Impaired [5] | **4** | 15 | 2 |
| Non-impaired [5] | **10** | 33 | n/a |
| Total provision for credit losses | **14** | 48 | 2 |
| Non-interest expenses | **257** | 235 | 74 |
| Income before income taxes | **161** | 139 | 37 |
| Income taxes [3] | **27** | 32 | 8 |
| Net income | **$ 134** | $ 107 | $ 29 |
| Net income attributable to: | | | |
| Equity shareholders (a) | **$ 134** | $ 107 | $ 29 |
| Efficiency ratio | **59.6 %** | 55.7 % | 65.9 % |
| Return on equity [6] | **7.9 %** | 6.4 % | 24.0 % |
| Charge for economic capital [6] (b) | **$ (162)** | $ (156) | $ (11) |
| Economic profit [6] (a+b) | **$ (28)** | $ (49) | $ 18 |
| Full-time equivalent employees | **1,746** | 1,753 | 310 |

### Financial overview

CIBC Bank USA contributed $102 million to net income in the current quarter (October 31, 2017: $73 million; January 31, 2017: n/a).

Net income for the quarter was $134 million, up $105 million from the same quarter last year, primarily due to the results of CIBC Bank USA after the acquisition on June 23, 2017.

Net income was up $27 million from the prior quarter, primarily due to a lower provision for credit losses, lower income taxes, and higher revenue, partially offset by higher non-interest expenses.

### Revenue

CIBC Bank USA contributed $316 million to revenue in the current quarter (October 31, 2017: $317 million; January 31, 2017: n/a)[4].

Revenue was up $319 million or 282% from the same quarter last year.

Commercial banking revenue was up $248 million from the same quarter last year, primarily due to the inclusion of the results of CIBC Bank USA, which included accretion of the acquisition date fair value discount on the acquired loans of The PrivateBank[4].

Wealth management revenue was up $69 million from the same quarter last year, primarily due to the inclusion of the results of CIBC Bank USA, which included accretion of the acquisition date fair value discount on the acquired loans of The PrivateBank[4]. In addition, the current quarter included growth in average AUM mainly due to the acquisition of Geneva Advisors in the fourth quarter of 2017.

Other revenue primarily includes the Treasury activities of CIBC Bank USA.

Revenue was up $10 million or 2% from the prior quarter.

Commercial banking revenue was up $5 million from the prior quarter, primarily due to higher revenue from CIBC Bank USA, partially offset by a lower accretion of the acquisition date fair value discount on the acquired loans of The PrivateBank[4], and lower revenue from U.S. real estate finance.

Wealth management revenue was up $14 million from the prior quarter, primarily due to growth in average AUM, partially offset by lower accretion of the acquisition date fair value discount on the acquired loans of The PrivateBank[4].

Other revenue was down $9 million from the prior quarter, due to lower revenue from the Treasury activities of CIBC Bank USA.

### Provision for credit losses

Provision for credit losses was up $12 million from the same quarter last year, as the provision for credit losses was up for both non-impaired[5] and impaired loans due to the inclusion of the results of CIBC Bank USA.

Provision for credit losses was down $34 million from the prior quarter, primarily due to a lower provision for credit losses on non-impaired loans[5], primarily due to the adoption of IFRS 9, as the prior quarter included $35 million relating to the establishment of a collective allowance for new loan originations and renewals of acquired loans relating to CIBC Bank USA, shown as an item of note. Provision for credit losses on impaired loans was down due to lower loan losses in CIBC Bank USA.

(1) For additional segmented information, see the notes to the interim consolidated financial statements.
(2) Certain information has been reclassified to conform to the funds transfer pricing methodology adopted in the current period relating to CIBC Bank USA.
(3) Revenue and income taxes are reported on a TEB basis. Accordingly, revenue and income taxes include a TEB adjustment of nil for the quarter ended January 31, 2018 (October 31, 2017: $1 million; January 31, 2017: nil). The equivalent amounts are offset in the revenue and income taxes of Corporate and Other.
(4) Included $19 million of accretion of the acquisition date fair value discount on the acquired loans of The PrivateBank, shown as an item of note, for the quarter ended January 31, 2018 (October 31, 2017: $31 million; January 31, 2017: nil).
(5) As a result of our adoption of IFRS 9 effective November 1, 2017, we now recognize provision for credit losses on both impaired and non-impaired loans in the SBUs. In prior periods, provision for credit losses on non-impaired loans other than that of CIBC Bank USA was recognized in Corporate and Other.
(6) For additional information, see the "Non-GAAP measures" section.
n/a Not applicable.

### Non-interest expenses

Non-interest expenses were up $183 million or 247% from the same quarter last year, primarily due to the inclusion of the non-interest expenses of CIBC Bank USA of $168 million (October 31, 2017: $161 million; January 31, 2017: n/a), which included compensation expenses of $14 million related to the retention of key employees.

Non-interest expenses were up $22 million or 9% from the prior quarter, primarily due to higher performance-based and employee-related compensation.

### Income taxes

Income taxes were up $19 million from the same quarter last year, primarily due to higher income from the inclusion of the results of CIBC Bank USA, partially offset by a lower effective tax rate due to the U.S. tax reforms enacted in the current quarter.

Income taxes were down $5 million from the prior quarter, primarily due to a lower effective tax rate as noted above, partially offset by higher income.

## Capital Markets

**Capital Markets** provides integrated global markets products and services, investment banking advisory and execution, corporate banking and top-ranked research to corporate, government and institutional clients around the world.

### Results[1]

| $ millions, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| Revenue | | | |
| Global markets | **$ 486** | $ 299 | $ 532 |
| Corporate and investment banking | **305** | 326 | 288 |
| Other | **10** | (3) | 10 |
| Total revenue [2] | **801** | 622 | 830 |
| Provision for (reversal of) credit losses | | | |
| Impaired [3] | **2** | – | – |
| Non-impaired [3] | **(18)** | n/a | n/a |
| Total provision for (reversal of) credit losses | **(16)** | – | – |
| Non-interest expenses | **376** | 320 | 366 |
| Income before income taxes | **441** | 302 | 464 |
| Income taxes [2] | **119** | 80 | 117 |
| Net income | **$ 322** | $ 222 | $ 347 |
| Net income attributable to: | | | |
| Equity shareholders (a) | **$ 322** | $ 222 | $ 347 |
| Efficiency ratio | **47.0 %** | 51.3 % | 44.1 % |
| Return on equity [4] | **45.3 %** | 30.0 % | 42.4 % |
| Charge for economic capital [4] (b) | **$ (69)** | $ (72) | $ (80) |
| Economic profit [4] (a+b) | **$ 253** | $ 150 | $ 267 |
| Full-time equivalent employees | **1,298** | 1,314 | 1,237 |

### Financial overview

Net income for the quarter was $322 million, down $25 million from the same quarter last year, primarily due to lower revenue and higher non-interest expenses, partially offset by a reversal of credit losses.

Net income was up $100 million from the prior quarter, primarily due to higher revenue and a reversal of credit losses, partially offset by higher non-interest expenses.

### Revenue

Revenue was down $29 million or 3% from the same quarter last year.

Global markets revenue was down $46 million, primarily due to lower interest rate and commodities trading revenue, partially offset by higher equity derivatives trading revenue.

Corporate and investment banking revenue was up $17 million, primarily due to higher corporate banking revenue and investment portfolio gains, partially offset by lower equity and debt underwriting revenue.

Other revenue was comparable with the same quarter last year.

Revenue was up $179 million or 29% from the prior quarter.

Global markets revenue was up $187 million, primarily due to higher equity derivatives trading revenue, as well as higher foreign exchange and interest rate trading revenue.

Corporate and investment banking revenue was down $21 million, primarily due to lower revenue from debt underwriting and lower investment portfolio gains, partially offset by higher equity underwriting and corporate banking revenue.

Other revenue was up $13 million, primarily due to higher revenue from our run-off businesses, and mark-to-market losses on corporate loan hedges in the prior quarter.

### Provision for (reversal of) credit losses

The current quarter included a reversal of credit losses, primarily due to a reduction in allowance for non-impaired loans[3] recognized in the current quarter, driven by improvements in the oil and gas sector and an economic outlook that improved in the current quarter. The provision for credit losses on impaired loans was comparable with the same quarter last year and the prior quarter.

(1) For additional segmented information, see the notes to the interim consolidated financial statements.
(2) Revenue and income taxes are reported on a TEB basis. Accordingly, revenue and income taxes include a TEB adjustment of $153 million for the quarter ended January 31, 2018 (October 31, 2017: $37 million; January 31, 2017: $118 million). The equivalent amounts are offset in the revenue and income taxes of Corporate and Other.
(3) As a result of our adoption of IFRS 9 effective November 1, 2017, we now recognize provision for credit losses on both impaired and non-impaired loans in the SBUs. In prior periods, provision for credit losses on non-impaired loans was recognized in Corporate and Other.
(4) For additional information, see the "Non-GAAP measures" section.
n/a Not applicable.

### Non-interest expenses

Non-interest expenses were up $10 million or 3% from the same quarter last year, primarily due to higher spending on strategic initiatives, partially offset by lower performance-based compensation.

Non-interest expenses were up $56 million or 18% from the prior quarter, primarily due to higher performance-based compensation.

### Income taxes

Income taxes were comparable with the same quarter last year, as the impact of changes in the proportion of income subject to varying rates of tax in different jurisdictions was mostly offset by lower income.

Income taxes were up $39 million from the prior quarter, primarily due to higher income.

## Corporate and Other

**Corporate and Other** includes the following functional groups – Administration, Client Connectivity and Innovation, Finance, Human Resources and Communications, Internal Audit, Risk Management, and Technology and Operations, as well as other support groups. The expenses of these functional and support groups are generally allocated to the business lines within the SBUs. The functional and support costs of CIBC Bank USA are recognized directly in the expenses of U.S. Commercial Banking and Wealth Management. Corporate and Other also includes the results of CIBC FirstCaribbean and other strategic investments, as well as other income statement and balance sheet items not directly attributable to the business lines.

### Results[1]

| $ millions, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| Revenue | | | |
| International banking | **$ 179** | $ 183 | $ 179 |
| Other | **(45)** | 27 | (95) |
| Total revenue [2] | **134** | 210 | 84 |
| Provision for (reversal of) credit losses | | | |
| Impaired [3] | **12** | 5 | 9 |
| Non-impaired [3] | **(6)** | (18) | (5) |
| Total provision for (reversal of) credit losses | **6** | (13) | 4 |
| Non-interest expenses | **324** | 334 | 295 |
| Loss before income taxes | **(196)** | (111) | (215) |
| Income taxes [2] | **(98)** | (108) | (165) |
| Net loss | **$ (98)** | $ (3) | $ (50) |
| Net income (loss) attributable to: | | | |
| Non-controlling interests | **$ 5** | $ 5 | $ 5 |
| Equity shareholders | **(103)** | (8) | (55) |
| Full-time equivalent employees | **21,682** | 22,071 | 20,993 |

### Financial overview

Net loss for the quarter was $98 million, compared with a net loss of $50 million in the same quarter last year, primarily due to a lower income tax benefit and higher non-interest expenses, partially offset by higher revenue.

Net loss was up $95 million from the prior quarter, primarily due to lower revenue, and a provision for credit losses compared with a reversal of credit losses in the prior quarter, partially offset by lower non-interest expenses.

### Revenue

Revenue was up $50 million or 60% from the same quarter last year.

International banking revenue was comparable with the same quarter last year, as better performance in CIBC FirstCaribbean was offset by the unfavourable impact of foreign exchange rates.

Other revenue was up $50 million, primarily due to higher treasury revenue, partially offset by a higher TEB adjustment[2].

Revenue was down $76 million or 36% from the prior quarter.

International banking revenue was down $4 million, primarily due to the unfavourable impact of foreign exchange rates.

Other revenue was down $72 million, primarily due to a higher TEB adjustment[2].

### Provision for credit losses

Provision for credit losses was up $2 million from the same quarter last year, primarily due to a higher provision for credit losses on impaired loans as a result of higher write-offs in CIBC FirstCaribbean. The reversal of credit losses on non-impaired loans in the current quarter only included CIBC FirstCaribbean as a result of our adoption of IFRS 9[3].

The current quarter included a provision for credit losses of $6 million compared with a reversal of credit losses of $13 million in the prior quarter. The provision for credit losses on impaired loans increased as a result of higher write-offs in CIBC FirstCaribbean. The reversal of credit losses on non-impaired loans in the current quarter only included CIBC FirstCaribbean as a result of our adoption of IFRS 9[3], while the prior quarter included a reduction in the collective allowance, shown as an item of note.

(1) For additional segmented information, see the notes to the interim consolidated financial statements.

(2) Revenue and income taxes of Capital Markets and U.S. Commercial Banking and Wealth Management are reported on a TEB basis. The equivalent amounts are offset in the revenue and income taxes of Corporate and Other. Accordingly, revenue and income taxes include a TEB adjustment of $153 million for the quarter ended January 31, 2018 (October 31, 2017: $38 million; January 31, 2017: $118 million).

(3) As a result of our adoption of IFRS 9 effective November 1, 2017, we now recognize provision for credit losses on both impaired and non-impaired loans in the SBUs. In prior periods, provision for credit losses on non-impaired loans was recognized in Corporate and Other, with the exception of provision for credit losses related to CIBC Bank USA, which was recognized in U.S. Commercial Banking and Wealth Management, and provision for credit losses on: (i) non-impaired residential mortgages greater than 90 days delinquent; and (ii) non-impaired personal loans and scored small business loans greater than 30 days delinquent, which was recognized in Canadian Personal and Small Business Banking. All provision for credit losses related to CIBC FirstCaribbean continues to be recognized in Corporate and Other.

## Non-interest expenses

Non-interest expenses were up $29 million or 10% from the same quarter last year, primarily due to higher spending on strategic initiatives, including transaction and integration-related costs associated with the acquisitions of The PrivateBank and Geneva Advisors, shown as an item of note, as well as higher performance-based compensation.

Non-interest expenses were down $10 million or 3% from the prior quarter, primarily due to lower transaction and integration-related costs associated with the acquisitions noted above.

## Income taxes

Income tax benefit was down $67 million from the same quarter last year, primarily due to net tax adjustments resulting from the U.S. tax reforms enacted in the current quarter, shown as an item of note, partially offset by a higher TEB adjustment(1).

Income tax benefit was down $10 million from the prior quarter, primarily due to the net tax adjustments noted above, partially offset by a higher TEB adjustment(1).

(1) Revenue and income taxes of Capital Markets and U.S. Commercial Banking and Wealth Management are reported on a TEB basis. The equivalent amounts are offset in the revenue and income taxes of Corporate and Other. Accordingly, revenue and income taxes include a TEB adjustment of $153 million for the quarter ended January 31, 2018 (October 31, 2017: $38 million; January 31, 2017: $118 million).

# Financial condition

## Review of condensed consolidated balance sheet

| $ millions, as at | **2018 Jan. 31** | 2017 Oct. 31 |
|---|---|---|
| **Assets** | | |
| Cash and deposits with banks | **$ 15,240** | $ 14,152 |
| Securities | **95,284** | 93,419 |
| Securities borrowed or purchased under resale agreements | **55,260** | 45,418 |
| Loans and acceptances, net of allowance | **366,679** | 365,558 |
| Derivative instruments | **29,304** | 24,342 |
| Other assets | **25,160** | 22,375 |
| | **$ 586,927** | $ 565,264 |
| **Liabilities and equity** | | |
| Deposits | **$ 446,179** | $ 439,706 |
| Obligations related to securities lent or sold short or under repurchase agreements | **50,475** | 43,708 |
| Derivative instruments | **29,091** | 23,271 |
| Other liabilities | **25,716** | 24,133 |
| Subordinated indebtedness | **3,144** | 3,209 |
| Equity | **32,322** | 31,237 |
| | **$ 586,927** | $ 565,264 |

### Assets

As at January 31, 2018, total assets were up $21.7 billion or 4% from October 31, 2017, net of a decrease of approximately $8 billion due to the depreciation of the U.S. dollar.

Cash and deposits with banks increased by $1.1 billion or 8%, mainly due to higher short-term placements in Treasury.

Securities increased by $1.9 billion or 2%, primarily due to an increase in debt securities in Canadian governments, partially offset by a decrease in debt securities from U.S. Treasury and agencies.

Securities borrowed or purchased under resale agreements increased by $9.8 billion or 22%, primarily due to client-driven activities.

Loans and acceptances, net of allowance increased by $1.1 billion due to an increase in domestic residential mortgages and domestic business and government loans.

Derivative instruments increased by $5.0 billion or 20%, largely driven by an increase in foreign exchange, equity and interest rate derivatives valuation.

Other assets increased by $2.8 billion or 12%, primarily due to an increase in collateral pledged for derivatives.

### Liabilities

As at January 31, 2018, total liabilities were up $20.6 billion or 4% from October 31, 2017, net of a decrease of approximately $8 billion due to the depreciation of the U.S. dollar.

Deposits increased by $6.5 billion or 1%, primarily due to domestic retail volume growth, and increased wholesale funding. Further details on the composition of deposits are provided in Note 7 to the interim consolidated financial statements.

Obligations related to securities lent or sold short or under repurchase agreements increased by $6.8 billion or 15%, primarily due to client-driven activities.

Derivative instruments increased by $5.8 billion or 25%, largely driven by an increase in foreign exchange, equity and interest rate derivatives valuation.

Other liabilities increased by $1.6 billion or 7%, mainly due an increase in broker payables and acceptances, partially offset by a decrease in accrued liabilities.

### Equity

As at January 31, 2018, equity increased by $1.1 billion or 3% from October 31, 2017, primarily due to earnings during the quarter net of an opening equity charge of $0.1 billion related to the adoption of IFRS 9, and the issuance of common and preferred shares, partially offset by a decrease in foreign currency translation adjustments.

## Capital resources

We actively manage our capital to maintain a strong and efficient capital base, to maximize risk-adjusted returns to shareholders, and to meet regulatory requirements. For additional details on capital resources, see pages 30 to 39 of the 2017 Annual Report.

### Regulatory capital requirements under Basel III

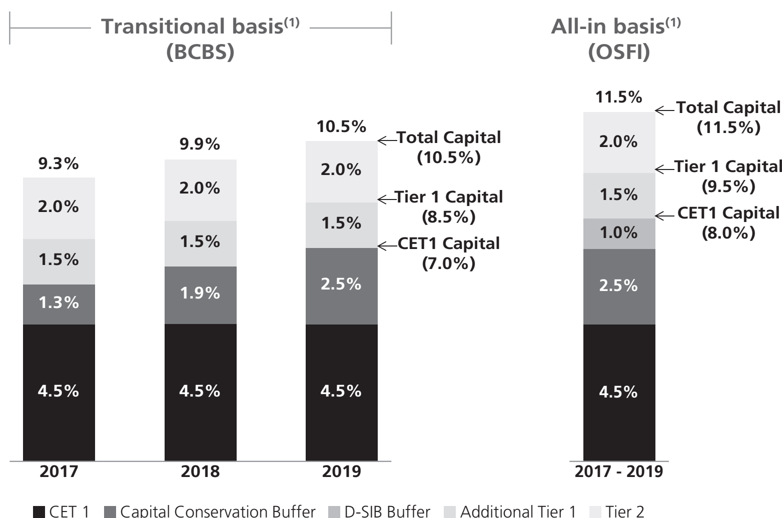
Our regulatory capital requirements are determined in accordance with guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI), which are based upon the risk-based capital standards developed by the Basel Committee on Banking Supervision (BCBS).

Regulatory capital consists of CET1, Tier 1 and Tier 2 capital. OSFI requires all institutions to achieve target capital ratios that meet or exceed the 2019 all-in minimum ratios plus a conservation buffer. "All-in" is defined by OSFI as capital calculated to include all of the regulatory adjustments that will be required by 2019, but retaining the phase-out rules for non-qualifying capital instruments. Certain deductions from CET1 capital that were phased in at a rate of 20% per year from 2014 for the calculation of capital under the transitional rules are now fully deducted, and therefore beginning in the first quarter of 2018, there is no longer a determination of transitional capital.

CIBC, along with the Bank of Montreal, the Bank of Nova Scotia, the National Bank of Canada, the Royal Bank of Canada, and the Toronto-Dominion Bank, have been designated by OSFI as domestic systemically important banks (D-SIBs) in Canada, and they are subject to a CET1 surcharge equal to 1.0% of RWAs, which commenced on January 1, 2016. This results in current minimum targets for CET1, Tier 1 and Total capital ratios of 8.0%, 9.5%, and 11.5%, respectively, for the D-SIBs. These targets may be higher for certain institutions at OSFI's discretion. Additionally, banks need to hold an incremental countercyclical capital buffer equal to the weighted average of buffers deployed in Canada and across certain other jurisdictions, where private sector credit exposures exist[(1)].

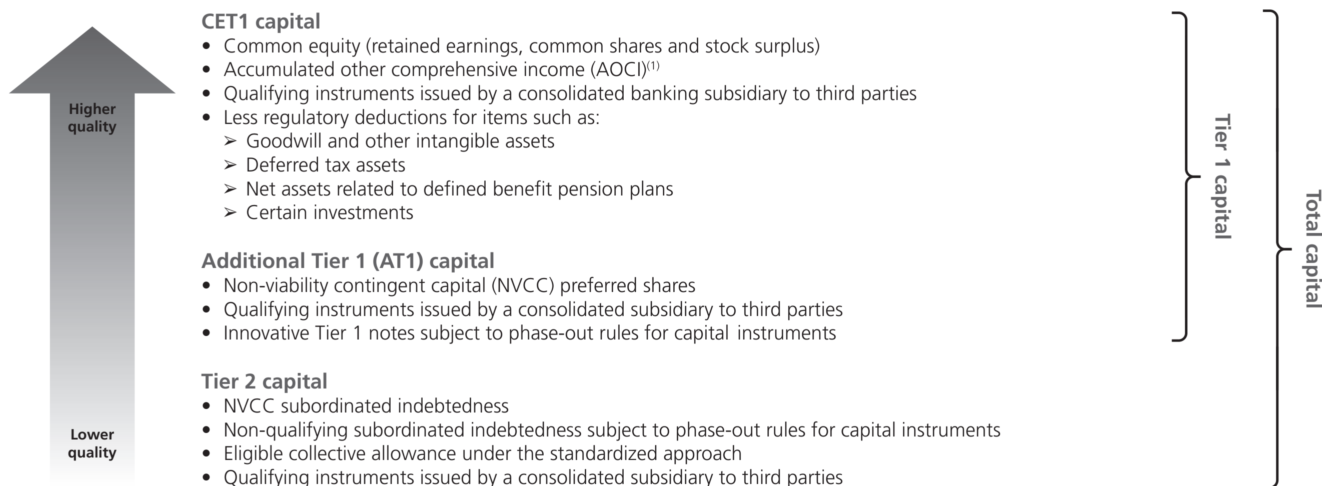
Capital adequacy requirements are applied on a consolidated basis. The consolidation basis applied to our financial statements is described in Note 1 to the 2017 annual consolidated financial statements, except for our insurance subsidiaries (CIBC Reinsurance Company Limited and CIBC Life Insurance Company Limited), which are excluded from the regulatory scope of consolidation. Starting January 2018, CIBC Life Insurance Company Limited is subject to OSFI's Life Insurance Capital Adequacy Test.

A comparison of the BCBS transitional capital ratio requirements and the OSFI all-in target capital ratio requirements is as follows:




(1) A countercyclical capital buffer is also applicable, but is insignificant for CIBC as at January 31, 2018.

The tiers of regulatory capital indicate increasing quality/permanence and the ability to absorb losses. The major components of our regulatory capital are summarized as follows:




(1) Excluding AOCI relating to cash flow hedges and changes to fair value option (FVO) liabilities attributable to changes in own credit risk.

## Regulatory capital

| $ millions, as at | 2018 Jan. 31 | 2017 Oct. 31 |
|---|---|---|
| **All-in basis** | | |
| CET1 capital | **$ 22,115** | $ 21,618 |
| Tier 1 capital | **25,377** | 24,682 |
| Total capital | **28,771** | 28,129 |
| CET1 capital RWA [1] | **204,647** | 203,321 |
| Tier 1 capital RWA [1] | **204,647** | 203,321 |
| Total capital RWA [1] | **204,647** | 203,321 |
| CET1 ratio | **10.8 %** | 10.6 % |
| Tier 1 capital ratio | **12.4 %** | 12.1 % |
| Total capital ratio | **14.1 %** | 13.8 % |

(1) Before any capital floor requirement as applicable, there are three different levels of RWAs for the calculation of the CET1, Tier 1, and Total capital ratios arising from the option CIBC has chosen for the phase-in of the CVA capital charge. Since the introduction of Basel II in 2008, OSFI has prescribed a capital floor requirement for institutions that use the AIRB approach for credit risk. The capital floor is determined by comparing a capital requirement calculated by reference to Basel I against the Basel III calculation, as specified by OSFI. Any shortfall in the Basel III capital requirement compared with the Basel I floor is added to RWAs. All-in RWAs as at January 31, 2018 and October 31, 2017 include a capital floor adjustment. See the "Continuous enhancement to regulatory capital requirements" section for a discussion of the revisions to the capital floor requirement, which will be effective beginning in the second quarter of 2018.

*CET1 ratio*

The CET1 ratio at January 31, 2018 increased 0.2% from October 31, 2017, driven by an increase in CET1 capital, partially offset by an increase in CET1 capital RWAs. The increase in CET1 capital was the result of internal capital generation (net income less dividends) and common share issuance, partially offset by the impact of the adoption of IFRS 9. The increase in CET1 capital RWAs was primarily due to organic growth and an increase in the Basel I capital floor adjustment, partially offset by portfolio upgrades and net foreign exchange movement.

### Movement in total regulatory capital

Changes in total regulatory capital (all-in basis) under Basel III from October 31, 2017 to January 31, 2018 are presented in the table below:

| $ millions | |
|---|---|
| Balance as at October 31, 2017 | **$ 28,129** |
| Issue of common shares pursuant to the acquisition of The PrivateBank | **194** |
| Issue of common shares pursuant to the acquisition of Wellington Financial | **47** |
| Other issue of common shares | **82** |
| Issue of preferred shares | **450** |
| Net income attributable to equity shareholders | **1,323** |
| Preferred and common share dividends | **(592)** |
| Shares issued in lieu of cash dividends | **196** |
| Change in AOCI balances included in regulatory capital | |
| Net foreign currency translation adjustments | **(582)** |
| Net change in securities measured at fair value through other comprehensive income (FVOCI) | **(54)** |
| Net change in cash flow hedges | **6** |
| Net change in post-employment defined benefit plans | **107** |
| Change in shortfall of allowance to expected losses | **(157)** |
| Change in goodwill and other intangible assets | **90** |
| Other, including change in regulatory adjustments [1] | **(468)** |
| Balance as at January 31, 2018 | **$ 28,771** |

(1) Includes the net impact on retained earnings and AOCI as at November 1, 2017 from the adoption of IFRS 9. See Note 1 to our interim consolidated financial statements.

### Movement in CET1 capital RWAs

The following tables show the movement in CET1 capital RWAs (all-in basis) relating to credit, market and operational risks from October 31, 2017 to January 31, 2018.

*Credit risk*

| $ millions | Credit risk | Of which counterparty credit risk [1] |
|---|---|---|
| Balance as at October 31, 2017 | **$ 171,154** | **$ 10,125** |
| Book size [2] | **5,167** | **1,127** |
| Book quality [3] | **(1,298)** | **(346)** |
| Model updates [4] | **69** | **–** |
| Methodology and policy [5] | **513** | **380** |
| Acquisitions and disposals | **300** | **–** |
| Foreign exchange movements | **(2,967)** | **(137)** |
| Other | **(2,190)** | **(18)** |
| Balance as at January 31, 2018 [6] | **$ 170,748** | **$ 11,131** |

(1) Comprises derivatives and repo-style transactions.
(2) Relates to net increase/decrease in the underlying exposures.
(3) Relates to changes in credit risk mitigation and credit quality of the borrower/counterparty.
(4) Relates to internal model or parameter changes.
(5) Relates to regulatory changes implemented on an industry-wide basis (i.e., Basel III) and any capital methodology changes implemented within CIBC for our portfolios.
(6) Includes $3,798 million of CET1 CVA RWAs relating to bilateral over-the-counter (OTC) derivatives.

The decrease in credit risk RWAs is primarily due to net foreign exchange movement and portfolio upgrades during the quarter, partially offset by organic growth across our businesses.

*Market risk*

| $ millions | |
|---|---|
| Balance as at October 31, 2017 | **$ 5,392** |
| Movement in risk levels [(1)] | **80** |
| Model updates [(2)] | **(8)** |
| Foreign exchange movements | **145** |
| Balance as at January 31, 2018 | **$ 5,609** |

(1) Relates to changes in open positions and market data.
(2) Relates to internal model or parameter changes.

The overall increase in market risk RWAs is primarily driven by movement in net foreign exchange during the quarter, as well as risk levels which includes changes in open positions and the market rates affecting these positions.

*Operational risk*

| $ millions | |
|---|---|
| Balance as at October 31, 2017 | **$ 24,664** |
| Movement in risk levels [(1)] | **536** |
| Acquisitions and disposals | **41** |
| Balance as at January 31, 2018 | **$ 25,241** |

(1) Relates to changes in loss experience and business environment and internal control factors.

The movement in risk levels under the advanced measurement approach reflects changes in loss experience, changes in the business environment, internal control factors and gross income, as defined by the BCBS.

### Continuous enhancement to regulatory capital requirements

The BCBS and OSFI have published a number of proposals for changes to the existing regulatory capital requirements (see page 35 of the 2017 Annual Report), which continue to evolve.

In November 2017, OSFI issued the 2018 capital adequacy requirements (CAR) Guideline for implementation in the first quarter of 2018. The CAR Guideline established capital treatment for the expected credit losses accounting framework under IFRS 9. Separately, OSFI indicated that domestic implementation of the standardized approach for measuring counterparty credit risk exposures is expected to be required by the first quarter of 2019. OSFI also indicated that the revised securitization framework is expected to be implemented in the first quarter of 2019.

In December 2017, the Group of Central Bank Governors and Heads of Supervision (GHOS; the oversight body of the BCBS) announced the finalization of Basel III reforms. Revisions have been included in the finalized framework with the objective of reducing excessive variability in RWAs and improving comparability of capital ratios among banks. Notable features include:

- Major revisions that were in the consultation phase, including to the standardized approaches to credit and operational risk, market risk, and CVA frameworks, will be effective January 1, 2022;
- Constraints on the use of internally modelled approaches for certain credit exposures;
- The Basel III capital output floor will ensure that banks' RWAs generated by internal models are not lower than 72.5% of RWAs as calculated under the Basel III framework's standardized approaches. The new approach to the capital output floor will be phased-in beginning at 50% in 2022, increasing by 5% every year thereafter to a rate of 72.5% in 2027; and
- Finalized leverage ratio requirements including a new buffer requirement for G-SIBs starting in 2022. The finalized leverage ratio guideline includes changes to the measurement for derivative exposures, treatment of unsettled trades, and revisions to credit conversion factors related to off-balance sheet items.

OSFI indicated that it will launch a public consultation on the domestic implementation of the Basel III reforms in the spring of 2018 with a focus on potential modifications required for the Canadian context and on implementation timelines.

In January 2018, OSFI issued a letter outlining revisions to the existing capital floor requirements. Since the introduction of Basel II in 2008, OSFI has prescribed a capital floor requirement for institutions that use the AIRB approach for credit or operational risk. The capital floor is determined by comparing a capital requirement calculated by reference to Basel I against the Basel III calculation, as specified by OSFI. Any shortfall in the Basel III capital requirement compared with the Basel I capital requirement is added to RWAs. Effective in the second quarter of 2018, the capital floor requirement for banks using internal models will be determined using the Basel II standardized approach. The floor factor will be set at 70% in the second quarter and increase to 75% by the fourth quarter of 2018.

CIBC will continue to monitor and prepare for developments impacting regulatory capital requirements.

## Basel III leverage ratio

The Basel III capital reforms included a non-risk-based capital metric, the leverage ratio, to supplement risk-based capital requirements.

The leverage ratio is defined as Tier 1 capital divided by the leverage ratio exposure. The leverage ratio exposure is defined under the rules as the sum of:

(i) On-balance sheet assets less Tier 1 capital regulatory adjustments;
(ii) Derivative exposures;
(iii) Securities financing transaction exposures; and
(iv) Off-balance sheet exposures (such as commitments, direct credit substitutes, letters of credit, and securitization exposures).

OSFI expects federally regulated deposit-taking institutions to have leverage ratios that meet or exceed 3.0%. This minimum may be higher for certain institutions at OSFI's discretion.

| $ millions, as at | | **2018 Jan. 31** | 2017 Oct. 31 |
|---|---|---|---|
| **All-in basis** | | | |
| Tier 1 capital | A | **$ 25,377** | $ 24,682 |
| Leverage ratio exposure | B | **626,606** | 610,353 |
| Leverage ratio | A/B | **4.0 %** | 4.0 % |

*Leverage ratio*

The leverage ratio at January 31, 2018 was unchanged from October 31, 2017, as an increase in Tier 1 capital was offset by an increase in leverage ratio exposure. The increase in Tier 1 capital was primarily driven by the factors noted in the CET1 capital discussion above and the issuance of preferred shares (see "Significant capital management activity" for additional details), partially offset by an increase in the phase-out of Innovative Tier 1 notes from Additional Tier 1 capital. The increase in leverage ratio exposure was primarily driven by an increase in on-balance sheet and securities financing transaction exposures.

## Revised Pillar 3 disclosure requirements

In January 2015, the BCBS issued "Revised Pillar 3 disclosure requirements", which set out the first phase of an initiative to replace existing Pillar 3 disclosure requirements for the various types of risk. Pillar 3 aims to promote market discipline through regulatory disclosure requirements, in order to improve comparability and consistency of risk disclosures and increase transparency and confidence about a bank's exposure to risk and the overall adequacy of its regulatory capital.

In April 2017, OSFI released its guidelines confirming expectations for domestic implementation of the BCBS Pillar 3 first phase requirements, with implementation required by the fourth quarter of 2018.

In March 2017, the BCBS released "Pillar 3 disclosure requirements – consolidated and enhanced framework", a standard establishing the second phase of the project. This standard includes enhancements to the January 2015 requirements, the introduction of several new disclosure requirements, and the consolidation of all existing BCBS disclosure requirements into the Pillar 3 framework. The BCBS has also commenced a third phase of its review of Pillar 3. OSFI has not yet released its requirements for the second and third phases.

