CLIENTS WHAT MATTERS BRANCHES ADVICE RETAIL GROWTH 140 YEARS CREDIT CARDS SAVINGS PERFORMANCE LEADERSHIP INVESTMENT ADVICE ACCESS AND CHOICE EMPLOYEES MORTGAGES LENDING & ABMS CANADIANS SHAREHOLDERS SUPPORT FOR BUSINESSES WHOLESALE PROGRESS MOBILE BANKING RETIREMENT BANKING

For what matters.

"At CIBC, our employees work every day to help our clients achieve what matters most to them. And for over 140 years, we have been there for Canadians, helping them buy their first homes, helping them grow their businesses, and providing them with retirement advice.

# 2010 ANNUAL REPORT

CLIENTS WHAT MATTERS BRANCHES ADVICE RETAIL GROWTH 140 YEARS CREDIT CARDS SAVINGS PERFORMANCE LEADERSHIP INVESTMENT ADVICE ACCESS AND CHOICE EMPLOYEES CANADIANS SHAREHOLDERS MORTGAGES LENDING & ABMS SUPPORT FOR BUSINESSES WHOLESALE BANKING RETIREMENT BANKING

"At CIBC, our employees work every day to help our clients achieve what matters most to them. And for over 140 years, we have been there for Canadians, helping them buy their first homes, helping them grow their businesses, and providing them with retirement advice.

Because what matters to our clients, matters to all of us at CIBC."

Gerry McCaughey, *President and Chief Executive Officer, CIBC*

# 2010 Performance

## Vision

- To be the leader in client relationships

## Mission

- Help our clients achieve what matters to them
- Create an environment where all employees can excel
- Make a real difference in our communities
- Generate strong total returns for shareholders

## Values

- Trust, Teamwork, Accountability

## Clients

- Opened, relocated or expanded 35 branches
- First major bank in Canada to launch a mobile banking App for iPhone
- Canada's largest dual issuer of credit cards
- Launched first debit card in Canada to offer Visa Debit features
- #1 on the TSX in terms of volume and value of trades executed
- Led or co-led several notable investment banking deals
- Added new clients and expanded existing relationships in our corporate lending group
- Invested in our brand campaign, highlighting how CIBC has helped clients achieve what matters to them

# Delivering consistent sustainab

CIBC is a leading Canadian-based financial institution with a market capitalization of $30.7 billion and a Tier 1 capital ratio of 13.9%. We have two major businesses – CIBC Retail Markets and Wholesale Banking – focused in Canada and around the world. We provide a full suite of financial products and services to 11 million clients. By investing in our businesses, our clients, our people and our communities, we will deliver consistent and sustainable earnings to our shareholders.

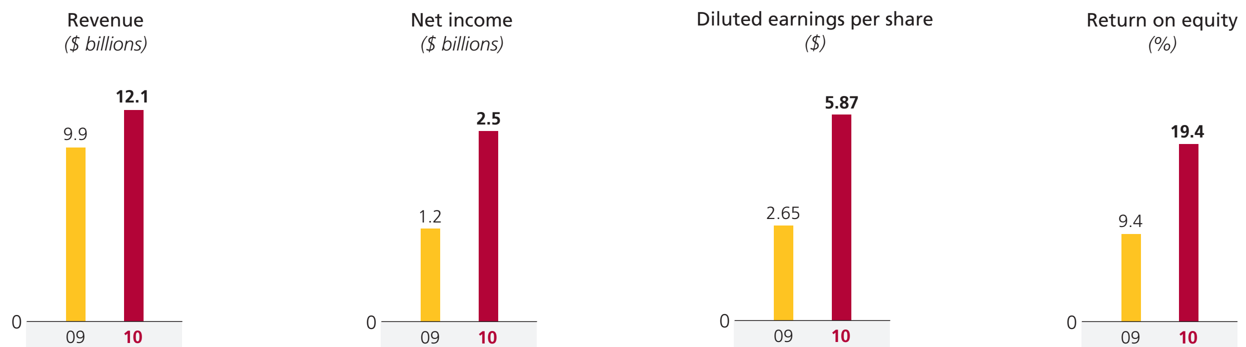
## Employees

- Employee Commitment Index increased for the fifth consecutive year
- Recognized as *Best Employer for New Canadians* for the third consecutive year
- Launched new leadership development program
- Promoted the diversity and inclusion within our workforce through eight employee Affinity networks with more than 3,500 members
- Introduced a new theme, *Think Differently*, to support CIBC's 18th Annual Diversity Month

## Communities

- Contributed close to $34 million to communities across Canada
- The Canadian Breast Cancer Foundation CIBC Run for the Cure raised $33 million
- Celebrated 25th anniversary of CIBC Miracle Day, raising $3.5 million
- Proud broadcast sponsor of the 2010 FIFA World Cup
- Contributed $7.2 million to the 2009 United Way campaign

# le performance to shareholders




CIBC's financial performance in 2010 supported an industry-leading total shareholder return of **32.4%**.

Charles Sirois
Chair of
the Board

# Chair of the Board's Letter

**Another dynamic year for financial services**
2010 marked another dynamic year in the financial services sector as regulators balanced the need to support the economic recovery with efforts to mitigate global financial risk.

In this changing environment, your Board has been resolute in its commitment to maintaining strong governance principles.

Over the last year, the Board has focused on further strengthening CIBC's governance systems, board renewal and board effectiveness, while enhancing risk management oversight. We also spent more time on our stakeholder engagement framework, talent management and executive compensation. In 2010, GovernanceMetrics International awarded CIBC a global rating of 10.0, which is the highest rating assigned by this organization, and placed CIBC in the top 1% of all companies ranked for best-in-class corporate governance standards.

**Stakeholder engagement – an integral part of our investor relations program**
Maintaining an ongoing dialogue with investors is a priority of your Board. Our framework for stakeholder engagement has kept the Board current on the views of our stakeholders while managing increased stakeholder requirements. Although we have always had direct discussions with shareholders, our formalized process and enhanced focus in this area have allowed us to be more proactive.

*Your Board has been resolute in its commitment to maintaining strong governance principles.*

Our emphasis on effective stakeholder engagement extends beyond the meetings we have with investors to our overall communication strategy. In 2010, we were honoured to have received a Governance Gavel Award from the Canadian Coalition for Good Governance in recognition of our proxy circular disclosure about CIBC's approach to executive compensation.

**Strategy and risk – a Board enriched process**

Corporate strategy, and its successful execution, is a key determinant of shareholder value. Although strategy is management's responsibility, your Board continues to be an active participant in CIBC's evolving process for strategic planning, as well as CIBC's process for measuring progress against the strategic priorities set by management and approved by the Board.

The independent insights from our experienced directors bring a balanced and value-added perspective to this process. In addition, your Board has been actively engaged in educational sessions focused on understanding the impact of the changing environment on themes that are critical to CIBC's strategy.

As part of CIBC's financial and strategic planning process, the Board's Risk Management Committee has approved refinements to CIBC's risk appetite to maintain a strong alignment between risk and business strategy. The changes recognize CIBC's goal to be a lower-risk Canadian bank with a view to growing judiciously in select businesses where we have strong competitive capabilities and market opportunities.

We continue to view our risk appetite statement as an important tool to support a risk culture across the organization that is aligned with CIBC's strategic imperative of consistent and sustainable performance.

**Executive compensation and talent management**

With the support of the Management Resources and Compensation Committee, CIBC has further developed talent management and renewed its talent strategy. This strategy focuses on enhancing succession planning among employees at all levels, as well as organizational effectiveness and leadership development.

Executive compensation continues to be a key area of focus with the objective of aligning CIBC's executive compensation program with CIBC's strategy and emerging best practices in the marketplace. Following the redesign of our senior executive team compensation program in 2009, we introduced changes in 2010 that covered our broader executive population. These changes, which include the greater use of performance vesting criteria and equity deferrals, will be described in CIBC's 2011 Management Proxy Circular that will be available in March.

**Looking forward**

At our upcoming Annual Shareholder Meeting, Jalynn Bennett will be retiring from our Board. Jalynn has served as a CIBC director since 1994, bringing financial expertise and governance insights to her various roles on all of CIBC's Board committees. As Chair of the Corporate Governance Committee from 2003 to 2010, Jalynn was instrumental in establishing our annual review of Board performance and director competencies as well as our Board renewal process. I wish to thank Jalynn for her contributions over many years of valuable service on our Board.

In all, 2010 has been a productive year for your Board and one of progress for CIBC. I would like to recognize Gerry, his management team and all employees at CIBC for their continued efforts on behalf of CIBC's clients and shareholders this past year. I would also like to thank my fellow directors for their continued support.

# Chief Executive Officer's Letter

Gerry McCaughey
President and Chief Executive Officer

**2010 was a good year for CIBC and our stakeholders**
Faced with economic and industry conditions that improved from 2009 but remained challenging, CIBC reported solid financial results and progress against our strategic priorities.

Driven by revenue growth and lower loan losses, net income grew to $2.5 billion and cash diluted earnings per share[1] increased to $5.95. Return on equity was strong at 19.4%. And while investing in our core businesses, we maintained industry competitive measures of productivity and industry leading capital ratios.

Our financial performance in 2010 and strong position heading into 2011 reflect CIBC's focus on achieving and maintaining market leadership in our core businesses, growing in select areas where we have proven capabilities and supporting our growth with strong fundamentals.

**Growth and progress in Retail Markets**
CIBC Retail Markets reported net income in 2010 of $2.2 billion, up from $1.9 billion in 2009. This result reflects an effective balance of growth and risk. Higher revenue in all three of our main business segments – personal banking, business banking and wealth management – and lower loan losses were the key contributors to the 16% growth in profitability.