CIBC will continue to monitor and prepare for developments in this area.

## Bank recapitalization (Bail-in) conversion regulations

The overarching policy objective is to strengthen financial stability while protecting taxpayers in the event of a D-SIB failure, and is consistent with the objectives of the Financial Stability Board's rules for Total Loss-Absorbing Capacity (TLAC) applicable to G-SIBs. The bail-in regime is designed to enable the expedient conversion, in whole or in part, of certain bank liabilities (bail-in debt) into common equity, thus ensuring that the D-SIB emerges from conversion as adequately capitalized. In June 2016, a legislative framework for a bail-in regime for Canada's D-SIBs received royal assent.

On June 16, 2017, the Department of Finance issued a pre-publication of bail-in regulations. These provide statutory powers to the Canada Deposit Insurance Corporation (CDIC) to enact the bail-in regime including the ability to convert specified eligible shares and liabilities of D-SIBs into common shares in the event such a bank becomes non-viable. OSFI is responsible for designating D-SIBs, setting minimum bail-in/TLAC requirements, and determining that a bank is non-viable. In line with previous consultations, liabilities subject to bail-in are unsecured and tradable liabilities with original term to maturity of more than 400 days. Consumer deposits, derivatives and structured notes would not be eligible for bail-in. The regulations become effective 180 days after the regulations are registered.

In conjunction with the pre-publication of bail-in regulations, OSFI issued draft guidelines on TLAC for Canada's D-SIBs and holdings of TLAC instruments for public consultation. OSFI's TLAC guideline requires D-SIBs to maintain a minimum of 21.5% of TLAC-eligible instruments[1] relative to their RWAs and 6.75% relative to their leverage exposures. In addition, D-SIBs will be expected to hold buffers above the minimum TLAC ratios. TLAC-eligible liabilities must satisfy all of the requirements set out in the bail-in regulations and have a residual maturity greater than 365 days, among other requirements. The minimum TLAC requirements are proposed to be effective in fiscal 2022.

OSFI's TLAC holdings proposal is in line with the BCBS' TLAC holdings standard finalized in October 2016. Under the draft guideline, our investment in other G-SIBs' and Canadian D-SIBs' TLAC instruments are to be deducted from our own Tier 2 capital if our aggregate holdings, together with investments in capital instruments of other financial institutions, exceeds certain thresholds in relation to our own CET1 capital.

(1) The sum of a D-SIB's TLAC, subject to certain adjustments, including Tier 1 capital, Tier 2 capital, and prescribed shares and liabilities that are subject to conversion into common shares and meet the eligibility criteria set out in OSFI's TLAC draft guideline.

## Significant capital management activity

*Normal course issuer bid*

On March 10, 2017, we announced that the Toronto Stock Exchange had accepted the notice of CIBC's intention to commence a normal course issuer bid. Purchases under this bid will terminate upon the earlier of: (i) CIBC purchasing up to a maximum of 8 million common shares; (ii) CIBC providing a notice of termination; or (iii) March 13, 2018. No common shares have been purchased under this bid.

*Common share issuance pursuant to the acquisition of The PrivateBank*
As at October 31, 2017, 2,010,890 common shares were issued and outstanding but had not yet been delivered to third parties. These shares were issued in anticipation of our acquisition of The PrivateBank. During the quarter, CIBC delivered 1,689,450 of such previously issued common shares to third parties in connection with our acquisition of The PrivateBank. For further details, see Note 3 and Note 8 to our interim consolidated financial statements.

*Common share issuance pursuant to the acquisition of Wellington Financial*
On January 5, 2018, we completed the acquisition of Wellington Financial, and in connection therewith, we issued 378,848 CIBC common shares. For further details, see Note 3 and Note 8 to our interim consolidated financial statements.

*Shareholder investment plan (the plan)*
Effective with the October 28, 2016 dividend, CIBC has elected to issue shares from Treasury to fulfill the requirements of the plan. Pursuant to the plan, we issued 1,643,165 common shares for consideration of $197 million for the quarter ended January 31, 2018.

*Dividends*
On February 21, 2018, the CIBC Board of Directors approved an increase in our quarterly common share dividend from $1.30 per share to $1.33 per share for the quarter ending April 30, 2018.

*Preferred shares*
Non-cumulative Rate Reset Class A Preferred Shares Series 47 (NVCC)
On January 18, 2018, we issued 18 million Non-cumulative Rate Reset Class A Preferred Shares Series 47 (NVCC) (Series 47 shares) with a par value of $25.00 per share, for gross proceeds of $450 million. For the initial five year period to the earliest redemption date of January 31, 2023, the Series 47 shares pay quarterly cash dividends, if declared, at a rate of 4.50%. On January 31, 2023, and on January 31 every five years thereafter, the dividend rate will reset to be equal to the then current five-year Government of Canada bond yield plus 2.45%.

Holders of the Series 47 shares will have the right to convert their shares on a one-for-one basis into Non-cumulative Floating Rate Class A Preferred Shares Series 48 (NVCC) (Series 48 shares), subject to certain conditions, on January 31, 2023 and on January 31 every five years thereafter. Holders of the Series 48 shares will be entitled to receive a quarterly floating rate dividend, if declared, equal to the three-month Government of Canada Treasury Bill yield plus 2.45%. Holders of the Series 48 shares may convert their shares on a one-for-one basis into Series 47 shares, subject to certain conditions, on January 31, 2028 and on January 31 every five years thereafter.

Subject to regulatory approval and certain provisions of the shares, we may redeem all or any part of the then outstanding Series 47 shares at par on January 31, 2023 and on January 31 every five years thereafter; we may redeem all or any part of the then outstanding Series 48 shares at par on January 31, 2028 and on January 31 every five years thereafter.

*Convertible instruments*
The table below provides a summary of our NVCC capital instruments outstanding:

| | Shares outstanding | | Minimum conversion price per common share | Maximum number of common shares issuable on conversion |
|---|---|---|---|---|
| $ millions, except number of shares and per share amounts, as at January 31, 2018 | Number of shares | Par value | | |
| **Preferred shares** (1)(2) | | | | |
| Series 39 (NVCC) | **16,000,000** | **$ 400** | **$ 5.00** | **80,000,000** |
| Series 41 (NVCC) | **12,000,000** | **300** | **5.00** | **60,000,000** |
| Series 43 (NVCC) | **12,000,000** | **300** | **5.00** | **60,000,000** |
| Series 45 (NVCC) | **32,000,000** | **800** | **5.00** | **160,000,000** |
| Series 47 (NVCC) | **18,000,000** | **450** | **5.00** | **90,000,000** |
| **Subordinated indebtedness** (2)(3) | | | | |
| 3.00% Debentures due October 28, 2024 (NVCC) | **n/a** | **1,000** | **5.00** | **300,000,000** |
| 3.42% Debentures due January 26, 2026 (NVCC) | **n/a** | **1,000** | **5.00** | **300,000,000** |
| **Total** | | **$ 4,250** | | **1,050,000,000** |

(1) Upon the occurrence of a Trigger Event, each share is convertible into a number of common shares, determined by dividing the par value of $25.00 plus declared and unpaid dividends by the average common share price (as defined in the relevant prospectus supplement) subject to a minimum price per share (subject to adjustment in certain events as defined in the relevant prospectus supplement). Preferred shareholders do not have the right to convert their shares into common shares.
(2) The maximum number of common shares issuable on conversion excludes the impact of declared but unpaid dividends and accrued interest.
(3) Upon the occurrence of a Trigger Event, the Debentures are convertible into a number of common shares, determined by dividing 150% of the par value plus accrued and unpaid interest by the average common share price (as defined in the relevant prospectus supplement) subject to a minimum price per common share (subject to adjustment in certain events as defined in the relevant prospectus supplement).
n/a Not applicable.

The occurrence of a "Trigger Event" would result in conversion of all of the outstanding NVCC instruments described above, which would represent a dilution impact of 70% based on the number of CIBC common shares outstanding as at January 31, 2018. As described in the Capital Adequacy Guidelines, a Trigger Event occurs when OSFI determines the bank is or is about to become non-viable and, if after conversion of all contingent instruments and consideration of any other relevant factors or circumstances, it is reasonably likely that its viability will be restored or maintained; or if the bank has accepted or agreed to accept a capital injection or equivalent support from a federal or provincial government, without which OSFI would have determined the bank to be non-viable.

## Global systemically important banks – public disclosure requirements

The BCBS paper "Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement" dated July 3, 2013 describes the annual assessment methodology and the 12 indicators used to identify global systemically important banks (G-SIBs). The document also provides annual public disclosure requirements applicable to large globally active banks.

In March 2014, OSFI published an Advisory on the implementation of the G-SIB public disclosure requirements in Canada. Federally regulated banks, including CIBC, which have not been identified as G-SIBs, and have Basel III leverage ratio exposure measures greater than the equivalent of €200 billion at year-end, are required to publicly disclose at a minimum the 12 indicators (in Canadian equivalent values) annually. The indicators are calculated based on specific instructions issued by the BCBS, which are updated annually. As a result, values may not be directly comparable against other measures disclosed in this report. The following table provides the 12 indicators used in the BCBS assessment methodology to identify G-SIBs:

| $ thousands, as at October 31 | | | **2017** | 2016 |
|---|---|---|---|---|
| **Section** | | **Indicators** | | |
| A. Cross-jurisdictional activity | 1. | Cross-jurisdictional claims | **$ 137,871,916** | $ 118,009,555 |
| | 2. | Cross-jurisdictional liabilities | **153,246,382** | 110,662,084 |
| B. Size | 3. | Total exposures as defined for use in the Basel III leverage ratio (1) | **$ 618,042,651** | $ 548,812,522 |
| C. Interconnectedness | 4. | Intra-financial system assets | **$ 43,165,997** | $ 35,112,018 |
| | 5. | Intra-financial system liabilities | **28,897,735** | 31,278,281 |
| | 6. | Securities outstanding | **162,593,638** | 143,379,151 |
| D. Substitutability/financial institution infrastructure | 7. | Payments activity | **$ 16,000,938,465** | $ 18,519,554,329 |
| | 8. | Assets under custody | **1,745,867,000** | 1,648,810,000 |
| | 9. | Underwritten transactions in debt and equity market | **45,422,235** | 37,881,683 |
| E. Complexity | 10. | Notional amount of over-the-counter (OTC) derivatives | **$ 3,406,493,172** | $ 2,659,315,086 |
| | 11. | Trading and AFS securities | **39,413,622** | 41,928,646 |
| | 12. | Level 3 assets | **2,394,486** | 3,121,941 |

(1) The calculation of this measure as defined by Basel for the purposes of the G-SIB indicator disclosures excludes regulatory adjustments.

### Changes in G-SIB measures

Changes in measures compared with 2016 primarily reflect the inclusion of balances from CIBC Bank USA, the movement in foreign exchange rates, as well as normal changes in business activity. In addition, changes in the BCBS calculation methodology for 2017 resulted in increases in cross-jurisdictional liabilities versus the 2016 balances.

### A. Cross-jurisdictional activity

The objective of this section is to measure a bank's global footprint – i.e., the importance of a bank's activities outside its home jurisdiction. The concept underlying this section is that the international impact of a bank's distress or failure would vary in line with its share of cross-jurisdictional assets and liabilities.

### B. Size

Size is a key measure of a bank's systemic importance as a bank's distress or failure is more likely to damage the global economy or financial markets if its activities comprise a large share of global activity.

### C. Interconnectedness

Financial distress at one institution can materially increase the likelihood of distress at other institutions given the network of contractual obligations in which these firms operate. A bank's systemic impact is likely to be positively related to its interconnectedness vis-à-vis other financial institutions.

### D. Substitutability/financial institution infrastructure

The objective of this section is to measure the extent to which a bank provides financial institution infrastructure. The concept underlying this section is that the greater a bank's role in a particular business line, or as a service provider in underlying market infrastructure (e.g., payment systems), the larger the disruption will likely be in the event of its failure, in terms of both service gaps (including the cost to a failed bank's clients of having to seek the same service from another bank) and reduced flow of market and infrastructure liquidity.

### E. Complexity

The systemic impact of a bank's distress or failure is expected to be positively related to its overall complexity – i.e., its business, structural and operational complexity. The more complex a bank is, the greater are the costs and time needed to resolve the bank.

### Proposed revisions to G-SIBs – public disclosure requirements

In March 2017, the BCBS released "Global Systemically Important Banks – Revised Assessment Framework", a consultative document proposing revisions to the G-SIB assessment framework, designed to capture new dimensions of systemic risk not included in the current framework. The proposal includes new G-SIB indicators as well as amendments to the definition and potential weighting of existing indicators. The revised assessment methodology is expected to be finalized in 2018 and to become effective for the 2019 G-SIB assessment.

## Off-balance sheet arrangements

We enter into off-balance sheet arrangements in the normal course of our business. These arrangements typically involve the use of structured entities (SEs), which are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. CIBC is involved with various types of SEs for which the business activities include securitization of financial assets, asset-backed financings, and asset management.

We consolidate all of our sponsored trusts that securitize our own assets with the exception of a commercial mortgage securitization trust. Details of our other off-balance sheet arrangements are provided on pages 39 and 40 of the 2017 Annual Report and also in Note 6 to the consolidated financial statements in the 2017 Annual Report.

We manage and administer a single-seller conduit and several CIBC-sponsored multi-seller conduits in Canada. As at January 31, 2018, there were $7.0 billion (October 31, 2017: $6.2 billion) of total assets in our non-consolidated single-seller conduit and multi-seller conduits.

We earn fees for providing services related to the non-consolidated single-seller and multi-seller conduits, such as backstop liquidity facilities, distribution, transaction structuring, and conduit administration. These fees totalled $13 million in the first quarter of 2018 ($11 million for the same quarter last year and $14 million for the prior quarter).

As at January 31, 2018, the amount funded for the various asset types in our multi-seller conduits amounted to $6.4 billion (October 31, 2017: $5.7 billion). The estimated weighted-average life of these assets was 1.8 years (October 31, 2017: 1.7 years). Our holdings of commercial paper issued by our non-consolidated sponsored multi-seller conduits that offer commercial paper to external investors were $177 million (October 31, 2017: nil). Our committed backstop liquidity facilities to these conduits were $8.4 billion (October 31, 2017: $8.7 billion). We also provided credit facilities of $40 million (October 31, 2017: $40 million) to these conduits.

We participate in a syndicated facility for a three-year commitment of $700 million to the single-seller conduit that provides funding to franchisees of a major Canadian retailer. Our portion of the commitment is $130 million (October 31, 2017: $130 million). As at January 31, 2018, we funded $94 million (October 31, 2017: $94 million) through the issuance of bankers' acceptances and prime loans.

Our on-balance sheet amounts and maximum exposure to loss related to our off-balance sheet arrangements with SEs that are not consolidated are set out in the table below. The maximum exposure comprises the carrying value of unhedged investments, the notional amounts for liquidity and credit facilities, and the notional amounts less accumulated fair value losses for unhedged written credit derivatives on SE reference assets. The impact of credit valuation adjustment (CVA) is not considered in the table below.

| $ millions, as at January 31, 2018 | Single-seller and multi-seller conduits | Third-party structured vehicles – continuing | Structured vehicles run-off [1] | Other [2] |
|---|---|---|---|---|
| **On-balance sheet assets at carrying value** [3] | | | | |
| **Securities** | **$ 177** | **$ 2,015** | **$ 95** | **$ 205** |
| **Loans** | **94** | **1,738** | **11** | **–** |
| **Investments in equity-accounted associates and joint ventures** | **–** | **1** | **–** | **3** |
| | **$ 271** | **$ 3,754** | **$ 106** | **$ 208** |
| October 31, 2017 | $ 94 | $ 3,025 | $ 109 | $ 528 |
| **On-balance sheet liabilities at carrying value** [3] | | | | |
| **Deposits** | **$ –** | **$ –** | **$ –** | **$ 1,612** |
| **Derivatives** [4] | **–** | **–** | **134** | **–** |
| | **$ –** | **$ –** | **$ 134** | **$ 1,612** |
| October 31, 2017 | $ – | $ – | $ 148 | $ 1,656 |
| **Maximum exposure to loss, net of hedges** | | | | |
| **Investments and loans** | **$ 271** | **$ 3,754** | **$ 106** | **$ 208** |
| **Notional of written derivatives, less fair value losses** | **–** | **–** | **31** | **–** |
| **Liquidity, credit facilities and commitments** | **6,330** [5] | **1,660** | **12** | **101** |
| **Less: hedges of investments, loans and written derivatives exposure** | **–** | **–** | **(34)** | **(49)** |
| | **$ 6,601** | **$ 5,414** | **$ 115** | **$ 260** |
| October 31, 2017 | $ 5,835 | $ 5,284 | $ 119 | $ 258 |

(1) Includes CIBC structured collateralized debt obligation (CDO) vehicles and third-party structured vehicles.
(2) Includes pass-through investment structures, a commercial mortgage securitization trust, CIBC Capital Trust, and CIBC-managed investment funds and CRA-related investment vehicles.
(3) Excludes SEs established by Canada Mortgage and Housing Corporation (CMHC), Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Federal Home Loan Banks, Federal Farm Credit Bank, and Student Loan Marketing Association.
(4) Comprises written credit default swaps and total return swaps under which we assume exposures. Excludes foreign exchange derivatives, interest rate derivatives and other derivatives provided as part of normal course client facilitation.
(5) Excludes an additional $1.9 billion (October 31, 2017: $3.0 billion) relating to our backstop liquidity facilities provided to the multi-seller conduits as part of their commitment to fund purchases of additional assets and $177 million (October 31, 2017: nil) relating to our direct investments in the multi-seller conduits which we consider investment exposure.

Additional details of our SEs are provided in Note 6 to our interim consolidated financial statements.

# Management of risk

Our approach to management of risk has not changed significantly from that described on pages 41 to 77 of the 2017 Annual Report.

## Risk overview

CIBC faces a wide variety of risks across all of its areas of business. Identifying and understanding risks and their impacts allows CIBC to frame its risk appetite and risk management practices. Defining acceptable levels of risk, and establishing sound principles, policies and practices for managing risks, is fundamental to achieving consistent and sustainable long-term performance, while remaining within our risk appetite.

Our risk appetite defines tolerance levels for various risks. This is the foundation for our risk management culture and our risk management framework.

Our risk management framework includes:

- CIBC and SBU-level risk appetite statements;
- Risk frameworks, policies, procedures and limits to align activities with our risk appetite;
- Regular risk reports to identify and communicate risk levels;
- An independent control framework to identify and test compliance with key controls;
- Stress testing to consider potential impacts of changes in the business environment on capital, liquidity and earnings;
- Proactive consideration of risk mitigation options in order to optimize results; and
- Oversight through our risk-focused committees and governance structure.

Managing risk is a shared responsibility at CIBC. Business units and risk management professionals work in collaboration to ensure that business strategies and activities are consistent with our risk appetite. CIBC's approach to enterprise-wide risk management aligns with the three lines of defence model:

(i) CIBC's lines of business and functional groups own the risk and are responsible for managing all risks associated with their activities, including identifying, assessing, mitigating and controlling them – this is the first line of defence;

(ii) As the second line of defence, CIBC's Risk Management, and other functional groups are responsible for providing guidance and effective independent oversight and challenge of the enterprise-wide risks inherent in CIBC's business activities; and

(iii) As the third line of defence, CIBC's internal audit function provides an independent assessment of the design and operating effectiveness of risk management controls, processes and systems.

We continuously monitor our risk profile against our defined risk appetite and related limits, taking actions as needed to maintain an appropriate balance of risk and return. Monitoring our risk profile includes forward-looking analysis of sensitivity to local and global market factors, economic conditions, and political and regulatory environments that influence our overall risk profile.

Regular and transparent risk reporting and discussion at senior management committees facilitate communication of risks and discussion of risk management strategies across the organization.

## Top and emerging risks

We monitor and review top and emerging risks that may affect our future results, and take action to mitigate potential risks if required. We perform in-depth analyses, which can include stress testing our exposures relative to the risks, and provide updates and related developments to the Board on a regular basis. This section describes the top and emerging risks that we consider to have potential negative implications, as well as regulatory and accounting developments that are material for CIBC.

### Technology, information and cyber security risk

Financial institutions like CIBC are evolving their business processes to leverage innovative technologies and the internet to improve client experience and streamline operations. At the same time, cyber threats and the associated financial, reputation and business interruption risks have also increased. CIBC has cyber insurance coverage to help mitigate loss associated with cyber incidents.

These risks continue to be actively managed by us through strategic risk reviews, enterprise-wide technology and information security programs, with the goal of maintaining overall cyber resilience that prevents, detects and responds to threats such as data breaches, malware, unauthorized access and denial-of-service attacks.

Given the importance of electronic financial systems, including secure online and mobile banking provided by CIBC to its clients, CIBC continues to develop controls and processes to protect our systems and client information from damage and unauthorized disclosure. CIBC monitors the changing environment globally, including cyber threats, evolving regulatory requirements, and mitigation strategies. In addition, we continually perform cyber security preparedness and testing exercises to validate our defences, benchmark against best practices and provide regular updates to the Board.

Despite our commitment to information and cyber security, CIBC and its related third parties may not be able to fully mitigate all risks associated with the increased complexity and high rate of change in the threat landscape. However, CIBC continuously monitors its risk posture for changes and continues to refine security protection approaches to minimize the impact of any incidents that may occur.

### Disintermediation risk

Canadian banking clients are increasingly shifting their service transactions from branches to digital platforms. As such, competitive pressure from digital disruptors, both global technology leaders and smaller financial technology entrants, is increasing and the risk of disintermediation is growing due to the level of sophistication of these non-traditional competitors.

CIBC manages disintermediation risk through strategic risk reviews as well as investment in emerging channels, in data and analytics capabilities, and in technology and innovation in general, to meet our clients' changing expectations, while working to reduce our cost structure and simplify operations.

### Geo-political risk

The level of geo-political risk escalates at certain points in time. While the specific impact on the global economy and on global credit and capital markets would depend on the nature of the event, in general, any major event could result in instability and volatility, leading to widening spreads, declining equity valuations, flight to safe-haven currencies and increased purchases of gold. In the short run, market shocks could hurt the net income of our trading and non-trading market risk positions. Although Canada is unlikely to be directly subject to geo-political risk, the indirect impact of reduced economic growth, as well as potential impacts on commodity prices and the recent rise of protectionism, could have serious negative implications for general economic and banking activities.

Currently, there are several areas of concern which have raised the level of uncertainty in global financial markets. These include tensions between the U.S. and North Korea, the volatile situation in the Middle East, and Brexit negotiations. The outcome of the ongoing discussions between the governments of Canada, the U.S. and Mexico relating to NAFTA, with a view to renegotiating specific terms of the agreement, remains uncertain. In addition, there is the potential for negative impact on the competitiveness of the Canadian economy from the recent U.S. tax changes. While it is impossible to predict where new geo-political disruption will occur, we do pay particular attention to markets and regions with existing or recent historical instability to assess the impact of these environments on the markets and businesses in which we operate.

### Canadian consumer debt and the housing market

As a consequence of historically low interest rates, Canadians have increased debt levels at a pace that has exceeded growth in their income. Most of the increase in household debt levels has been driven by higher levels of mortgage debt, which is tied to the Canadian housing market. The Bank of Canada's recent and potential increases in interest rates, combined with measures introduced by OSFI, the Department of Finance and provincial governments (e.g., tax on foreign ownership, revised mortgage underwriting guidelines), could lead to a somewhat slower growth trajectory in overall household credit.

Currently, we qualify variable rate mortgage borrowers using the Bank of Canada five-year fixed benchmark rate, which is typically higher than the variable rate by approximately two percentage points. Therefore, our variable rate borrowers should be able to withstand some increase in interest rates. OSFI recently revised its B-20 rules on mortgage lending. See the "Credit risk" section for further details. While we believe that the probability of a severe housing crash that generates significant losses for mortgage portfolios remains low, increases in rates and new measures put in place elevate the risk associated with an inflated housing market, along with high levels of consumer debt that would be a concern should the economy falter and unemployment rates begin to increase.

In addition, we run our enterprise-wide statistical stress tests at lower home prices to determine potential direct losses, and have also conducted stress tests to assess the impact of rising unemployment rates on borrowers' ability to repay loan obligations.

### Acquisition risk

CIBC seeks out acquisition opportunities which align with its strategies, risk appetite and financial goals. The ability to successfully execute these strategies to integrate acquisitions, and the ability to anticipate and manage risks associated with them, are subject to certain factors. These include receiving regulatory and shareholder approval on a timely basis and on favourable terms, retaining clients and key personnel, realizing synergies and efficiencies, controlling integration and acquisition costs, among others, and changes in general business and economic conditions.

Although many of the factors are beyond CIBC's control, their impact is partially mitigated by conducting due diligence before completing the transaction, developing and executing appropriate integration plans, and monitoring performance following the acquisition. However, acquisitions involve inherent uncertainty and we cannot determine all potential events, facts and circumstances and there could be an adverse impact on CIBC's operations and financial performance.

### U.S. banking regulation

In conjunction with our acquisition of The PrivateBank (subsequently rebranded as CIBC Bank USA), completed on June 23, 2017, our wholly-owned subsidiary, CIBC Bancorp USA Inc. (CIBC Bancorp; formerly CIBC Holdco Inc.), became a bank holding company registered under the U.S. Bank Holding Company Act of 1956, as amended, and is subject to regulation as a bank holding company by the U.S. Board of Governors of the Federal Reserve System (Federal Reserve). CIBC Bank USA, as a state-chartered bank with greater than $10 billion of total assets, is subject to regulation by the U.S. Federal Deposit Insurance Corporation (FDIC), the U.S. Consumer Financial Protection Board (CFPB), and the Illinois Department of Financial and Professional Regulation.

The scope of these regulations could impact our business in a number of ways. For example, both CIBC Bancorp and CIBC Bank USA are required to maintain minimum capital ratios in accordance with Basel III rules adopted by the U.S. bank regulatory agencies, which differ in some respects from Canada's Basel III rules. Under the U.S. bank regulatory framework, both CIBC and CIBC Bancorp are expected to provide a source of strength to the subsidiary bank and may be required to commit additional capital and other resources to CIBC Bank USA in the event that its financial condition were to deteriorate, whether due to overall challenging economic conditions in the U.S., or because of business-specific issues. The Federal Reserve and the FDIC also have the ability to restrict dividends paid by CIBC Bancorp or CIBC Bank USA, which could limit our ability to receive distributions on our capital investment in our U.S. banking operations.

Furthermore, the Federal Reserve and the FDIC could also place limits on our ability to grow our U.S. banking operation, whether through acquisitions or organically, if, among other things, they have supervisory concerns about risk management or compliance practices at CIBC Bancorp or CIBC Bank USA. In addition, the CFPB has been active in recent years in pursuing enforcement actions and imposing fines against U.S. financial institutions for violations of federal consumer protection laws.

### China economic policy risk

While meeting, and occasionally exceeding, the government-set quarterly targets, China's economy continues to be on a relatively slower growth trajectory as, in addition to cyclical factors, the country tries to rebalance growth from an export-oriented and investment-driven performance to a more sustainable service-oriented and consumption-driven economy. Concerns have been raised regarding high rates of credit growth in the Chinese economy and the potential for disruption in economic growth if credit quality deteriorates or credit access is tightened sharply. The capital controls deployed by the People's Bank of China, which were designed to slow capital outflows remain in place and are believed to be having an impact on Canadian cities such as Vancouver and Toronto, where foreign purchasers have contributed to the sharp rise in housing prices over recent years. These capital controls could also slow the market in Canada for mergers and acquisitions.

We continue to monitor economic policy both within the country and the region for signs of stress or directional change, and have taken a prudent stance in addressing our tolerance for exposure to the country. We currently have little direct exposure to China, but any negative impact from the Chinese economic slowdown could affect clients that export to China or sell into a market where prices have been pushed down by weakness in Chinese demand, and could raise the credit risk associated with our exposure to trading counterparties.

### Anti-money laundering

Recognizing the threat of money laundering, terrorist financing activities and other related crimes to the stability and integrity of a country's financial sector and its broader economy, the international community has made the fight against these illegal activities a priority. Several laws and regulations have been enacted by governments and regulatory bodies globally. As a potential conduit for illegal operations, financial institutions bear a significant responsibility in mitigating the risks associated with these activities.

CIBC is committed to adhering to all regulatory requirements pertaining to Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) and implementing best practices to minimize the impact of such activities. As such, CIBC has implemented procedures to ensure that relevant regulatory obligations with respect to the reporting of large cash transactions, electronic funds transfers, and cross-border movements of cash and monetary instruments, are met in each jurisdiction. In addition, all employees are required to complete CIBC's AML/ATF training annually.

### Commodity prices

Global economic growth is projected to remain relatively healthy in 2018, providing continued support to industrial demand for commodities. Moreover, the oil price rally is benefiting from geo-political tensions in the Middle East, OPEC output cuts and reduced U.S. inventories.

So far, our overall commodity exposure continues to perform within our risk appetite, with losses in our oil and gas portfolio down significantly. Clients in our oil and gas portfolio are currently being assessed on the basis of our enhanced risk metrics, and our portfolio is being monitored in a prudent manner. We have run our enterprise statistical stress tests at lower oil prices to determine potential direct losses, and have also conducted stress tests to assess the secondary impacts of lower oil prices on our retail portfolio for the affected regions, where we could see higher losses if unemployment trends negatively. Prices for Canadian crude oil (Western Canada Select), however, are trading at their widest discount to U.S. crude oil (West Texas Intermediate) in four years, largely due to a combination of increasing supply and major pipeline constraints.

### Environmental risks and pandemic outbreaks

A number of environmental events have occurred over the past several years, including hurricanes, tsunamis, earthquakes, wildfires, droughts and floods, oil spills, and industrial accidents. There is also concern that the outbreak of certain illnesses could have the potential to reach pandemic levels. In addition to the humanitarian impact, these phenomena, along with the potential impact of climate change, introduce uncertainty and pose risks to the global economy, as well as our clients and our operations.

CIBC monitors these events and has measures in place including disaster recovery, insurance and business continuity programs, to ensure client needs continue to be met.

### Regulatory developments

See the “Income taxes”, “Capital resources”, “Credit risk”, “Liquidity risk” and “Accounting and control matters” sections for additional information on regulatory developments.

### Accounting developments

See the “Accounting and control matters” section and Note 1 to the interim consolidated financial statements for additional information on accounting developments.

## Risks arising from business activities

The chart below shows our business activities and related risk measures based upon regulatory RWAs and economic capital as at January 31, 2018:

CIBC

| | Canadian Personal and Small Business Banking | Canadian Commercial Banking and Wealth Management | U.S. Commercial Banking and Wealth Management | Capital Markets | Corporate and Other |
|---|---|---|---|---|---|
| **SBUs** | Canadian Personal and Small Business Banking | Canadian Commercial Banking and Wealth Management | U.S. Commercial Banking and Wealth Management | Capital Markets | |
| **Business activities** | • Deposits<br>• Residential mortgages<br>• Personal loans<br>• Credit cards<br>• Small business lending<br>• Insurance | • Commercial banking<br>• Full service brokerage<br>• Asset management<br>• Private wealth management | • Commercial banking<br>• Asset management<br>• Private wealth management<br>• Personal and small business banking | • Credit products<br>• Global markets<br>• Investment banking<br>• Investment portfolios | • International banking<br>• Investment portfolios<br>• Joint ventures<br>• Functional and support groups (see page 14) |
| **Balance sheet** ($ millions) | Average assets 258,213<br>Average deposits 167,335 | Average assets 53,281<br>Average deposits 51,299 | Average assets 40,411<br>Average deposits 21,461 | Average assets 167,093<br>Average deposits 30,705 | Average assets 71,346<br>Average deposits 180,437 |
| **CET1 RWA (All-in basis)** ($ millions) | Credit risk 46,650<br>Market risk –<br>Operational risk 11,025 | Credit risk 37,583<br>Market risk –<br>Operational risk 5,540 | Credit risk [1] 30,587<br>Market risk 125<br>Operational risk 2,498 | Credit risk [2] 38,618<br>Market risk 5,071<br>Operational risk 5,838 | Credit risk [3] 17,310<br>Market risk 413<br>Operational risk 340<br>Capital floor adjustment [4] 3,049 |
| **Economic capital [5]** (%) | Proportion of total CIBC 19<br>Comprising:<br>Credit risk [6] 55<br>Market risk 34<br>Operational/Strategic risks 11 | Proportion of total CIBC 16<br>Comprising:<br>Credit risk [6] 61<br>Market risk 3<br>Operational/Strategic risks 36 | Proportion of total CIBC 33<br>Comprising:<br>Credit risk [6] 33<br>Market risk 2<br>Operational/Strategic risks 65 | Proportion of total CIBC 14<br>Comprising:<br>Credit risk [6] 74<br>Market risk 11<br>Operational/Strategic risks 15 | Proportion of total CIBC 18<br>Comprising:<br>Credit risk [6] 22<br>Market risk 12<br>Operational/Strategic risks 66 |

**Risk profile** We are exposed to credit, market, liquidity, operational, and other risks, which primarily include strategic, insurance, technology, information and cyber security, reputation and legal, regulatory compliance, and environmental risks.

(1) Includes counterparty credit risk of $75 million, which comprises derivatives and repo-style transactions.
(2) Includes counterparty credit risk of $10,491 million, which comprises derivatives and repo-style transactions.
(3) Includes counterparty credit risk of $565 million, which comprises derivatives and repo-style transactions.
(4) Since the introduction of Basel II in 2008, OSFI has prescribed a capital floor requirement for institutions that use the AIRB approach for credit risk. The capital floor is determined by comparing a capital requirement calculated by reference to Basel I against the Basel III calculation, as specified by OSFI. Any shortfall in the Basel III capital requirement compared with the Basel I floor is added to RWAs. All-in RWAs as at January 31, 2018 and October 31, 2017 include a capital floor adjustment. See the “Continuous enhancement to regulatory capital requirements” section for a discussion of the revisions to the capital floor requirement, which will be effective beginning in the second quarter of 2018.
(5) For additional information, see the “Non-GAAP measures” section.
(6) Includes investment risk.

## Credit risk

Credit risk is the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms.

Credit risk arises out of the lending businesses in each of our SBUs. Other sources of credit risk include our trading activities, including our OTC derivatives, debt securities, and our repo-style transaction activity. In addition to losses on the default of a borrower or counterparty, unrealized gains or losses may occur due to changes in the credit spread of the counterparty, which could impact the carrying or fair value of our assets.

### Exposure to credit risk

| $ millions, as at | **2018 Jan. 31** | 2017 Oct. 31 |
|---|---|---|
| **Business and government portfolios – AIRB approach** | | |
| Drawn | **$ 137,118** | $ 130,173 |
| Undrawn commitments | **47,504** | 45,560 |
| Repo-style transactions | **133,076** | 112,742 |
| Other off-balance sheet | **78,099** | 78,193 |
| OTC derivatives | **19,705** | 19,177 |
| Gross exposure at default (EAD) on business and government portfolios | **415,502** | 385,845 |
| Less: Repo-style transaction collateral | **118,964** | 101,315 |
| Net EAD on business and government portfolios | **296,538** | 284,530 |
| **Retail portfolios – AIRB approach** | | |
| Drawn | **257,643** | 256,028 |
| Undrawn commitments | **71,190** | 70,458 |
| Other off-balance sheet | **276** | 330 |
| Gross EAD on retail portfolios | **329,109** | 326,816 |
| Standardized portfolios | **45,391** | 46,975 |
| Securitization exposures | **13,884** | 14,174 |
| Gross EAD | **$ 803,886** | $ 773,810 |
| Net EAD | **$ 684,922** | $ 672,495 |

### Forbearance policy

We employ forbearance techniques to manage client relationships and to minimize credit losses due to default, foreclosure or repossession. In certain circumstances, it may be necessary to modify a loan for economic or legal reasons related to a borrower's financial difficulties, and we may grant a concession in the form of below-market rates or terms that would not otherwise be considered, for the purpose of maximizing recovery of our exposure to the loan. In circumstances where the concession is considered below market, the modification is reported as a troubled debt restructuring (TDR). TDRs are subject to our normal quarterly impairment review which considers, amongst other factors, covenants and/or payment delinquencies. An appropriate level of loan loss provision by portfolio segment is then established.

In retail lending, forbearance techniques include interest capitalization, amortization amendments and debt consolidations. We have a set of eligibility criteria which allow our Client Account Management team to determine suitable remediation strategies and propose products based on each borrower's situation. While these solutions often provide more favourable conditions than those originally provided and are intended to increase the ability of borrowers to service their obligation to CIBC overall, we consider these solutions to be at market and comparable to terms and conditions we would have offered to new clients with comparable credit ratings.

The solutions available to corporate and commercial clients vary based on the individual nature of the client's situation and are undertaken selectively where it has been determined that the client has or is likely to have repayment difficulties servicing its obligations. Covenants often reveal changes in the client's financial situation before there is a change in payment behaviour and typically allow for a right to reprice or accelerate payments. Solutions may be temporary in nature or may involve other special management options.

During the current quarter, $47 million ($33 million for the quarter ended January 31, 2017) of loans have undergone TDR, of which $30 million related to CIBC Bank USA.

### Real estate secured personal lending

Real estate secured personal lending comprises residential mortgages and personal loans and lines secured by residential property (HELOC). This portfolio is low risk, as we have a first charge on the majority of the properties and a second lien on only a small portion of the portfolio. We use the same lending criteria in the adjudication of both first lien and second lien loans.

The following table provides details on our residential mortgage and HELOC portfolios:

| | Residential mortgages | | | | HELOC [1] | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| $ billions, as at January 31, 2018 | Insured | | Uninsured | | Uninsured | | Insured | | Uninsured | |
| Ontario [2] | **$ 39.8** | **39 %** | **$ 62.8** | **61 %** | **$ 11.3** | **100 %** | **$ 39.8** | **35 %** | **$ 74.1** | **65 %** |
| British Columbia and territories [3] | **14.2** | **33** | **29.3** | **67** | **4.4** | **100** | **14.2** | **30** | **33.7** | **70** |
| Alberta | **15.5** | **60** | **10.5** | **40** | **2.7** | **100** | **15.5** | **54** | **13.2** | **46** |
| Quebec | **7.1** | **49** | **7.4** | **51** | **1.5** | **100** | **7.1** | **44** | **8.9** | **56** |
| Central prairie provinces | **4.6** | **60** | **3.0** | **40** | **0.9** | **100** | **4.6** | **54** | **3.9** | **46** |
| Atlantic provinces | **5.0** | **60** | **3.4** | **40** | **0.8** | **100** | **5.0** | **54** | **4.2** | **46** |
| Canadian portfolio [4][5] | **86.2** | **43** | **116.4** | **57** | **21.6** | **100** | **86.2** | **38** | **138.0** | **62** |
| U.S. portfolio [4] | **–** | **–** | **0.9** | **100** | **–** | **100** | **–** | **–** | **0.9** | **100** |
| Other international portfolio [4] | **–** | **–** | **2.3** | **100** | **–** | **–** | **–** | **–** | **2.3** | **100** |
| Total portfolio | **$ 86.2** | **42 %** | **$ 119.6** | **58 %** | **$ 21.6** | **100 %** | **$ 86.2** | **38 %** | **$ 141.2** | **62 %** |
| October 31, 2017 | $ 89.2 | 44 % | $ 115.7 | 56 % | $ 21.8 | 100 % | $ 89.2 | 39 % | $ 137.5 | 61 % |

(1) We did not have any insured HELOCs as at January 31, 2018 and October 31, 2017.
(2) Includes $19.6 billion (October 31, 2017: $20.4 billion) of insured residential mortgages, $43.1 billion (October 31, 2017: $41.5 billion) of uninsured residential mortgages, and $6.6 billion (October 31, 2017: $6.6 billion) of HELOCs in the Greater Toronto Area (GTA).
(3) Includes $6.6 billion (October 31, 2017: $6.9 billion) of insured residential mortgages, $21.7 billion (October 31, 2017: $21.1 billion) of uninsured residential mortgages, and $2.7 billion (October 31, 2017: $2.7 billion) of HELOCs in the Greater Vancouver Area (GVA).
(4) Geographic location is based on the address of the property.
(5) 73% (October 31, 2017: 74%) of insurance on Canadian residential mortgages is provided by CMHC and the remaining by two private Canadian insurers, both rated at least AA (low) by DBRS Limited (DBRS).

The average loan-to-value (LTV) ratios[(1)] for our uninsured residential mortgages and HELOCs originated during the quarter are provided in the following table. We did not acquire uninsured residential mortgages or HELOCs from a third party for the periods presented in the table below.

| | **2018 Jan. 31** | | 2017 Oct. 31 | | 2017 Jan. 31 | |
|---|---|---|---|---|---|---|
| For the three months ended | **Residential mortgages** | **HELOC** | Residential mortgages | HELOC | Residential mortgages | HELOC |
| Ontario [(2)] | **64 %** | **67 %** | 64 % | 67 % | 64 % | 68 % |
| British Columbia and territories [(3)] | **60** | **63** | 61 | 64 | 59 | 63 |
| Alberta | **69** | **72** | 68 | 72 | 68 | 73 |
| Quebec | **69** | **72** | 69 | 72 | 68 | 72 |
| Central prairie provinces | **69** | **72** | 70 | 73 | 69 | 74 |
| Atlantic provinces | **72** | **73** | 72 | 73 | 72 | 74 |
| Canadian portfolio [(4)] | **64 %** | **67 %** | 64 % | 67 % | 64 % | 67 % |
| U.S. portfolio [(4)] | **66 %** | **72 %** | 71 % | 67 % | n/a | n/a |
| Other international portfolio [(4)] | **75 %** | **n/m** | 74 % | n/m | 72 % | n/m |

(1) LTV ratios for newly originated residential mortgages and HELOCs are calculated based on weighted average.
(2) Average LTV ratios for our uninsured GTA residential mortgages originated during the quarter were 62% (October 31, 2017: 62%; January 31, 2017: 62%).
(3) Average LTV ratios for our uninsured GVA residential mortgages originated during the quarter were 57% (October 31, 2017: 58%; January 31, 2017: 56%).
(4) Geographic location is based on the address of the property.
n/a Not applicable.
n/m Not meaningful.

The following table provides the average LTV ratios on our total Canadian residential mortgage portfolio:

| | Insured | Uninsured |
|---|---|---|
| **January 31, 2018** [(1)(2)] | **54 %** | **54 %** |
| October 31, 2017 [(1)(2)] | 54 % | 53 % |

(1) LTV ratios for residential mortgages are calculated based on weighted average. The house price estimates for January 31, 2018 and October 31, 2017 are based on the Forward Sortation Area (FSA) level indices from the Teranet – National Bank National Composite House Price Index (Teranet) as of December 31, 2017 and September 30, 2017, respectively. Teranet is an independent estimate of the rate of change in Canadian home prices.
(2) Average LTV ratio on our uninsured GTA residential mortgage portfolio was 52% (October 31, 2017: 49%). Average LTV ratio on our uninsured GVA residential mortgage portfolio was 43% (October 31, 2017: 43%).

The tables below summarize the remaining amortization profile of our total Canadian, U.S. and other international residential mortgages. The first table provides the remaining amortization periods based on the minimum contractual payment amounts. The second table provides the remaining amortization periods based upon current customer payment amounts, which incorporate payments larger than the minimum contractual amount and/or higher frequency of payments.

*Contractual payment basis*

| | Less than 5 years | 5 – 10 years | 10 – 15 years | 15 – 20 years | 20 – 25 years | 25 – 30 years | 30 – 35 years | 35 years and above |
|---|---|---|---|---|---|---|---|---|
| Canadian portfolio | | | | | | | | |
| **January 31, 2018** | **– %** | **1 %** | **2 %** | **4 %** | **39 %** | **53 %** | **1 %** | **– %** |
| October 31, 2017 | – % | 1 % | 2 % | 5 % | 37 % | 53 % | 2 % | – % |
| U.S. portfolio | | | | | | | | |
| **January 31, 2018** | **– %** | **4 %** | **14 %** | **15 %** | **12 %** | **49 %** | **3 %** | **3 %** |
| October 31, 2017 | – % | 3 % | 13 % | 15 % | 13 % | 50 % | 3 % | 3 % |
| Other international portfolio | | | | | | | | |
| **January 31, 2018** | **9 %** | **15 %** | **26 %** | **23 %** | **16 %** | **10 %** | **1 %** | **– %** |
| October 31, 2017 | 8 % | 15 % | 26 % | 23 % | 17 % | 10 % | 1 % | – % |

*Current customer payment basis*

| | Less than 5 years | 5 – 10 years | 10 – 15 years | 15 – 20 years | 20 – 25 years | 25 – 30 years | 30 – 35 years | 35 years and above |
|---|---|---|---|---|---|---|---|---|
| Canadian portfolio | | | | | | | | |
| **January 31, 2018** | **2 %** | **4 %** | **7 %** | **11 %** | **35 %** | **35 %** | **6 %** | **– %** |
| October 31, 2017 | 2 % | 4 % | 7 % | 11 % | 35 % | 36 % | 5 % | – % |
| U.S. portfolio | | | | | | | | |
| **January 31, 2018** | **1 %** | **5 %** | **14 %** | **14 %** | **12 %** | **45 %** | **3 %** | **6 %** |
| October 31, 2017 | – % | 4 % | 14 % | 15 % | 13 % | 46 % | 2 % | 6 % |
| Other international portfolio | | | | | | | | |
| **January 31, 2018** | **8 %** | **15 %** | **26 %** | **23 %** | **16 %** | **10 %** | **1 %** | **1 %** |
| October 31, 2017 | 8 % | 15 % | 26 % | 23 % | 17 % | 9 % | 1 % | 1 % |

In October 2016, the Minister of Finance announced changes to strengthen the housing market that imposed the use of the government-posted mortgage qualifying rates on a wider range of insured mortgages, and closed loopholes related to the principal residence exemption for capital gains taxes. There is ongoing consultation with market participants on an approach to implement risk sharing for insured mortgages (i.e., sharing losses between banks and insurers).

In August 2016, the Government of British Columbia introduced a 15% property transfer tax on the purchase of real estate in the GVA and surrounding regions by foreign buyers. In April 2017, the Government of Ontario introduced a number of housing-related regulations, including a 15% foreign buyers' tax in the GTA and surrounding regions. Indications have shown that residential real estate activity, including sales and average resale prices, have slowed in the GTA since the new tax was introduced, while the GVA has seen renewed activity levels after an initial decline. CIBC will continue to closely monitor the housing markets and the performance of our credit portfolios in these two regions, and will take risk mitigation action as required.

On January 1, 2018, new OSFI B-20 guidelines became effective, and included changes to qualifying interest rates for uninsured mortgages, dynamic and adjusted LTV ratios, more prescriptive guidance around the definitions of non-conforming loans, and enhancements to adjudication procedures.

Reflective of the government and regulatory measures noted above, in addition to changes in consumer behaviour, we expect our insured mortgage mix as a proportion of total mortgages to continue to decrease. We also anticipate that the change in rules may make it more difficult for certain Canadians to qualify for mortgages, which could result in fewer and/or smaller originations going forward.

We have two types of condominium exposures in Canada: mortgages and developer loans. Both are primarily concentrated in the Toronto and Vancouver areas. As at January 31, 2018, our Canadian condominium mortgages were $24.0 billion (October 31, 2017: $23.8 billion) of which 42% (October 31, 2017: 44%) were insured. Our drawn developer loans were $1.0 billion (October 31, 2017: $0.9 billion) or 0.9% (October 31, 2017: 0.9%) of our business and government portfolio, and our related undrawn exposure was $2.9 billion (October 31, 2017: $2.4 billion). The condominium developer exposure is diversified across 93 projects.

We stress test our mortgage and HELOC portfolio to determine the potential impact of different economic events. Our stress tests can use variables such as unemployment rates, debt service ratios and housing price changes, to model potential outcomes for a given set of circumstances. The stress testing involves variables that could behave differently in certain situations. Our main tests use economic variables in a similar range to historical events when Canada experienced economic downturns. Our results show that in an economic downturn, our strong capital position should be sufficient to absorb mortgage and HELOC losses.

## Trading credit exposures

We have trading credit exposure (also called counterparty credit exposure) that arises from our interest rate, foreign exchange, equity, commodity, and credit derivatives trading, hedging, and portfolio management activities, as described in Note 12 to the 2017 annual consolidated financial statements.

The following table shows the rating profile of OTC derivative mark-to-market (MTM) receivables:

| $ billions, as at | | **2018 Jan. 31** | | 2017 Oct. 31 |
|---|---|---|---|---|
| | Exposure (1) | | | |
| Investment grade | **$ 8.86** | **86.8 %** | $ 7.19 | 84.1 % |
| Non-investment grade | **1.32** | **12.9** | 1.33 | 15.6 |
| Watch list | **–** | **–** | 0.02 | 0.2 |
| Default | **0.03** | **0.3** | 0.01 | 0.1 |
| | **$ 10.21** | **100.0 %** | $ 8.55 | 100.0 % |

(1) MTM of the OTC derivative contracts is after the impact of master netting agreements, but before any collateral.

The following table provides details of our impaired loans and allowances for credit losses:

| $ millions, as at or for the three months ended | | | **2018 Jan. 31** | | | 2017 Oct. 31 | | | 2017 Jan. 31 |
|---|---|---|---|---|---|---|---|---|---|
| | **Business and government loans** | **Consumer loans** | **Total** | Business and government loans | Consumer loans | Total | Business and government loans | Consumer loans | Total |
| **Gross impaired loans** (1) | | | | | | | | | |
| Balance at beginning of period under IAS 39 | **$ 626** | **$ 684** | **$ 1,310** | $ 654 | $ 690 | $ 1,344 | $ 951 | $ 707 | $ 1,658 |
| Impact of adopting IFRS 9 at November 1, 2017 | **27** | **195** | **222** | n/a | n/a | n/a | n/a | n/a | n/a |
| Balance at beginning of period under IFRS 9 | **653** | **879** | **1,532** | n/a | n/a | n/a | n/a | n/a | n/a |
| Classified as impaired during the period | **44** | **459** | **503** | 87 | 329 | 416 | 85 | 351 | 436 |
| Transferred to not impaired during the period | **–** | **(97)** | **(97)** | (10) | (43) | (53) | (19) | (40) | (59) |
| Net repayments | **(33)** | **(159)** | **(192)** | (85) | (74) | (159) | (87) | (61) | (148) |
| Amounts written off | **(11)** | **(224)** | **(235)** | (39) | (229) | (268) | (46) | (234) | (280) |
| Recoveries of loans and advances previously written off | **–** | **–** | **–** | – | – | – | – | – | – |
| Disposals of loans | **–** | **–** | **–** | – | – | – | (165) | – | (165) |
| Purchased credit-impaired loans | **–** | **–** | **–** | – | – | – | – | – | – |
| Foreign exchange and other | **(24)** | **(13)** | **(37)** | 19 | 11 | 30 | (15) | (9) | (24) |
| Balance at end of period | **$ 629** | **$ 845** | **$ 1,474** | $ 626 | $ 684 | $ 1,310 | $ 704 | $ 714 | $ 1,418 |
| **Allowance for impairment** (1) | | | | | | | | | |
| Balance at beginning of period under IAS 39 | **$ 191** | **$ 286** | **$ 477** | $ 190 | $ 296 | $ 486 | $ 259 | $ 313 | $ 572 |
| Impact of adopting IFRS 9 at November 1, 2017 | **13** | **(25)** | **(12)** | n/a | n/a | n/a | n/a | n/a | n/a |
| Balance at beginning of period under IFRS 9 | **204** | **261** | **465** | n/a | n/a | n/a | n/a | n/a | n/a |
| Amounts written off | **(11)** | **(224)** | **(235)** | (39) | (229) | (268) | (46) | (234) | (280) |
| Recoveries of amounts written off in previous periods | **3** | **45** | **48** | 6 | 42 | 48 | 4 | 43 | 47 |
| Charge to income statement | **26** | **176** | **202** | 36 | 176 | 212 | 13 | 198 | 211 |
| Interest accrued on impaired loans | **(3)** | **(2)** | **(5)** | (3) | (2) | (5) | (6) | (2) | (8) |
| Disposals of loans | **–** | **–** | **–** | – | – | – | – | – | – |
| Transfers | **–** | **–** | **–** | – | – | – | – | – | – |
| Foreign exchange and other | **(11)** | **(7)** | **(18)** | 1 | 3 | 4 | (11) | (8) | (19) |
| Balance at end of period | **$ 208** | **$ 249** | **$ 457** | $ 191 | $ 286 | $ 477 | $ 213 | $ 310 | $ 523 |
| **Net impaired loans** (2) | | | | | | | | | |
| Balance at beginning of period under IAS 39 | **$ 435** | **$ 398** | **$ 833** | $ 464 | $ 394 | $ 858 | $ 692 | $ 394 | $ 1,086 |
| Impact of adopting IFRS 9 at November 1, 2017 | **14** | **220** | **234** | n/a | n/a | n/a | n/a | n/a | n/a |
| Balance at beginning of period under IFRS 9 | **449** | **618** | **1,067** | n/a | n/a | n/a | n/a | n/a | n/a |
| Net change in gross impaired | **(24)** | **(34)** | **(58)** | (28) | (6) | (34) | (247) | 7 | (240) |
| Net change in allowance | **(4)** | **12** | **8** | (1) | 10 | 9 | 46 | 3 | 49 |
| Balance at end of period | **$ 421** | **$ 596** | **$ 1,017** | $ 435 | $ 398 | $ 833 | $ 491 | $ 404 | $ 895 |
| Net impaired loans as a percentage of net loans and acceptances | | | **0.28 %** | | | 0.23 % | | | 0.28 % |

(1) Effective November 1, 2017, all loans that are contractually 90 days in arrears are automatically classified as impaired and as stage 3 under IFRS 9, except for credit card loans which are classified as impaired and are fully written off when payments are contractually 180 days in arrears or at the earlier of the notice of bankruptcy, settlement proposal, or enlistment of credit counselling services. The determination of impairment was generally the same under IAS 39, except (i) residential mortgages guaranteed or insured by a Canadian government (federal or provincial) or a Canadian government agency were not classified as impaired until payments were contractually 365 days in arrears, and (ii) residential mortgages guaranteed or insured by a private insurer, or loans that were fully secured and in the process of collection were not classified as impaired until payments were contractually 180 days in arrears.

(2) Effective November 1, 2017, net impaired loans are gross impaired loans net of stage 3 allowance for credit losses. In the prior periods, net impaired loans are calculated by deducting the individual allowance and the portion of collective allowance relating to impaired loans, which are generally loans that are past 90 days in arrears, from gross impaired loans.

*Gross impaired loans*

As at January 31, 2018, gross impaired loans were $1,474 million, up $56 million from the same quarter last year, primarily due to our adoption of IFRS 9[(1)] and the inclusion of the results of CIBC Bank USA. These factors were partially offset by reductions in impaired loans in the oil and gas sector and CIBC FirstCaribbean, as well as the impact of U.S. dollar depreciation on our existing portfolio.

Gross impaired loans were up $164 million from the prior quarter, mainly due to our adoption of IFRS 9[(1)], partially offset by the impact of U.S. dollar depreciation on our existing portfolio.

Approximately 49% of gross impaired loans related to Canada, of which the residential mortgages and personal lending portfolios accounted for the majority.

Approximately 28% of gross impaired loans related to CIBC FirstCaribbean, of which the residential mortgages, real estate and construction, and business services sectors accounted for the majority.

The remaining gross impaired loans related to the U.S., of which the real estate and construction, and oil and gas sectors accounted for the majority.

*Allowance for impairment*

Allowance for impairment was $457 million, down $66 million from the same quarter last year, primarily due to reductions in allowance related to CIBC FirstCaribbean, the Canadian personal lending portfolio, and the Canadian oil and gas sector, as well as the impact of U.S. dollar depreciation on our existing portfolio. These factors were partially offset by an increase in allowance related to Canadian residential mortgages[(1)] and the U.S. real estate and construction sector.

Allowance for impairment was down $20 million from the prior quarter, primarily due to reductions in allowance related to the Canadian personal lending portfolio, the impact of U.S. dollar depreciation on our existing portfolio, and the impact of our adoption of IFRS 9. These factors were partially offset by an increase in allowance related to Canadian residential mortgages[(1)].

(1) Effective November 1, 2017, all loans that are contractually 90 days in arrears are automatically classified as impaired and as stage 3 under IFRS 9, except for credit card loans which are classified as impaired and are fully written off when payments are contractually 180 days in arrears or at the earlier of the notice of bankruptcy, settlement proposal, or enlistment of credit counselling services. The determination of impairment was generally the same under IAS 39, except (i) residential mortgages guaranteed or insured by a Canadian government (federal or provincial) or a Canadian government agency were not classified as impaired until payments were contractually 365 days in arrears, and (ii) residential mortgages guaranteed or insured by a private insurer, or loans that were fully secured and in the process of collection were not classified as impaired until payments were contractually 180 days in arrears.

## Exposure to certain countries and regions

Over the past several years, a number of countries in Europe experienced credit concerns. The following tables provide our exposure to European countries, both within and outside the Eurozone.

Our direct exposures presented in the tables below comprise (A) funded – on-balance sheet loans (stated at amortized cost net of individual allowances, if any), deposits with banks (stated at amortized cost net of individual allowances, if any) and securities (stated at fair value); (B) unfunded – unutilized credit commitments, letters of credit, and guarantees (stated at notional amount net of individual allowances, if any) and sold credit default swap (CDS) contracts where we do not benefit from subordination (stated at notional amount less fair value); and (C) derivative MTM receivables (stated at fair value) and repo-style transactions (stated at fair value).

Of our total direct exposures to Europe, approximately 36% (October 31, 2017: 39%) is to entities in countries with Aaa/AAA ratings from at least one of Moody's or S&P.

The following tables provide a summary of our positions in this business:

| | Direct exposures | | | | | | |
|---|---|---|---|---|---|---|---|
| | Funded | | | | Unfunded | | |
| $ millions, as at January 31, 2018 | Corporate | Sovereign | Bank | Total funded (A) | Corporate | Bank | Total unfunded (B) |
| Austria | **$ –** | **$ 326** | **$ 2** | **$ 328** | **$ –** | **$ –** | **$ –** |
| Belgium | **14** | **–** | **3** | **17** | **–** | **1** | **1** |
| Finland | **–** | **1** | **13** | **14** | **63** | **–** | **63** |
| France | **35** | **–** | **527** | **562** | **123** | **16** | **139** |
| Germany | **159** | **781** | **505** | **1,445** | **201** | **24** | **225** |
| Ireland | **3** | **–** | **2** | **5** | **–** | **12** | **12** |
| Italy | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Luxembourg | **1** | **–** | **1** | **2** | **5** | **35** | **40** |
| Netherlands | **241** | **69** | **50** | **360** | **137** | **50** | **187** |
| Portugal | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Spain | **2** | **–** | **7** | **9** | **–** | **–** | **–** |
| Total Eurozone | **$ 455** | **$ 1,177** | **$ 1,110** | **$ 2,742** | **$ 529** | **$ 138** | **$ 667** |
| Czech Republic | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** |
| Denmark | **–** | **–** | **21** | **21** | **–** | **46** | **46** |
| Norway | **–** | **149** | **2** | **151** | **293** | **–** | **293** |
| Poland | **–** | **–** | **3** | **3** | **–** | **–** | **–** |
| Sweden | **31** | **381** | **31** | **443** | **67** | **–** | **67** |
| Switzerland | **21** | **–** | **85** | **106** | **273** | **–** | **273** |
| Turkey | **–** | **–** | **69** | **69** | **–** | **14** | **14** |
| United Kingdom | **899** | **434** | **389** | **1,722** | **2,977** | **247** | **3,224** |
| Total non-Eurozone | **$ 951** | **$ 964** | **$ 600** | **$ 2,515** | **$ 3,610** | **$ 307** | **$ 3,917** |
| **Total Europe** | **$ 1,406** | **$ 2,141** | **$ 1,710** | **$ 5,257** | **$ 4,139** | **$ 445** | **$ 4,584** |
| October 31, 2017 | $ 1,649 | $ 2,025 | $ 1,348 | $ 5,022 | $ 3,885 | $ 367 | $ 4,252 |

| | Direct exposures (continued) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Derivative MTM receivables and repo-style transactions | | | | | | |
| $ millions, as at January 31, 2018 | Corporate | Sovereign | Bank | Gross exposure [1] | Collateral held [2] | Net exposure (C) | Total direct exposure (A)+(B)+(C) |
| Austria | **$ –** | **$ –** | **$ 41** | **$ 41** | **$ 38** | **$ 3** | **$ 331** |
| Belgium | **–** | **–** | **26** | **26** | **24** | **2** | **20** |
| Finland | **2** | **–** | **–** | **2** | **–** | **2** | **79** |
| France | **22** | **5** | **4,443** | **4,470** | **4,431** | **39** | **740** |
| Germany | **20** | **–** | **783** | **803** | **764** | **39** | **1,709** |
| Ireland | **–** | **–** | **3,249** | **3,249** | **3,192** | **57** | **74** |
| Italy | **–** | **–** | **4** | **4** | **–** | **4** | **4** |
| Luxembourg | **3** | **–** | **83** | **86** | **2** | **84** | **126** |
| Netherlands | **16** | **–** | **223** | **239** | **215** | **24** | **571** |
| Portugal | **–** | **4** | **–** | **4** | **3** | **1** | **1** |
| Spain | **–** | **–** | **98** | **98** | **95** | **3** | **12** |
| Total Eurozone | **$ 63** | **$ 9** | **$ 8,950** | **$ 9,022** | **$ 8,764** | **$ 258** | **$ 3,667** |
| Czech Republic | **$ –** | **$ 1,243** | **$ –** | **$ 1,243** | **$ 1,178** | **$ 65** | **$ 65** |
| Denmark | **–** | **–** | **1** | **1** | **1** | **–** | **67** |
| Norway | **–** | **–** | **–** | **–** | **–** | **–** | **444** |
| Poland | **–** | **–** | **–** | **–** | **–** | **–** | **3** |
| Sweden | **8** | **–** | **60** | **68** | **58** | **10** | **520** |
| Switzerland | **4** | **–** | **3,435** | **3,439** | **3,066** | **373** | **752** |
| Turkey | **–** | **–** | **–** | **–** | **–** | **–** | **83** |
| United Kingdom | **586** | **13** | **5,171** | **5,770** | **4,590** | **1,180** | **6,126** |
| Total non-Eurozone | **$ 598** | **$ 1,256** | **$ 8,667** | **$ 10,521** | **$ 8,893** | **$ 1,628** | **$ 8,060** |
| **Total Europe** | **$ 661** | **$ 1,265** | **$ 17,617** | **$ 19,543** | **$ 17,657** | **$ 1,886** | **$ 11,727** |
| October 31, 2017 | $ 714 | $ 1,954 | $ 14,403 | $ 17,071 | $ 15,905 | $ 1,166 | $ 10,440 |

(1) The amounts are shown net of CVA.
(2) Collateral on derivative MTM receivables was $1.0 billion (October 31, 2017: $1.0 billion), collateral on repo-style transactions was $16.7 billion (October 31, 2017: $14.9 billion), and both are comprised of cash and investment grade debt securities.

In addition to the European exposure identified above, we have $1 million (October 31, 2017: $1 million) of indirect exposure, which comprises the European portion of the exposure to a collateralized loan obligation security in our trading book. Our gross exposure before subordination is stated at carrying value.

We also have $53 million (October 31, 2017: $181 million) of indirect exposure to European entities, as we hold debt or equity securities issued by European entities as collateral for our securities lending and borrowing activity, from counterparties that are not in Europe.

## Selected exposure in certain activities

In response to the recommendations of the Financial Stability Board, this section provides information on a selected activity within our continuing and exited businesses that may be of particular interest to investors based on the risk characteristics and the current market environment. For additional information on selected exposures, refer to page 61 of the 2017 Annual Report.

### *U.S. real estate lending*

In our U.S. Commercial Banking and Wealth Management SBU, we operate a full-service platform which offers real estate credit to mid-market clients. Once construction is complete, and the property is income producing, we may occasionally offer fixed-rate financing within a permanent financing program (typically with average terms of 10 years). This portfolio of permanent financing exposures, which is a small subset of our total U.S. real estate lending portfolio, serves as a warehouse for inclusion in future Commercial Mortgage Backed Securities (CMBS) programs. We retain no exposure to those CMBS programs. As at January 31, 2018, the portfolio of permanent financing exposures was $156 million (October 31, 2017: $95 million).

## Market risk

Market risk is the risk of economic financial loss in our trading and non-trading portfolios from adverse changes in underlying market factors, including interest rates, foreign exchange rates, equity market prices, commodity prices, credit spreads, and customer behaviour for retail products. Market risk arises in CIBC's trading and treasury activities, and encompasses all market related positioning and market making activity.

The trading book consists of positions in financial instruments and commodities held to meet the near-term needs of our clients.

The non-trading book consists of positions in various currencies that are related to asset/liability management (ALM) and investment activities.

### Risk measurement

The following table provides balances on the interim consolidated balance sheet which are subject to market risk. Certain differences between accounting and risk classifications are detailed in the footnotes below:

| $ millions, as at | | | | **2018 Jan. 31** | | | | 2017 Oct. 31 | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Subject to market risk** | | | | Subject to market risk | | | |
| | **Consolidated balance sheet** | **Trading** | **Non-trading** | **Not subject to market risk** | Consolidated balance sheet | Trading | Non-trading | Not subject to market risk | Non-traded risk primary risk sensitivity |
| Cash and non-interest-bearing deposits with banks | **$ 3,301** | **$ –** | **$ 1,762** | **$ 1,539** | $ 3,440 | $ – | $ 1,940 | $ 1,500 | Foreign exchange |
| Interest-bearing deposits with banks | **11,939** | **88** | **11,851** | **–** | 10,712 | 426 | 10,286 | – | Interest rate |
| Securities | **95,284** | **47,840** | **47,444** | **–** | 93,419 | 48,900 | 44,519 | – | Equity, interest rate |
| Cash collateral on securities borrowed | **6,989** | **–** | **6,989** | **–** | 5,035 | – | 5,035 | – | Interest rate |
| Securities purchased under resale agreements | **48,271** | **–** | **48,271** | **–** | 40,383 | – | 40,383 | – | Interest rate |
| Loans | | | | | | | | | |
| Residential mortgages | **207,989** | **–** | **207,989** | **–** | 207,271 | – | 207,271 | – | Interest rate |
| Personal | **41,132** | **–** | **41,132** | **–** | 40,937 | – | 40,937 | – | Interest rate |
| Credit card | **12,314** | **–** | **12,314** | **–** | 12,378 | – | 12,378 | – | Interest rate |
| Business and government | **97,198** | **12,420** (1) | **84,778** | **–** | 97,766 | 13,809 (1) | 83,957 | – | Interest rate |
| Allowance for credit losses | **(1,626)** | **–** | **(1,626)** | **–** | (1,618) | – | (1,618) | – | Interest rate |
| Derivative instruments | **29,304** | **25,714** (2) | **3,590** | **–** | 24,342 | 21,120 (2) | 3,222 | – | Interest rate, foreign exchange |
| Customers' liability under acceptances | **9,672** | **–** | **9,672** | **–** | 8,824 | – | 8,824 | – | Interest rate |
| Other assets | **25,160** | **4,839** | **12,428** | **7,893** | 22,375 | 955 | 12,411 | 9,009 | Interest rate, equity, foreign exchange |
| | **$ 586,927** | **$ 90,901** | **$ 486,594** | **$ 9,432** | $ 565,264 | $ 85,210 | $ 469,545 | $ 10,509 | |
| Deposits | **$ 446,179** | **$ 447** (3) | **$ 398,804** | **$ 46,928** | $ 439,706 | $ 510 (3) | $ 391,831 | $ 47,365 | Interest rate |
| Obligations related to securities sold short | **15,247** | **15,247** | **–** | **–** | 13,713 | 13,682 | 31 | – | Interest rate |
| Cash collateral on securities lent | **1,499** | **–** | **1,499** | **–** | 2,024 | – | 2,024 | – | Interest rate |
| Obligations related to securities sold under repurchase agreements | **33,729** | **–** | **33,729** | **–** | 27,971 | – | 27,971 | – | Interest rate |
| Derivative instruments | **29,091** | **26,339** (2) | **2,752** | **–** | 23,271 | 21,029 (2) | 2,242 | – | Interest rate, foreign exchange |
| Acceptances | **9,675** | **–** | **9,675** | **–** | 8,828 | – | 8,828 | – | Interest rate |
| Other liabilities | **16,041** | **4,147** | **5,348** | **6,546** | 15,305 | 1,323 | 7,022 | 6,960 | Interest rate |
| Subordinated indebtedness | **3,144** | **–** | **3,144** | **–** | 3,209 | – | 3,209 | – | Interest rate |
| | **$ 554,605** | **$ 46,180** | **$ 454,951** | **$ 53,474** | $ 534,027 | $ 36,544 | $ 443,158 | $ 54,325 | |

(1) Excludes $150 million (October 31, 2017: $95 million) of loans that are warehoused for future securitization purposes. These are considered non-trading for market risk purposes.
(2) Excludes derivatives relating to run-off businesses which are considered non-trading for market risk purposes.
(3) Comprises FVO deposits which are considered trading for market risk purposes.