*CIBC is focused on achieving market leadership in our core businesses, growing in areas where we have proven capabilities and supporting growth with strong fundamentals.*

**Our retail business made significant investments and delivered notable achievements in 2010**

- As part of our overall focus on the client experience and making it easier for our clients to do their banking with us, we opened, relocated or expanded 35 branches, while continuing our targeted approach to extending evening, Saturday and Sunday hours in our branches;
- We were the first Canadian bank to launch a mobile banking App for iPhone and followed with other smartphone innovations that have enabled our clients "on the go" to perform many of their day-to-day banking transactions anywhere, anytime at www.cibc.mobi;
- Our acquisition of a MasterCard portfolio from Citi Cards Canada Inc. enhanced our market leadership in credit cards and makes CIBC the largest dual issuer of Visa and MasterCard in Canada;
- Our acquisition of full ownership of CIT Business Credit Canada Inc. gives us a market leadership position in asset-based lending in Canada and, combined with other initiatives, positions CIBC for growth in business banking;
- We launched several new products for our clients, including the *CIBC eAdvantage Savings Account*; the first Visa Debit card in Canada with the *CIBC Advantage Card*; and announced lower trading fees for our discount brokerage clients who have $100,000 in business with CIBC;
- We invested in new technology and tools to help our network of more than 3,000 advisors across Canada better serve client needs; and
- We continued to invest in our national television brand advertising campaign throughout 2010 that featured CIBC employees and their commitment to providing value to our clients every day.

Heading into 2011, our retail franchise is well positioned for growth. We are among market leaders in Canada in key products such as mortgage lending, deposits and credit cards, and have expanded the second largest combined branch and ABM network in the country.

**Earnings stability and risk-controlled performance in Wholesale Banking**

Wholesale Banking reported net income of $342 million in 2010, compared to a loss of $472 million in 2009. These numbers include the results of our structured credit run-off business, which improved from a loss of $684 million in 2009 to a loss of $161 million in 2010.

As a result of reduced levels of activity across the industry, earnings in our core Wholesale Banking business were down from 2009, but continued to exhibit the greater consistency and risk control that emerged in 2009 following the refocusing of our Wholesale Banking activities.

*While continuing to invest in our core businesses, we have strengthened the foundation of the bank.*

Our Wholesale Banking business is well positioned for earnings growth as industry conditions improve:

- We continue to hold market leading positions in Canada in key areas such as equity trading, equity underwriting, debt underwriting and M&A;
- In corporate lending, we have added new clients and expanded existing relationships that have contributed to revenue growth. Our corporate lending group is partnering closely with our business banking group in CIBC Retail Markets to grow CIBC's small business, commercial and corporate client relationships in support of our strategic objective of achieving a market leadership position in these segments over the next 3 to 5 years; and
- Several significant technology investments have been completed or are at advanced stages, which will further our client service and risk management capabilities and support our growth plans across our sales, trading, advisory and lending businesses.

While investing in our core Wholesale Banking strategy, we continued to actively manage and reduce our structured credit run-off business. In 2010, we reduced notional exposures by $17 billion through sales and terminations of underlyings, as well as settlements with financial guarantors. Our remaining portfolio of primarily collateralized loan obligations and corporate debt has experienced minimal defaults in the underlying collateral and continues to benefit from significant levels of subordination.

**Strong fundamentals**

While continuing to invest in our core businesses, we have strengthened the foundation of the bank:

- CIBC's balance sheet is strong and competitive with an industry leading Tier 1 capital ratio of 13.9%, a funding profile that is well diversified by term, product and market, significant improvements in credit quality during 2010, and Value-at-Risk levels at the low end of the industry;
- While growing our revenue, we have managed our expenses to maintain our non-interest expense to revenue ratio at our strategic objective of industry median among the major banks in Canada; and
- Our risk management group has provided strong independent oversight while working together with our businesses to support their growth objectives.

In 2010, the Basel Committee on Banking Supervision announced new regulatory capital and liquidity standards for global banks. Canada's regulator, the Office of the Superintendent of Financial Institutions (OSFI), will be confirming the specific application of these standards for Canadian banks. With our strong Tier 1 capital ratio, a Tangible common equity ratio[1] that we have strengthened from 7.6% to 9.9% over the course of 2010, and a strong liquidity profile, CIBC is well positioned to meet the emerging standards and proposed implementation timelines while continuing to invest in our future.

*Our Canada first strategy is the right one for CIBC, and has strengthened CIBC over the past two years.*

## Strategic imperative

Underpinning our activities at CIBC is the importance of our strategic imperative of consistent and sustainable performance over the long term.

In my 2009 letter, I spoke about the need for CIBC to be strong through the full economic cycle by operating at full capacity where we are strongest. This is why our Canada first strategy is the right one for CIBC, and has strengthened CIBC over the past two years.

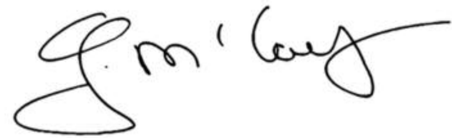
## Summary

2010 was a good year for CIBC and our stakeholders:

- For our investors, we delivered a total shareholder return of 32.4%, which led the major Canadian banks;
- For our 11 million clients, we made significant investments and innovations so that we can continue to deliver what matters most;
- For our employees, we enhanced our focus on leadership development and talent management and generated strong commitment from the success of our national television brand advertising campaign featuring CIBC employees and what they do on behalf of our clients every day;
- For our communities, we continued to make a lasting impact with events such as the Canadian Breast Cancer Foundation CIBC Run for the Cure, CIBC Miracle Day, and the many other charitable activities that CIBC and our employees are committed to.

In closing, I want to thank each of our more than 42,000 employees for their contribution over the past year. The leadership, professionalism and commitment you demonstrate in serving our clients, shareholders and communities is the key to our ongoing success.

I also want to recognize Ron Lalonde, a member of my senior executive team, who is retiring in December 2010. Ron will be missed by everyone who has had the pleasure of working with him during his long and successful career at CIBC.



(1) For additional information, see the "Non-GAAP measures" section of the MD&A.

# Senior Executive Team

| **Gerry McCaughey**<br>President and<br>Chief Executive Officer<br>CIBC | **Sonia Baxendale**<br>President<br>CIBC Retail Markets | **Michael Capatides**<br>Chief Administrative Officer<br>and General Counsel<br>Administration | **Ron Lalonde**<br>Senior Executive Vice-President<br>CIBC |
|---|---|---|---|

# Performance against objectives

| Medium-term objectives | | 2010 results |
|---|---|---|
| **Earnings per share (EPS) growth** | Diluted EPS growth of 5% – 10% per annum, on average, over the next 3 – 5 years | 2010 EPS of $5.87 compared with 2009 EPS of $2.65 |
| **Return on equity (ROE)** | Return on average common equity of 20% through the cycle (calculated as net income less preferred share dividends and premium on redemptions expressed as a percentage of average common shareholders' equity) | ROE: 19.4% |
| **Capital strength** | Tier 1 capital ratio target of 8.5%<br>Total capital ratio target of 11.5% | Tier 1 capital ratio: 13.9%<br>Total capital ratio: 17.8% |
| **Business mix** | At least 75% retail (as measured by economic capital[(1)]) | 74%/26% retail/wholesale (as measured by economic capital[(1)]) |
| **Risk** | Maintain provision for credit losses as a percentage of loans and bankers' acceptances (loan loss ratio) on a managed basis[(1)] between 50 and 65 basis points through the business cycle | Loan loss ratio on a managed basis[(1)]: 56 basis points |
| **Productivity** | Achieve a median ranking within our industry group, in terms of our non-interest expense to total revenue (cash efficiency ratio, taxable equivalent basis (TEB)[(1)]) | Cash efficiency ratio, TEB[(1)]: 57.6% |
| **Dividend payout ratio** | 40% – 50% (common share dividends paid as a percentage of net income after preferred share dividends and premium on redemptions) | Dividend payout ratio: 59.1% |
| **Total shareholder return** | Outperform the S&P/TSX Composite Banks index (dividends reinvested) on a rolling five-year basis | Five years ended October 31, 2010:<br>CIBC – 36.6%<br>Index – 50.2% |

A constituent of the Dow Jones Sustainability World Index for nine consecutive years, and a member of the Dow Jones Sustainability North American Index since its inception in 2005

Listed on the FTSE4Good Index since its inception in 2001

A member of the Jantzi Social Index since its inception in 2000

(1) For additional information, see the "Non-GAAP measures" section of the MD&A.