### Trading activities

We hold positions in traded financial contracts to meet client investment and risk management needs. Trading revenue (net interest income or non-interest income) is generated from these transactions. Trading instruments are recorded at fair value and include debt and equity securities, as well as interest rate, foreign exchange, equity, commodity, and credit derivative products.

#### *Value-at-risk*

Our value-at-risk (VaR) methodology is a statistical technique that measures the potential overnight loss at a 99% confidence level. We use a full revaluation historical simulation methodology to compute VaR, stressed VaR and other risk measures.

The following three tables show VaR, stressed VaR and incremental risk charge (IRC) for our trading activities based on risk type under an internal models approach.

Average total VaR for the three months ended January 31, 2018 was down $0.4 million from the prior quarter, primarily due to a decrease in interest rate, credit spread, commodity and equity risks, partially offset by an increase in foreign exchange and debt specific risks.

Average stressed total VaR for the three months ended January 31, 2018 was down $0.2 million from the prior quarter. During the current stressed VaR period from September 22, 2008 to September 18, 2009, the market exhibited not only increased volatility in interest rates but also increased volatility in equity prices, combined with a reduction in the level of interest rates, and an increase in credit spreads.

Average IRC for the three months ended January 31, 2018 was up $41.5 million from the prior quarter, mainly due to an increase in fixed income trading inventory.

### VaR by risk type – trading portfolio

| $ millions, as at or for the three months ended | **2018 Jan. 31** | | | | 2017 Oct. 31 | | 2017 Jan. 31 | |
|---|---|---|---|---|---|---|---|---|
| | **High** | **Low** | **As at** | **Average** | As at | Average | As at | Average |
| Interest rate risk | **$ 7.6** | **$ 3.1** | **$ 3.2** | **$ 4.4** | $ 3.9 | $ 4.8 | $ 3.1 | $ 3.0 |
| Credit spread risk | **1.5** | **0.5** | **0.7** | **0.8** | 0.9 | 1.2 | 3.6 | 2.9 |
| Equity risk | **3.2** | **2.1** | **2.3** | **2.6** | 3.1 | 2.7 | 3.4 | 3.4 |
| Foreign exchange risk | **4.6** | **1.2** | **1.8** | **2.4** | 1.2 | 2.2 | 1.8 | 2.8 |
| Commodity risk | **4.7** | **1.0** | **1.8** | **2.6** | 3.2 | 2.8 | 4.9 | 2.9 |
| Debt specific risk | **1.8** | **0.9** | **1.2** | **1.3** | 1.6 | 1.1 | 1.6 | 1.3 |
| Diversification effect [(1)] | **n/m** | **n/m** | **(6.8)** | **(8.9)** | (8.8) | (9.2) | (12.0) | (10.2) |
| Total VaR (one-day measure) | **$ 6.7** | **$ 4.0** | **$ 4.2** | **$ 5.2** | $ 5.1 | $ 5.6 | $ 6.4 | $ 6.1 |

(1) Total VaR is less than the sum of the VaR of the different market risk types due to risk offsets resulting from a portfolio diversification effect.
n/m Not meaningful. It is not meaningful to compute a diversification effect because the high and low may occur on different days for different risk types.

### Stressed VaR by risk type – trading portfolio

| $ millions, as at or for the three months ended | **2018 Jan. 31** | | | | 2017 Oct. 31 | | 2017 Jan. 31 | |
|---|---|---|---|---|---|---|---|---|
| | **High** | **Low** | **As at** | **Average** | As at | Average | As at | Average |
| Interest rate risk | **$ 33.6** | **$ 11.8** | **$ 11.8** | **$ 21.6** | $ 25.2 | $ 21.5 | $ 9.1 | $ 11.2 |
| Credit spread risk | **8.8** | **4.0** | **7.3** | **6.3** | 5.6 | 6.1 | 11.9 | 10.8 |
| Equity risk | **4.7** | **0.8** | **4.1** | **2.1** | 1.9 | 1.9 | 1.6 | 2.5 |
| Foreign exchange risk | **14.1** | **1.5** | **8.4** | **6.6** | 1.8 | 8.4 | 3.1 | 2.6 |
| Commodity risk | **7.9** | **1.5** | **2.5** | **3.1** | 3.4 | 4.7 | 5.6 | 3.8 |
| Debt specific risk | **4.2** | **2.6** | **4.0** | **3.3** | 4.4 | 3.6 | 3.1 | 3.1 |
| Diversification effect [(1)] | **n/m** | **n/m** | **(24.8)** | **(33.5)** | (35.6) | (36.5) | (22.7) | (21.5) |
| Stressed total VaR (one-day measure) | **$ 21.3** | **$ 3.7** | **$ 13.3** | **$ 9.5** | $ 6.7 | $ 9.7 | $ 11.7 | $ 12.5 |

(1) Stressed total VaR is less than the sum of the VaR of the different market risk types due to risk offsets resulting from a portfolio diversification effect.
n/m Not meaningful. It is not meaningful to compute a diversification effect because the high and low may occur on different days for different risk types.

### IRC – trading portfolio

| $ millions, as at or for the three months ended | **2018 Jan. 31** | | | | 2017 Oct. 31 | | 2017 Jan. 31 | |
|---|---|---|---|---|---|---|---|---|
| | **High** | **Low** | **As at** | **Average** | As at | Average | As at | Average |
| Default risk | **$ 167.7** | **$ 71.5** | **$ 125.2** | **$ 116.0** | $ 69.5 | $ 82.0 | $ 106.9 | $ 133.0 |
| Migration risk | **123.3** | **40.1** | **44.2** | **65.7** | 77.9 | 58.2 | 48.5 | 54.5 |
| IRC (one-year measure) [(1)] | **$ 233.3** | **$ 147.8** | **$ 169.4** | **$ 181.7** | $ 147.4 | $ 140.2 | $ 155.4 | $ 187.5 |

(1) High and low IRC are not equal to the sum of the constituent parts, because the highs and lows of the constituent parts may occur on different days.

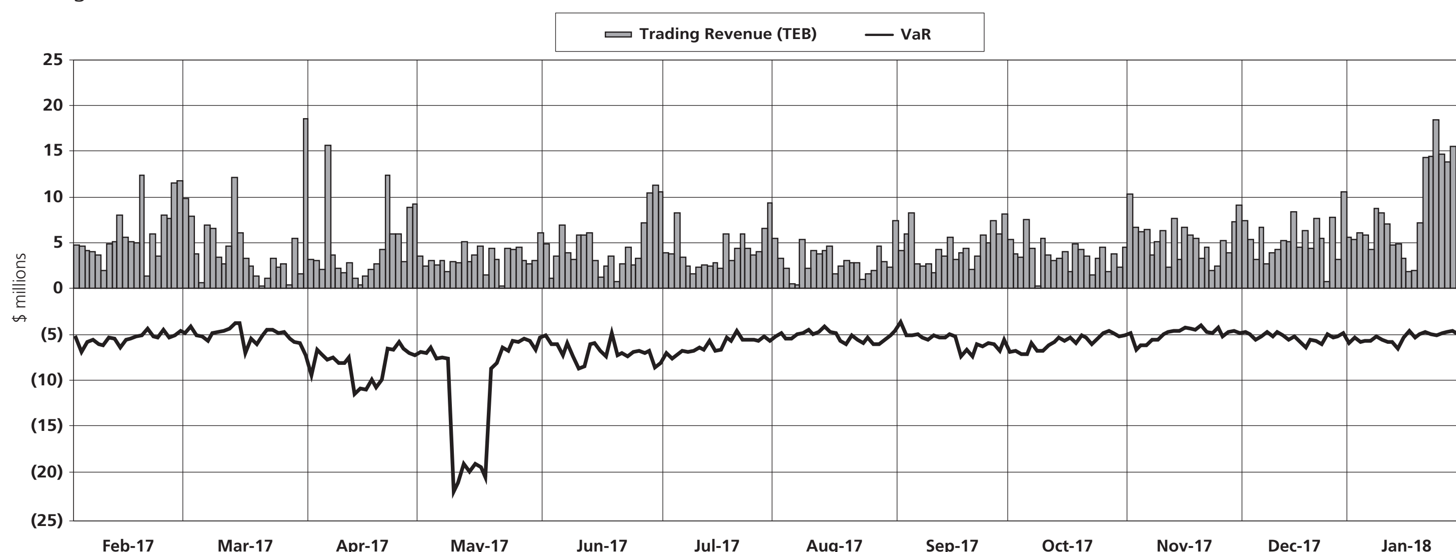
## Trading revenue

Trading revenue (TEB) comprises both trading net interest income and non-interest income and excludes underwriting fees and commissions. Trading revenue (TEB) in the chart below excludes certain exited portfolios.

The trading revenue (TEB) versus VaR graph below shows the current quarter and the three previous quarters' daily trading revenue (TEB) against the close of business day VaR measures.

During the quarter, trading revenue (TEB) was positive for 100% of the days. The largest gain of $18.4 million occurred on January 24, 2018. It was attributable to the normal course of business within our global markets line of business, notably in equity derivatives. Average daily trading revenue (TEB) was $6.7 million during the quarter, and the average daily TEB was $2.5 million.

*Trading revenue (TEB)[(1)] versus VaR*




(1) Excludes certain month-end transfer pricing and other miscellaneous adjustments.

## Non-trading activities

*Structural interest rate risk*

Structural interest rate risk consists primarily of risk inherent in banking book activities in the domestic bank and foreign subsidiaries. Interest rate risk results from differences in the maturities or repricing dates of assets and liabilities, both on- and off-balance sheet, as well as from embedded optionality in retail products. This optionality arises predominantly from the commitment and prepayment exposures of mortgage products, non-maturity deposits and some guaranteed investment certificates products with early redemption features. A variety of cash instruments and derivatives, primarily interest rate swaps, are used to manage these risks.

The following table shows the potential impact over the next 12 months, adjusted for structural assumptions (excluding shareholders' equity in the calculation of the present value of shareholders' equity), estimated prepayments and potential early withdrawals, of an immediate and sustained 100 basis point increase or decrease in all interest rates.

Beginning in the first quarter of 2018, CIBC has made modelling improvements which enhance the measurement of structural interest rate risk.

Structural interest rate sensitivity – measures

| $ millions, as at | **2018 Jan. 31** | | 2017 Oct. 31 [(1)] | | 2017 Jan. 31 [(1)] | |
|---|---|---|---|---|---|---|
| | **CAD** | **USD** | CAD | USD | CAD | USD |
| **100 basis point increase in interest rates** | | | | | | |
| Increase (decrease) in net interest income pre-tax attributable to equity shareholders | **$ 228** | **$ 47** | $ 225 | $ 58 | $ 175 | $ 30 |
| Increase (decrease) in present value of shareholders' equity | **(340)** | **(106)** | (354) | (84) | (344) | (34) |
| **100 basis point decrease in interest rates** | | | | | | |
| Increase (decrease) in net interest income pre-tax attributable to equity shareholders | **(305)** | **(100)** | (289) | (118) | (222) | (34) |
| Increase (decrease) in present value of shareholders' equity | **303** | **17** | 276 | (6) | 262 | 23 |

(1) Certain information has been restated to conform to the presentation adopted in the current quarter.

## Liquidity risk

Liquidity risk is the risk of having insufficient cash or its equivalent in a timely and cost-effective manner to meet financial obligations as they come due. Common sources of liquidity risk inherent in banking services include unanticipated withdrawals of deposits, the inability to replace maturing debt, credit and liquidity commitments, and additional pledging or other collateral requirements.

CIBC's approach to liquidity risk management supports our business strategy, aligns with our risk appetite and adheres to regulatory expectations.

Our management strategies, objectives and practices are regularly reviewed to align with changes to the liquidity environment, including regulatory, business and/or market developments. Liquidity risk remains within CIBC's risk appetite.

### Governance and management

We manage liquidity risk in a manner that enables us to withstand a liquidity stress event without an adverse impact on the viability of our operations. Actual and anticipated cash flows generated from on- and off-balance sheet exposures are routinely measured and monitored to ensure compliance with established limits. CIBC incorporates stress testing into its management and measurement of liquidity risk. Stress test results assist with the development of our liquidity assumptions, identification of potential constraints to funding planning, and contribute to the design of CIBC's contingency funding plan (CFP).

The Global Asset Liability Committee (GALCO) governs CIBC's liquidity risk management, ensuring the liquidity risk management methodologies, assumptions, and key metrics such as the Liquidity Horizon, are regularly reviewed and aligned with our operating regulatory requirements. The Liquidity Risk Management Committee, a subcommittee of GALCO, is responsible for supporting GALCO to ensure that CIBC's liquidity risk profile is comprehensively measured and managed in alignment with CIBC's strategic direction, risk appetite and regulatory requirements.

The Risk Management Committee (RMC) approves CIBC's liquidity risk management policy, and recommends liquidity risk tolerance to the Board through the risk appetite statement.

Beginning in the first quarter of 2018, CIBC has made changes to the tables below which enhance the presentation of liquid assets and asset encumbrance.

### Liquid assets

Available liquid assets include unencumbered cash and marketable securities from on- and off-balance sheet sources, that can be used to access funding in a timely fashion. Encumbered liquid assets, composed of assets pledged as collateral and those assets that are deemed restricted due to legal, operational, or other purposes, are not considered as sources of available liquidity when measuring liquidity risk.

Encumbered and unencumbered liquid assets from on- and off-balance sheet sources are summarized as follows:

| $ millions, as at | | Bank owned liquid assets | Securities received as collateral | Total liquid assets | Encumbered liquid assets | Unencumbered liquid assets [1] |
|---|---|---|---|---|---|---|
| **2018** | **Cash and deposits with banks** | **$ 15,240** | **$ –** | **$ 15,240** | **$ 565** | **$ 14,675** |
| **Jan. 31** | **Securities issued or guaranteed by sovereigns, central banks, and multilateral development banks** | **55,110** | **78,878** | **133,988** | **79,926** | **54,062** |
| | **Other debt securities** | **7,882** | **1,577** | **9,459** | **1,132** | **8,327** |
| | **Equities** | **30,509** | **20,313** | **50,822** | **25,843** | **24,979** |
| | **Canadian government guaranteed National Housing Act mortgage-backed securities** | **37,470** | **1,892** | **39,362** | **9,533** | **29,829** |
| | **Other liquid assets [2]** | **7,218** | **2,044** | **9,262** | **7,225** | **2,037** |
| | | **$ 153,429** | **$ 104,704** | **$ 258,133** | **$ 124,224** | **$ 133,909** |
| 2017 | Cash and deposits with banks | $ 14,152 | $ – | $ 14,152 | $ 555 | $ 13,597 |
| Oct. 31 [3] | Securities issued or guaranteed by sovereigns, central banks, and multilateral development banks | 51,196 | 65,923 | 117,119 | 67,806 | 49,313 |
| | Other debt securities | 8,227 | 1,549 | 9,776 | 1,461 | 8,315 |
| | Equities | 31,798 | 16,786 | 48,584 | 24,951 | 23,633 |
| | Canadian government guaranteed National Housing Act mortgage-backed securities | 35,009 | 1,023 | 36,032 | 8,278 | 27,754 |
| | Other liquid assets [2] | 5,796 | 2,258 | 8,054 | 5,346 | 2,708 |
| | | $ 146,178 | $ 87,539 | $ 233,717 | $ 108,397 | $ 125,320 |

(1) Unencumbered liquid assets are defined as on-balance sheet assets, assets borrowed or purchased under resale agreements, and other off-balance sheet collateral received less encumbered liquid assets.
(2) Includes cash pledged as collateral for derivatives transactions, select asset-backed securities and precious metals.
(3) Certain information has been restated to conform to the presentation adopted in the current quarter.

The following table summarizes unencumbered liquid assets held by CIBC (parent) and its domestic and foreign subsidiaries:

| $ millions, as at | **2018 Jan. 31** | 2017 Oct. 31 [1] |
|---|---|---|
| CIBC (parent) | **$ 91,912** | $ 84,183 |
| Domestic subsidiaries | **13,872** | 11,454 |
| Foreign subsidiaries | **28,125** | 29,683 |
| | **$ 133,909** | $ 125,320 |

(1) Certain information has been restated to conform to the presentation adopted in the current quarter.

Asset haircuts and monetization depth assumptions under a liquidity stress scenario are applied to determine asset liquidity value. Haircuts take into consideration those margins applicable at central banks – such as the Bank of Canada and the Federal Reserve Bank – historical observations, and securities characteristics including asset type, issuer, credit ratings, currency and remaining term to maturity, as well as available regulatory guidance.

Our unencumbered liquid assets increased by $8.6 billion since October 31, 2017, primarily due to regular business activities, including deposit growth.

Furthermore, CIBC maintains access eligibility to the Bank of Canada's Emergency Lending Assistance (ELA) program and the Federal Reserve Bank's Discount Window.

## Asset encumbrance

In the course of CIBC's day-to-day operations, securities and other assets are pledged to secure obligations, participate in clearing and settlement systems and other collateral management purposes.

The following table provides a summary of our total on- and off-balance sheet encumbered and unencumbered assets:

| | | Encumbered | | Unencumbered | | Total assets |
|---|---|---|---|---|---|---|
| $ millions, as at | | Pledged as collateral | Other [1] | Available as collateral | Other [2] | |
| **2018 Jan. 31** | **Cash and deposits with banks** | **$ –** | **$ 565** | **$ 14,675** | **$ –** | **$ 15,240** |
| | **Securities** | **103,801** | **473** | **92,376** | **–** | **196,650** |
| | **Loans, net of allowance [3]** | **1,600** | **44,633** | **33,571** | **277,159** | **356,963** |
| | **Other assets** | **6,008** | **–** | **205** | **57,923** | **64,136** |
| | | **$ 111,409** | **$ 45,671** | **$ 140,827** | **$ 335,082** | **$ 632,989** |
| 2017 Oct. 31 [4] | Cash and deposits with banks | $ – | $ 555 | $ 13,597 | $ – | $ 14,152 |
| | Securities | 93,111 | 971 | 86,882 | – | 180,964 |
| | Loans, net of allowance [3] | 1,450 | 42,202 | 31,550 | 281,582 | 356,784 |
| | Other assets | 4,419 | – | 186 | 50,936 | 55,541 |
| | | $ 98,980 | $ 43,728 | $ 132,215 | $ 332,518 | $ 607,441 |

(1) Includes assets supporting CIBC's long-term funding activities and assets restricted for legal or other reasons, such as restricted cash.
(2) Other unencumbered assets are not subject to any restrictions on their use to secure funding or as collateral, however are not considered available to existing non-central bank lending programs.
(3) Loans included as available as collateral represent National Housing Act mortgage-backed securities (reported as Loans on our interim consolidated balance sheet) and Federal Home Loan Banks eligible loans.
(4) Certain information has been restated to conform to the presentation adopted in the current quarter.

## Restrictions on the flow of funds

Our subsidiaries are not subject to significant restrictions that would prevent transfers of funds, dividends or capital distributions. However, certain subsidiaries have separate regulatory capital and liquidity requirements, established by applicable banking and securities regulators.

We monitor and manage our capital and liquidity requirements across these entities to ensure that resources are used efficiently and entities are in compliance with local regulatory and policy requirements.

## Liquidity coverage ratio

The objective of the LCR is to promote short-term resilience of a bank's liquidity risk profile, ensuring that it has adequate unencumbered high quality liquid resources to meet its liquidity needs in a 30-day acute stress scenario. Canadian banks are required to achieve a minimum LCR value of 100%. CIBC is in compliance with this requirement.

In accordance with the calibration methodology contained in OSFI's liquidity adequacy requirements (LAR) guidelines, CIBC reports the LCR to OSFI on a monthly basis. The ratio is calculated as follows:

$$\frac{\text{Total High Quality Liquid Assets (HQLA)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

The LCR's numerator consists of unencumbered HQLA, which follow an OSFI-defined set of eligibility criteria that considers fundamental and market-related characteristics, and relative ability to operationally monetize assets on a timely basis during a period of stress. CIBC's centrally-managed liquid asset portfolio includes those liquid assets reported in the HQLA, such as central government treasury bills and bonds, central bank deposits and high-rated sovereign, agency, provincial, and corporate securities. Asset eligibility limitations inherent in the LCR metric do not necessarily reflect CIBC's internal assessment of its ability to monetize its marketable assets under stress.

The ratio's denominator reflects net cash outflows expected in the LCR's stress scenario over the 30-calendar-day period. Expected cash outflows represent LCR-defined withdrawal or draw-down rates applied against outstanding liabilities and off-balance sheet commitments, respectively. Significant contributors to CIBC's LCR outflows include business and financial institution deposit run-off, draws on undrawn lines of credit and unsecured debt maturities. Cash outflows are partially offset by cash inflows, which are calculated at LCR-prescribed inflow rates, and include performing loan repayments and non-HQLA marketable assets.

The LCR is disclosed using a standard OSFI-prescribed disclosure template.

| | $ millions, average of the three months ended January 31, 2018 | Total unweighted value [1] | Total weighted value [2] |
|---|---|---|---|
| **HQLA** | | | |
| 1 | HQLA | **n/a** | **$ 101,012** |
| **Cash outflows** | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | **$ 146,845** | **9,671** |
| 3 | Stable deposits | **71,628** | **2,149** |
| 4 | Less stable deposits | **75,217** | **7,522** |
| 5 | Unsecured wholesale funding, of which: | **128,641** | **64,543** |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | **49,099** | **11,843** |
| 7 | Non-operational deposits (all counterparties) | **60,429** | **33,587** |
| 8 | Unsecured debt | **19,113** | **19,113** |
| 9 | Secured wholesale funding | **n/a** | **5,811** |
| 10 | Additional requirements, of which: | **83,767** | **22,992** |
| 11 | Outflows related to derivative exposures and other collateral requirements | **11,228** | **8,188** |
| 12 | Outflows related to loss of funding on debt products | **2,845** | **2,845** |
| 13 | Credit and liquidity facilities | **69,694** | **11,959** |
| 14 | Other contractual funding obligations | **7,569** | **7,569** |
| 15 | Other contingent funding obligations | **258,369** | **4,509** |
| 16 | Total cash outflows | **n/a** | **115,095** |
| **Cash inflows** | | | |
| 17 | Secured lending (e.g. reverse repos) | **71,849** | **14,812** |
| 18 | Inflows from fully performing exposures | **12,766** | **6,452** |
| 19 | Other cash inflows | **8,654** | **8,654** |
| 20 | Total cash inflows | **$ 93,269** | **$ 29,918** |
| | | | **Total adjusted value** |
| 21 | Total HQLA | **n/a** | **$ 101,012** |
| 22 | Total net cash outflows | **n/a** | **$ 85,177** |
| 23 | LCR | **n/a** | **119 %** |
| | $ millions, average of the three months ended October 31, 2017 | | Total adjusted value |
| 24 | Total HQLA | n/a | $ 98,603 |
| 25 | Total net cash outflows | n/a | $ 82,337 |
| 26 | LCR | n/a | 120 % |

(1) Unweighted inflow and outflow values are calculated as outstanding balances maturing or callable within 30 days of various categories or types of liabilities, off-balance sheet items or contractual receivables.
(2) Weighted values are calculated after the application of haircuts (for HQLA) and inflow and outflow rates prescribed by OSFI.
n/a Not applicable as per the LCR common disclosure template.

Our average LCR as at January 31, 2018 decreased to 119% from 120% in the prior quarter, due to increases in net cash outflows, partially offset by increases in HQLA and higher cash inflows. Multiple other factors that are part of normal business operations also contribute to the LCR.

CIBC considers the impact of its business decisions on the LCR and other liquidity risk metrics that it regularly monitors as part of a robust liquidity risk management function. Variables that can impact the ratio month-over-month include, but are not limited to, items such as wholesale funding activities and maturities, strategic balance sheet initiatives, and transactions and environmental considerations affecting collateral. Furthermore, CIBC reports the LCR to OSFI in multiple currencies, and thus measures the extent of potential currency mismatch under the ratio. CIBC predominantly operates in major currencies with deep and fungible foreign exchange markets.

Reporting of the LCR is calibrated centrally by CIBC's Treasury function, in conjunction with CIBC's SBUs and other functional groups.

## Funding

CIBC funds its operations with client-sourced deposits, supplemented with a wide range of wholesale funding.

CIBC's principal approach aims to fund the balance sheet with deposits primarily raised from personal and commercial banking channels. Personal deposits accounted for $163.3 billion as at January 31, 2018 (October 31, 2017: $159.3 billion). CIBC maintains a foundation of relationship-based core deposits, whose stability is regularly evaluated through internally developed statistical assessments.

We routinely access a range of short-term and long-term secured and unsecured funding sources diversified by geography, depositor type, instrument, currency and maturity. We raise long-term funding from existing programs including covered bonds, asset securitizations and unsecured debt. CIBC continuously evaluates opportunities to diversify into new funding products and investor segments in an effort to maximize funding flexibility and minimize concentration and financing costs. We regularly monitor wholesale funding levels and concentrations to internal limits consistent with our desired liquidity risk profile.

GALCO and RMC review and approve CIBC's funding plan, which incorporates projected asset and liability growth, funding maturities, and output from our liquidity position forecasting.

The following table provides the contractual maturities at carrying values of CIBC's wholesale funding sources:

| $ millions, as at January 31, 2018 | Less than 1 month | 1 – 3 months | 3 – 6 months | 6 – 12 months | Less than 1 year total | 1 – 2 years | Over 2 years | Total |
|---|---|---|---|---|---|---|---|---|
| **Deposits from banks** | **$ 3,603** | **$ 419** | **$ 13** | **$ –** | **$ 4,035** | **$ –** | **$ –** | **$ 4,035** |
| **Certificates of deposit and commercial paper** | **6,561** | **15,022** | **10,839** | **18,656** | **51,078** | **3,339** | **–** | **54,417** |
| **Bearer deposit notes and bankers' acceptances** | **488** | **2,348** | **1,419** | **207** | **4,462** | **–** | **–** | **4,462** |
| **Asset-backed commercial paper** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Senior unsecured medium-term notes** | **2,432** | **2,524** | **4,784** | **3,538** | **13,278** | **6,763** | **14,968** | **35,009** |
| **Senior unsecured structured notes** | **–** | **7** | **–** | **297** | **304** | **–** | **–** | **304** |
| **Covered bonds/asset-backed securities** | | | | | | | | |
| **Mortgage securitization** | **–** | **1,312** | **557** | **4,215** | **6,084** | **2,177** | **11,949** | **20,210** |
| **Covered bonds** | **–** | **–** | **–** | **3,595** | **3,595** | **4,205** | **11,079** | **18,879** |
| **Cards securitization** | **–** | **–** | **922** | **–** | **922** | **1,906** | **796** | **3,624** |
| **Subordinated liabilities** | **–** | **–** | **–** | **36** | **36** | **–** | **3,108** | **3,144** |
| **Other** | **–** | **–** | **–** | **–** | **–** | **61** | **5** | **66** |
| | **$ 13,084** | **$ 21,632** | **$ 18,534** | **$ 30,544** | **$ 83,794** | **$ 18,451** | **$ 41,905** | **$ 144,150** |
| **Of which:** | | | | | | | | |
| **Secured** | **$ –** | **$ 1,312** | **$ 1,479** | **$ 7,810** | **$ 10,601** | **$ 8,288** | **$ 23,824** | **$ 42,713** |
| **Unsecured** | **13,084** | **20,320** | **17,055** | **22,734** | **73,193** | **10,163** | **18,081** | **101,437** |
| | **$ 13,084** | **$ 21,632** | **$ 18,534** | **$ 30,544** | **$ 83,794** | **$ 18,451** | **$ 41,905** | **$ 144,150** |
| October 31, 2017 | $ 8,981 | $ 17,125 | $ 27,147 | $ 23,503 | $ 76,756 | $ 24,207 | $ 41,513 | $ 142,476 |

CIBC's wholesale funding is diversified by currency as demonstrated in the table that follows:

| $ billions, as at | **2018 Jan. 31** | | 2017 Oct. 31 | |
|---|---|---|---|---|
| CAD | **$ 53.7** | **37 %** | $ 53.2 | 37 % |
| USD | **71.8** | **50** | 72.6 | 51 |
| Other | **18.7** | **13** | 16.7 | 12 |
| | **$ 144.2** | **100 %** | $ 142.5 | 100 % |

## Credit ratings

CIBC's access to and cost of wholesale funding are dependent on multiple factors, among them credit ratings provided by rating agencies. Rating agencies' opinions are based upon internal methodologies, and are subject to change based on factors including, but not limited to, financial strength, competitive position and liquidity positioning.

Our credit ratings are summarized in the following table:

| | Short-term debt | | Senior debt | | Subordinated indebtedness | | Subordinated indebtedness – NVCC [(1)] | | Preferred shares – NVCC [(1)] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| As at | **2018 Jan. 31** | 2017 Oct. 31 | **2018 Jan. 31** | 2017 Oct. 31 | **2018 Jan. 31** | 2017 Oct. 31 | **2018 Jan. 31** | 2017 Oct. 31 | **2018 Jan. 31** | 2017 Oct. 31 | **Outlook** |
| DBRS | **R-1(H)** | R-1(H) | **AA** | AA | **AA(L)** | AA(L) | **A(L)** | A(L) | **Pfd-2** | Pfd-2 | **Negative** [(2)] |
| Fitch Ratings, Inc. | **F1+** | F1+ | **AA-** | AA- | **A+** | A+ | **A+** | A+ | **n/a** | n/a | **Negative** |
| Moody's | **P-1** | P-1 | **A1** | A1 | **Baa1** | Baa1 | **Baa2** | Baa2 | **Baa3** | Baa3 | **Negative** [(3)] |
| S&P | **A-1** | A-1 | **A+** | A+ | **BBB+** | BBB+ | **BBB** | BBB | **P-3(H)** | P-3(H) | **Stable** |

(1) Comprises instruments which are treated as NVCC in accordance with OSFI's capital adequacy guidelines.
(2) Negative outlook applies to short-term debt, senior debt, and subordinated indebtedness ratings.
(3) Negative outlook only applies to senior debt rating.
n/a Not available.

### Additional collateral requirements for rating downgrades

We are required to deliver collateral to certain derivative counterparties in the event of a downgrade to our current credit risk rating. The collateral requirement is based on MTM exposure, collateral valuations, and collateral arrangement thresholds, as applicable. The following table presents the additional cumulative collateral requirements for rating downgrades:

| $ billions, as at | **2018 Jan. 31** | 2017 Oct. 31 |
|---|---|---|
| One-notch downgrade | **$ –** | $ – |
| Two-notch downgrade | **0.1** | 0.1 |
| Three-notch downgrade | **0.2** | 0.3 |

## Other regulatory liquidity standards

In May 2014, OSFI published the final LAR guideline, which was driven by the BCBS' global liquidity requirements, and includes the LCR, net stable funding ratio (NSFR) and other additional liquidity monitoring tools. It is further supplemented by the OSFI-designed supervisory tool known as the net cumulative cash flow (NCCF) metric. OSFI will use the LAR and associated metrics to assess individual banks' liquidity adequacy.

On October 31, 2014, the BCBS published its final NSFR guideline. In October 2017, OSFI provided updated draft NSFR guidance and is engaging industry participants to review its NSFR implementation plans and to clarify details of the NSFR and its application to the Canadian financial industry. In February 2018, OSFI announced that the implementation of the NSFR for deposit-taking institutions will be extended to January 2020.

Consistent with the requirements above, we submit LCR and NCCF reports to OSFI on a monthly basis and the NSFR report on a quarterly basis. We provide the LCR and NSFR reports to the BCBS twice annually.

## Contractual obligations

Contractual obligations give rise to commitments of future payments affecting our short- and long-term liquidity and capital resource needs. These obligations include financial liabilities, credit and liquidity commitments, and other contractual obligations.