**Richard Nesbitt**
Chairman and
Chief Executive Officer
Wholesale Banking

**Richard Venn**
Senior Executive Vice-President
CIBC

**David Williamson**
Chief Financial Officer
Finance

**Tom Woods**
Chief Risk Officer
Risk Management

# Non-financial performance

| | Objectives | Accomplishments |
|---|---|---|
| **Clients** | Help our clients achieve what matters to them | ■ Provided greater access and choice to clients with:<br>- 35 branches opened or expanded across Canada<br>- Launch of first mobile banking App for iPhone by a major Canadian bank<br>■ Introduced new product innovations, including:<br>- *CIBC Advantage Card* – offering Visa Debit<br>- *CIBC EverydayPlus Chequing Account* and *CIBC eAdvantage Savings Account* |
| **Employees** | Create an environment where all employees can excel | ■ Increased our Employee Commitment Index for the fifth consecutive year<br>■ Selected as one of Canada's *Best Employers for New Canadians* for the third consecutive year<br>■ Invested approximately $56 million in training and development |
| **Community** | Make a real difference in our communities | ■ Invested close to $34 million to support communities across Canada<br>■ Helped raise more than $33 million for the Canadian Breast Cancer Foundation CIBC Run for the Cure<br>■ Raised $3.5 million on the 25th anniversary of CIBC Miracle Day in 2009<br>■ Contributed $7.2 million to the 2009 United Way campaign |
| **Environment** | Demonstrate environmental responsibility in all activities | ■ Increased the use of Forest Stewardship Council (FSC) certified paper stock to 84%<br>■ Converted more than 11,000 employee accounts through CIBC's "Go Paperless" campaign |
| **Governance** | Be a leader in governance practices | ■ Received a Governance Gavel Award from the Canadian Coalition for Good Governance in recognition of our proxy circular disclosure about CIBC's approach to executive compensation<br>■ Ranked in the top 1% of all companies rated by GovernanceMetrics International for best-in-class corporate governance standards<br>■ Named one of the Best 50 Corporate Citizens for 2010 by Corporate Knights<br>■ Recognized as one of Canada's 50 Most Socially Responsible Corporations by Jantzi-Sustainalytics and *Maclean's* |

# CIBC Retail Markets

CIBC Retail Markets' objective is to be the primary financial institution for our clients; consolidating their business with us by delivering what matters most – excellent service, strong financial advice and competitive products.

# Strong retail franchise

CIBC Retail Markets comprises CIBC's personal banking, business banking and wealth management businesses. We provide a range of financial products, services and advice to nearly 11 million clients in Canada and the Caribbean, as well as investment management services globally to retail and institutional clients in Hong Kong, Singapore and the Caribbean.

Our objective is to be the primary financial institution for our clients, consolidating their business with us by delivering what matters most – **excellent service, strong financial advice and competitive products**.

The strength of our retail franchise is evident in our market leadership in key areas where CIBC Retail Markets currently holds #1, #2 or #3 market positions in six of our eight product categories.

**Personal Banking**
**2010 Highlights**

- CIBC ranks #1 in credit cards outstandings, #2 in mortgages and #3 in deposits
- Delivered 5% growth in funds managed
- Acquired a $2.0 billion MasterCard portfolio to become largest dual credit card issuer in Canada
- First bank in Canada to launch a mobile banking App for iPhone
- Opened or expanded 35 branches across Canada
- Introduced *CIBC Advantage Card* – the first Visa Debit card in Canada, as well as *CIBC eAdvantage Savings Account* and *CIBC EverydayPlus Chequing Account*

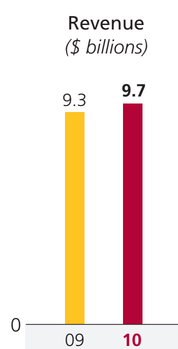
**Business Banking**
**2010 Highlights**

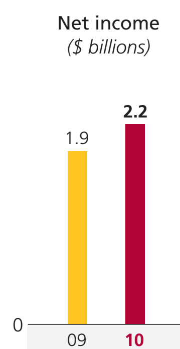
- CIBC ranks #3 in deposits and #4 in lending
- Grew funds managed by 6%
- New leadership and renewed focus on business banking
- Acquired 100% of asset-based lending business
- Only major bank in Canada to offer unlimited day-to-day transactions for small business through the *CIBC Unlimited Business Operating Account*

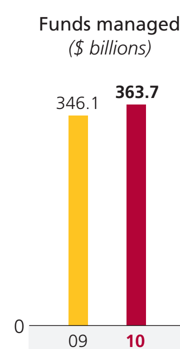
**Wealth Management**
**2010 Highlights**

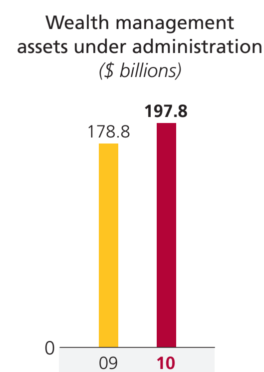
- CIBC ranks #2 in managed solutions and full service brokerage
- Record long-term net sales growth
- Strong fund performance
- Announced new low pricing for *CIBC Investor's Edge* online brokerage clients
- Strong investment fund offering providing clients with significant choice
- Growth in high net worth client base

**Operating highlights**



# Executing our CIBC Retail Markets strategy

**Investing for growth**
CIBC had a strong year investing in the growth of our retail businesses in 2010.

We acquired a $2.0 billion MasterCard portfolio from Citi Cards Canada Inc. to become the largest dual issuer of Visa and MasterCard products in Canada. Acquiring this portfolio complements our well-established leadership position in the premium cards market and further strengthens our market position in the broader mass credit card market.

In addition, we acquired 100% of CIT Business Credit Canada Inc. to enhance our position in asset-based lending. This will contribute to our objective of growing our business banking activities in Canada and increasing our market position in this important business segment.

**Advice that's right for our clients**
Providing strong advice is the foundation of CIBC's retail strategy and a key differentiator for CIBC in the market. Our more than 3,000 advisors offer a broad range of advisory solutions to meet our clients' diverse financial needs.

We've helped more than 2.3 million clients prepare for their future since the launch of the *CIBC Financial HealthCheck*, which helps clients determine where they are today, what their financial goals are and how to achieve them.

CIBC was the first bank in Canada to launch a mobile banking App for iPhone for clients on the go

Announced new competitive pricing structure for *CIBC Investor's Edge* online brokerage

CIBC is the only major bank in Canada to offer unlimited day-to-day transactions for small business owners

# Enhancing access and choice for our clients

We have also focused our investments in delivering greater access and choice to our clients in how, when and where they do their banking.

This year, we opened or expanded 35 branches across Canada completing our five-year, strategic branch investment program to build, relocate or expand 70 branches more than a year ahead of schedule.

CIBC clients have access to close to 1,100 branches in communities from coast-to-coast. CIBC has more than 3,000 advisors to provide our clients with our industry leading advice – at hours that are convenient to them. Over 40% of our branches are open Saturdays and we offer 7 days-a-week banking at almost 50 locations.

CIBC was the first bank in Canada to launch a mobile banking App for iPhone, as well as offering mobile banking to BlackBerry and other smartphone users. There is a strong demand in Canada for these services, and CIBC is the clear leader in delivering innovative mobile banking solutions.

CIBC clients can bank on the go with *CIBC Mobile Banking* for iPhone, BlackBerry and other smartphones.

No matter how our clients choose to bank with us, we are focused on ensuring they continue to have an excellent client experience, whether it is through:

- Our online banking channel, which has been named *The Best Consumer Internet Bank in Canada* for three straight years
- The second largest ABM network in Canada, which we continue to upgrade and replace with faster machines and enhanced security features
- Our telephone banking channel, where we proactively make two million phone calls to clients annually to ensure we are meeting their financial needs

Going forward, we will continue to invest in our capabilities to meet client needs by enabling new and more convenient ways to bank.

# Building the CIBC brand

In addition, we have been investing in our brand. We launched a highly successful national brand campaign demonstrating how CIBC has helped clients achieve what matters to them in their business and personal lives for more than 140 years. We have featured more than 55 employees from across Canada in our brand campaign who represent the passion and commitment that more than 42,000 employees bring to our clients each day.

The brand campaign is just one component of the significant investments we have made in our brand over the past year. Others include:

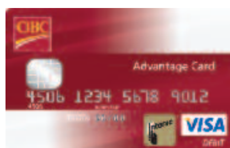
- CIBC's exclusive financial services broadcast sponsorship of the 2010 FIFA World Cup. CIBC's sponsorship included a two-month national tour, branch events, street celebrations and extensive broadcast, print and online advertising. Following this success, CIBC has entered into a sponsorship agreement for the 2014 FIFA World Cup Brazil
- We will sponsor the International Indian Film Academy Weekend and Awards Toronto 2011, the first time these celebrations are being held in North America
- The introduction of a quarterly CIBC National Client Appreciation Day – a further example of our commitment to enhancing the experience for our clients by setting aside a special day each quarter to say "Thank You" for their loyalty and business
- CIBC's highly successful SWITCH campaign giving Canadians compelling reasons to switch more of their business to CIBC
- Our title sponsorship since 1997 of one of Canada's premier fundraising events – The Canadian Breast Cancer Foundation CIBC Run for the Cure – which raised $33 million this year to support breast cancer research

Overall, each of these strategic investments is helping us demonstrate to our clients that we are committed to helping them achieve what matters.

*A young couple came to me for advice on a mortgage for their first home. With so many different types of mortgages out there, my clients weren't sure which one was right for them. I helped them choose the mortgage that fit their lifestyle, their budget and their goals.*

— **Stacey Laughington,** *Financial Services Representative, CIBC*

# Product innovations




In 2010, CIBC launched innovative new products like the *CIBC Advantage Card* – the first Visa Debit card in Canada to offer clients all the benefits of their current debit card along with vastly expanded acceptance for online purchases and international point of sale debit transactions.

We announced an innovative new pricing structure for CIBC Investor's Edge online investors. At $6.95 per trade for any client with more than $100,000 in business with CIBC, this new pricing offer gives online investors one of the most competitive trading prices available today in Canada.

To further strengthen our savings account line-up, we offer the *CIBC eAdvantage Savings Account* and the *Renaissance High Interest Savings Account* which provide clients with the opportunity to earn high interest and maximize their savings.

We remain leaders in the credit card marketplace in Canada. Our leading *CIBC Aerogold Visa* premium credit cards were recognized as the top airline travel card by rewardscanada.ca for the second year in a row.