*Assets and liabilities*

The following table provides the contractual maturity profile of our on-balance sheet assets, liabilities and equity at their carrying values. Contractual analysis is not representative of CIBC's liquidity risk exposure, however this information serves to inform CIBC's management of liquidity risk, and provide input when modelling a behavioural balance sheet.

| $ millions, as at January 31, 2018 | Less than 1 month | 1 – 3 months | 3 – 6 months | 6 – 9 months | 9 – 12 months | 1 – 2 years | 2 – 5 years | Over 5 years | No specified maturity | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and non-interest-bearing deposits with banks | **$ 3,301** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ 3,301** |
| Interest-bearing deposits with banks | **11,939** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **11,939** |
| Securities | **2,141** | **4,659** | **4,287** | **1,670** | **3,640** | **6,534** | **22,116** | **19,910** | **30,327** | **95,284** |
| Cash collateral on securities borrowed | **6,989** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **6,989** |
| Securities purchased under resale agreements | **30,139** | **6,952** | **3,661** | **172** | **235** | **7,112** | **–** | **–** | **–** | **48,271** |
| Loans | | | | | | | | | | |
| Residential mortgages | **1,245** | **4,109** | **12,406** | **10,858** | **9,672** | **44,492** | **119,400** | **5,425** | **382** | **207,989** |
| Personal | **396** | **559** | **876** | **686** | **788** | **174** | **664** | **3,269** | **33,720** | **41,132** |
| Credit card | **259** | **517** | **776** | **776** | **776** | **3,103** | **6,107** | **–** | **–** | **12,314** |
| Business and government | **8,745** | **2,943** | **4,425** | **3,189** | **3,815** | **12,999** | **31,579** | **14,874** | **14,629** | **97,198** |
| Allowance for credit losses | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(1,626)** | **(1,626)** |
| Derivative instruments | **2,546** | **3,229** | **2,023** | **1,701** | **2,458** | **2,884** | **7,634** | **6,829** | **–** | **29,304** |
| Customers' liability under acceptances | **8,482** | **1,123** | **63** | **2** | **2** | **–** | **–** | **–** | **–** | **9,672** |
| Other assets | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **25,160** | **25,160** |
| | **$ 76,182** | **$ 24,091** | **$ 28,517** | **$ 19,054** | **$ 21,386** | **$ 77,298** | **$ 187,500** | **$ 50,307** | **$ 102,592** | **$ 586,927** |
| October 31, 2017 | $ 68,633 | $ 19,284 | $ 19,148 | $ 24,660 | $ 19,187 | $ 77,767 | $ 185,148 | $ 50,473 | $ 100,964 | $ 565,264 |
| **Liabilities** | | | | | | | | | | |
| Deposits [1] | **$ 24,868** | **$ 32,794** | **$ 29,679** | **$ 28,341** | **$ 23,414** | **$ 27,964** | **$ 46,192** | **$ 6,027** | **$ 226,900** | **$ 446,179** |
| Obligations related to securities sold short | **15,247** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **15,247** |
| Cash collateral on securities lent | **1,499** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1,499** |
| Obligations related to securities sold under repurchase agreements | **32,742** | **755** | **170** | **–** | **62** | **–** | **–** | **–** | **–** | **33,729** |
| Derivative instruments | **3,378** | **3,402** | **2,005** | **1,740** | **1,660** | **2,930** | **6,713** | **7,263** | **–** | **29,091** |
| Acceptances | **8,485** | **1,123** | **63** | **2** | **2** | **–** | **–** | **–** | **–** | **9,675** |
| Other liabilities | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **16,041** | **16,041** |
| Subordinated indebtedness | **–** | **–** | **–** | **36** | **–** | **–** | **–** | **3,108** | **–** | **3,144** |
| **Equity** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **32,322** | **32,322** |
| | **$ 86,219** | **$ 38,074** | **$ 31,917** | **$ 30,119** | **$ 25,138** | **$ 30,894** | **$ 52,905** | **$ 16,398** | **$ 275,263** | **$ 586,927** |
| October 31, 2017 | $ 71,445 | $ 34,910 | $ 40,912 | $ 23,237 | $ 23,940 | $ 36,809 | $ 49,836 | $ 17,197 | $ 266,978 | $ 565,264 |

(1) Comprises $163.3 billion (October 31, 2017: $159.3 billion) of personal deposits of which $154.1 billion (October 31, 2017: $149.5 billion) are in Canada and $9.2 billion (October 31, 2017: $9.8 billion) are in other countries; $268.4 billion (October 31, 2017: $266.6 billion) of business and government deposits and secured borrowings of which $194.4 billion (October 31, 2017: $192.7 billion) are in Canada and $74.0 billion (October 31, 2017: $73.9 billion) are in other countries; and $14.5 billion (October 31, 2017: $13.8 billion) of bank deposits of which $7.1 billion (October 31, 2017: $6.6 billion) are in Canada and $7.4 billion (October 31, 2017: $7.2 billion) are in other countries.

The changes in the contractual maturity profile were primarily due to the natural migration of maturities and also reflect the impact of our regular business activities.

### Credit-related commitments

The following table provides the contractual maturity of notional amounts of credit-related commitments. Since a significant portion of commitments are expected to expire without being drawn upon, the total of the contractual amounts is not representative of future liquidity requirements.

| $ millions, as at January 31, 2018 | Less than 1 month | 1 – 3 months | 3 – 6 months | 6 – 9 months | 9 – 12 months | 1 – 2 years | 2 – 5 years | Over 5 years | No specified maturity (1) | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Securities lending (2) | **$ 39,625** | **$ 2,446** | **$ 8,807** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ 50,878** |
| Unutilized credit commitments | **362** | **5,933** | **2,835** | **2,310** | **3,730** | **11,481** | **40,397** | **1,302** | **144,953** | **213,303** |
| Backstop liquidity facilities | **–** | **193** | **1,277** | **10** | **8,338** | **324** | **–** | **12** | **–** | **10,154** |
| Standby and performance letters of credit | **1,677** | **1,429** | **2,781** | **1,907** | **2,815** | **794** | **1,203** | **22** | **–** | **12,628** |
| Documentary and commercial letters of credit | **50** | **101** | **27** | **11** | **17** | **–** | **–** | **–** | **–** | **206** |
| Other | **238** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **238** |
| | **$ 41,952** | **$ 10,102** | **$ 15,727** | **$ 4,238** | **$ 14,900** | **$ 12,599** | **$ 41,600** | **$ 1,336** | **$ 144,953** | **$ 287,407** |
| October 31, 2017 | $ 39,287 | $ 21,865 | $ 10,724 | $ 7,042 | $ 4,083 | $ 14,976 | $ 37,280 | $ 1,920 | $ 143,182 | $ 280,359 |

(1) Includes $113.2 billion (October 31, 2017: $111.7 billion) of personal, home equity and credit card lines, which are unconditionally cancellable at our discretion.
(2) Excludes securities lending of $1.5 billion (October 31, 2017: $2.0 billion) for cash because it is reported on the interim consolidated balance sheet.

### Other contractual obligations

The following table provides the contractual maturities of other contractual obligations affecting our funding needs:

| $ millions, as at January 31, 2018 | Less than 1 month | 1 – 3 months | 3 – 6 months | 6 – 9 months | 9 – 12 months | 1 – 2 years | 2 – 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| Operating leases | **$ 40** | **$ 69** | **$ 120** | **$ 119** | **$ 119** | **$ 441** | **$ 1,102** | **$ 3,739** | **$ 5,749** |
| Purchase obligations (1) | **147** | **319** | **207** | **209** | **135** | **525** | **742** | **82** | **2,366** |
| Pension contributions (2) | **15** | **31** | **46** | **46** | **–** | **–** | **–** | **–** | **138** |
| Underwriting commitments | **408** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **408** |
| Investment commitments | **–** | **3** | **–** | **–** | **4** | **4** | **6** | **118** | **135** |
| | **$ 610** | **$ 422** | **$ 373** | **$ 374** | **$ 258** | **$ 970** | **$ 1,850** | **$ 3,939** | **$ 8,796** |
| October 31, 2017 | $ 625 | $ 405 | $ 386 | $ 324 | $ 330 | $ 973 | $ 1,805 | $ 3,477 | $ 8,325 |

(1) Obligations that are legally binding agreements whereby we agree to purchase products or services with specific minimum or baseline quantities defined at fixed, minimum or variable prices over a specified period of time are defined as purchase obligations. Purchase obligations are included through to the termination date specified in the respective agreements, even if the contract is renewable. Many of the purchase agreements for goods and services include clauses that would allow us to cancel the agreement prior to expiration of the contract within a specific notice period. However, the amount above includes our obligations without regard to such termination clauses (unless actual notice of our intention to terminate the agreement has been communicated to the counterparty). The table excludes purchases of debt and equity instruments that settle within standard market time frames.
(2) Includes estimated minimum funding contributions for our funded defined benefit pension plans in Canada, the U.S., the U.K., and the Caribbean. Estimated minimum funding contributions are included only for the next annual period as the minimum contributions are affected by various factors, such as market performance and regulatory requirements, and therefore are subject to significant variability.

## Other risks

We also have policies and processes to measure, monitor and control other risks, including strategic, insurance, operational, technology, information and cyber security, reputation and legal, regulatory compliance, and environmental risks. These risks and related policies and processes have not changed significantly from those described on pages 75 to 77 of the 2017 Annual Report.

# Accounting and control matters

## Critical accounting policies and estimates

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" using IFRS as issued by the International Accounting Standards Board (IASB). A summary of significant accounting policies is presented in Note 1 to the consolidated financial statements of our 2017 Annual Report. The interim consolidated financial statements have been prepared using the same accounting policies as CIBC's consolidated financial statements as at and for the year ended October 31, 2017, except that CIBC adopted the classification and measurement and impairment requirements of IFRS 9 "Financial Instruments" effective November 1, 2017 as described in Note 1 to the interim consolidated financial statements.

Certain accounting policies require us to make judgments and estimates, some of which may relate to matters that are uncertain. Changes in the judgments and estimates in the critical accounting policies discussed on pages 78 to 82 of our 2017 Annual Report could have a material impact on our financial results, except those related to impairment of AFS securities and allowance for credit losses which have been superseded by IFRS 9. The new expected credit loss (ECL) impairment requirements of IFRS 9 also require that we make judgments and estimates related to matters that are uncertain. In particular, the ECL requirements of IFRS 9 incorporate the following elements that are subject to a high level of judgment:

- Determining when a significant increase in credit risk (SICR) of a loan has occurred;
- Measuring both 12-month and lifetime credit losses; and
- Forecasting forward-looking information for multiple scenarios and determining the probability weighting of each scenario.

In addition, the interrelationship between these elements is also subject to a high degree of judgment. Changes in the judgments and estimates related to IFRS 9 can have a significant impact on the level of ECL allowance recognized and period over period volatility of the provision for credit loss. Changes in a particular period could have a material impact on our financial results. See Note 5 to our interim consolidated financial statements for more information concerning the high level of judgment inherent in the estimation of ECL allowance under IFRS 9.

### Other accounting policy changes

For details on other future accounting policy changes, refer to Note 1 to the interim consolidated financial statements and Note 32 to the 2017 annual consolidated financial statements.

## Other regulatory developments

### Review of sales practices

In 2017, the Financial Consumer Agency of Canada and OSFI announced that they are conducting an industry-wide review of the retail banking sales practices of Canadian financial institutions, which is ongoing. CIBC will continue to monitor developments in this area.

## Controls and procedures

### Disclosure controls and procedures

CIBC's management, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of CIBC's disclosure controls and procedures as at January 31, 2018 (as defined in the rules of the SEC and the Canadian Securities Administrators). Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that such disclosure controls and procedures were effective.

### Changes in internal control over financial reporting

There have been no changes in CIBC's internal control over financial reporting during the quarter ended January 31, 2018 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Changes to internal control over financial reporting as a result of the adoption of IFRS 9 were not material.

## Related-party transactions

There have been no significant changes to CIBC's procedures and policies regarding related-party transactions since October 31, 2017. For additional information, refer to pages 85 and 162 of the 2017 Annual Report.

# Interim consolidated financial statements
## (Unaudited)

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# Consolidated balance sheet

| Unaudited, millions of Canadian dollars, as at | **2018 Jan. 31** | 2017 Oct. 31 |
|---|---|---|
| **ASSETS** | | |
| **Cash and non-interest-bearing deposits with banks** | **$ 3,301** | $ 3,440 |
| **Interest-bearing deposits with banks** | **11,939** | 10,712 |
| **Securities** (Note 4)[1] | **95,284** | 93,419 |
| **Cash collateral on securities borrowed** | **6,989** | 5,035 |
| **Securities purchased under resale agreements** | **48,271** | 40,383 |
| **Loans** | | |
| Residential mortgages | **207,989** | 207,271 |
| Personal | **41,132** | 40,937 |
| Credit card | **12,314** | 12,378 |
| Business and government | **97,198** | 97,766 |
| Allowance for credit losses (Note 5) | **(1,626)** | (1,618) |
| | **357,007** | 356,734 |
| **Other** | | |
| Derivative instruments | **29,304** | 24,342 |
| Customers' liability under acceptances | **9,672** | 8,824 |
| Land, buildings and equipment | **1,735** | 1,783 |
| Goodwill | **5,267** | 5,367 |
| Software and other intangible assets | **1,920** | 1,978 |
| Investments in equity-accounted associates and joint ventures | **555** | 715 |
| Deferred tax assets | **607** | 727 |
| Other assets | **15,076** | 11,805 |
| | **64,136** | 55,541 |
| | **$ 586,927** | $ 565,264 |
| **LIABILITIES AND EQUITY** | | |
| **Deposits** (Note 7) | | |
| Personal | **$ 163,316** | $ 159,327 |
| Business and government | **225,652** | 225,622 |
| Bank | **14,498** | 13,789 |
| Secured borrowings | **42,713** | 40,968 |
| | **446,179** | 439,706 |
| **Obligations related to securities sold short** | **15,247** | 13,713 |
| **Cash collateral on securities lent** | **1,499** | 2,024 |
| **Obligations related to securities sold under repurchase agreements** | **33,729** | 27,971 |
| **Other** | | |
| Derivative instruments | **29,091** | 23,271 |
| Acceptances | **9,675** | 8,828 |
| Deferred tax liabilities | **32** | 30 |
| Other liabilities | **16,009** | 15,275 |
| | **54,807** | 47,404 |
| **Subordinated indebtedness** | **3,144** | 3,209 |
| **Equity** | | |
| Preferred shares (Note 8) | **2,246** | 1,797 |
| Common shares (Note 8) | **13,070** | 12,548 |
| Contributed surplus | **135** | 137 |
| Retained earnings | **16,701** | 16,101 |
| Accumulated other comprehensive income (loss) (AOCI) | **(17)** | 452 |
| **Total shareholders' equity** | **32,135** | 31,035 |
| Non-controlling interests | **187** | 202 |
| **Total equity** | **32,322** | 31,237 |
| | **$ 586,927** | $ 565,264 |

(1) Securities balances have been aggregated in the current quarter, with prior periods amended to reflect this presentation. See Note 4 for additional details.

The accompanying notes and shaded sections in "MD&A – Management of risk" are an integral part of these interim consolidated financial statements.

# Consolidated statement of income

| Unaudited, millions of Canadian dollars, except as noted, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| **Interest income** | | | |
| Loans | **$ 3,225** | $ 3,143 | $ 2,563 |
| Securities | **483** | 479 | 485 |
| Securities borrowed or purchased under resale agreements | **210** | 148 | 107 |
| Deposits with banks | **66** | 55 | 37 |
| | **3,984** | 3,825 | 3,192 |
| **Interest expense** | | | |
| Deposits | **1,278** | 1,174 | 896 |
| Securities sold short | **66** | 64 | 61 |
| Securities lent or sold under repurchase agreements | **121** | 73 | 47 |
| Subordinated indebtedness | **38** | 38 | 35 |
| Other | **8** | 12 | 11 |
| | **1,511** | 1,361 | 1,050 |
| **Net interest income** | **2,473** | 2,464 | 2,142 |
| **Non-interest income** | | | |
| Underwriting and advisory fees | **101** | 116 | 109 |
| Deposit and payment fees | **222** | 214 | 213 |
| Credit fees | **210** | 199 | 175 |
| Card fees | **130** | 119 | 128 |
| Investment management and custodial fees | **301** | 284 | 240 |
| Mutual fund fees | **409** | 396 | 389 |
| Insurance fees, net of claims | **110** | 107 | 107 |
| Commissions on securities transactions | **96** | 86 | 90 |
| Gains (losses) from financial instruments measured/designated at fair value through profit or loss (FVTPL), net (2017: Trading income and designated at fair value (FVO) gains, net) | **138** | 40 (1) | 115 (1) |
| Gains (losses) from debt securities measured at fair value through other comprehensive income (FVOCI) and amortized cost, net (2017: Available-for-sale (AFS) securities gains, net) | **8** | 37 | 33 |
| Foreign exchange other than trading | **101** | 59 | 60 |
| Income from equity-accounted associates and joint ventures | **29** | 26 | 21 |
| Other | **131** | 122 | 387 |
| | **1,986** | 1,805 | 2,067 |
| **Total revenue** | **4,459** | 4,269 | 4,209 |
| **Provision for credit losses** (Note 5) | **153** | 229 | 212 |
| **Non-interest expenses** | | | |
| Employee compensation and benefits | **1,461** | 1,316 | 1,309 |
| Occupancy costs | **217** | 215 | 198 |
| Computer, software and office equipment | **416** | 450 | 365 |
| Communications | **78** | 78 | 75 |
| Advertising and business development | **72** | 89 | 54 |
| Professional fees | **53** | 71 | 41 |
| Business and capital taxes | **28** | 26 | 24 |
| Other | **253** | 325 | 208 |
| | **2,578** | 2,570 | 2,274 |
| **Income before income taxes** | **1,728** | 1,470 | 1,723 |
| **Income taxes** (Note 10) | **400** | 306 | 316 |
| **Net income** | **$ 1,328** | $ 1,164 | $ 1,407 |
| **Net income attributable to non-controlling interests** | **$ 5** | $ 5 | $ 5 |
| Preferred shareholders | **$ 18** | $ 24 | $ 9 |
| Common shareholders | **1,305** | 1,135 | 1,393 |
| **Net income attributable to equity shareholders** | **$ 1,323** | $ 1,159 | $ 1,402 |
| **Earnings per share (in dollars)** (Note 11) | | | |
| Basic | **$ 2.96** | $ 2.60 | $ 3.50 |
| Diluted | **2.95** | 2.59 | 3.50 |
| **Dividends per common share (in dollars)** | **1.30** | 1.30 | 1.24 |

(1) Reclassified to conform to the presentation adopted in the current quarter.

The accompanying notes and shaded sections in "MD&A – Management of risk" are an integral part of these interim consolidated financial statements.

# Consolidated statement of comprehensive income

| Unaudited, millions of Canadian dollars, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| Net income | **$ 1,328** | $ 1,164 | $ 1,407 |
| Other comprehensive income (loss) (OCI), net of income tax, that is subject to subsequent reclassification to net income | | | |
| **Net foreign currency translation adjustments** | | | |
| Net gains (losses) on investments in foreign operations | **(1,562)** | 1,084 | (684) |
| Net gains (losses) on hedges of investments in foreign operations | **980** | (653) | 431 |
| | **(582)** | 431 | (253) |
| **Net change in debt securities measured at FVOCI (2017: AFS debt and equity securities)** | | | |
| Net gains (losses) on securities measured at FVOCI | **(44)** | 6 | (47) |
| Net (gains) losses reclassified to net income | **(7)** | (30) | (23) |
| | **(51)** | (24) | (70) |
| **Net change in cash flow hedges** | | | |
| Net gains (losses) on derivatives designated as cash flow hedges | **54** | 20 | 56 |
| Net (gains) losses reclassified to net income | **(48)** | (14) | (41) |
| | **6** | 6 | 15 |
| OCI, net of income tax, that is not subject to subsequent reclassification to net income | | | |
| **Net gains (losses) on post-employment defined benefit plans** | **107** | (125) | 219 |
| **Net gains (losses) due to fair value change of FVO liabilities attributable to changes in credit risk** | **(3)** | (3) | (3) |
| **Net gains (losses) on equity securities designated at FVOCI** | **14** | n/a | n/a |
| **Total OCI** (1) | **(509)** | 285 | (92) |
| **Comprehensive income** | **$ 819** | $ 1,449 | $ 1,315 |
| **Comprehensive income attributable to non-controlling interests** | **$ 5** | $ 5 | $ 5 |
| Preferred shareholders | **$ 18** | $ 24 | $ 9 |
| Common shareholders | **796** | 1,420 | 1,301 |
| **Comprehensive income attributable to equity shareholders** | **$ 814** | $ 1,444 | $ 1,310 |

(1) Includes $2 million of losses for the quarter ended January 31, 2018 (October 31, 2017: $7 million of losses; January 31, 2017: $17 million of losses), relating to our investments in equity-accounted associates and joint ventures.

n/a Not applicable.

| Unaudited, millions of Canadian dollars, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| Income tax (expense) benefit | | | |
| Subject to subsequent reclassification to net income | | | |
| **Net foreign currency translation adjustments** | | | |
| Net gains (losses) on investments in foreign operations | **$ 48** | $ (34) | $ 22 |
| Net gains (losses) on hedges of investments in foreign operations | **(120)** | 136 | (80) |
| | **(72)** | 102 | (58) |
| **Net change in debt securities measured at FVOCI (2017: AFS debt and equity securities)** | | | |
| Net gains (losses) on securities measured at FVOCI | **4** | (8) | (4) |
| Net (gains) losses reclassified to net income | **1** | 7 | 10 |
| | **5** | (1) | 6 |
| **Net change in cash flow hedges** | | | |
| Net gains (losses) on derivatives designated as cash flow hedges | **(20)** | (5) | (20) |
| Net (gains) losses reclassified to net income | **18** | 5 | 15 |
| | **(2)** | – | (5) |
| Not subject to subsequent reclassification to net income | | | |
| **Net gains (losses) on post-employment defined benefit plans** | **(40)** | 42 | (80) |
| **Net gains (losses) due to fair value change of FVO liabilities attributable to changes in credit risk** | **1** | 1 | 1 |
| **Net gains (losses) on equity securities designated at FVOCI** | **(4)** | n/a | n/a |
| | **$ (112)** | $ 144 | $ (136) |

n/a Not applicable.

The accompanying notes and shaded sections in "MD&A – Management of risk" are an integral part of these interim consolidated financial statements.

# Consolidated statement of changes in equity

| Unaudited, millions of Canadian dollars, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| **Preferred shares** (Note 8) | | | |
| Balance at beginning of period | **$ 1,797** | $ 1,796 | $ 1,000 |
| Issue of preferred shares | **450** | – | – |
| Treasury shares | **(1)** | 1 | – |
| Balance at end of period | **$ 2,246** | $ 1,797 | $ 1,000 |
| **Common shares** (Note 8) | | | |
| Balance at beginning of period | **$ 12,548** | $ 12,197 | $ 8,026 |
| Issued pursuant to the acquisition of The PrivateBank | **194** | – | – |
| Issued pursuant to the acquisition of Geneva Advisors | **–** | 126 | – |
| Issued pursuant to the acquisition of Wellington Financial | **47** | – | – |
| Other issue of common shares | **278** | 241 | 261 |
| Treasury shares | **3** | (16) | (1) |
| Balance at end of period | **$ 13,070** | $ 12,548 | $ 8,286 |
| **Contributed surplus** | | | |
| Balance at beginning of period | **$ 137** | $ 137 | $ 72 |
| Compensation expense in respect of equity-settled share-based awards | **5** | 3 | – |
| Stock options exercised | **(10)** | (3) | (7) |
| Other | **3** | – | – |
| Balance at end of period | **$ 135** | $ 137 | $ 65 |
| **Retained earnings** | | | |
| Balance at beginning of period under IAS 39 | **$ 16,101** | $ 15,535 | $ 13,584 |
| Impact of adopting IFRS 9 at November 1, 2017 | **(144)** | n/a | n/a |
| Balance at beginning of period under IFRS 9 | **15,957** | n/a | n/a |
| Net income attributable to equity shareholders | **1,323** | 1,159 | 1,402 |
| Dividends | | | |
| Preferred | **(18)** | (24) | (9) |
| Common | **(574)** | (569) | (493) |
| Realized gains (losses) on equity securities designated at FVOCI reclassified from AOCI | **17** | n/a | n/a |
| Other | **(4)** | – | (1) |
| Balance at end of period | **$ 16,701** | $ 16,101 | $ 14,483 |
| **AOCI, net of income tax** | | | |
| AOCI, net of income tax, that is subject to subsequent reclassification to net income | | | |
| **Net foreign currency translation adjustments** | | | |
| Balance at beginning of period | **$ 738** | $ 307 | $ 1,114 |
| Net change in foreign currency translation adjustments | **(582)** | 431 | (253) |
| Balance at end of period | **$ 156** | $ 738 | $ 861 |
| **Net gains (losses) on debt securities measured at FVOCI (2017: AFS debt and equity securities)** | | | |
| Balance at beginning of period under IAS 39 | **$ 60** | $ 84 | $ 161 |
| Impact of adopting IFRS 9 at November 1, 2017 | **(28)** | n/a | n/a |
| Balance at beginning of period under IFRS 9 | **32** | n/a | n/a |
| Net change in securities measured at FVOCI | **(51)** | (24) | (70) |
| Balance at end of period | **$ (19)** | $ 60 | $ 91 |
| **Net gains (losses) on cash flow hedges** | | | |
| Balance at beginning of period | **$ 33** | $ 27 | $ 23 |
| Net change in cash flow hedges | **6** | 6 | 15 |
| Balance at end of period | **$ 39** | $ 33 | $ 38 |
| AOCI, net of income tax, that is not subject to subsequent reclassification to net income | | | |
| **Net gains (losses) on post-employment defined benefit plans** | | | |
| Balance at beginning of period | **$ (369)** | $ (244) | $ (508) |
| Net change in post-employment defined benefit plans | **107** | (125) | 219 |
| Balance at end of period | **$ (262)** | $ (369) | $ (289) |
| **Net gains (losses) due to fair value change of FVO liabilities attributable to changes in credit risk** | | | |
| Balance at beginning of period | **$ (10)** | $ (7) | $ – |
| Net change attributable to changes in credit risk | **(3)** | (3) | (3) |
| Balance at end of period | **$ (13)** | $ (10) | $ (3) |
| **Net gains (losses) on equity securities designated at FVOCI** | | | |
| Impact of adopting IFRS 9 at November 1, 2017 | **$ 85** | $ n/a | $ n/a |
| Balance at beginning of period under IFRS 9 | **85** | n/a | n/a |
| Net gains (losses) on equity securities designated at FVOCI | **14** | n/a | n/a |
| Realized (gains) losses on equity securities designated at FVOCI reclassified to retained earnings [(1)] | **(17)** | n/a | n/a |
| Balance at end of period | **$ 82** | $ n/a | $ n/a |
| **Total AOCI, net of income tax** | **$ (17)** | $ 452 | $ 698 |
| **Non-controlling interests** | | | |
| Balance at beginning of period under IAS 39 | **$ 202** | $ 190 | $ 201 |
| Impact of adopting IFRS 9 at November 1, 2017 | **(4)** | n/a | n/a |
| Balance at beginning of period under IFRS 9 | **198** | n/a | n/a |
| Net income attributable to non-controlling interests | **5** | 5 | 5 |
| Dividends | **(4)** | – | (4) |
| Other | **(12)** | 7 | (8) |
| Balance at end of period | **$ 187** | $ 202 | $ 194 |
| **Equity at end of period** | **$ 32,322** | $ 31,237 | $ 24,726 |

(1) Includes $10 million of gains reclassified to retained earnings for the quarter ended January 31, 2018 (October 31, 2017: n/a; January 31, 2017: n/a), relating to our investments in equity-accounted associates and joint ventures.

n/a Not applicable.

The accompanying notes and shaded sections in "MD&A – Management of risk" are an integral part of these interim consolidated financial statements.

# Consolidated statement of cash flows

| Unaudited, millions of Canadian dollars, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 [1] |
|---|---|---|---|
| **Cash flows provided by (used in) operating activities** | | | |
| Net income | **$ 1,328** | $ 1,164 | $ 1,407 |
| Adjustments to reconcile net income to cash flows provided by (used in) operating activities: | | | |
| Provision for credit losses | **153** | 229 | 212 |
| Amortization and impairment [2] | **166** | 152 | 120 |
| Stock options and restricted shares expense | **5** | 3 | – |
| Deferred income taxes | **88** | 30 | 47 |
| (Gains) from debt securities measured at FVOCI and amortized cost (2017: AFS debt and equity securities losses (gains), net) | **(8)** | (37) | (33) |
| Net losses (gains) on disposal of land, buildings and equipment | **(9)** | 1 | (301) |
| Other non-cash items, net | **(87)** | (32) | 21 |
| Net changes in operating assets and liabilities | | | |
| Interest-bearing deposits with banks | **(1,227)** | 4,998 | (1,539) |
| Loans, net of repayments | **(956)** | (7,392) | (7,128) |
| Deposits, net of withdrawals | **7,389** | (938) | 14,072 |
| Obligations related to securities sold short | **1,534** | 1,131 | 1,434 |
| Accrued interest receivable | **(5)** | (144) | 76 |
| Accrued interest payable | **(77)** | 152 | (109) |
| Derivative assets | **(5,111)** | 2,097 | 3,851 |
| Derivative liabilities | **6,060** | (4,881) | (2,877) |
| Securities measured at FVTPL (2017: Trading and FVO securities) | **638** | (2,611) | (5,910) |
| Other assets and liabilities designated at fair value (2017: Other FVO assets and liabilities) | **(1,224)** | (234) | 503 |
| Current income taxes | **(301)** | (17) | 31 |
| Cash collateral on securities lent | **(525)** | (37) | (341) |
| Obligations related to securities sold under repurchase agreements | **5,758** | 5,418 | 3,352 |
| Cash collateral on securities borrowed | **(1,954)** | 831 | (134) |
| Securities purchased under resale agreements | **(6,984)** | 273 | (10,612) |
| Other, net | **(2,058)** | 1,842 | (307) |
| | **2,593** | 1,998 | (4,165) |
| **Cash flows provided by (used in) financing activities** | | | |
| Issue of preferred shares, net of issuance cost | **445** | – | – |
| Issue of common shares for cash | **70** | 38 | 83 |
| Net sale (purchase) of treasury shares | **2** | (15) | (1) |
| Dividends paid | **(395)** | (393) | (331) |
| | **122** | (370) | (249) |
| **Cash flows provided by (used in) investing activities** | | | |
| Purchase of securities measured/designated at FVOCI and amortized cost (2017: Purchase of AFS securities) | **(5,960)** | (8,975) | (4,865) |
| Proceeds from sale of securities measured/designated at FVOCI and amortized cost (2017: Proceeds from sale of AFS securities) | **682** | 1,923 | 5,962 |
| Proceeds from maturity of debt securities measured at FVOCI and amortized cost (2017: Proceeds from maturity of AFS securities) | **2,786** | 4,645 | 2,686 |
| Cash used in acquisitions, net of cash acquired | **(315)** | (27) | – |
| Net cash provided by dispositions of investments in equity-accounted associates and joint ventures | **83** | 40 | – |
| Net sale (purchase) of land, buildings and equipment | **(40)** | (66) | 365 |
| | **(2,764)** | (2,460) | 4,148 |
| Effect of exchange rate changes on cash and non-interest-bearing deposits with banks | **(90)** | 65 | (49) |
| **Net increase (decrease) in cash and non-interest-bearing deposits with banks during the period** | **(139)** | (767) | (315) |
| Cash and non-interest-bearing deposits with banks at beginning of period | **3,440** | 4,207 | 3,500 |
| **Cash and non-interest-bearing deposits with banks at end of period** [3] | **$ 3,301** | $ 3,440 | $ 3,185 |
| Cash interest paid | **$ 1,588** | $ 1,209 | $ 1,159 |
| Cash interest received | **3,791** | 3,491 | 2,996 |
| Cash dividends received | **188** | 191 | 272 |
| Cash income taxes paid | **613** | 293 | 238 |

(1) Certain information has been reclassified to conform to the current presentation.
(2) Comprises amortization and impairment of buildings, furniture, equipment, leasehold improvements, and software and other intangible assets.
(3) Includes restricted balance of $397 million (October 31, 2017: $436 million; January 31, 2017: $438 million).

The accompanying notes and shaded sections in "MD&A – Management of risk" are an integral part of these interim consolidated financial statements.

# Notes to the interim consolidated financial statements
(Unaudited)

The interim consolidated financial statements of CIBC are prepared in accordance with Section 308(4) of the *Bank Act* (Canada), which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions (OSFI) (Canada), the financial statements are to be prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). There are no accounting requirements of OSFI that are exceptions to IFRS.

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and do not include all of the information required for full annual consolidated financial statements. Except as indicated below, these interim consolidated financial statements follow the same accounting policies and methods of application as CIBC's consolidated financial statements as at and for the year ended October 31, 2017.

All amounts in these interim consolidated financial statements are presented in Canadian dollars, unless otherwise indicated. These interim consolidated financial statements were authorized for issue by the Board of Directors on February 21, 2018.

## Note 1. Changes in accounting policies

### (a) Current period changes in accounting policies

*IFRS 9 "Financial Instruments" (IFRS 9)*

CIBC adopted IFRS 9 "Financial Instruments" (IFRS 9) in place of IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39) in the first quarter of 2018 to comply with OSFI's advisory that requires that domestic systemically important banks (D-SIBs) adopt IFRS 9 for their annual periods beginning on November 1, 2017, one year earlier than required by the IASB. We applied IFRS 9 on a retrospective basis. As permitted, we did not restate our prior period comparative consolidated financial statements, which are reported under IAS 39 and are therefore not comparable to the information presented for 2018.

The adoption of IFRS 9 in the first quarter of 2018 resulted in changes in accounting policy in two principal areas, classification and measurement and impairment. We had previously early adopted the "own credit" provisions of IFRS 9 as of November 1, 2014 and we have elected, as a policy choice permitted under IFRS 9, to continue to apply the hedge accounting requirements of IAS 39.

Classification and measurement

Under IFRS 9, all financial assets must be classified at initial recognition as financial instruments mandatorily measured at fair value through profit or loss (FVTPL) (trading and non-trading), financial instruments measured at amortized cost, debt financial instruments measured at fair value through other comprehensive income (FVOCI), equity financial instruments designated at FVOCI, or financial instruments designated at FVTPL, based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed. All financial assets and derivatives are required to be measured at fair value with the exception of financial assets measured at amortized cost. Financial assets are required to be reclassified when and only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as FVTPL. The SPPI test is conducted to identify whether the contractual cash flows of a financial instrument are "solely payments of principal and interest" such that any variability in the contractual cash flows is consistent with a "basic lending arrangement". "Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset, for example, due to repayments of principal or amortization of the premium/discount. "Interest" for the purpose of this test is defined as the consideration for the time value of money and credit risk, which are the most significant elements of interest within a lending arrangement. Contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity-linked payouts, are measured at FVTPL.

For debt instrument financial assets that meet the SPPI test, classification at initial recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis are classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis are classified as FVOCI for debt. Debt instruments that are managed on a "hold to collect" basis are classified as amortized cost.

All equity instrument financial assets are classified at initial recognition as FVTPL unless they are not held for short-term profit taking intent and an irrevocable designation is made to classify the instrument as FVOCI for equities. The classification and measurement of financial liabilities remain essentially unchanged from the IAS 39 requirements, except that changes in the fair value of liabilities designated at FVTPL using the fair value option (FVO) which are attributable to changes in own credit risk are presented in OCI, rather than profit and loss. We early adopted the "own credit" provisions of IFRS 9 as of November 1, 2014.

Derivatives continue to be measured at FVTPL under IFRS 9, except to the extent that they are designated in a hedging relationship, in which case the IAS 39 hedge accounting requirements continue to apply.

As a result of the transition to IFRS 9, the trading, available-for-sale (AFS), held-to-maturity (HTM), FVO, and loans and receivables categories under IAS 39 have been replaced with the following classifications under IFRS 9:

Financial instruments mandatorily measured at FVTPL (trading and non-trading)

Trading financial instruments are mandatorily measured at FVTPL as they are held for trading purposes or are part of a managed portfolio with a pattern of short-term profit taking. Non-trading financial assets are also mandatorily measured at fair value if their contractual cash flow characteristics do not meet the SPPI test or if they are managed together with other financial instruments on a fair value basis.