For our business clients, we provide an expanded suite of credit solutions with asset-based lending, and we are the only major bank in Canada to offer unlimited day-to-day transactions for small business owners through the *CIBC Unlimited Business Operating Account*.

## FirstCaribbean 2010 Highlights

CIBC has an extensive banking presence in the Caribbean through FirstCaribbean International Bank.

FirstCaribbean was the first financial services institution in the Caribbean to launch mobile banking regionally. Further competitive innovations include the introduction of the market leading Visa Debit card that can be used throughout the Caribbean and overseas. In addition, an enhanced, more user-friendly client website was launched, including online applications for products.

FirstCaribbean introduced *CIBC Axiom Portfolios* mutual fund family to the region and also launched a new suite of products for small business owners, including deposit products, revolving business credit cards and lines of credit.

# Wholesale Banking

Wholesale Banking's objective is to be the premier client-focused wholesale bank based in Canada by bringing Canadian capital markets products to Canada and the rest of the world and also by bringing the world to Canada.

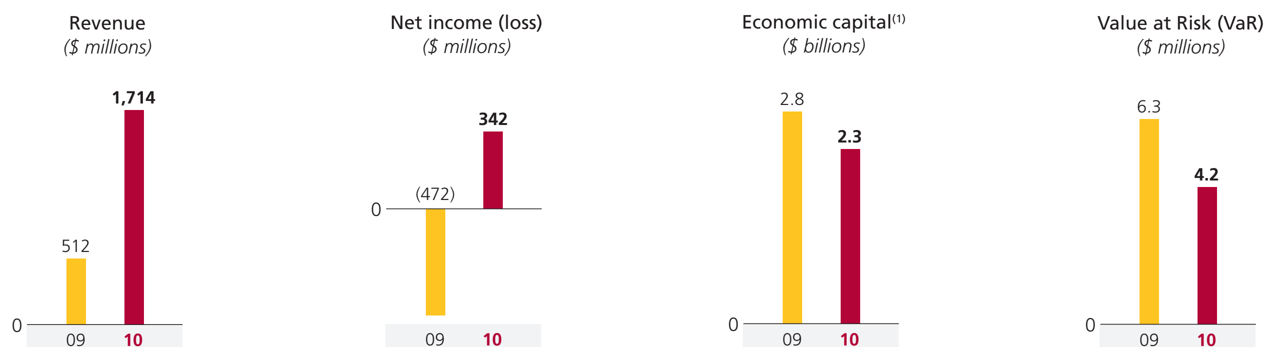
# Our goal is to be the premier client-focused wholesale bank based in Canada

Wholesale Banking provides a wide range of credit, capital markets, investment banking, merchant banking and research products and services to government, institutional, corporate and retail clients in Canada and in key markets around the world, through its two business segments – corporate and investment banking and capital markets.

Our goal is to be **the premier client-focused wholesale bank based in Canada** by bringing Canadian capital markets products to Canada and the rest of the world, and bringing the world to Canada. We are committed to delivering excellent advice, service and value to our clients and consistent, sustainable returns to our shareholders. We work closely with all CIBC businesses to ensure our clients benefit from the scale of the CIBC franchise, the breadth of business and product offerings and the strength of our brand.

Wholesale Banking's strategy is aligned with CIBC's strategic imperative of delivering consistent, sustainable performance. Our client-focused strategy positions us well to achieve a #1, #2 or #3 position in our key business categories.

## Operating highlights




(1) For additional information, see the "Non-GAAP measures" section of the MD&A.

# Executing our Wholesale Banking strategy

In 2010, we focused on delivering continued earnings stability and excellent service and value to our clients through what remained a cautious business and economic environment. Throughout 2010, our Wholesale Banking business continued to demonstrate market leadership in serving our core Canadian clients by:

- Maintaining our strong position in mergers and acquisitions and improving our market position in syndicated lending
- Increasing authorized loan commitments by 14.6%
- Continuing our leadership position in equity trading, underwriting, debt capital markets and structured products
- Identifying lending, foreign exchange, securitization and electronic trading as other core areas of opportunity within Wholesale Banking where we have capacity, industry leading capabilities and supportive market conditions for growth
- Strengthening our competitive position with large asset managers and expanding our equity trading client base

# Corporate and investment banking

The corporate credit products group made significant progress in strengthening and expanding our lending capability. We were sole lead arranger and sole bookrunner for a $1.0 billion corporate revolver for Enerplus and the co-lead and joint bookrunner for a $2.3 billion corporate revolver for Penn West Energy Trust.

Investment banking had a strong year of involvement in many deals and served as joint bookrunner for a $287 million bought deal secondary offering for Dollarama Inc. and joint bookrunner for Cameco Corporation's $908 million bought secondary offering of Centerra Gold Inc. common shares. In addition, we acted as financial advisors to the directors of Red Back Mining in regard to its combination with Kinross Gold and to the Encana board in regard to its division into two distinct independent energy companies.

# Capital markets

In 2010, capital markets sales and cash equities continued to build upon its presence as a leader in providing clients with industry leading service and execution. We maintained a leadership position in both equity trading and underwriting, ranking #1 overall in equity trading volume and value across all markets for the second consecutive year.

We continued to expand our equity research with a focus on the energy, mining and materials, and financial services sectors, and our equity trading professionals were recognized by clients as key contributors to their investment knowledge.

Capital markets trading delivered another strong year within the corporate and government bond markets. CIBC was joint bookrunner for a 10-year, $1.0 billion bond offering for TELUS Corporation, a $700 million offering of senior notes for Husky Energy and a US$1.5 billion, five-year global bond offering from the Province of British Columbia, its largest ever US$-denominated offering. CIBC also led a $6.0 billion bond offering for Canada Housing Trust No.1.

Having built earnings stability over the last two years, we are now focused on strategic opportunities to generate **risk-controlled growth** in a number of key areas by:

- Building on our client-focused approach to broaden their business relationships with CIBC
- Continuing to expand our corporate lending products and capabilities
- Differentiating our product offering by enhancing our electronic delivery channels
- Pursuing growth opportunities in our foreign exchange trading and sales

### Wholesale Banking industry recognition

CIBC is already a **well-established leader** in many of the key Wholesale Banking markets it serves.

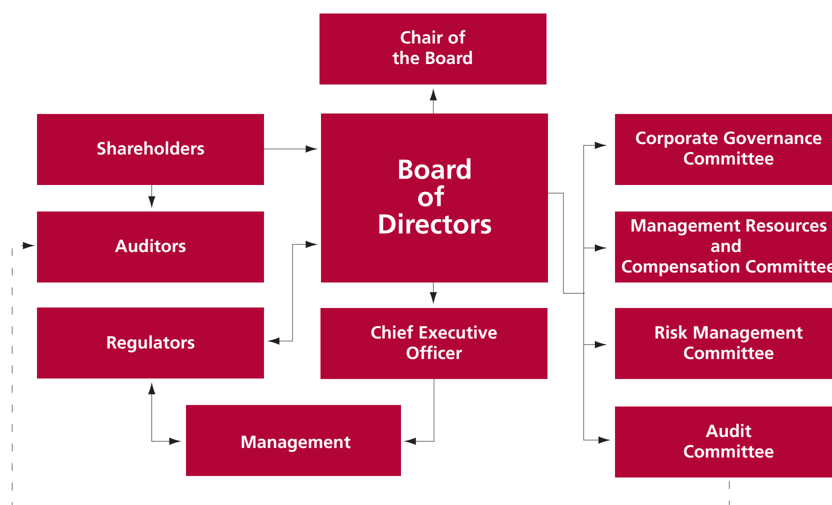
In 2010, we were named ***Canada House of the Year*** for our leadership in retail notes investment products by *Structured Products Magazine*. **Starmine** and ***The Globe and Mail*** recognized CIBC with nine honours in the stock picking and earnings estimation categories – making CIBC their most honoured broker. A Canada Housing Trust No. 1 bond offering led by CIBC was named ***The Canadian Dollar Deal of the Year*** by *Euromoney*. In this year's **Global Custodian Prime Brokerage Survey**, CIBC was commended in all categories, and **ranked #1 in multi-prime brokerage** among Canadian Prime Brokers.

# Governance

At the heart of CIBC's governance structure is an experienced, independent Board of Directors that is committed to upholding strong governance principles, creating a culture of engagement and transparency, and leading in governance best practices.

## Sustaining excellence in governance

CIBC believes that embracing strong governance is the foundation to delivering against its strategic imperative of consistent and sustainable performance over the long term. The Board of Directors (the Board) employs a comprehensive, integrated governance framework as the basis for its oversight responsibilities of the management of the business and affairs of CIBC.




## CIBC's integrated governance framework

The framework guides the Board and management in fulfilling their obligations to CIBC and its stakeholders. The Board reviews the effectiveness of the governance structure annually and is committed to evolving its structure to ensure it serves as the keystone for sustaining excellence in governance in the future.

This framework includes a capable and qualified Board with diverse backgrounds and skills; a collaborative and constructive relationship between the Board and senior management; and a robust set of governance and control policies and procedures.

## Continually evolving governance practices

As part of its ongoing review, the Board regularly assesses and enhances its governance practices and principles to confirm that we continue to meet regulatory requirements and that we remain at the forefront of governance best practices. CIBC posts these practices and principles on our corporate website at www.cibc.com.

The **Statement of Corporate Governance Practices** describes our comprehensive governance framework, states CIBC's vision and details the Board's responsibilities. This document describes the Board's policy on board composition, director nomination and tenure, board independence and education, as well as director and executive compensation and management succession.