Trading and non-trading financial instruments mandatorily measured at FVTPL are remeasured at fair value as at the consolidated balance sheet date. Gains and losses realized on disposition and unrealized gains and losses from changes in fair value are included in Non-interest income as Gains (losses) from financial instruments measured/designated at FVTPL, net. Interest income earned on trading and non-trading securities and dividends and interest expense incurred on securities sold short are included in Interest income and Interest expense, respectively.

### Financial instruments designated at FVTPL (Fair value option)

Financial instruments designated at FVTPL are those that we voluntarily designate at initial recognition as instruments that we will measure at fair value through the consolidated statement of income that would otherwise fall into a different accounting category. As was the case under IAS 39, the FVO designation, once made, is irrevocable and can only be applied if reliable fair values are available, when doing so eliminates or significantly reduces the measurement inconsistency that otherwise would arise from measuring assets or liabilities on a different basis and if certain OSFI requirements are met. Financial liabilities may also be designated at FVTPL when they are part of a portfolio which is managed on a fair value basis, in accordance with our investment strategy, and are reported internally on that basis. Designation at FVTPL may also be applied to financial liabilities that have one or more embedded derivatives that would otherwise require bifurcation. Unlike IAS 39, however, there is no need to apply FVO to equity instruments as the default accounting is financial instruments mandatorily measured at FVTPL. As was the case under IAS 39, we apply the FVO to certain mortgage commitments.

Gains and losses realized on dispositions and unrealized gains and losses from changes in the fair value of FVO financial instruments are treated in the same manner as financial instruments which are mandatorily measured at FVTPL, except that changes in the fair value of FVO liabilities that are attributable to changes in own credit risk are recognized in OCI. Dividends and interest earned and interest expense incurred on FVO assets and liabilities are included in Interest income and Interest expense, respectively.

### Financial assets measured at amortized cost

Financial assets measured at amortized cost are debt financial instruments with contractual cash flows that meet the SPPI test and are managed on a “hold to collect” basis. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, net of an allowance for expected credit losses (ECL).

Consistent with IAS 39, loans measured at amortized cost under IFRS 9 include residential mortgages, personal loans, credit cards and most business and government loans. In addition, and also consistent with IAS 39, most deposits with banks, securities purchased under resale agreements, cash collateral on securities borrowed and most customers’ liability under acceptances are accounted for at amortized cost under IFRS 9. Most securities classified as HTM under IAS 39 and certain portfolios of treasury securities that were classified as AFS under IAS 39 (but which are managed on a “hold to collect” basis) are classified as amortized cost under IFRS 9.

### Debt financial assets measured at FVOCI

Debt financial instruments measured at FVOCI are non-derivative financial assets with contractual cash flows that meet the SPPI test and are managed on a “hold to collect and for sale” basis.

Subsequent measurement of debt instruments classified at FVOCI under IFRS 9 operates in a similar manner to AFS debt securities under IAS 39, except that the ECL impairment model must be applied to these instruments under IFRS 9. As a result, FVOCI debt instruments are measured initially at fair value, plus direct and incremental transaction costs. Subsequent to initial recognition, FVOCI debt instruments are remeasured at fair value through OCI, with the exception that both related foreign exchange gains or losses and changes in ECL allowances are recognized in the consolidated statement of income. Cumulative gains and losses previously recognized in OCI are transferred from AOCI to the consolidated statement of income when the debt instrument is sold. Realized gains and losses on sale, determined on an average cost basis, and changes in ECL allowances, are included in Gains (losses) from debt securities measured at FVOCI and amortized cost, net in the consolidated statement of income. Interest income from FVOCI debt instruments is included in Interest income. FVOCI debt instruments include our treasury securities which are managed on a “hold to collect and for sale” basis.

A debt financial instrument is classified as impaired (stage 3) when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred.

### Equity financial instruments designated at FVOCI

Equity financial instruments are measured at FVTPL unless an irrevocable designation is made to measure them at FVOCI. Gains or losses from changes in the fair value of equity instruments designated at FVOCI, including any related foreign exchange gains or losses, are recognized in OCI. In contrast to AFS equity securities under IAS 39, amounts recognized in OCI will not be subsequently recycled to profit or loss, with the exception of dividends. Instead, cumulative gains or losses upon derecognition of the equity instrument will be transferred within equity from AOCI to retained earnings and presented in Net gains (losses) reclassified to retained earnings in the consolidated statement of changes in equity. Financial assets designated as FVOCI include non-trading equity securities, primarily related to our investment in private companies and limited partnerships.

## Impairment – allowance for expected credit losses

Under IFRS 9, ECL allowances are recognized on all financial assets that are debt instruments classified either as amortized cost or FVOCI and for all loan commitments and financial guarantees that are not measured at FVTPL. The application of an ECL model represents a significant change from the incurred loss model under IAS 39. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Forward-looking information (FLI) is explicitly incorporated into the estimation of ECL allowances, which involves significant judgment (see Note 5 for additional details). In contrast, the incurred loss model incorporated a single best estimate, the time value of money and information about past events and current conditions.

ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment. In contrast, under the incurred loss model lifetime credit losses were recognized when there was objective evidence of impairment and allowances for incurred but not identified credit losses were also recognized.

The calculation of ECL allowances is based on the expected value of three probability-weighted scenarios to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that we expect to receive. The key inputs in the measurement of ECL allowances are as follows:

- The probability of default (PD) is an estimate of the likelihood of default over a given time horizon;
- The loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time; and
- The exposure at default (EAD) is an estimate of the exposure at a future default date.

Lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month ECL is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on the financial instrument that are possible within the 12 months after the reporting date.

Due to the inclusion of relative credit deterioration criteria and consideration of FLI, lifetime credit losses are generally recognized earlier under IFRS 9.

### Stage migration and SICR

As a result of the requirements above, financial instruments subject to ECL allowances are categorized into three stages.

For non-impaired financial instruments:

Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. We recognize 12 months of ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, we compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of its initial recognition.

Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. We recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then we revert to recognizing 12 months of ECL as the financial instrument has migrated back to stage 1.

We determine whether a financial instrument has experienced a SICR since its initial recognition on an individual financial instrument basis. Changes in the required ECL allowance, including the impact of financial instruments migrating between stage 1 and stage 2, are recorded in provision for credit losses in the consolidated statement of income. Significant judgment is also required in the application of SICR (see Note 5 for additional details).

Stage 3 financial instruments are those that we have classified as impaired. We recognize lifetime ECL for all stage 3 financial instruments. We classify a financial instrument as impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial instrument have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Under IFRS 9, all financial instruments on which repayment of principal or payment of interest is contractually 90 days in arrears are automatically considered impaired, except for credit card loans which are classified as impaired and are fully written off when payments are contractually 180 days in arrears or at the earlier of the notice of bankruptcy, settlement proposal, or enlistment of credit counselling services. The determination of impairment was the same under IAS 39, except that under IAS 39, (i) residential mortgages guaranteed or insured by a Canadian government (federal or provincial) or a Canadian government agency were classified as impaired only when payments were contractually 365 days in arrears, and (ii) residential mortgages guaranteed or insured by a private insurer, or loans that were fully secured and in the process of collection were classified as impaired only when payments were contractually 180 days in arrears.

A financial instrument is no longer considered impaired when all past due amounts, including interest, have been recovered, and it is determined that the principal and interest are fully collectable in accordance with the original contractual terms or revised market terms of the financial instrument with all criteria for the impaired classification having been remedied.

Financial instruments are written off, either partially or in full, against the related allowance for credit losses when we judge that there is no realistic prospect of future recovery in respect of those amounts. When financial instruments are secured, this is generally after all collateral has been realized or transferred to CIBC, or in certain circumstances, when the net realizable value of any collateral and other available information suggests that there is no reasonable expectation of further recovery. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses.

### Purchased loans

Both purchased performing and purchased credit-impaired loans are initially measured at their acquisition date fair values. As a result of recording these loans at fair value, no allowance for credit losses is recognized in the purchase equation at the acquisition date under either IFRS 9 or IAS 39. Fair value is determined by estimating the principal and interest cash flows expected to be collected and discounting those cash flows at a market rate of interest. At the acquisition date, we classify a loan as performing where we expect timely collection of all amounts in accordance with the original contractual terms of the loan and as credit-impaired where it is probable that we will not be able to collect all contractually required payments.

For purchased performing loans, the acquisition date fair value adjustment on each loan is amortized to interest income over the expected remaining life of the loan using the effective interest rate method under both IFRS 9 and IAS 39. The remaining unamortized amounts relating to those loans are recorded in income in the period that the loan is repaid. Under IFRS 9, ECL allowances are established in the provision for credit losses in the consolidated statement of income immediately after the acquisition date based on classifying each loan in stage 1, since the acquisition date is established as the initial recognition date of purchased performing loans for the purpose of assessing whether a SICR has occurred. This is comparable to the requirements under IAS 39 where collective allowances were established after the acquisition date as the purchased loan portfolio turned over and to the extent that the credit quality of the acquired portfolio deteriorated. Subsequent to the acquisition date, ECL allowances are estimated in a manner consistent with our SICR and impairment policies that we apply to loans that we originate. Under IAS 39, actual individual allowances for credit losses were recorded as they arose subsequent to the acquisition date in a manner that was consistent with our IAS 39 impairment policy for loans that we originated.

For purchased credit-impaired loans under both IFRS 9 and IAS 39, the acquisition date fair value adjustment on each loan consists of management's estimate of the shortfall of principal and interest cash flows expected to be collected and the time value of money. The time value of money component of the fair value adjustment is amortized to interest income over the expected remaining life of the loan using the effective interest rate method. Subsequent to the acquisition date, we regularly re-estimate the expected cash flows for purchased credit-impaired loans. Decreases in the expected cash flows will result in an increase in our ECL allowances under IFRS 9, which is consistent with the previous IAS 39 requirements. Increases in the expected cash flows will result in a recovery of the ECL allowance under IFRS 9. Under IAS 39, increases in the expected cash flows resulted in a recovery of provision for credit losses and a reduction in our allowance for credit losses, or if no allowance existed, an increase in interest income. ECL allowances for purchased credit-impaired loans are reported in stage 3.

### Reconciliation of allowances under IAS 39 to IFRS 9

For our business and government portfolios, the individually assessed allowances for impaired instruments recognized under IAS 39 have generally been replaced by stage 3 allowances under IFRS 9, while the collective allowances for non-impaired financial instruments have generally been replaced by either stage 1 or stage 2 allowances under IFRS 9. For our retail portfolios, the portion of our collective allowances that relate to impaired financial instruments under IAS 39 have generally been replaced by stage 3 allowances under IFRS 9, while the non-impaired portion of our collective allowances have generally been replaced by either stage 1 or stage 2 allowances under IFRS 9.

The following table reconciles the closing allowance for credit losses in accordance with IAS 39 as at October 31, 2017, to the opening ECL allowance determined in accordance with IFRS 9 as at November 1, 2017:

| $ millions, as at | | | 2017 Oct. 31 | | | | | 2017 Nov. 1 |
|---|---|---|---|---|---|---|---|---|
| | | | IAS 39 | | | | | IFRS 9 |
| | Individual Allowance | Collective Allowance | Total | Remeasurements | Stage 1 | Stage 2 | Stage 3 | Total (1) |
| Loans | | | | | | | | |
| Residential mortgages | $ 2 | $ 201 | $ 203 | $ 19 | $ 28 | $ 43 | $ 151 | $ 222 |
| Personal | 7 | 488 | 495 | (19) | 164 | 202 | 110 | 476 |
| Credit card | – | 386 | 386 | 128 | 101 | 413 | – | 514 |
| Business and government | 183 | 470 | 653 | (65) | 234 | 150 | 204 | 588 |
| | $ 192 | $ 1,545 | $ 1,737 | $ 63 | $ 527 | $ 808 | $ 465 | $ 1,800 |
| Comprises: | | | | | | | | |
| Loans | $ 192 | $ 1,426 | $ 1,618 | $ 69 | $ 474 | $ 748 | $ 465 | $ 1,687 |
| Undrawn credit facilities and other off-balance sheet exposures (2) | – | 119 | 119 | (6) | 53 | 60 | – | 113 |
| Securities | | | | | | | | |
| Debt securities measured at FVOCI (3) | n/a | n/a | n/a | $ 49 | $ 14 | $ 35 | $ – | $ 49 |

(1) In addition, ECL allowances for other financial assets classified as amortized cost were immaterial as at November 1, 2017.
(2) Included in other liabilities on the interim consolidated balance sheet.
(3) The ECL allowances for debt securities measured at FVOCI are recognized in AOCI and do not affect the carrying value on our interim consolidated balance sheet, as these securities are measured at fair value.
n/a Not applicable under IAS 39.

Differences in the carrying amounts of financial instruments that resulted from the adoption of IFRS 9, other than from the voluntary adoption of the "own credit" provisions, have been recognized in our opening November 1, 2017 retained earnings and AOCI as if we had always followed the requirements of IFRS 9. The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9, and the impact, net of tax, on shareholders' equity and total equity due to the transition to IFRS 9 on November 1, 2017:

| $ millions | IAS 39 carrying amount as at Oct. 31, 2017 | Reclassification | Remeasurements | IFRS 9 carrying amount as at Nov. 1, 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Cash and non-interest-bearing deposits with banks** | $ 3,440 | $ – | $ – | $ 3,440 |
| **Interest-bearing deposits with banks** | 10,712 | – | – | 10,712 |
| **Securities** | | | | |
| Trading and FVO securities | | | | |
| Opening balance | 50,827 | | | |
| To securities mandatorily measured and designated at FVTPL | | (50,827) [1] | | |
| Closing balance | | | | – |
| AFS and HTM securities | | | | |
| Opening balance | 42,592 | | | |
| To debt securities measured at FVOCI | | (32,945) [2] | | |
| To equity securities designated at FVOCI | | (459) [3] | | |
| To securities mandatorily measured at FVTPL | | (1,092) [4] | | |
| To securities measured at amortized cost | | (8,096) [5] | | |
| Closing balance | | | | – |
| Securities mandatorily measured and designated at FVTPL | | | | |
| Opening balance | – | | | |
| From AFS securities | | 1,092 [4] | | |
| From trading and FVO securities | | 50,827 [1] | | |
| From loans | | 12 [4] | | |
| Closing balance | | | | 51,931 |
| Debt securities measured at FVOCI | | | | |
| Opening balance | – | | | |
| From AFS securities | | 32,945 [2] | | |
| Closing balance | | | | 32,945 |
| Equity securities designated at FVOCI | | | | |
| Opening balance | – | | | |
| From AFS securities | | 459 [3] | | |
| Closing balance | | | | 459 |
| Securities measured at amortized cost | | | | |
| Opening balance | – | | | |
| From AFS and HTM securities | | 8,110 [5] | | |
| Closing balance | | | | 8,110 |
| | 93,419 | 26 | – | 93,445 |
| **Cash collateral on securities borrowed** | 5,035 | – | – | 5,035 |
| **Securities purchased under resale agreements** | 40,383 [6] | – | – | 40,383 |
| **Loans** | | | | |
| Loans, net of allowance for credit losses | 356,734 | (375) [4] | (138) [7] | 356,221 |
| Loans mandatorily measured at FVTPL | – | 363 [4] | | 363 |
| | 356,734 | (12) | (138) | 356,584 |
| **Other** | 55,541 | 2 | 25 | 55,568 |
| **Total assets** | $ 565,264 | $ 16 | $ (113) | $ 565,167 |
| **LIABILITIES AND EQUITY** | | | | |
| **Deposits** [8] | $ 439,706 | $ | $ | $ 439,706 |
| **Cash collateral on securities lent** | 2,024 | | | 2,024 |
| **Obligations related to securities sold under repurchase agreements** | 27,971 | | | 27,971 |
| **Subordinated indebtedness** | 3,209 | | | 3,209 |
| **Obligations related to securities sold short** | 13,713 | | | 13,713 |
| **Other** | 47,404 | | (6) | 47,398 |
| **Total liabilities** | 534,027 | – | (6) | 534,021 |
| **Equity** | | | | |
| Preferred shares | 1,797 | | | 1,797 |
| Common shares | 12,548 | | | 12,548 |
| Contributed surplus | 137 | | | 137 |
| Retained earnings | 16,101 | 4 | (148) | 15,957 |
| **Accumulated other comprehensive income** | | | | |
| Opening balance | 452 | | | |
| Reclassification of AFS debt securities to securities measured at amortized cost | | 16 | | |
| Reclassification of AFS equity securities to securities mandatorily measured at FVTPL | | (4) | | |
| Recognition of ECL under IFRS 9 on debt securities measured at FVOCI | | | 45 | |
| Closing balance | | | | 509 |
| **Total shareholders' equity** | 31,035 | 16 | (103) | 30,948 |
| Non-controlling interests | 202 | – | (4) | 198 |
| **Total equity** | 31,237 | 16 | (107) | 31,146 |
| | $ 565,264 | $ 16 | $ (113) | $ 565,167 |

(1) In our structured credit run-off portfolio, certain securities have been reclassified from FVO to securities mandatorily measured at FVTPL.
(2) Certain AFS debt securities have been reclassified to debt securities measured at FVOCI as the securities met the "solely payment of principal and interest" criteria under IFRS 9 and are managed under a "hold to collect and to sell" business model.
(3) Certain securities have been reclassified from AFS to equity securities designated at FVOCI.
(4) Certain asset-backed securities and asset-backed loans have been reclassified from either AFS or loans to securities or loans mandatorily measured at FVTPL.
(5) Certain debt securities have been reclassified from AFS to securities measured at amortized cost as they met the "solely payment of principal and interest" criteria under IFRS 9 and are held within a business model whose objective is to hold assets to collect the contractual cash flows. The fair value of these securities that were still held at January 31, 2018 was $4,807 million. The change in fair value of these securities that would have been recognized in OCI during the first quarter of 2018 was a loss of $21 million had these securities continued to be measured through OCI. In addition, certain HTM securities that are managed under a "hold to collect" business model were reclassified to securities measured at amortized cost.
(6) Includes $1,450 million of certain securities purchased under resale agreements that are measured at FVTPL using the FVO under IAS 39 and as mandatorily measured at FVTPL under IFRS 9.
(7) Comprises measurement adjustments of $69 million related to ECL and $69 million related to the application of the effective interest rate method recognized upon transition to IFRS 9.
(8) Includes FVO deposits of $5,947 million under both IAS 39 and IFRS 9.

Other accounting policies related to the accounting for financial instruments following the application of IFRS 9 are as follows:

### Determination of fair value

The transition to IFRS 9 did not impact the definition of fair value, which continues to be defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., the exit price). Fair value measurements are categorized into three levels within a fair value hierarchy (Level 1, 2 or 3) based upon the market observability of the valuation inputs used in measuring the fair value. See Note 2 for more details about fair value measurement subsequent to initial recognition by type of financial instrument.

### Transaction costs

Transaction costs relating to financial instruments mandatorily measured or designated at FVTPL are expensed as incurred under IFRS 9, consistent with the accounting for transaction costs related to trading and FVO instruments under IAS 39. For instruments measured at amortized cost and debt instruments measured at FVOCI, transaction costs are amortized over the expected life of the instrument using the effective interest rate method. For equity instruments designated at FVOCI, transaction costs are included in the instrument's carrying value.

### Date of recognition of securities

Under IFRS 9, we continue to account for all securities on our consolidated balance sheet using settlement date accounting, consistent with our accounting under IAS 39.

### Effective interest rate

Under IFRS 9, interest income and expense for all financial instruments measured at amortized cost and for debt securities measured at FVOCI is recognized in Interest income and Interest expense using the effective interest rate method, which is similar to the requirements under IAS 39 for loans and receivables and AFS debt securities. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying value of the financial asset or liability upon initial recognition. When calculating the effective interest rate, we estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Fees relating to loan origination, including commitment, restructuring and renegotiation fees, are considered an integral part of the yield earned on the loan and are accounted for using the effective interest rate method. Fees received for commitments that are not expected to result in a loan are included in Non-interest income over the commitment period. Loan syndication fees are included in Non-interest income on completion of the syndication arrangement, provided that the yield on the portion of the loan we retain is at least equal to the average yield earned by the other lenders involved in the financing; otherwise, an appropriate portion of the fee is deferred as unearned income and amortized to interest income using the effective interest rate method.

Under IFRS 9, interest income is recognized on stage 1 and stage 2 financial assets measured at amortized cost by applying the effective interest rate to the gross carrying amount of the financial instrument. For stage 3 financial instruments, interest income is recognized using the rate of interest used to discount the estimated future cash flows for the purpose of measuring the impairment loss and applied to the net carrying value of the financial instrument, which is similar to the methodology under IAS 39.

### Embedded derivatives

Under both IFRS 9 and IAS 39, derivatives embedded in financial liabilities are accounted for as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument and the terms of the embedded derivative represent those of a freestanding derivative in situations where the combined instrument is not classified as FVTPL or designated as FVTPL using the FVO. These embedded derivatives, which are classified together with the host instrument on the consolidated balance sheet, are measured at fair value, with changes therein included in the consolidated statement of income. The residual amount of the host liability is accreted to its maturity value through Interest income and Interest expense, respectively, using the effective interest rate method.

Gains at inception on derivatives embedded in financial instruments bifurcated for accounting purposes are not recognized at inception; instead they are recognized over the life of the residual host instrument. Where an embedded derivative is separable from the host instrument but the fair value, as at the acquisition or reporting date, cannot be reliably measured separately or is otherwise not bifurcated, the entire combined contract is measured at FVTPL.

Under IFRS 9, embedded derivatives are no longer bifurcated from financial assets. Instead the financial asset is classified in its entirety into the appropriate classification at initial recognition through an assessment of the contractual cash flow characteristics of the asset and the business model under which it is managed.

### Securitizations and derecognition of financial assets

Securitization of our own assets provides us with an additional source of liquidity. As we generally retain substantially all of the risks and rewards of the transferred assets, assets remain on the consolidated balance sheet and funding from these transactions is accounted for as Deposits – secured borrowing transactions.

Under both IFRS 9 and IAS 39, securitizations to non-consolidated SEs are accounted for as sales, with the related assets being derecognized, only where:

- our contractual right to receive cash flows from the assets has expired;
- we transfer our contractual rights to receive the cash flows of the financial asset, and have: (i) transferred substantially all the risks and rewards of ownership, or (ii) neither retained nor transferred substantially all the risks and rewards, but have not retained control; or
- the transfer meets the criteria of a qualifying pass-through arrangement.

### Derecognition of financial liabilities

Under both IFRS 9 and IAS 39 a financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another liability from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying values is recognized in the consolidated statement of income. The repurchase of a debt instrument is considered an extinguishment of that debt instrument even if we intend to resell the instrument in the near term.

### Financial guarantees

Financial guarantees are financial contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Under both IAS 39 and IFRS 9, financial guarantee contracts issued by CIBC that are not classified as insurance contracts are initially recognized as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantees, which is generally the premium received or receivable on the date the guarantee was given. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortization, and the present value of any expected payment when a payment under the guarantee has become probable. A financial guarantee that qualifies as a derivative is remeasured at fair value as at each reporting date and reported as Derivative instruments in assets or liabilities, as appropriate.

## (b) Future accounting policy changes

For details on other future accounting policy changes, refer to Note 32 to the consolidated financial statements included in our 2017 Annual Report. We are continuing to evaluate the impact of standards that are effective for us after fiscal 2018.

## Note 2. Fair value measurement

The table below presents the level in the fair value hierarchy into which the fair values of financial instruments, that are carried at fair value on the interim consolidated balance sheet, are categorized:

| | Level 1 | | Level 2 | | Level 3 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quoted market price | | Valuation technique – observable market inputs | | Valuation technique – non-observable market inputs | | **Total** | Total |
| $ millions, as at | **2018 Jan. 31** | 2017 Oct. 31 | **2018 Jan. 31** | 2017 Oct. 31 | **2018 Jan. 31** | 2017 Oct. 31 | **2018 Jan. 31** | 2017 Oct. 31 |
| **Financial assets** | | | | | | | | |
| Deposits with banks | **$ –** | $ – | **$ 71** | $ 417 | **$ –** | $ – | **$ 71** | $ 417 |
| Securities mandatorily measured and designated at FVTPL (2017: Trading and FVO securities) | | | | | | | | |
| Government issued or guaranteed | **3,086** | 2,403 | **13,129** (1) | 13,103 (1) | **–** | – | **16,215** | 15,506 |
| Corporate equity | **29,452** | 30,737 | **426** | 255 | **–** | 32 | **29,878** | 31,024 |
| Corporate debt | **–** | – | **2,265** | 2,256 | **–** | – | **2,265** | 2,256 |
| Mortgage- and asset-backed | **–** | – | **2,235** | 1,944 | **688** | 97 (2) | **2,923** | 2,041 |
| | **32,538** | 33,140 | **18,055** | 17,558 | **688** | 129 | **51,281** | 50,827 |
| Loans mandatorily measured at FVTPL (2017: Trading loans) | | | | | | | | |
| Business and government | **–** | – | **12,572** | 13,907 | **737** | 103 | **13,309** | 14,010 |
| Residential mortgages | **–** | – | **12** | 12 | **–** | – | **12** | 12 |
| | **–** | – | **12,584** | 13,919 | **737** | 103 | **13,321** | 14,022 |
| Debt securities measured at FVOCI (2017: AFS debt securities) | | | | | | | | |
| Government issued or guaranteed | **2,490** | 4,299 | **21,121** | 21,015 | **–** | – | **23,611** | 25,314 |
| Corporate debt | **–** | – | **4,967** | 5,152 | **26** | 4 | **4,993** | 5,156 |
| Mortgage- and asset-backed | **–** | – | **6,204** | 7,544 | **–** | 1,674 | **6,204** | 9,218 |
| | **2,490** | 4,299 | **32,292** | 33,711 | **26** | 1,678 | **34,808** | 39,688 |
| Equity securities designated at FVOCI (2017: AFS equity securities) | | | | | | | | |
| Corporate equity | **25** | 28 | **140** | 152 | **285** | 289 | **450** | 469 |
| | **25** | 28 | **140** | 152 | **285** | 289 | **450** | 469 |
| Securities purchased under resale agreements measured at FVTPL (2017: FVO securities purchased under resale agreements) | **–** | – | **2,354** | 1,450 (4) | **–** | – | **2,354** | 1,450 |
| Derivative instruments | | | | | | | | |
| Interest rate | **–** | – | **8,640** | 8,218 | **17** | 28 | **8,657** | 8,246 |
| Foreign exchange | **–** | – | **14,042** | 11,643 | **–** | – | **14,042** | 11,643 |
| Credit | **–** | – | **17** | 11 | **119** | 130 | **136** | 141 |
| Equity | **2,143** | 1,541 | **1,896** | 1,285 | **34** | 38 | **4,073** | 2,864 |
| Precious metal | **–** | – | **302** | 226 | **–** | – | **302** | 226 |
| Other commodity | **280** | 270 | **1,814** | 952 | **–** | – | **2,094** | 1,222 |
| | **2,423** | 1,811 | **26,711** | 22,335 | **170** | 196 | **29,304** | 24,342 |
| **Total financial assets** | **$ 37,476** | $ 39,278 | **$ 92,207** | $ 89,542 | **$ 1,906** | $ 2,395 | **$ 131,589** | $ 131,215 |
| **Financial liabilities** | | | | | | | | |
| Deposits and other liabilities (3) | **$ –** | $ – | **$ (6,111)** | $ (6,309) | **$ (430)** | $ (369) | **$ (6,541)** | $ (6,678) |
| Obligations related to securities sold short | **(7,218)** | (7,291) | **(8,029)** | (6,422) | **–** | – | **(15,247)** | (13,713) |
| | **(7,218)** | (7,291) | **(14,140)** | (12,731) | **(430)** | (369) | **(21,788)** | (20,391) |
| Derivative instruments | | | | | | | | |
| Interest rate | **–** | – | **(9,128)** | (7,867) | **(42)** | (20) | **(9,170)** | (7,887) |
| Foreign exchange | **–** | – | **(14,414)** | (10,998) | **–** | – | **(14,414)** | (10,998) |
| Credit | **–** | – | **(30)** | (34) | **(134)** | (148) | **(164)** | (182) |
| Equity | **(1,235)** | (937) | **(2,934)** | (2,289) | **(181)** | (77) | **(4,350)** | (3,303) |
| Precious metal | **–** | – | **(60)** | (124) | **–** | – | **(60)** | (124) |
| Other commodity | **(346)** | (203) | **(587)** | (574) | **–** | – | **(933)** | (777) |
| | **(1,581)** | (1,140) | **(27,153)** | (21,886) | **(357)** | (245) | **(29,091)** | (23,271) |
| **Total financial liabilities** | **$ (8,799)** | $ (8,431) | **$ (41,293)** | $ (34,617) | **$ (787)** | $ (614) | **$ (50,879)** | $ (43,662) |

(1) Includes $52 million related to securities designated at FVTPL (October 31, 2017: included $54 million related to FVO securities).
(2) Includes $94 million related to FVO asset-backed securities.
(3) Comprises FVO deposits of $5,740 million (October 31, 2017: $5,947 million), net bifurcated embedded derivative liabilities of $644 million (October 31, 2017: $596 million), FVO other liabilities of $32 million (October 31, 2017: $9 million), and other financial liabilities measured at fair value of $125 million (October 31, 2017: $126 million).
(4) Certain securities purchased under resale agreements were designated at fair value by electing the FVO under IAS 39. These securities are measured at FVTPL under IFRS 9.

Transfers between levels in the fair value hierarchy are deemed to have occurred at the beginning of the quarter in which the transfer occurred. Transfers between levels can occur as a result of additional or new information regarding valuation inputs and changes in their observability. During the quarter ended January 31, 2018, we transferred $211 million of securities mandatorily measured at FVTPL and $497 million of securities sold short from Level 1 to Level 2 due to reduced observability in the inputs used to value these securities (for the quarter ended October 31, 2017, $651 million of trading securities and $517 million of securities sold short were transferred from Level 1 to Level 2; for the quarter ended January 31, 2017, nil trading securities and $197 million securities sold short were transferred from Level 1 to Level 2). In addition, transfers between Level 2 and Level 3 were made during the quarters ended January 31, 2018, October 31, 2017 and January 31, 2017 as there were changes in the extent to which non-observable inputs have a significant impact on the fair value of these instruments or there were changes in the observability of one or more inputs that significantly impact their fair value, as noted in the table below.

The following table presents the changes in fair value of financial assets and liabilities in Level 3. These instruments are measured at fair value utilizing non-observable market inputs. We often hedge positions with offsetting positions that may be classified in a different level. As a result, the gains and losses for

assets and liabilities in the Level 3 category presented in the table below do not reflect the effect of offsetting gains and losses on the related hedging instruments that are classified in Level 1 and Level 2.

| $ millions, for the three months ended | IAS 39 Opening balance | Reclassification upon adoption of IFRS 9 [2] | IFRS 9 Opening balance | Net gains (losses) included in income [1] | | Net unrealized gains (losses) included in OCI [5] | Transfer in to Level 3 | Transfer out of Level 3 | Purchases | Issuances | Sales | Settlements | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Realized [3] | Unrealized [3][4] | | | | | | | | |
| **Jan. 31, 2018** | | | | | | | | | | | | | |
| **Securities mandatorily measured at FVTPL (2017: Trading securities)** | | | | | | | | | | | | | |
| **Corporate equity** | **$ 32** | **$ –** | **$ 32** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ –** | **$ (32)** | **$ –** |
| **Mortgage- and asset-backed** | **3** | **707** | **710** | **–** | **(1)** | **–** | **12** | **–** | **61** | **–** | **–** | **(94)** | **688** |
| **Securities designated at FVTPL (2017: FVO securities) Asset-backed** | **94** | **(94)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Loans mandatorily measured at FVTPL (2017: Trading loans)** | | | | | | | | | | | | | |
| **Business and government** | **103** | **363** | **466** | **–** | **(5)** | **(35)** | **–** | **–** | **405** | **13** | **(101)** | **(6)** | **737** |
| **Debt securities measured at FVOCI (2017: AFS debt securities)** | | | | | | | | | | | | | |
| **Corporate debt** | **4** | **–** | **4** | **(5)** | **1** | **–** | **–** | **–** | **26** | **–** | **–** | **–** | **26** |
| **Mortgage- and asset-backed** | **1,674** | **(1,674)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Equity securities designated at FVOCI (2017: AFS equity securities)** | | | | | | | | | | | | | |
| **Corporate equity** | **289** | **–** | **289** | **(3)** | **(1)** | **(4)** | **–** | **–** | **7** | **–** | **(3)** | **–** | **285** |
| **Derivative instruments** | | | | | | | | | | | | | |
| **Interest rate** | **28** | **–** | **28** | **–** | **(3)** | **–** | **–** | **–** | **–** | **–** | **–** | **(8)** | **17** |
| **Credit** | **130** | **–** | **130** | **(3)** | **(8)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **119** |
| **Equity** | **38** | **–** | **38** | **–** | **(10)** | **–** | **12** | **–** | **–** | **–** | **–** | **(6)** | **34** |
| **Total assets** | **$ 2,395** | **$ (698)** | **$ 1,697** | **$ (11)** | **$ (27)** | **$ (39)** | **$ 24** | **$ –** | **$ 499** | **$ 13** | **$ (104)** | **$ (146)** | **$ 1,906** |
| **Deposits and other liabilities [6]** | **$ (369)** | **$ –** | **$ (369)** | **$ –** | **$ (16)** | **$ –** | **$ (37)** | **$ 20** | **$ –** | **$ (51)** | **$ –** | **$ 23** | **$ (430)** |
| **Derivative instruments** | | | | | | | | | | | | | |
| **Interest rate** | **(20)** | **–** | **(20)** | **–** | **(19)** | **–** | **–** | **–** | **–** | **–** | **–** | **(3)** | **(42)** |
| **Credit** | **(148)** | **–** | **(148)** | **3** | **9** | **–** | **–** | **–** | **–** | **–** | **–** | **2** | **(134)** |
| **Equity** | **(77)** | **–** | **(77)** | **–** | **(24)** | **–** | **(71)** | **–** | **–** | **(28)** | **–** | **19** | **(181)** |
| **Total liabilities** | **$ (614)** | **$ –** | **$ (614)** | **$ 3** | **$ (50)** | **$ –** | **$ (108)** | **$ 20** | **$ –** | **$ (79)** | **$ –** | **$ 41** | **$ (787)** |
| Oct. 31, 2017 | | | | | | | | | | | | | |
| Trading securities | | | | | | | | | | | | | |
| Corporate equity | $ 32 | n/a | n/a | $ – | $ 1 | $ – | $ – | $ – | $ – | $ – | $ – | $ (1) | $ 32 |
| Mortgage- and asset-backed | 3 | n/a | n/a | – | – | – | – | – | – | – | – | – | 3 |
| FVO securities | | | | | | | | | | | | | |
| Asset-backed | 89 | n/a | n/a | – | 7 | – | – | – | – | – | – | (2) | 94 |
| Trading loans | | | | | | | | | | | | | |
| Business and government | 17 | n/a | n/a | – | 1 | – | – | – | – | 94 | (5) | (4) | 103 |
| AFS securities | | | | | | | | | | | | | |
| Corporate equity | 308 | n/a | n/a | 18 | (1) | (13) | – | – | 7 | 27 | (57) | – | 289 |
| Corporate debt | 5 | n/a | n/a | – | (1) | – | – | – | – | – | – | – | 4 |
| Mortgage- and asset-backed | 1,386 | n/a | n/a | 1 | – | 1 | – | – | 449 | – | – | (163) | 1,674 |
| Derivative instruments | | | | | | | | | | | | | |
| Interest rate | 23 | n/a | n/a | – | 2 | – | – | – | – | – | – | 3 | 28 |
| Credit | 127 | n/a | n/a | (4) | 7 | – | – | – | – | – | – | – | 130 |
| Equity | 7 | n/a | n/a | – | 11 | – | 3 | – | 17 | – | – | – | 38 |
| Total assets | $ 1,997 | n/a | n/a | $ 15 | $ 27 | $ (12) | $ 3 | $ – | $ 473 | $ 121 | $ (62) | $ (167) | $ 2,395 |
| Deposits and other liabilities [6] | $ (298) | n/a | n/a | $ – | $ (58) | $ – | $ (4) | $ 20 | $ – | $ (46) | $ – | $ 17 | $ (369) |
| Derivative instruments | | | | | | | | | | | | | |
| Interest rate | (21) | n/a | n/a | – | 1 | – | – | – | – | – | – | – | (20) |
| Credit | (144) | n/a | n/a | 3 | (7) | – | – | – | – | – | – | – | (148) |
| Equity | (58) | n/a | n/a | – | (2) | – | (13) | – | – | (11) | – | 7 | (77) |
| Total liabilities | $ (521) | n/a | n/a | $ 3 | $ (66) | $ – | $ (17) | $ 20 | $ – | $ (57) | $ – | $ 24 | $ (614) |
| Jan. 31, 2017 | | | | | | | | | | | | | |
| Trading securities | | | | | | | | | | | | | |
| Corporate equity | $ 40 | n/a | n/a | $ – | $ 1 | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ 41 |
| Mortgage- and asset-backed | 496 | n/a | n/a | 2 | – | – | – | – | – | – | – | (492) | 6 |
| FVO securities | | | | | | | | | | | | | |
| Asset-backed | 94 | n/a | n/a | 1 | (1) | – | – | – | – | – | – | (3) | 91 |
| AFS securities | | | | | | | | | | | | | |
| Corporate equity | 344 | n/a | n/a | 14 | (2) | (7) | – | – | 8 | – | (19) | – | 338 |
| Corporate debt | 5 | n/a | n/a | – | – | – | – | – | – | – | – | – | 5 |
| Mortgage- and asset-backed | 1,947 | n/a | n/a | 2 | – | (3) | – | – | 34 | – | – | (333) | 1,647 |
| Derivative instruments | | | | | | | | | | | | | |
| Interest rate | 31 | n/a | n/a | – | (20) | – | – | – | – | – | – | – | 11 |
| Credit | 140 | n/a | n/a | – | – | – | – | – | – | – | – | – | 140 |
| Equity | 24 | n/a | n/a | – | 4 | – | (17) | – | 4 | – | – | (3) | 12 |
| Total assets | $ 3,121 | n/a | n/a | $ 19 | $ (18) | $ (10) | $ (17) | $ – | $ 46 | $ – | $ (19) | $ (831) | $ 2,291 |
| Deposits and other liabilities [6] | $ (506) | n/a | n/a | $ – | $ (37) | $ – | $ (2) | $ 42 | $ – | $ (61) | $ – | $ 301 | $ (263) |
| Derivative instruments | | | | | | | | | | | | | |
| Interest rate | (35) | n/a | n/a | – | 8 | – | – | – | – | – | – | – | (27) |
| Credit | (197) | n/a | n/a | 10 | – | – | – | – | – | – | – | 28 | (159) |
| Equity | (42) | n/a | n/a | – | (6) | – | – | 9 | – | (6) | – | 3 | (42) |
| Total liabilities | $ (780) | n/a | n/a | $ 10 | $ (35) | $ – | $ (2) | $ 51 | $ – | $ (67) | $ – | $ 332 | $ (491) |

(1) Cumulative AOCI gains or losses related to equity securities designated at FVOCI are reclassified from AOCI to retained earnings at the time of disposal or derecognition.
(2) Certain reclassifications have been made upon adoption of IFRS 9. See Note 1 for more details about our transition to IFRS 9 on November 1, 2017.
(3) Includes foreign currency gains and losses related to debt securities measured at FVOCI.
(4) Comprises unrealized gains and losses relating to these assets and liabilities held at the end of the reporting period.
(5) Foreign exchange translation on loans mandatorily measured at FVTPL held by foreign operations is included in other comprehensive income.
(6) Includes FVO deposits of $42 million (October 31, 2017: $40 million; January 31, 2017: $43 million) and net bifurcated embedded derivative liabilities of $388 million (October 31, 2017: $329 million; January 31, 2017: $220 million).
n/a Not applicable.

### Quantitative information about significant non-observable inputs and sensitivity of Level 3 financial assets and liabilities

During the quarter, there were no significant changes in the valuation techniques and the range of significant non-observable inputs used in measuring our Level 3 financial assets and liabilities. The impact of adjusting one or more of the non-observable inputs within a reasonably possible range on the fair value of our Level 3 financial assets and liabilities as at January 31, 2018 did not change significantly from the impact disclosed in the 2017 Annual Report.

### Financial instruments designated at FVTPL (Fair value option)

A net gain of $9 million, net of hedges was realized for FVO assets and FVO liabilities, which is included in the consolidated statement of income under Gains (losses) from financial instruments measured/designated at FVTPL, net (a net loss of $7 million and nil for the three months ended October 31, 2017 and January 31, 2017, respectively). The fair value of a FVO liability reflects the credit risk relating to that liability. For those FVO liabilities for which we believe changes in our credit risk would impact the fair value from the note holders' perspective, the related fair value changes were recognized in OCI. The pre-tax impact of changes in CIBC's own credit risk on our FVO liabilities were losses of $4 million for the three months ended January 31, 2018 (losses of $4 million and losses of $4 million for the three months ended October 31, 2017 and January 31, 2017, respectively) and $18 million pre-tax losses cumulatively.

## Note 3. Significant transactions

### Acquisition of Wellington Financial

On January 5, 2018, CIBC acquired both the loan assets of Wellington Financial Fund V LP (Wellington Financial) and its management team for a combination of cash, common shares, and exchangeable shares. The acquisition supports the launch of CIBC Innovation Banking, a full service business that delivers strategic advice and funding to North American technology and innovation clients at each stage of their business cycle, and further deepens CIBC's capabilities and complements CIBC Bank USA's existing commercial banking team. Goodwill of $62 million was recognized as a result of the acquisition.

The exchangeable shares issued as part of the consideration for the acquisition are economically equivalent to CIBC common shares, and are subject to various vesting and performance conditions. A portion of the exchangeable shares are treated as equity-settled share-based compensation awards, and will be amortized into income over the relevant vesting periods.

The results of the acquired business have been consolidated from the date of close and are included in our Canadian Commercial Banking and Wealth Management SBU.

### Acquisition of PrivateBancorp, Inc.

On June 23, 2017, we completed the acquisition of PrivateBancorp, Inc. (PrivateBancorp) and its subsidiary, The PrivateBank and Trust Company (The PrivateBank, subsequently rebranded as CIBC Bank USA). During the first quarter of 2018, we finalized the purchase price allocation, and recognized an increase in goodwill of $29 million primarily due to additional information arising from the settlement of the dispute with former PrivateBancorp shareholders who validly exercised their dissent and appraisal rights under Delaware law.

### Acquisition of Geneva Advisors

On August 31, 2017, we completed the acquisition of Geneva Advisors, LLC (Geneva Advisors). During the first quarter of 2018, we finalized the purchase price allocation. No adjustments were recorded as a result of the finalization. For additional information, see Note 3 in our 2017 annual consolidated financial statements.

## Note 4. Securities

### Securities

| $ millions, as at | **2018 Jan. 31** | 2017 Oct. 31 |
|---|---|---|
| | **IFRS 9 Carrying amount** | IAS 39 Carrying amount |
| AFS debt securities | **$ n/a** | $ 39,688 |
| Debt securities measured at FVOCI | **34,808** | n/a |
| AFS equity securities | **n/a** | 469 |
| Equity securities designated at FVOCI | **450** | n/a |
| HTM securities | **n/a** | 2,435 |
| Securities measured at amortized cost [(1)] | **8,745** | n/a |
| Trading and FVO securities | **n/a** | 50,827 |
| Securities mandatorily measured and designated at FVTPL | **51,281** | n/a |
| | **$ 95,284** | $ 93,419 |

(1) There were no sales of securities measured at amortized cost during the quarter.
n/a Not applicable.

**Fair value of debt securities measured and equity securities designated at FVOCI**

| $ millions, as at | 2018 Jan. 31 | | | | 2017 Oct. 31 | | | |
|---|---|---|---|---|---|---|---|---|
| | IFRS 9, FVOCI Securities | | | | IAS 39, AFS Securities | | | |
| | **Amortized cost** (1) | **Gross unrealized gains** | **Gross unrealized losses** | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Securities issued or guaranteed by: | | | | | | | | |
| Canadian federal government | **$ 6,163** | **$ 47** | **$ (10)** | **$ 6,200** | $ 5,439 | $ 35 | $ (1) | $ 5,473 |
| Other Canadian governments | **5,614** | **34** | **(1)** | **5,647** | 5,236 | 30 | – | 5,266 |
| U.S. Treasury and agencies | **7,957** | **4** | **(58)** | **7,903** | 10,459 | 6 | (34) | 10,431 |
| Other foreign governments | **3,841** | **26** | **(6)** | **3,861** | 4,147 | 12 | (15) | 4,144 |
| Mortgage-backed securities (MBS) | **6,140** | **5** | **(28)** | **6,117** | 6,992 | 5 | (13) | 6,984 |
| Asset-backed securities | **88** | **–** | **(1)** | **87** | 2,236 | 1 | (3) | 2,234 |
| Corporate public debt | **4,986** | **22** | **(15)** | **4,993** | 5,163 | 8 | (19) | 5,152 |
| Corporate private debt | **–** | **–** | **–** | **–** | 5 | – | (1) | 4 |
| Corporate public equity (2) | **1** | **16** | **–** | **17** | 13 | 19 | – | 32 |
| Corporate private equity | **337** | **96** | **–** | **433** | 351 | 86 | – | 437 |
| | **$ 35,127** | **$ 250** | **$ (119)** | **$ 35,258** | $ 40,041 | $ 202 | $ (86) | $ 40,157 |

(1) Net of allowance for credit losses for debt securities measured at FVOCI of $47 million (October 31, 2017: nil).
(2) Includes restricted stock.

During the first quarter of 2018, we disposed of an equity security designated at FVOCI with a fair value of $19 million and realized a cumulative after-tax gain of $7 million directly in retained earnings. Dividend income recognized on equity securities designated at FVOCI that were disposed of or still held as at January 31, 2018 was nil.

## Allowance for credit losses

The following table provides a reconciliation of the opening balance to the closing balance of the ECL allowance under IFRS 9 for debt securities measured at FVOCI:

| $ millions, as at or for the three months ended | | | | 2018 Jan. 31 |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **In accordance with IFRS 9** |
| | **Collective provision 12-month ECL non-credit impaired** | **Collective provision lifetime ECL non-credit impaired** | **Collective and individual provision lifetime ECL credit impaired** | **Total** |
| **Debt securities measured at FVOCI** | | | | |
| Balance at beginning of period | **$ 14** | **$ 35** | **$ –** | **$ 49** |
| Provision for (reversal of) credit losses (1) | **1** | **(1)** | **5** | **5** |
| Write-offs | **–** | **–** | **(5)** | **(5)** |
| Foreign exchange and other | **(1)** | **(1)** | **–** | **(2)** |
| Balance at end of period | **$ 14** | **$ 33** | **$ –** | **$ 47** |

(1) Included in the gains (losses) from financial instruments measured at FVOCI and amortized cost, net on our interim consolidated statement of income.

# Note 5. Loans

## Allowance for credit losses [1]

The following table provides a reconciliation of the opening balance to the closing balance of the ECL allowance under IFRS 9:

| $ millions, as at or for the three months ended | | | | 2018 Jan. 31 |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | In accordance with IFRS 9 |
| | Collective provision 12-month ECL non-credit impaired | Collective provision lifetime ECL non-credit impaired | Collective and individual provision lifetime ECL credit impaired [2] | Total |
| **Residential mortgages** | | | | |
| Balance at beginning of period | $ 28 | $ 43 | $ 151 | $ 222 |
| Originations net of repayments and other derecognitions | 2 | (1) | (2) | (1) |
| Changes in model | – | – | – | – |
| Net remeasurement | (8) | 3 | 12 | 7 |
| Transfers | | | | |
| – to 12-month ECL | 3 | (2) | (1) | – |
| – to lifetime ECL non-credit impaired | – | – | – | – |
| – to lifetime ECL credit impaired | – | – | – | – |
| Provision for (reversal of) credit losses [3] | (3) | – | 9 | 6 |
| Write-offs | – | – | (13) | (13) |
| Recoveries | – | – | – | – |
| Interest income on impaired loans | – | – | (2) | (2) |
| Foreign exchange and other | – | (2) | (8) | (10) |
| Balance at end of period | $ 25 | $ 41 | $ 137 | $ 203 |
| **Personal** | | | | |
| Balance at beginning of period | $ 164 | $ 202 | $ 110 | $ 476 |
| Originations net of repayments and other derecognitions | 7 | (6) | (1) | – |
| Changes in model | – | – | – | – |
| Net remeasurement | (16) | 24 | 66 | 74 |
| Transfers | | | | |
| – to 12-month ECL | 26 | (26) | – | – |
| – to lifetime ECL non-credit impaired | (3) | 3 | – | – |
| – to lifetime ECL credit impaired | – | (8) | 8 | – |
| Provision for (reversal of) credit losses [3] | 14 | (13) | 73 | 74 |
| Write-offs | – | – | (88) | (88) |
| Recoveries | – | – | 16 | 16 |
| Interest income on impaired loans | – | – | – | – |
| Foreign exchange and other | (1) | – | 1 | – |
| Balance at end of period | $ 177 | $ 189 | $ 112 | $ 478 |
| **Credit card** | | | | |
| Balance at beginning of period | $ 101 | $ 413 | $ – | $ 514 |
| Originations net of repayments and other derecognitions | – | (4) | – | (4) |
| Changes in model | – | – | – | – |
| Net remeasurement | (15) | 66 | 22 | 73 |
| Transfers | | | | |
| – to 12-month ECL | 19 | (19) | – | – |
| – to lifetime ECL non-credit impaired | (2) | 2 | – | – |
| – to lifetime ECL credit impaired | – | (72) | 72 | – |
| Provision for (reversal of) credit losses [3] | 2 | (27) | 94 | 69 |
| Write-offs | – | – | (123) | (123) |
| Recoveries | – | – | 29 | 29 |
| Interest income on impaired loans | – | – | – | – |
| Foreign exchange and other | – | (1) | – | (1) |
| Balance at end of period | $ 103 | $ 385 | $ – | $ 488 |
| **Business and government** | | | | |
| Balance at beginning of period | $ 234 | $ 150 | $ 204 | $ 588 |
| Originations net of repayments and other derecognitions | 4 | (1) | (2) | 1 |
| Changes in model | – | – | – | – |
| Net remeasurement | (26) | 2 | 27 | 3 |
| Transfers | | | | |
| – to 12-month ECL | 10 | (10) | – | – |
| – to lifetime ECL non-credit impaired | (6) | 6 | – | – |
| – to lifetime ECL credit impaired | – | (1) | 1 | – |
| Provision for (reversal of) credit losses [3] | (18) | (4) | 26 | 4 |
| Write-offs | – | – | (11) | (11) |
| Recoveries | – | – | 3 | 3 |
| Interest income on impaired loans | – | – | (3) | (3) |
| Foreign exchange and other | (9) | (3) | (11) | (23) |
| Balance at end of period | $ 207 | $ 143 | $ 208 | $ 558 |
| **Total ECL allowance** [1] | $ 512 | $ 758 | $ 457 | $ 1,727 |
| **Comprises:** | | | | |
| Loans | $ 460 | $ 709 | $ 457 | $ 1,626 |
| Undrawn credit facilities and other off-balance sheet exposures [4] | 52 | 49 | – | 101 |

(1) See Note 4 for the ECL allowance on debt securities measured at FVOCI. The ECL allowances for other financial assets classified at amortized cost were immaterial as at January 31, 2018 and were excluded from the table above. Other financial assets classified at amortized cost are presented on our interim consolidated balance sheet net of ECL allowances.
(2) Includes the ECL allowance for purchased credit impaired loans from the acquisition of The PrivateBank.
(3) Provision for (reversal of) credit losses for loans and undrawn credit facilities and other off-balance sheet exposures is presented as provision for (reversal of) credit losses on our interim consolidated statement of income.
(4) Included in other liabilities on our interim consolidated balance sheet.

## Allowance for credit losses

The following table provides a reconciliation of the opening balance to the closing balance of allowance for credit losses under IAS 39:

| $ millions, as at or for the three months ended | | | 2017 Oct. 31 | | | 2017 Jan. 31 |
|---|---|---|---|---|---|---|
| | | | In accordance with IAS 39 | | | In accordance with IAS 39 |
| | Individual allowance | Collective allowance | Total | Individual allowance | Collective allowance | Total |
| **Residential mortgages** | | | | | | |
| Balance at beginning of period | $ 1 | $ 204 | $ 205 | $ 1 | $ 220 | $ 221 |
| Provision for (reversal of) credit losses | – | 10 | 10 | – | 12 | 12 |
| Write-offs | – | (15) | (15) | – | (8) | (8) |
| Recoveries | – | – | – | – | – | – |
| Interest income on impaired loans | – | (2) | (2) | – | (2) | (2) |
| Foreign exchange and other | 1 | 4 | 5 | – | (5) | (5) |
| Balance at end of period | $ 2 | $ 201 | $ 203 | $ 1 | $ 217 | $ 218 |
| **Personal** | | | | | | |
| Balance at beginning of period | $ 7 | $ 510 | $ 517 | $ 8 | $ 489 | $ 497 |
| Provision for (reversal of) credit losses | – | 55 | 55 | – | 89 | 89 |
| Write-offs | – | (89) | (89) | – | (88) | (88) |
| Recoveries | – | 12 | 12 | – | 15 | 15 |
| Interest income on impaired loans | – | – | – | – | – | – |
| Foreign exchange and other | – | – | – | (1) | (1) | (2) |
| Balance at end of period | $ 7 | $ 488 | $ 495 | $ 7 | $ 504 | $ 511 |
| **Credit card** | | | | | | |
| Balance at beginning of period | $ – | $ 381 | $ 381 | $ – | $ 386 | $ 386 |
| Provision for (reversal of) credit losses | – | 100 | 100 | – | 123 | 123 |
| Write-offs | – | (125) | (125) | – | (138) | (138) |
| Recoveries | – | 30 | 30 | – | 28 | 28 |
| Interest income on impaired loans | – | – | – | – | – | – |
| Foreign exchange and other | – | – | – | – | (1) | (1) |
| Balance at end of period | $ – | $ 386 | $ 386 | $ – | $ 398 | $ 398 |
| **Business and government** | | | | | | |
| Balance at beginning of period | $ 180 | $ 437 | $ 617 | $ 249 | $ 460 | $ 709 |
| Provision for (reversal of) credit losses | 33 | 31 | 64 | 8 | (20) | (12) |
| Write-offs | (34) | (5) | (39) | (39) | (7) | (46) |
| Recoveries | 5 | 1 | 6 | 2 | 2 | 4 |
| Interest income on impaired loans | (3) | – | (3) | (6) | – | (6) |
| Foreign exchange and other | 2 | 6 | 8 | (10) | (5) | (15) |
| Balance at end of period | $ 183 | $ 470 | $ 653 | $ 204 | $ 430 | $ 634 |
| **Total allowance for credit losses** | 192 | 1,545 | 1,737 | 212 | 1,549 | 1,761 |
| **Comprises:** | | | | | | |
| Loans | $ 192 | $ 1,426 | $ 1,618 | $ 212 | $ 1,428 | $ 1,640 |
| Undrawn credit facilities and other off-balance sheet exposures [(1)] | – | 119 | 119 | – | 121 | 121 |

(1) Included in other liabilities on our interim consolidated balance sheet.

### *Inputs, assumptions and model techniques*

Our ECL allowances are estimated using complex models that incorporate inputs, assumptions and model techniques that involve a high degree of management judgment. In particular, the following ECL elements are subject to a high level of judgment that can have a significant impact on the level of ECL allowances provided:

- Determining when a SICR of a loan has occurred;
- Measuring both 12-month and lifetime credit losses; and
- Forecasting FLI for multiple scenarios and determining the probability weighting of the scenarios.

In addition, the interrelationship between these elements is also subject to a high degree of judgment which can also have a significant impact on the level of ECL recognized.

#### Determining when a SICR has occurred

The determination of whether a loan has experienced a SICR has a significant impact on the level of ECL allowance as loans that are in stage 1 are measured at 12-month ECL, while loans in stage 2 are measured at life-time ECL. Migration of loans between stage 1 and stage 2 can cause significant volatility in the amount of the recognized ECL allowances and the provision for credit losses in a particular period.

For the majority of our retail loan portfolios, we determine a SICR based on relative changes in the loan's lifetime PD since its initial recognition. The PDs used for this purpose are the expected value of our upside, downside and base case lifetime PDs. Significant judgment is involved in determining the upside, downside and base case lifetime PDs through the incorporation of FLI into long run PDs, in determining the probability weightings of the scenarios, and in determining the relative change in PDs that are indicative of a SICR for our various retail products. Increases in the expected PDs or decreases in the thresholds for changes in PDs that are indicative of a SICR can cause significant migration of loans from stage 1 to stage 2, which in turn can cause a significant increase in the amount of ECL allowances recognized. In contrast, decreases in the expected PDs or increases in the thresholds for changes in PDs that are indicative of a SICR can cause significant migration of loans from stage 2 to stage 1.

For the majority of our business and government loan portfolios, we determine a SICR based on relative changes in internal risk ratings since initial recognition. Significant judgment is involved in the determination of the internal risk ratings, including the evaluation of the extent that FLI impacts the risk ratings. Deterioration or improvement in the risk ratings or adjustments to the risk rating downgrade thresholds used to determine a SICR can cause significant migration of loans and securities between stage 1 and stage 2, which in turn can have a significant impact on the amount of ECL allowances recognized.

While potentially significant to the level of ECL allowances recognized, the thresholds for changes in PDs that are indicative of a SICR for our retail portfolios and the risk rating downgrade thresholds used to determine a SICR for our business and government loan portfolios are not expected to change frequently.

All loans on which repayment of principal or payment of interest is contractually 30 days in arrears and all business and government loans that have migrated to the watch list are automatically migrated to stage 2.

### Measuring both 12-month and lifetime expected credit losses

Our ECL models leverage the PD, LGD, and EAD parameters, as well as the portfolio segmentation used to calculate Basel expected loss regulatory adjustments for the portion of our retail and business and government portfolios under the advanced internal ratings-based (AIRB) approach. Adjustments are made to the Basel parameters to meet IFRS 9 requirements, including the conversion of through-the-cycle and downturn parameters used in the Basel regulatory calculations to point-in-time parameters used under IFRS 9 that considers FLI. For standardized business and government portfolios, available long-run PDs, LGDs and EADs are also converted to point-in-time parameters through the incorporation of FLI for the purpose of measuring ECL under IFRS 9.

Significant judgment is involved in determining which FLI variables are relevant for particular portfolios and in determining the extent by which through-the-cycle parameters should be adjusted for FLI to determine point-in-time parameters. While changes in the set of FLI variables used to convert through-the cycle PDs, LGDs and EADs into point-in-time parameters can either increase or decrease ECL allowances in a particular period, changes of the mapping of FLI variables to particular portfolios are expected to be infrequent. However, changes in the particular FLI parameters used to quantify point-in-time parameters will be frequent as our forecasts are updated on a quarterly basis. Increases in the level of pessimism in the FLI variables will cause increases in ECL allowances, while increases in the level of optimism in the FLI variables will cause decreases in ECL allowances. These increases and decreases could be significant in any particular period and will start to occur in the period where our outlook of the future changes.

With respect to the lifetime of a financial instrument, the maximum period considered when measuring ECL is the maximum contractual period over which we are exposed to credit risk. For revolving facilities, such as credit cards, the lifetime of a credit card account is the expected behavioural life. Significant judgment is involved in the application of our complex models used to estimate the expected behavioural life. Increases in the expected behavioural life will increase the amount of ECL allowances, in particular for revolving loans in stage 2.

### Forecasting forward-looking information for multiple scenarios and determining the probability weighting of the scenarios

As indicated above, FLI is incorporated into both our assessment of whether the financial asset has experienced a SICR since its initial recognition and in our estimate of ECL. From analysis of historical data, our risk management function has identified and reflected in our ECL allowance those relevant FLI variables that contribute to credit risk and losses within our retail and business and government loan portfolios. Within our retail loan portfolio, the most highly correlated variables are unemployment rates, GDP growth, and housing prices. In many cases these variables are forecast at the provincial level. Within our business and government loan portfolio, some of the key drivers that impact the credit performance of the entire portfolio include, but are not limited to TSX and S&P 500 growth rates and unemployment rates, while FLI variables such as commodity prices are significant for certain portfolios.

Our forecasting process leverages the process used prior to the adoption of IFRS 9. For the majority of our loan portfolios, our forecast of FLI variables is established from a "base case" or most likely scenario that is used internally by management for planning and forecasting purposes. For most of the FLI variables related to our Canadian businesses, we have forecast scenarios by province. In forming the "base case" scenario, we consider the forecasts of monetary authorities such as the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), and the Bank of Canada, as well as private sector economists. We then derive reasonable "upside case" and "downside case" scenarios using external forecasts that are above and below our "base case" and the application of management judgment. A probability weighting is assigned to our "base case", "upside case" and "downside case" scenarios based on statistical analysis and management judgment.

The forecasting process is overseen by a governance committee consisting of internal stakeholders from across our bank and involves a significant amount of judgment both in determining the FLI forecasts for our various scenarios and in determining the probability weighting assigned to the scenarios. In general, a worsening of our outlook on forecasted FLI for each scenario or an increase in the probability of the "downside case" scenario occurring will both increase the number of loans migrating from stage 1 to stage 2 and increase the estimated ECL allowance. In contrast, an improvement in our outlook on forecasted FLI or an increase in the probability of the "upside case" scenario occurring will have the opposite impact. It is not possible to meaningfully isolate the impact of changes in the various FLI variables for a particular scenario because of both the interrelationship between the variables and the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring.

Management overlays to ECL allowance estimates are adjustments which we use in circumstances where we judge that our existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in our current parameters, internal risk rating migrations, or FLI are examples of such circumstances. The use of management overlays requires the application of significant judgment that may impact the amount of ECL allowances recognized.

The following tables provide the gross carrying amount of loans, and the contractual amounts of undrawn credit facilities and other off-balance sheet exposures based on our internal risk rating grades:

## Loans[1]

| $ millions, as at | | | | 2018 Jan. 31 |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 [2][3] | Total |
| **Residential mortgages** | | | | |
| – Exceptionally low | $ 132,310 | $ 112 | $ – | $ 132,422 |
| – Very low | 34,782 | 20 | – | 34,802 |
| – Low | 30,193 | 336 | – | 30,529 |
| – Medium | 3,562 | 2,635 | – | 6,197 |
| – High | 195 | 962 | – | 1,157 |
| – Default | – | – | 482 | 482 |
| – Not rated | 1,965 | 239 | 196 | 2,400 |
| Gross residential mortgages [4][5] | 203,007 | 4,304 | 678 | 207,989 |
| ECL allowance | 25 | 41 | 137 | 203 |
| Net residential mortgages | 202,982 | 4,263 | 541 | 207,786 |
| **Personal** | | | | |
| – Exceptionally low | 22,734 | – | – | 22,734 |
| – Very low | 4,411 | 198 | – | 4,609 |
| – Low | 6,235 | 730 | – | 6,965 |
| – Medium | 4,128 | 1,053 | – | 5,181 |
| – High | 362 | 543 | – | 905 |
| – Default | – | – | 122 | 122 |
| – Not rated | 534 | 37 | 45 | 616 |
| Gross personal [5] | 38,404 | 2,561 | 167 | 41,132 |
| ECL allowance | 167 | 187 | 112 | 466 |
| Net personal | 38,237 | 2,374 | 55 | 40,666 |
| **Credit card** | | | | |
| – Exceptionally low | 3,391 | – | – | 3,391 |
| – Very low | 1,724 | 31 | – | 1,755 |
| – Low | 3,618 | 638 | – | 4,256 |
| – Medium | 1,155 | 1,029 | – | 2,184 |
| – High | 31 | 549 | – | 580 |
| – Default | – | – | – | – |
| – Not rated | 148 | – | – | 148 |
| Gross credit card | 10,067 | 2,247 | – | 12,314 |
| ECL allowance | 91 | 351 | – | 442 |
| Net credit card | 9,976 | 1,896 | – | 11,872 |
| **Business and government** | | | | |
| – Investment grade | 39,967 | 325 | – | 40,292 |
| – Non-investment grade | 58,767 | 3,346 | – | 62,113 |
| – Watchlist | 283 | 1,132 | – | 1,415 |
| – Default | – | – | 501 | 501 |
| – Not rated | 2,171 | 250 | 128 | 2,549 |
| Gross business and government [4][6] | 101,188 | 5,053 | 629 | 106,870 |
| ECL allowance | 177 | 130 | 208 | 515 |
| Net business and government | 101,011 | 4,923 | 421 | 106,355 |
| Total net amount of loans | $ 352,206 | $ 13,456 | $ 1,017 | $ 366,679 |

(1) Other financial assets classified at amortized cost were excluded from the table above as their ECL allowances were immaterial as at January 31, 2018. In addition, the table excludes debt securities measured at FVOCI, for which ECL allowances of $47 million were recognized in AOCI.
(2) Includes purchased credit impaired loans from the acquisition of The PrivateBank.
(3) Excludes foreclosed assets of $19 million which were included in Other assets on our interim consolidated balance sheet.
(4) Includes $12 million of residential mortgages and $13,309 million of business and government loans that are measured at FVTPL.
(5) The internal risk rating grades presented for residential mortgages and certain personal loans do not take into account loan guarantees or insurance issued by the Canadian government (federal or provincial), Canadian government agencies, or private insurers, as the SICR of these loans is based on relative changes in the loans' lifetime PD without considering collateral or other credit enhancements.
(6) Includes customers' liability under acceptances of $9,672 million.

## Undrawn credit facilities and other off-balance sheet exposures

| $ millions, as at | | | | 2018 Jan. 31 |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Retail** | | | | |
| – Exceptionally low | $ 97,573 | $ – | $ – | $ 97,573 |
| – Very low | 10,314 | 345 | – | 10,659 |
| – Low | 8,905 | 1,459 | – | 10,364 |
| – Medium | 1,842 | 1,060 | – | 2,902 |
| – High | 253 | 343 | – | 596 |
| – Default | – | – | 9 | 9 |
| – Not rated | 277 | 26 | – | 303 |
| Gross retail | 119,164 | 3,233 | 9 | 122,406 |
| ECL allowance | 22 | 36 | – | 58 |
| Net retail | 119,142 | 3,197 | 9 | 122,348 |
| **Business and government** | | | | |
| – Investment grade | 74,306 | 201 | – | 74,507 |
| – Non-investment grade | 37,135 | 1,277 | – | 38,412 |
| – Watchlist | 79 | 401 | – | 480 |
| – Default | – | – | 21 | 21 |
| – Not rated | 623 | 80 | – | 703 |
| Gross business and government | 112,143 | 1,959 | 21 | 114,123 |
| ECL allowance | 30 | 13 | – | 43 |
| Net business and government | 112,113 | 1,946 | 21 | 114,080 |
| Total net undrawn credit facilities and other off-balance sheet exposures | $ 231,255 | $ 5,143 | $ 30 | $ 236,428 |

**Purchased credit-impaired loans**

Purchased credit-impaired loans resulting from the acquisition of The PrivateBank include business and government and consumer loans with outstanding unpaid principal balances of $43 million and $81 million; and fair values of $35 million and $61 million, respectively, as at January 31, 2018 and October 31, 2017.

The following table provides further details of our purchased credit-impaired loans:

| $ millions, as at | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| Unpaid principal balance [1] | **$ 43** | $ 81 | $ n/a |
| Credit related fair value adjustments | **(3)** | (15) | n/a |
| Time value of money | **(2)** | (3) | n/a |
| Carrying value | **38** | 63 | n/a |
| Stage 3 allowance (2017: Individually assessed allowance) | **(3)** | (2) | n/a |
| Carrying value net of related allowance | **$ 35** | $ 61 | $ n/a |

(1) Represents principal amount owed net of write-offs since the acquisition of the loan.
n/a Not applicable.