The Board and management of CIBC recognize the importance of consistent and timely communication with CIBC's stakeholders. The **CIBC Disclosure Policy** explains CIBC's disclosure philosophy and practices for disclosing material information to the market, and outlines roles and responsibilities of various individuals and groups at CIBC relating to the release of material information. The Policy is intended to minimize the risk of unauthorized, inconsistent or selective disclosure.

## Fostering a culture of integrity and accountability

In accordance with our commitment to nurture a governance culture of integrity and personal accountability, CIBC has policies on personal conduct for directors, employees and contractors intended to foster a strong ethical culture and to protect our clients, our employees and CIBC.

The **CIBC Code of Ethics for Directors** applies to all members of CIBC's Board of Directors. The principles in this Code require a consistent and high standard of ethical conduct for all directors. The principles are intended to protect the business interests of CIBC, maintain CIBC's reputation for integrity and foster compliance with applicable legal and regulatory obligations. Directors are required to certify their compliance with the Code each year.

The **CIBC Code of Conduct** promotes ethical decision-making for all employees and supports behaviour that is consistent with CIBC's core values of Trust, Teamwork and Accountability. All employees are required to complete annual certification and testing on the CIBC Code of Conduct to ensure they understand its requirements.

All CIBC employees are encouraged to come forward with any concerns. In keeping with our commitment to open and honest communications, employees are expected to report any irregular business activity or behaviour that could place CIBC's integrity or reputation at risk. Concerns can be reported in confidence and anonymity to any CIBC executive, director or through the confidential **CIBC Ethics Hotline**. Employees who report suspected contraventions in good faith are protected from retaliation or adverse employment action.

## Meeting and exceeding compliance requirements

As a Canadian public company with securities listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE), CIBC has in place a system of corporate governance practices that meets or exceeds all applicable regulatory requirements. A summary of significant differences between the corporate governance practices of CIBC and those required of U.S. domestic companies under the NYSE listing standards is available at www.cibc.com.

## Committed to ongoing Board renewal

We recognize the importance of having a complement of board skills, experience and competencies. Using our competency matrix, we annually assess the individual skills across the Board to ensure we have the appropriate balance of qualifications and skills to effectively address CIBC's evolving needs.

The Board has four committees which, as part of its overall responsibilities, assist in carrying out its duties and enhance governance:

- Audit Committee (AC)
- Corporate Governance Committee (CGC)
- Management Resources and Compensation Committee (MRCC)
- Risk Management Committee (RMC)

## Supported by an effective committee structure

The Board has worked hard to align its governance and risk management philosophies and structure to support our broader long-term strategic imperative of consistent and sustainable performance over the long term.

To support the senior team on the governance and control activities of CIBC, four management committees have been established:

- Capital & Risk Committee
- Disclosure Committee
- Reputation & Legal Risk Committee
- Governance and Control Committee

The Board committee mandates are outlined in greater detail in the Management Proxy Circular and are available at www.cibc.com.

Directors' committee membership is indicated following their name in the Board of Directors list below:

# Board of Directors

**Charles Sirois C.M., O.Q. (1997)**
*Chair of the Board*
CIBC
*Chairman and*
*Chief Executive Officer*
Telesystem Ltd.
(Montreal, Quebec, Canada)

**Brent S. Belzberg (2005)**
**(CGC, MRCC)**
*Senior Managing Partner*
Torquest Partners
(Toronto, Ontario, Canada)

**Jalynn H. Bennett C.M. (1994)**
**(AC)**
*Corporate Director*
(Toronto, Ontario, Canada)

**Gary F. Colter (2003)**
**(CGC, MRCC)**
*President*
CRS Inc.
(Mississauga, Ontario, Canada)

**Dominic D'Alessandro (2010)**
**(RMC)**
*Past President and*
*Chief Executive Officer*
Manulife Financial Corporation
(Toronto, Ontario, Canada)

**Patrick D. Daniel (2009)**
**(RMC)**
*President and*
*Chief Executive Officer*
Enbridge Inc.
(Calgary, Alberta, Canada)

**Luc Desjardins (2009)**
**(MRCC)**
*Equity Partner*
The Sterling Group, LP
(Montreal, Quebec, Canada)

**Hon. Gordon D. Giffin (2001)**
**(MRCC)**
*Senior Partner*
McKenna Long & Aldridge LLP
(Atlanta, Georgia, U.S.A.)

**Linda S. Hasenfratz (2004)**
**(MRCC)**
*Chief Executive Officer*
Linamar Corporation
(Guelph, Ontario, Canada)

**Nicholas D. Le Pan (2008)**
**(CGC, RMC)**
*Consultant*
(Ottawa, Ontario, Canada)

**Hon. John P. Manley P.C., O.C. (2005)**
**(AC, CGC)**
*President and*
*Chief Executive Officer*
Canadian Council of
Chief Executives
(Ottawa, Ontario, Canada)

**Gerald T. McCaughey (2005)**
*President and*
*Chief Executive Officer*
CIBC
(Toronto, Ontario, Canada)

**Jane L. Peverett (2009)**
**(AC)**
*Corporate Director*
(West Vancouver, British Columbia, Canada)

**Leslie Rahl (2007)**
**(RMC)**
*Founder and Managing Partner*
Capital Market Risk Advisors, Inc.
(New York, New York, U.S.A.)

**Robert J. Steacy (2008)**
**(RMC)**
*Corporate Director*
(Toronto, Ontario, Canada)

**Ronald W. Tysoe (2004)**
**(AC, CGC)**
*Corporate Director*
(Jupiter, Florida, U.S.A.)

# Senior Executive Team

**Gerry McCaughey**
*President and Chief Executive Officer*
CIBC

**Sonia Baxendale**
*President*
CIBC Retail Markets

**Michael Capatides**
*Chief Administrative Officer and General Counsel*
Administration

**Ron Lalonde**
*Senior Executive Vice-President*
CIBC

**Richard Nesbitt**
*Chairman and Chief Executive Officer*
Wholesale Banking

**Richard Venn**
*Senior Executive Vice-President*
CIBC

**David Williamson**
*Chief Financial Officer*
Finance

**Tom Woods**
*Chief Risk Officer*
Risk Management

# Senior Leaders

## ADMINISTRATION

**Michelle Caturay**
*Vice-President*
*Corporate Secretary and Associate General Counsel*

**Charles Gerber**
*Executive Vice-President and Deputy General Counsel*

**Anil Mathur**
*Senior Vice-President and Chief Auditor*

**Kimberley McVittie**
*Vice-President*
*Ombudsman and Chief Privacy Officer*

**Tim Moseley**
*Senior Vice-President and Chief Compliance Officer*

**Jacqueline Moss**
*Executive Vice-President*
Human Resources

## FINANCE

**David Arnold**
*Executive Vice-President*
Finance Business Support

**Dennis Dlugan**
*Senior Vice-President*
Taxation

**John Ferren**
*Vice-President*
Investor Relations

**Kevin Glass**
*Executive Vice-President*
Finance Shared Services

**Andrew Kriegler**
*Senior Vice-President and Treasurer*

**Shuaib Shariff**
*Senior Vice-President and Chief Accountant*

## CIBC RETAIL MARKETS

**Colette Delaney**
*Senior Vice-President*
Mortgages and Lending

**Victor Dodig**
*Executive Vice-President*
Retail Distribution and Wealth Management

**Stephen Forbes**
*Executive Vice-President*
Marketing, Strategy, Communications and President's Choice Financial

**Jon Hountalas**
*Executive Vice-President*
Business Banking

**Christina Kramer**
*Executive Vice-President*
Distribution Services

**Todd Lawrence**
*Senior Vice-President*
Deposit Products

**Cheryl Longo**
*Executive Vice-President*
Card Products and National Collections

## FIRSTCARIBBEAN INTERNATIONAL BANK

**John Orr**
*Chief Executive Officer*
FirstCaribbean International Bank

## RISK MANAGEMENT

**Raza Hasan**
*Senior Vice-President*
Retail Lending and Wealth Risk Management

**Brian McDonough**
*Executive Vice-President*
Wholesale Credit and Investment Risk Management

**Brian O'Donnell**
*Executive Vice-President*
Risk Services

**Edward Penner**
*Senior Vice-President*
Card Products Risk Management

**Milo Rado**
*Executive Vice-President*
Capital Markets Risk Management

## TECHNOLOGY AND OPERATIONS

**Mike Boluch**
*Executive Vice-President*
Technology

**Art Mannarn**
*Executive Vice-President*
Global Operations and INTRIA

**Kevin Patterson**
*Executive Vice-President*
Technology and Operations

## WHOLESALE BANKING

**Geoff Belsher**
*Managing Director*
Global Investment Banking

**Gary Brown**
*President and Chief Executive Officer*
CIBC World Markets Corp.

**Robert Cormie**
*Managing Director and Head*
Asia-Pacific Region

**Harry Culham**
*Managing Director*
Fixed Income, Currencies and Distribution

**Laura Dottori-Attanasio**
*Managing Director*
Corporate Credit Products

**Warren Gilman**
*Managing Director*
Asia-Pacific Region

**Michael Higgins**
*Managing Director*
Real Estate Finance

**Ted Nash**
*Managing Director*
Corporate Development and Strategic Merchant Banking

**Rik Parkhill**
*Managing Director*
Capital Markets Sales and Cash Equities

**Scott Wilson**
*Managing Director*
Europe Region

# Corporate Responsibility

At CIBC, our corporate responsibility efforts are centered on five areas – clients, employees, communities, the environment and corporate governance. These have been the mainstay of our longstanding commitment and where we can create the greatest impact.

For more information on CIBC's commitment to our community, please read our 2010 Corporate Responsibility report which will be published in February 2011 at www.cibc.com.

# Clients

### Providing financial solutions that matter to clients

Providing our clients with financial solutions that matter to them is a priority at CIBC. From accessible, affordable banking to advice and services, CIBC helps our 11 million clients find solutions for their diverse needs.

Advice as diverse as our clients – The *CIBC Newcomers to Canada Plan* offers special discounts on key products to help new Canadians. We also work closely with our First Nations, Métis and Inuit clients to help them achieve financial self-sufficiency and business success.

Investing in accessibility – We are making banking easier and more readily accessible for visually and hearing impaired clients, the elderly and persons with restricted mobility, by offering client statements in Braille and large print formats, as well as advanced speech recognition and teletype (TTY) technology accessible through Telephone Banking. All new CIBC branches are fully accessible, from parking, to counters, to ABMs and vestibule access.

Protecting our clients and their assets – We provide enhanced protection for our credit and debit cards with chip technology, while our *CIBC CreditSmart* feature offers increased protection through credit reports and fraud alerts.

Affordable banking for every step of life – We offer our clients a wide range of products and advisory solutions from the *CIBC Everyday Chequing Account*, to our no-annual-fee credit cards, to competitive mortgage and lending rates. CIBC provides free day-to-day banking or discounts and special offers through our *CIBC SmartStart for Kids* program, *CIBC Advantage for Students* offer and *CIBC 60 Plus Advantage* account.

Helping Canadian businesses succeed – CIBC offers a number of business options to meet the needs of Canadian business owners, including the convenience of an unlimited business operating account to enable them to manage their day-to-day banking for one low monthly fee through our *CIBC Unlimited Business Operating Account*, as well as an expanded suite of credit solutions with asset-based lending.

### Greater access and choice for clients

- More than 3,800 ABMs
- Nearly 1,100 bank branches across Canada
- 238 President's Choice Financial pavilions
- 24/7 Telephone Banking services offered in English, French, Cantonese or Mandarin
- Approximately 50 languages offered across our branch network
- CIBC was named the *Best Consumer Internet Bank in Canada* for the third year in a row by *Global Finance* magazine
- Introduced CIBC Mobile Banking for iPhone, Blackberry and other smartphones

## 2010 Highlights

- CIBC was the first bank in Canada to launch a mobile banking App for iPhone
- 35 branches were opened or expanded this year
- *CIBC Advantage Card* was the first debit card in Canada to offer the global reach of Visa Debit
- We made significant investments in our ABM network through our *Access for All* ABMs program which provides clients with enhanced functionality
- Our 100% ownership investment in CIT Business Credit Canada Inc. has allowed us to offer an expanded suite of credit solutions to our business clients with asset-based lending
- We launched the *CIBC AgriInvest Account*, an interest-bearing business account for clients to easily manage their funds without monthly account or day-to-day transaction fees
- We conducted 20 seminars in 2010 in communities across Canada to provide economic updates and business transition planning strategies for business clients

# Employees

**Creating a positive employee experience**
CIBC focuses on the things that matter to our employees – career-growth opportunities, training and development, and work-life balance – so that employees are able to perform at their best, contribute to their communities and advance CIBC's vision of being the leader in client relationships.

Our employees make it possible for CIBC to deliver consistent, sustainable performance over the long term. We strive to create a positive experience and supportive work environment so that our employees can excel.

**Diversity** – We are dedicated to building a workforce that reflects the clients and communities we serve. Diversity is key to the success of our business and is one of our greatest strengths as an organization.

**Training and development** – Our focus on employee training and development is a critical element to our success. We continue to help our employees grow, develop and achieve their full potential through our corporate-wide training and development initiatives.

**Performance for what matters** – Managing employee performance is key to building long-term, sustainable growth for shareholders. Through our Performance Management and Measurement (PMM) process, managers and employees meet throughout the year to ensure that employees' goals and personal performance support CIBC's strategic objectives.

**Health and well being** – Creating a safe and healthy environment where individuals can balance their work and personal lives is important to CIBC and our employees. We provide a comprehensive range of benefits and programs that support the overall health, wellness and long-term financial security of employees.

Workforce representation rates and goals
*(as at Dec. 31, 2009)*

| % | Rate | Goal |
|---|---|---|
| Women | **67.1** | 57.1 |
| Visible minorities | **25.3** | 21.0 |
| Persons with disabilities | **3.9** | 4.3 |
| Aboriginal peoples | **1.6** | 2.2 |

Senior management representation rates and goals
*(as at Dec. 31, 2009)*

| % | Rate | Goal |
|---|---|---|
| Women | **25.7** | 24.2 |
| Visible minorities | **10.7** | 8.7 |
| Persons with disabilities | **3.7** | NA* |
| Aboriginal peoples | **1.1** | 0.6 |

*Statistics Canada data not available.

## 2010 Highlights

- CIBC's annual Employee Survey participation reached a new high of 93% in 2010 and our Employee Commitment Index increased for the fifth consecutive year
- Our *Anniversaries* program celebrated more than 13,000 employee service milestones in 2010 while our *Achievers* program recognized the outstanding accomplishments of our top performers
- CIBC's eight employee Affinity networks supported more than 3,500 members to promote diversity and inclusion within the workforce
- CIBC was recognized in 2010 as a *Best Employer for New Canadians* and two of our senior leaders were recognized in the 7th Annual *Top 100 Most Powerful Women in Canada*
- We invested approximately $56 million in global training
- In 2010, we paid almost $2.5 billion in base salaries and benefits to our Canadian workforce

# Communities

**Making a difference where we live and work**
CIBC is committed to causes that matter to our clients, employees and communities. Our goal is to make a difference through corporate donations, sponsorships and the volunteer spirit of employees. With a focus on youth, education and health, CIBC invested close to $34[1] million in communities across Canada in 2010.

Youth – Assisting Canada's youth is an investment in our future. CIBC's support for young people includes a range of initiatives, like breakfast programs that provide students with a healthy start to their school day and education programs that improve child safety.

Education – CIBC is committed to providing access to education for Canadians. We invest millions of dollars in scholarship funding, skills training, mentoring and financial literacy programs that help to improve the lives of thousands of people across Canada.

Health – A healthy community is important to all of our stakeholders. Investing in health as well as the economic and social vibrancy of our communities is one of the ways we make a difference for what matters.

Employees – CIBC employees are passionate about the communities in which they live. They raise funds and volunteer for hundreds of community-based organizations every year, serving in roles that take them from board rooms to soccer fields across the country.

As a designated Imagine Caring Company, CIBC consistently exceeds the target of 1% of pre-tax profits – the benchmark for corporate giving established by Imagine Canada.

CIBC is a proud supporter of Canada's Aboriginal communities, having contributed $5 million to organizations and programs over the past five years. CIBC celebrated its 17th year as lead sponsor of the National Aboriginal Achievement Awards.

## 2010 Highlights

- Over 13,000 members of Team CIBC helped raise more than $33 million for The Canadian Breast Cancer Foundation CIBC Run for the Cure
- CIBC Miracle Day celebrated 25 years of making miracles – we raised $3.5 million in 2009 and more than $55 million since 1984 for children's charities
- $7.2 million was raised last year by more than 7,500 employees and retirees for United Way in Canada, including a corporate donation of $2.8 million
- We awarded 30 CIBC Youthvision scholarships and internships, each valued at up to $36,000
- A group of Wholesale Banking employees was named the top fundraising team in Canada and second globally, for the 2009 Movember Campaign for Prostate Cancer Canada
- Through the *CIBC Employee as Ambassadors* program, we gave $639,000 to support organizations that matter to our employees and retirees

(1) The F2010 community investment total has been updated to reflect eligible contributions, including charitable donations, sponsorships and in-kind contributions under *Imagine Canada Caring Company 1% Commitment* guidelines.

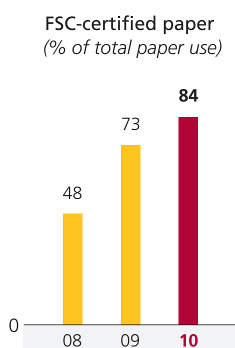
# Environment

**Environment matters**
CIBC is committed to being an environmentally responsible organization. We demonstrate this through continued enhancements to our environmental risk management policies and procedures, initiatives to minimize CIBC's impact on the environment, promotion of environmental stewardship practices, and support of strategically aligned environmental organizations.

**Reducing our environmental impact** – We continue to invest in opportunities to reduce our environmental footprint, to assess our daily actions, and to strive to do more with less.

**Incorporating sustainable design** – We continue to integrate sustainable design criteria into our branches and offices, focusing on reducing our environmental impact while improving the health and comfort of our employees and clients.

**Greening information technology (IT)** – CIBC's Green IT focus continues to enhance our IT infrastructure to provide environmental benefits across CIBC. We do this by managing our computers, monitors and printers to use less energy and to produce less waste.




We continue to move our company-wide paper sourcing to environmentally and socially responsible sourced paper, with a preference for Forest Stewardship Council (FSC) certified stock.

**Buying responsibly** – We recognize the importance of working with our suppliers to reduce our environmental footprint. CIBC has had an *Environmentally Responsible Procurement Standard* in place since 2007.

**Responsible lending and investing** – Wholesale Banking has been providing capital to the renewable energy sector in North America, financing renewable energy projects including hydroelectric, wind, biomass, biogas and district energy systems.

CIBC has raised or extended over $4.0 billion in capital for renewable energy developers since 2002.