## Contractually past due loans but not impaired

This comprises loans where repayment of principal or payment of interest is contractually in arrears. The following table provides an aging analysis of the contractually past due loans.

| $ millions, as at | | | | **2018 Jan. 31** [1] | 2017 Oct. 31 |
|---|---|---|---|---|---|
| | **Less than 31 days** | **31 to 90 days** | **Over 90 days** | **Total** | Total |
| Residential mortgages | **$ 2,409** | **$ 931** | **$ –** | **$ 3,340** | $ 3,546 |
| Personal | **702** | **210** | **–** | **912** | 915 |
| Credit card | **518** | **202** | **116** | **836** | 853 |
| Business and government | **634** | **279** | **–** | **913** | 811 |
| | **$ 4,263** | **$ 1,622** | **$ 116** | **$ 6,001** | $ 6,125 |

(1) Effective November 1, 2017, all loans that are contractually 90 days in arrears are automatically classified as impaired and as stage 3 under IFRS 9, except for credit card loans which are classified as impaired and are fully written off when payments are contractually 180 days in arrears or at the earlier of the notice of bankruptcy, settlement proposal, or enlistment of credit counselling services. The determination of impairment was generally the same under IAS 39, except (i) residential mortgages guaranteed or insured by a Canadian government (federal or provincial) or a Canadian government agency were not classified as impaired until payments were contractually 365 days in arrears, and (ii) residential mortgages guaranteed or insured by a private insurer, or loans that were fully secured and in the process of collection were not classified as impaired until payments were contractually 180 days in arrears.

# Note 6. Structured entities and derecognition of financial assets

**Structured entities**

Structured entities (SEs) are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. SEs are entities that are created to accomplish a narrow and well-defined objective. CIBC is involved with various types of SEs for which the business activities include securitization of financial assets, asset-backed financings, and asset management.

We consolidate an SE when the substance of the relationship indicates that we control the SE.

Details of our consolidated and non-consolidated SEs are provided on pages 128 to 131 of the 2017 Annual Report.

We have two covered bond programs, structured and legislative. Covered bonds are full recourse on-balance sheet obligations that are also fully collateralized by assets over which bondholders enjoy a priority claim in the event of CIBC's insolvency. Under the structured program, we transfer a pool of insured mortgages to the CIBC Covered Bond Guarantor Limited Partnership that warehouses these mortgages and serves as a guarantor to bondholders for payment of interest and principal. Under the legislative program, we transfer a pool of conventional uninsured mortgages to the CIBC Covered Bond (Legislative) Guarantor Limited Partnership that warehouses these mortgages and serves as a guarantor to bondholders for payment of interest and principal. The CIBC Covered Bond Guarantor Limited Partnership and the CIBC Covered Bond (Legislative) Guarantor Limited Partnership are SEs which are consolidated by CIBC. For both covered bond programs, the assets are owned by the guarantor and not CIBC. As at January 31, 2018, our structured program had outstanding covered bond liabilities of $0.3 billion with a fair value of $0.3 billion (October 31, 2017: $0.3 billion with a fair value of $0.3 billion) and our legislative program had outstanding covered bond liabilities of $18.6 billion with a fair value of $18.8 billion (October 31, 2017: $17.1 billion with a fair value of $17.3 billion). The covered bond liabilities are supported by a contractually determined portion of the assets transferred to the guarantor and certain contractual arrangements designed to protect the bondholders from adverse events, including foreign currency fluctuations.

With respect to Cards II Trust, as at January 31, 2018, $3.6 billion of credit card receivable assets with a fair value of $3.6 billion (October 31, 2017: $3.0 billion with a fair value of $3.0 billion) supported associated funding liabilities of $3.6 billion with a fair value of $3.6 billion (October 31, 2017: $3.0 billion with a fair value of $3.0 billion).

Refer to the "Off-balance sheet arrangements" section of the MD&A for a discussion of our on-balance sheet amounts and maximum exposure to loss related to SEs that are not consolidated.

### Derecognition of financial assets

Details of the financial assets that did not qualify for derecognition are provided on page 131 of the 2017 Annual Report.

The following table provides the carrying amount and fair value of transferred financial assets that did not qualify for derecognition and the associated financial liabilities:

| $ millions, as at | | **2018 Jan. 31** | | 2017 Oct. 31 |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| Residential mortgage securitizations [1] | **$ 19,910** | **$ 19,759** | $ 19,948 | $ 19,857 |
| Securities held by counterparties as collateral under repurchase agreements [2][3] | **11,850** | **11,850** | 10,391 | 10,391 |
| Securities lent for cash collateral [2][3] | **118** | **118** | 72 | 72 |
| Securities lent for securities collateral [2][3] | **20,543** | **20,543** | 19,291 | 19,291 |
| | **$ 52,421** | **$ 52,270** | $ 49,702 | $ 49,611 |
| Associated liabilities [4] | **$ 52,720** | **$ 52,948** | $ 50,261 | $ 50,492 |

(1) Includes $2.4 billion (October 31, 2017: $1.9 billion) of mortgages underlying MBS held by Canada Mortgage and Housing Corporation counterparties as collateral under repurchase agreements. Certain cash in transit balances related to the securitization process amounting to $750 million (October 31, 2017: $809 million) have been applied to reduce these balances.
(2) Does not include over-collateralization of assets pledged.
(3) Excludes third-party pledged assets.
(4) Includes the obligation to return off-balance sheet securities collateral on securities lent.

Additionally, we securitized $33.4 billion of mortgages that were not transferred to external parties with a fair value of $33.1 billion (October 31, 2017: $30.2 billion with a fair value of $30.0 billion).

## Note 7. Deposits[1][2]

| $ millions, as at | | | | **2018 Jan. 31** | 2017 Oct. 31 |
|---|---|---|---|---|---|
| | **Payable on demand** [3] | **Payable after notice** [4] | **Payable on a fixed date** [5] | **Total** | Total |
| Personal | **$ 12,229** | **$ 107,678** | **$ 43,409** | **$ 163,316** | $ 159,327 |
| Business and government [6] | **56,573** | **44,646** | **124,433** | **225,652** | 225,622 |
| Bank | **5,153** | **621** | **8,724** | **14,498** | 13,789 |
| Secured borrowings [7] | **–** | **–** | **42,713** | **42,713** | 40,968 |
| | **$ 73,955** | **$ 152,945** | **$ 219,279** | **$ 446,179** | $ 439,706 |
| Comprised of: | | | | | |
| Held at amortized cost | | | | **$ 440,439** | $ 433,759 |
| Designated at fair value | | | | **5,740** | 5,947 |
| | | | | **$ 446,179** | $ 439,706 |
| Total deposits include: | | | | | |
| Non-interest-bearing deposits | | | | | |
| In domestic offices | | | | **$ 50,516** | $ 50,810 |
| In foreign offices | | | | **11,966** | 12,289 |
| Interest-bearing deposits | | | | | |
| In domestic offices | | | | **305,111** | 297,997 |
| In foreign offices | | | | **78,586** | 78,610 |
| | | | | **$ 446,179** | $ 439,706 |

(1) Includes deposits of $144.5 billion (October 31, 2017: $145.6 billion) denominated in U.S. dollars and deposits of $21.6 billion (October 31, 2017: $19.9 billion) denominated in other foreign currencies.
(2) Net of purchased notes of $2,798 million (October 31, 2017: $2,465 million).
(3) Includes all deposits for which we do not have the right to require notice of withdrawal. These deposits are generally chequing accounts.
(4) Includes all deposits for which we can legally require notice of withdrawal. These deposits are generally savings accounts.
(5) Includes all deposits that mature on a specified date. These deposits are generally term deposits, guaranteed investment certificates, and similar instruments.
(6) Includes $1,612 million (October 31, 2017: $1,625 million) of Notes issued to CIBC Capital Trust.
(7) Comprises liabilities issued by, or as a result of, activities associated with the securitization of residential mortgages, covered bond programme, and consolidated securitization vehicles.

## Note 8. Share capital

### Common shares

| $ millions, except number of shares, for the three months ended | | **2018 Jan. 31** | | 2017 Oct. 31 | | 2017 Jan. 31 |
|---|---|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount | Number of shares | Amount |
| Balance at beginning of period | **439,313,303** | **$ 12,548** | 436,058,553 | $ 12,197 | 397,070,280 | $ 8,026 |
| Issuance pursuant to: | | | | | | |
| Acquisition of The PrivateBank [1] | **1,689,450** | **194** | – | – | – | – |
| Acquisition of Geneva Advisors | **–** | **–** | 1,204,344 | 126 | – | – |
| Acquisition of Wellington Financial | **378,848** | **47** | – | – | – | – |
| Stock option plans | **512,730** | **49** | 104,134 | 10 | 707,637 | 65 |
| Shareholder investment plan [2] | **1,643,165** | **197** | 1,797,301 | 200 | 1,554,414 | 171 |
| Employee share purchase plan (ESPP) [3] | **265,005** | **32** | 290,101 | 31 | 238,620 | 25 |
| | **443,802,501** | **$ 13,067** | 439,454,433 | $ 12,564 | 399,570,951 | $ 8,287 |
| Treasury shares | **22,490** | **3** | (141,130) | (16) | (11,734) | (1) |
| Balance at end of period [4][5] | **443,824,991** | **$ 13,070** | 439,313,303 | $ 12,548 | 399,559,217 | $ 8,286 |

(1) For further details, see Note 3 to our interim consolidated financial statements.
(2) Since the dividends paid on October 28, 2016, the participants in the Dividend Reinvestment Option and Stock Dividend Option of the Shareholder Investment Plan have received a 2% discount from average market price on dividends reinvested in additional common shares issued from Treasury. Commencing with the dividends paid on April 27, 2018, the shares will be issued from Treasury at no discount. The participants in the Share Purchase Option of the Plan continue to receive shares issued from Treasury with no discount.
(3) Commencing June 29, 2016, employee contributions to our Canadian ESPP have been used to purchase common shares from Treasury. Previously, these shares were acquired in the open market.
(4) Excludes 321,440 common shares which are issued and outstanding but which have not been exchanged for consideration as at January 31, 2018 (October 31, 2017: 2,010,890; January 31, 2017: nil). These shares were issued in anticipation of our acquisition of The PrivateBank. These shares are currently held in trust for CIBC, and may be exchanged or cancelled at CIBC's discretion.
(5) Excludes 189,573 unvested restricted shares as at January 31, 2018 (October 31, 2017: 190,285; January 31, 2017: nil).

### Normal course issuer bid

On March 10, 2017, we announced that the Toronto Stock Exchange had accepted the notice of CIBC's intention to commence a normal course issuer bid. Purchases under this bid will terminate upon the earlier of: (i) CIBC purchasing up to a maximum of 8 million common shares; (ii) CIBC providing a notice of termination; or (iii) March 13, 2018. No common shares have been purchased under this bid.

### Preferred shares

*Non-cumulative Rate Reset Class A Preferred Shares Series 47 (NVCC)*

On January 18, 2018, we issued 18 million Non-cumulative Rate Reset Class A Preferred Shares Series 47 (NVCC) (Series 47 shares) with a par value of $25.00 per share, for gross proceeds of $450 million. For the initial five year period to the earliest redemption date of January 31, 2023, the Series 47 shares pay quarterly cash dividends, if declared, at a rate of 4.50%. On January 31, 2023, and on January 31 every five years thereafter, the dividend rate will reset to be equal to the then current five-year Government of Canada bond yield plus 2.45%.

Holders of the Series 47 shares will have the right to convert their shares on a one-for-one basis into Non-cumulative Floating Rate Class A Preferred Shares Series 48 (NVCC) (Series 48 shares), subject to certain conditions, on January 31, 2023 and on January 31 every five years thereafter. Holders of the Series 48 shares will be entitled to receive a quarterly floating rate dividend, if declared, equal to the three-month Government of Canada Treasury Bill yield plus 2.45%. Holders of the Series 48 shares may convert their shares on a one-for-one basis into Series 47 shares, subject to certain conditions, on January 31, 2028 and on January 31 every five years thereafter.

Subject to regulatory approval and certain provisions of the shares, we may redeem all or any part of the then outstanding Series 47 shares at par on January 31, 2023 and on January 31 every five years thereafter; we may redeem all or any part of the then outstanding Series 48 shares at par on January 31, 2028 and on January 31 every five years thereafter.

### Regulatory capital and Basel III leverage ratios

Our capital ratios and leverage ratio are presented in the table below:

| $ millions, as at | | **2018 Jan. 31** | 2017 Oct. 31 |
|---|---|---|---|
| **All-in basis** | | | |
| CET1 capital | | **$ 22,115** | $ 21,618 |
| Tier 1 capital | A | **25,377** | 24,682 |
| Total capital | | **28,771** | 28,129 |
| CET1 capital RWA [1] | | **204,647** | 203,321 |
| Tier 1 capital RWA [1] | | **204,647** | 203,321 |
| Total capital RWA [1] | | **204,647** | 203,321 |
| CET1 ratio | | **10.8 %** | 10.6 % |
| Tier 1 capital ratio | | **12.4 %** | 12.1 % |
| Total capital ratio | | **14.1 %** | 13.8 % |
| Leverage ratio exposure | B | **$ 626,606** | $ 610,353 |
| Leverage ratio | A/B | **4.0 %** | 4.0 % |

(1) Before any capital floor requirement as applicable, there are three different levels of RWAs for the calculation of the CET1, Tier 1, and Total capital ratios arising from the option CIBC has chosen for the phase-in of the CVA capital charge. Since the introduction of Basel II in 2008, OSFI has prescribed a capital floor requirement for institutions that use the AIRB approach for credit risk. The capital floor is determined by comparing a capital requirement calculated by reference to Basel I against the Basel III calculation, as specified by OSFI. Any shortfall in the Basel III capital requirement compared with the Basel I floor is added to RWAs. All-in RWAs as at January 31, 2018 and October 31, 2017 include a capital floor adjustment.

During the quarter ended January 31, 2018, we have complied with OSFI's regulatory capital requirements.

## Note 9. Post-employment benefits

The following tables provide details on the post-employment benefit expense recognized in the interim consolidated statement of income and on the remeasurements recognized in the interim consolidated statement of comprehensive income:

### Defined benefit plan expense

| $ millions, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|---|---|---|
| | | Pension plans | | | Other post-employment plans | |
| Current service cost | **$ 56** | $ 53 | $ 54 | **$ 3** | $ 4 | $ 3 |
| Past service cost | **–** | (5) | – | **–** | – | – |
| Net interest (income) expense | **(3)** | – | (3) | **6** | 6 | 6 |
| Special termination benefits | | 2 | – | | – | – |
| Plan administration costs | **2** | 1 | 2 | **–** | – | – |
| Net defined benefit plan expense recognized in net income | **$ 55** | $ 51 | $ 53 | **$ 9** | $ 10 | $ 9 |

### Defined contribution plan expense

| $ millions, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| Defined contribution pension plans | **$ 7** | $ 4 | $ 6 |
| Government pension plans [(1)] | **31** | 27 | 27 |
| Total defined contribution plan expense | **$ 38** | $ 31 | $ 33 |

(1) Includes Canada Pension Plan, Quebec Pension Plan, and U.S. Federal Insurance Contributions Act.

### Remeasurement of employee defined benefit plans [(1)]

| $ millions, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|---|---|---|
| | | Pension plans | | | Other post-employment plans | |
| Net actuarial gains (losses) on defined benefit obligation | **$ 21** | $ (433) | $ 428 | **$ 4** | $ 4 | $ 35 |
| Net actuarial gains (losses) on plan assets | **122** | 260 | (164) | **–** | – | – |
| Changes in asset ceiling excluding interest income | **2** | 3 | – | **–** | – | – |
| Net remeasurement gains (losses) recognized in OCI | **$ 145** | $ (170) | $ 264 | **$ 4** | $ 4 | $ 35 |

(1) The Canadian post-employment defined benefit plans are remeasured on a quarterly basis for changes in the discount rate and for actual asset returns. All other Canadian plans' actuarial assumptions and foreign plans' actuarial assumptions are updated at least annually. Amounts exclude net remeasurement gains or losses recognized in OCI in respect of immaterial subsidiaries totalling $2 million of net losses for the quarter ended January 31, 2018 (for the quarter ended October 31, 2017: $1 million of net losses; for the quarter ended January 31, 2017: nil).

## Note 10. Income taxes

### U.S. Tax Reforms

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (U.S. tax reforms), which reduces the U.S. federal corporate income tax rate to 21% effective January 1, 2018, resulting in a significant decrease in CIBC's U.S. deferred tax assets. The U.S. tax reforms resulted in a net expense of $90 million in the current quarter, of which $88 million was recognized in income and $2 million was recognized in OCI. The ultimate impact of the U.S. tax reforms may differ from this amount due to changes in assumptions that we have made in our estimation of this amount or as a result of guidance or interpretations that may be issued by regulatory authorities or other bodies. The U.S. tax reforms introduce other important changes to U.S. corporate income tax laws including the creation of a new Base Erosion Anti-abuse Tax (BEAT) that subjects to additional taxes certain payments from a U.S. Corporation to foreign related parties. The BEAT provision is not applicable to CIBC until fiscal 2019. CIBC continues to evaluate the impact of BEAT on our U.S. operations.

### Enron

In prior years, the Canada Revenue Agency (CRA) issued reassessments disallowing the deduction of approximately $3 billion of the 2005 Enron settlement payments and related legal expenses. The matter is currently in litigation. The Tax Court of Canada trial on the deductibility of the Enron payments is set to commence in February 2019. Should we successfully defend our tax filing position in its entirety, we would recognize an additional accounting tax benefit of $231 million and taxable refund interest of approximately $201 million. Should we fail to defend our position in its entirety, we would incur an additional tax expense of approximately $820 million and non-deductible interest of approximately $157 million.

### Dividend Received Deduction

In June 2016, the CRA reassessed CIBC approximately $118 million of additional income tax by denying the tax deductibility of certain 2011 Canadian corporate dividends on the basis that they were part of a "dividend rental arrangement". In May 2017, the CRA reassessed CIBC additional income tax of approximately $180 million related to the tax deductibility of dividends during the 2012 taxation year. The circumstances of the dividends subject to the reassessments are similar to those prospectively addressed by the rules in the 2015 Canadian federal budget. It is possible that subsequent years may be reassessed for similar activities. CIBC is confident that its tax filing positions were appropriate and intends to defend itself vigorously. Accordingly, no amounts have been accrued in the consolidated financial statements.

## Note 11. Earnings per share

| $ millions, except number of shares and per share amounts, for the three months ended | **2018 Jan. 31** | 2017 Oct. 31 | 2017 Jan. 31 |
|---|---|---|---|
| **Basic earnings per share** | | | |
| Net income attributable to equity shareholders | **$ 1,323** | $ 1,159 | $ 1,402 |
| Less: Preferred share dividends and premiums | **18** | 24 | 9 |
| Net income attributable to common shareholders | **$ 1,305** | $ 1,135 | $ 1,393 |
| Weighted-average common shares outstanding (thousands) | **441,124** | 437,109 | 397,647 |
| Basic earnings per share | **$ 2.96** | $ 2.60 | $ 3.50 |
| **Diluted earnings per share** | | | |
| Net income attributable to common shareholders | **$ 1,305** | $ 1,135 | $ 1,393 |
| Weighted-average common shares outstanding (thousands) | **441,124** | 437,109 | 397,647 |
| Add: Stock options potentially exercisable [(1)] (thousands) | **1,287** | 1,105 | 664 |
| Add: Restricted shares and equity-settled consideration (thousands) | **441** | 342 | – |
| Weighted-average diluted common shares outstanding (thousands) | **442,852** | 438,556 | 398,311 |
| Diluted earnings per share | **$ 2.95** | $ 2.59 | $ 3.50 |

(1) Excludes average options outstanding of 504,344 (October 31, 2017: 780,780; January 31, 2017: 537,029) with a weighted-average exercise price of $120.02 (October 31, 2017: $111.69; January 31, 2017: $111.69) for the quarter ended January 31, 2018, as the options' exercise prices were greater than the average market price of CIBC's common shares.

## Note 12. Contingent liabilities and provision

### Legal proceedings and other contingencies

In the ordinary course of its business, CIBC is a party to a number of legal proceedings, including regulatory investigations, in which claims for substantial monetary damages are asserted against CIBC and its subsidiaries. Legal provisions are established if, in the opinion of management, it is both probable that an outflow of economic benefits will be required to resolve the matter, and a reliable estimate can be made of the amount of the obligation. If the reliable estimate of probable loss involves a range of potential outcomes within which a specific amount within the range appears to be a better estimate, that amount is accrued. If no specific amount within the range of potential outcomes appears to be a better estimate than any other amount, the mid-point in the range is accrued. In some instances, however, it is not possible either to determine whether an obligation is probable or to reliably estimate the amount of loss, in which case no accrual can be made.

While there is inherent difficulty in predicting the outcome of legal proceedings, based on current knowledge and in consultation with legal counsel, we do not expect the outcome of these matters, individually or in aggregate, to have a material adverse effect on our consolidated financial statements. However, the outcome of these matters, individually or in aggregate, may be material to our operating results for a particular reporting period. We regularly assess the adequacy of CIBC's litigation accruals and make the necessary adjustments to incorporate new information as it becomes available.

The provisions disclosed in Note 23 to the 2017 annual consolidated financial statements included all of CIBC's accruals for legal matters as at that date, including amounts related to the significant legal proceedings described in that note and to other legal matters.

CIBC considers losses to be reasonably possible when they are neither probable nor remote. It is reasonably possible that CIBC may incur losses in addition to the amounts recorded when the loss accrued is the mid-point of a range of reasonably possible losses, or the potential loss pertains to a matter in which an unfavourable outcome is reasonably possible but not probable.

CIBC believes the estimate of the aggregate range of reasonably possible losses, in excess of the amounts accrued, for its significant legal proceedings, where it is possible to make such an estimate, is from nil to approximately $1.1 billion as at January 31, 2018. This estimated aggregate range of reasonably possible losses is based upon currently available information for those significant proceedings in which CIBC is involved, taking into account CIBC's best estimate of such losses for those cases for which an estimate can be made. CIBC's estimate involves significant judgment, given the varying stages of the proceedings and the existence of multiple defendants in many of such proceedings whose share of the liability has yet to be determined. The range does not include potential punitive damages and interest. The matters underlying the estimated range as at January 31, 2018, consist of the significant legal matters disclosed in Note 23 to the 2017 annual consolidated financial statements as updated below. The matters underlying the estimated range will change from time to time, and actual losses may vary significantly from the current estimate. For certain matters, CIBC does not believe that an estimate can currently be made as many of them are in preliminary stages and certain matters have no specific amount claimed. Consequently, these matters are not included in the range.

The following developments related to our significant legal proceedings occurred since the issuance of our 2017 annual consolidated financial statements:

- *Credit card class actions – Quebec Consumer Protection Act: Pilon v. Amex Bank of Canada, et al*.: In January 2018, a proposed class action was commenced in Quebec against CIBC and several other financial institutions. The plaintiffs allege that the defendants breached the Quebec *Consumer Protection Act* and the *Bank Act* when they unilaterally increased the credit limit on the plaintiffs' credit cards. The claim seeks the return of all over limit fees charged to Quebec customers beginning in January 2015 as well as punitive damages of $500 per class member.
- *Fire & Police Pension Association of Colorado v. Bank of Montreal, et al.:* In January 2018, a proposed class action was filed in the U.S. District Court for the Southern District of New York against CIBC, CIBC World Markets Corp., CIBC World Markets Inc. and several other financial institutions. The complaint alleges that the defendant financial institutions conspired to depress a benchmark interest rate called the Canadian Dealer Offered Rate (CDOR) by making coordinated, artificially low submissions to the survey used to calculate the CDOR. The plaintiffs allege that a depressed CDOR benefitted defendants as parties to derivatives transactions that settled by reference to that rate. The complaint asserts claims under the antitrust laws and the *Commodity Exchange Act*, among others. The representative plaintiff, seeks to represent a putative class of entities that engaged in U.S.-based transactions in financial instruments that were priced, benchmarked, and/or settled based on CDOR between August 9, 2007 and June 30, 2014.
- *Green v. Canadian Imperial Bank of Commerce, et al.:* No date has been set for a summary judgment motion.
- *Catucci v. Valeant Pharmaceuticals International Inc., et al.:* In December 2017, the defendants' motion for leave to appeal the certification decision was dismissed.
- *PrivateBancorp Appraisal Rights Matters:* In November 2017, the court entered an order dismissing the consolidated petition. This matter is closed.
- *Mortgage prepayment class actions (Sherry):* The continuation of the certification motion on the amended pleading was heard in November 2017. The court reserved its decision.

Other than the items described above, there are no significant developments in the matters identified in Note 23 to our 2017 annual consolidated financial statements, and no new significant legal proceedings have arisen since the issuance of our 2017 annual consolidated financial statements.

## Note 13. Segmented information

CIBC has four SBUs – Canadian Personal and Small Business Banking, Canadian Commercial Banking and Wealth Management, U.S. Commercial Banking and Wealth Management, and Capital Markets. These SBUs are supported by Corporate and Other.

Canadian Personal and Small Business Banking provides personal and small business clients across Canada with financial advice, products and services through a team of advisors in our banking centres, as well as through our direct, mobile and remote channels.

Canadian Commercial Banking and Wealth Management provides high-touch, relationship-oriented commercial and private banking, as well as wealth management services to meet the needs of middle-market companies, entrepreneurs, high-net-worth individuals and families, along with institutional clients across Canada.

U.S. Commercial Banking and Wealth Management provides high-touch, relationship-oriented commercial, personal and small business banking, as well as wealth management services to meet the needs of middle-market companies, executives, entrepreneurs, high-net-worth individuals and families in the markets we serve in the U.S.

Capital Markets provides integrated global markets products and services, investment banking advisory and execution, corporate banking and top-ranked research to corporate, government and institutional clients around the world.

Corporate and Other includes the following functional groups – Administration, Client Connectivity and Innovation, Finance, Human Resources and Communications, Internal Audit, Risk Management, and Technology and Operations, as well as other support groups. The expenses of these functional and support groups are generally allocated to the business lines within the SBUs. The functional and support costs of CIBC Bank USA are recognized directly in the expenses of U.S. Commercial Banking and Wealth Management. Corporate and Other also includes the results of CIBC FirstCaribbean and other strategic investments, as well as other income statement and balance sheet items not directly attributable to the business lines.

### Changes impacting our business segments

We adopted IFRS 9 effective November 1, 2017. As permitted, prior period amounts were not restated.

As part of the adoption of IFRS 9, we now recognize provision for credit losses on both impaired (stage 3) and non-impaired (stages 1 and 2) loans in the respective SBUs. In prior periods, provision for credit losses on non-impaired loans was recognized in Corporate and Other, with the exception of provision for credit losses related to CIBC Bank USA, which was recognized in U.S. Commercial Banking and Wealth Management, and provision for credit losses on: (i) non-impaired residential mortgages greater than 90 days delinquent; and (ii) non-impaired personal loans and scored small business loans greater than 30 days delinquent, which was recognized in Canadian Personal and Small Business Banking.

| $ millions, for the three months ended | | Canadian Personal and Small Business Banking | Canadian Commercial Banking and Wealth Management | U.S. Commercial Banking and Wealth Management | Capital Markets | Corporate and Other | CIBC Total |
|---|---|---|---|---|---|---|---|
| **2018 Jan. 31** | **Net interest income (1)** | **$ 1,517** | **$ 268** | **$ 293** | **$ 429** | **$ (34)** | **$ 2,473** |
| | **Non-interest income** | **504** | **806** | **139** | **369** | **168** | **1,986** |
| | **Intersegment revenue (2)** | **117** | **(120)** | **–** | **3** | **–** | **–** |
| | **Total revenue (1)** | **2,138** | **954** | **432** | **801** | **134** | **4,459** |
| | **Provision for (reversal of) credit losses** | **148** | **1** | **14** | **(16)** | **6** | **153** |
| | **Amortization and impairment (3)** | **24** | **2** | **30** | **1** | **109** | **166** |
| | **Other non-interest expenses** | **1,074** | **521** | **227** | **375** | **215** | **2,412** |
| | **Income (loss) before income taxes** | **892** | **430** | **161** | **441** | **(196)** | **1,728** |
| | **Income taxes (1)** | **236** | **116** | **27** | **119** | **(98)** | **400** |
| | **Net income (loss)** | **$ 656** | **$ 314** | **$ 134** | **$ 322** | **$ (98)** | **$ 1,328** |
| | **Net income (loss) attributable to:** | | | | | | |
| | **Non-controlling interests** | **$ –** | **$ –** | **$ –** | **$ –** | **$ 5** | **$ 5** |
| | **Equity shareholders** | **656** | **314** | **134** | **322** | **(103)** | **1,323** |
| | **Average assets (4)** | **$ 258,213** | **$ 53,281** | **$ 40,411** | **$ 167,093** | **$ 71,346** | **$ 590,344** |
| 2017 Oct. 31 | Net interest income (1) | $ 1,505 | $ 257 | $ 303 | $ 322 | $ 77 | $ 2,464 |
| | Non-interest income | 480 | 776 | 119 | 297 | 133 | 1,805 |
| | Intersegment revenue (2) | 108 | (111) | – | 3 | – | – |
| | Total revenue (1) | 2,093 | 922 | 422 | 622 | 210 | 4,269 |
| | Provision for (reversal of) credit losses | 183 | 11 | 48 | – | (13) | 229 |
| | Amortization and impairment (3) | 23 | 2 | 15 | 2 | 110 | 152 |
| | Other non-interest expenses | 1,138 | 518 | 220 | 318 | 224 | 2,418 |
| | Income (loss) before income taxes | 749 | 391 | 139 | 302 | (111) | 1,470 |
| | Income taxes (1) | 198 | 104 | 32 | 80 | (108) | 306 |
| | Net income (loss) | $ 551 | $ 287 | $ 107 | $ 222 | $ (3) | $ 1,164 |
| | Net income (loss) attributable to: | | | | | | |
| | Non-controlling interests | $ – | $ – | $ – | $ – | $ 5 | $ 5 |
| | Equity shareholders | 551 | 287 | 107 | 222 | (8) | 1,159 |
| | Average assets (4) | $ 255,852 | $ 52,303 | $ 39,896 | $ 152,286 | $ 68,568 | $ 568,905 |
| 2017 Jan. 31 | Net interest income (1) | $ 1,410 | $ 243 | $ 43 | $ 505 | $ (59) | $ 2,142 |
| | Non-interest income | 790 | 742 | 70 | 322 | 143 | 2,067 |
| | Intersegment revenue (2) | 103 | (106) | – | 3 | – | – |
| | Total revenue (1) | 2,303 | 879 | 113 | 830 | 84 | 4,209 |
| | Provision for credit losses | 202 | 4 | 2 | – | 4 | 212 |
| | Amortization and impairment (3) | 21 | 3 | 3 | 1 | 92 | 120 |
| | Other non-interest expenses | 1,020 | 495 | 71 | 365 | 203 | 2,154 |
| | Income (loss) before income taxes | 1,060 | 377 | 37 | 464 | (215) | 1,723 |
| | Income taxes (1) | 255 | 101 | 8 | 117 | (165) | 316 |
| | Net income (loss) | $ 805 | $ 276 | $ 29 | $ 347 | $ (50) | $ 1,407 |
| | Net income (loss) attributable to: | | | | | | |
| | Non-controlling interests | $ – | $ – | $ – | $ – | $ 5 | $ 5 |
| | Equity shareholders | 805 | 276 | 29 | 347 | (55) | 1,402 |
| | Average assets (4) | $ 237,709 | $ 49,158 | $ 9,000 | $ 164,427 | $ 68,558 | $ 528,852 |

(1) U.S. Commercial Banking and Wealth Management and Capital Markets net interest income and income taxes include taxable equivalent basis (TEB) adjustments of nil and $153 million, respectively, for the three months ended January 31, 2018 (October 31, 2017: $1 million and $37 million, respectively; January 31, 2017: nil and $118 million, respectively) with an equivalent offset in Corporate and Other.
(2) Intersegment revenue represents internal sales commissions and revenue allocations under the Manufacturer / Customer Segment / Distributor Management Model.
(3) Comprises amortization and impairment of buildings, furniture, equipment, leasehold improvements, and software and other intangible assets.
(4) Assets are disclosed on an average basis as this measure is most relevant to a financial institution and is the measure reviewed by management.

## Note 14. Financial instruments – disclosures

We have provided quantitative disclosures related to credit risk consistent with Basel guidelines in the "Credit risk" section of the MD&A in our 2017 Annual Report and quarterly report to shareholders, which require entities to disclose their exposures based on how they manage their business and risks. The table below sets out the categories of the on-balance sheet exposure to credit risk under different Basel approaches, displayed in both accounting categories and Basel portfolios.

| Accounting categories | | Basel portfolios | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Advanced internal ratings-based and standardized approaches | | | | | | | | | |
| $ millions, as at | | Corporate | Sovereign | Bank | Real estate secured personal lending | Qualifying revolving retail | Other retail | Asset securitization | Total subject to credit risk | Not subject to credit risk | Total consolidated balance sheet |
| **2018 Jan. 31** | **Cash and deposits with banks** | **$ 195** | **$ 9,312** | **$ 4,274** | **$ –** | **$ –** | **$ –** | **$ –** | **$ 13,781** | **$ 1,459** | **$ 15,240** |
| | **Securities** | **1,691** | **38,572** | **3,960** | **–** | **–** | **–** | **2,480** | **46,703** | **48,581** | **95,284** |
| | **Cash collateral on securities borrowed** | **2,083** | **5** | **4,901** | **–** | **–** | **–** | **–** | **6,989** | **–** | **6,989** |
| | **Securities purchased under resale agreements** | **19,497** | **23,565** | **5,209** | **–** | **–** | **–** | **–** | **48,271** | **–** | **48,271** |
| | **Loans** | **90,930** | **4,632** | **751** | **227,676** | **21,908** | **12,093** | **1,222** | **359,212** | **(579)** | **358,633** |
| | **Allowance for credit losses** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(1,626)** | **(1,626)** |
| | **Derivative instruments** | **8,440** | **4,973** | **15,891** | **–** | **–** | **–** | **–** | **29,304** | **–** | **29,304** |
| | **Customers' liability under acceptances** | **7,622** | **1,935** | **115** | **–** | **–** | **–** | **–** | **9,672** | **–** | **9,672** |
| | **Other assets** | **1,335** | **3,706** | **4,167** | **179** | **33** | **35** | **3** | **9,458** | **15,702** | **25,160** |
| | **Total credit exposure** | **$ 131,793** | **$ 86,700** | **$ 39,268** | **$ 227,855** | **$ 21,941** | **$ 12,128** | **$ 3,705** | **$ 523,390** | **$ 63,537** | **$ 586,927** |
| 2017 Oct. 31 | Total credit exposure | $ 125,196 | $ 78,307 | $ 33,668 | $ 226,714 | $ 21,982 | $ 11,913 | $ 2,947 | $ 500,727 | $ 64,537 | $ 565,264 |