## 2010 Highlights

- We reduced our energy consumption across our Canadian operations by 5%
- We designed, installed and commissioned energy efficient mechanical and electrical systems at new and renovated retail branches
- CIBC's "Go Paperless" campaign resulted in more than 11,000 employee account conversions over a four-month period
- We deployed approximately 2,000 virtual servers in 2010, thus reducing energy use
- CIBC rolled out more than 800 Thin Client workstations to date that use less energy than a traditional PC
- CIBC created a team of specialists to focus on the renewable energy and clean technology sectors
- We donated more than 8,000 computer components to Computers for Schools this year
- We continued our support of the following environmental initiatives: UNEP FI, Adoptee of the Equator Principles, and signatory and respondent of the Carbon Disclosure Project

# Management's Discussion and Analysis

Management's discussion and analysis (MD&A) is provided to enable readers to assess CIBC's results of operations and financial condition for the year ended October 31, 2010, compared with prior years. The MD&A should be read in conjunction with the audited consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Unless otherwise indicated, all amounts in the MD&A are expressed in Canadian dollars. Certain comparative amounts have been reclassified to conform with the presentation adopted in the current year. This MD&A is current as of December 1, 2010. 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 our website (www.cibc.com) should be considered incorporated herein by reference. A glossary of terms used in the MD&A and the consolidated financial statements is provided on pages 184 to 187 of this Annual Report.

## External reporting changes

The following is a summary of the external reporting changes adopted during the year:

- The global repurchase agreement (repo) business that was previously part of Treasury in Corporate and Other was retroactively transferred to capital markets within Wholesale Banking. The results of the repo business were previously allocated substantially to other within CIBC Retail Markets.
- Large corporate cash management revenue, previously reported in business banking within CIBC Retail Markets, was retroactively transferred to corporate and investment banking within Wholesale Banking.

**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 Annual Report, in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission and in other communications. These statements include, but are not limited to, statements made in the "Chief Executive Officer's Letter", "Performance Against Objectives", "Overview", "Financial Performance Overview – Taxes", "Financial Performance Overview – Significant Events", "Business Line Overview – CIBC Retail Markets", "Business Line Overview – Wholesale Banking", "Run-off Businesses and Other Selected Activities", "Financial Condition – Capital Resources", "Management of Risk – Liquidity Risk", "Accounting and Control Matters – Risk Factors Related to Fair Value Adjustments" and "Accounting and Control Matters – Contingent Liabilities" sections of this report and other statements about our operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies and outlook for 2011 and subsequent periods. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate" 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 "Financial Performance Overview – Outlook for 2011" 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, operational, reputation and legal, regulatory and environmental risk discussed in the "Management of Risk" section of this report; legislative or regulatory developments in the jurisdictions where we operate, amendments to, and interpretations of, risk-based capital guidelines and reporting instructions; the resolution of legal 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; 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; the accuracy and completeness of information provided to us by clients and counterparties; the failure of third parties to comply with their obligations to us and our affiliates; intensifying competition from established competitors and new entrants in the financial services industry; technological change; global capital market activity; changes in monetary and economic policy; currency value fluctuations; general business and economic conditions worldwide, as well as in Canada, the U.S. and other countries where we have operations; changes in market rates and prices which may adversely affect the value of financial products; 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; 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. 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.


**32 Overview**
32 Vision, Mission and Values
32 Our Strategic Imperative and Priorities
32 Performance Against Objectives
34 Economic and Market Environment

**35 Financial Performance Overview**
35 Financial Highlights 2010
36 2010 Financial Performance
36 Net Interest Income and Margin
36 Non-interest Income
37 Trading Activities
37 Provision for Credit Losses
37 Non-interest Expenses
37 Taxes
38 Foreign Exchange
38 Significant Events
39 Outlook for 2011
39 Fourth Quarter Review
40 Quarterly Trend Analysis
41 Review of 2009 Financial Performance
42 Non-GAAP Measures
43 Business Unit Allocations

**44 Business Line Overview**
44 CIBC Retail Markets
47 Wholesale Banking
49 Corporate and Other

**50 Run-off Businesses and Other Selected Activities**
50 Run-off Businesses
56 Other Selected Activities

**58 Financial Condition**
58 Review of Consolidated Balance Sheet
59 Capital Resources
63 Off-balance Sheet Arrangements

**66 Management of Risk**
66 Risk Overview
68 Credit Risk
77 Market Risk
81 Liquidity Risk
84 Strategic Risk
84 Operational Risk
85 Reputation and Legal Risk
85 Regulatory Risk
85 Environmental Risk

**86 Accounting and Control Matters**
86 Critical Accounting Policies and Estimates
91 Financial Instruments
92 Accounting Developments
93 Transition to International Financial Reporting Standards (IFRS)
95 Related-party Transactions
95 Controls and Procedures

**96 Supplementary Annual Financial Information**

# Overview

CIBC is a leading Canadian-based global financial institution with a market capitalization of $30.7 billion and a Tier 1 capital ratio of 13.9%. Through our two major operating groups, CIBC Retail Markets and Wholesale Banking, CIBC provides a full range of financial products and services to 11 million individual, small business, commercial, corporate and institutional clients in Canada and around the world. We have more than 42,000 employees dedicated to helping our clients achieve what matters to them, delivering consistent and sustainable performance for our shareholders and giving back to our communities.

## Vision, Mission and Values

CIBC's vision is to be the leader in client relationships.

Our mission is to fulfill the commitments we have made to each of our stakeholders:

1. Help our clients achieve what matters to them
2. Create an environment where all employees can excel
3. Make a real difference in our communities
4. Generate strong total returns for our shareholders

Our vision and mission are driven by an organizational culture based on core values of Trust, Teamwork and Accountability.

## Our Strategic Imperative and Priorities

CIBC's strategic imperative is to deliver consistent and sustainable performance over the long term.

In support of this imperative, we are focused on three priorities:

1. Market leadership in core businesses
   - Achieve and maintain no less than a #3 position, and target #1 or #2, in our core Canadian-based retail and wholesale businesses

2. Balanced and actively managed business mix
   - Grow in certain areas where we have competitive capabilities and market opportunities that can generate sustainable earnings

3. Industry-leading fundamentals
   - Underpin our core businesses with strong capital and funding, competitive productivity measures and sound risk management

## Performance Against Objectives

For many years, CIBC has reported a scorecard of financial measures that we use to measure and report on our progress to external stakeholders. These measures can be categorized into four key areas of shareholder value – earnings growth, return on equity, total shareholder return and balance sheet strength.

### Earnings growth

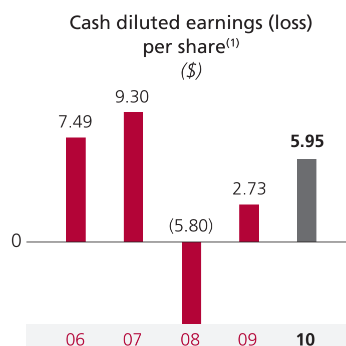
As the primary driver of shareholder value, CIBC has regularly reported an earnings per share (EPS) growth target as one of our medium-term financial objectives. Our current target, which we set at the end of 2007, is to deliver average annual EPS growth of 5 to 10%.

In 2010, we reported cash EPS[1] on a fully diluted basis of $5.95, up from $2.73 in 2009 and $(5.80) in 2008, but below the $9.30 we achieved in 2007. As a result of the unanticipated global credit crisis that developed in 2008 and the difficult economic conditions that followed, we did not achieve our 5 to 10% target over the prior three-year period.

We are maintaining our 5 to 10% average annual EPS growth target.

In support of our EPS target, we have objectives to maintain a loan loss ratio between 50 and 65 basis points through the cycle and to maintain our cash efficiency ratio[1] at the median position among our industry peers.

Our loan loss ratio is defined as specific provision for credit losses as a percentage of loans and bankers' acceptances, measured on a managed basis[1]. Supported primarily by lower write-offs in our cards and personal lending businesses, our loan loss ratio improved to 56 basis points in 2010, below the 70 basis points we reported in 2009 and within our target range.




(1) For additional information, see the "Non-GAAP measures" section.

Our efficiency ratio is defined as non-interest expenses as a percentage of revenue, measured on a cash and taxable equivalent basis (TEB)[1]. Based on the most recent publicly reported results of our industry peer group, CIBC has maintained its efficiency ratio at the industry median in 2010. Our 2010 efficiency ratio of 57.6% improved from 66.4% in 2009, supported by revenue growth that exceeded expense growth.

We are maintaining our industry median target.

## Return on equity

Return on equity (ROE) is another key measure of shareholder value.

CIBC's target is to achieve ROE of 20% through the cycle. In 2010, ROE of 19.4% was slightly below this target. ROE was up from 9.4% in 2009, driven by strong earnings growth that more than offset higher average common shareholders' equity.

We are maintaining our minimum ROE target of 20%, which continues to be at the higher end of industry objectives.

## Total shareholder return

CIBC's mission is to fulfill the commitments we have made to each of our stakeholders, which includes generating a strong level of total shareholder return (TSR).

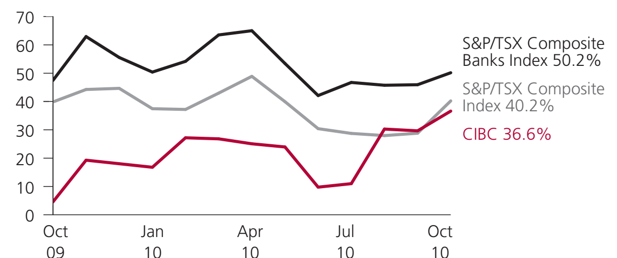
We have two targets that support our shareholder mission:

1. We have had a consistent objective for many years of paying out between 40% and 50% of our earnings in the form of dividends to our common shareholders. In 2010, and for the past three years, our dividend payout has exceeded this target range.

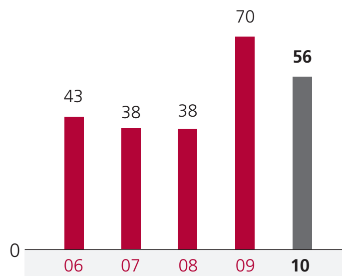
   Our key criteria for considering dividend increases is our current level of payout relative to our target and our view on the sustainability of our current earnings level through the cycle.

2. We also have an objective to deliver a TSR that exceeds the industry average, which we have defined as the S&P/TSX Composite Banks Index, over a rolling five-year period. For the five years ended October 31, 2010, CIBC delivered a TSR of 36.6%, below the Index return of 50.2%. However, supported by a strong TSR of 32.4% in 2010 that was the highest among the major Canadian banks, CIBC has closed the gap to the Index over the past year.

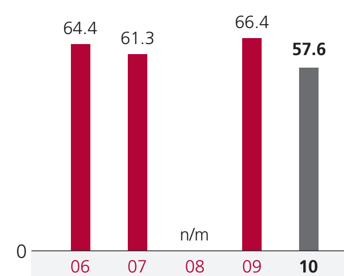
Rolling five-year total shareholder return (TSR)
*(%)*



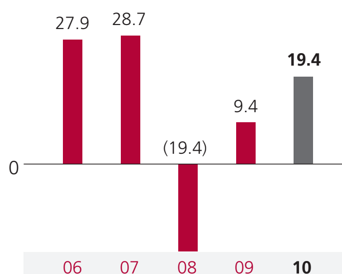

Loan loss ratio[1]
*(basis points)*



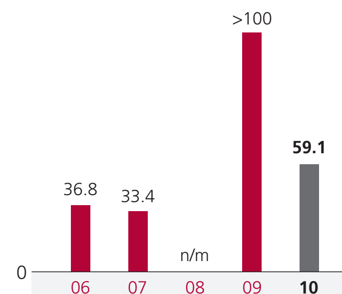

Cash efficiency ratio[1]
*(TEB %)*




Return on equity
*(%)*




Dividend payout ratio
*(%)*




(1) For additional information, see the "Non-GAAP measures" section.
n/m Not meaningful.

### Balance sheet strength

A strong balance sheet is a necessary foundation for our strategic imperative of consistent and sustainable performance.

Capital levels are a key component of balance sheet strength. In this area, we have set targets for our Tier 1 and Total capital ratios, which have been 8.5% and 11.5% for many years. We expect to define new medium-term capital ratio targets in 2011 when we have final guidance from the Office of the Superintendent of Financial Institutions Canada (OSFI) on how the new global capital standards will apply to Canadian banks. With our strong capital ratios at the end of 2010, we expect to be well positioned for the new standards.

How we deploy our capital is also important. In this area, we have defined a target retail/wholesale business mix, as measured by the allocation of economic capital, that is consistent with the type of earnings and risk profile we desire for CIBC. For the past few years, our target has been to allocate at least 75% of our economic capital to retail. At the end of 2010, our retail allocation was 74%, up from 69% at the end of 2009.

We are maintaining our business mix target.

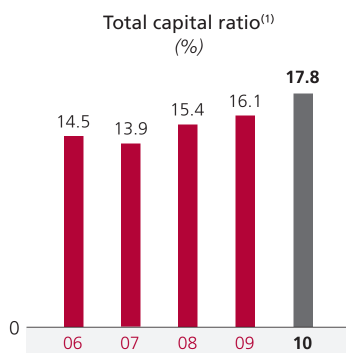
In addition to our capital and business mix objectives, we remain focused on asset quality and a strong funding profile as key underpinnings of a strong balance sheet.

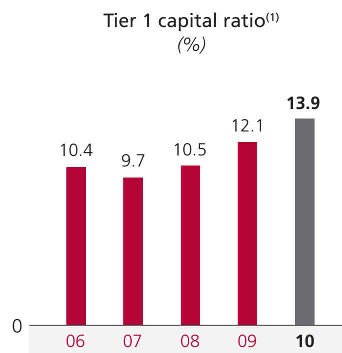
## Economic and Market Environment

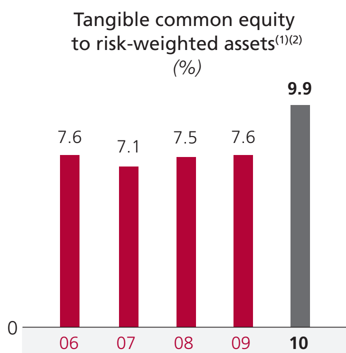
CIBC benefited from an improving business climate as the economy continued to recover at a moderate pace from the prior year's recession. Helped by a rebound in the U.S. and in the broader global economy, Canada's manufacturing and resource sectors recouped some of their prior declines, and the domestic economy responded to low interest rates and government stimulus. Improved confidence and a period of record low borrowing costs led to a pickup in home buying, and supported volume growth in retail banking activities.

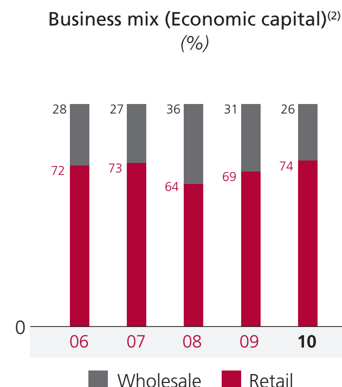
Following three quarter-point rate increases by the Bank of Canada, and a tightening in mortgage insurance rules, mortgage and other household credit growth slowed in Canada in the latter half of the fiscal year. A lower unemployment rate improved household credit quality as the lagged impacts of the earlier recession faded.

The Wholesale Banking business benefited from the improvement in credit quality and a healthier overall tone to financial markets. Government deficit financing kept wholesale debt markets active, but strong corporate balance sheets with ample cash and still-tempered capital spending plans held down activity in equity issuance.




(1) Beginning in 2008, these measurements are based upon Basel II framework, whereas the prior years were based upon Basel I methodology.
(2) For additional information, see the "Non-GAAP measures" section.

# Financial Performance Overview

## Financial Highlights 2010

| As at or for the year ended October 31 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Common share information** | | | | | |
| Per share – basic earnings (loss) | **$ 5.89** | $ 2.65 | $ (5.89) | $ 9.30 | $ 7.50 |
| – diluted earnings (loss)[1] | **5.87** | 2.65 | (5.89) | 9.21 | 7.43 |
| – cash diluted earnings (loss)[2] | **5.95** | 2.73 | (5.80) | 9.30 | 7.49 |
| – dividends | **3.48** | 3.48 | 3.48 | 3.11 | 2.76 |
| Share price – closing | **78.23** | 62.00 | 54.66 | 102.00 | 87.60 |
| Shares outstanding (thousands) – end of period | **392,739** | 383,982 | 380,805 | 334,989 | 335,977 |
| Market capitalization ($ millions) | **$ 30,724** | $ 23,807 | $ 20,815 | $ 34,169 | $ 29,432 |
| **Value measures** | | | | | |
| Dividend yield (based on closing share price) | **4.4%** | 5.6% | 6.4% | 3.0% | 3.2% |
| Dividend payout ratio | **59.1%** | >100% | n/m | 33.4% | 36.8% |
| **Financial results** ($ millions) | | | | | |
| Total revenue | **$ 12,085** | $ 9,928 | $ 3,714 | $ 12,066 | $ 11,351 |
| Total revenue (TEB)[2] | **12,138** | 9,970 | 3,902 | 12,363 | 11,575 |
| Provision for credit losses | **1,046** | 1,649 | 773 | 603 | 548 |
| Non-interest expenses | **7,027** | 6,660 | 7,201 | 7,612 | 7,488 |
| Net income (loss) | **2,452** | 1,174 | (2,060) | 3,296 | 2,646 |
| **Financial measures** | | | | | |
| Efficiency ratio | **58.1%** | 67.1% | n/m | 63.1% | 66.0% |
| Cash efficiency ratio (TEB)[2] | **57.6%** | 66.4% | n/m | 61.3% | 64.4% |
| Return on equity | **19.4%** | 9.4% | (19.4)% | 28.7% | 27.9% |
| Net interest margin | **1.79%** | 1.54% | 1.51 % | 1.39% | 1.52% |
| Total shareholder return | **32.4%** | 21.1% | (43.5)% | 20.2% | 25.6% |
| **Balance sheet information** ($ millions) | | | | | |
| Loans and acceptances, net of allowance | **$ 184,576** | $ 175,609 | $ 180,323 | $ 170,678 | $ 151,916 |
| Total assets | **352,040** | 335,944 | 353,930 | 342,178 | 303,984 |
| Deposits | **246,671** | 223,117 | 232,952 | 231,672 | 202,891 |
| Common shareholders' equity | **12,634** | 11,119 | 11,200 | 11,158 | 9,941 |
| **Balance sheet quality measures** | | | | | |
| Risk-weighted assets ($ billions)[3] | **$ 106.7** | $ 117.3 | $ 117.9 | $ 127.4 | $ 114.8 |
| Tangible common equity ratio[2] | **9.9%** | 7.6% | 7.5% | 7.1% | 7.6% |
| Tier 1 capital ratio[3] | **13.9%** | 12.1% | 10.5% | 9.7% | 10.4% |
| Total capital ratio[3] | **17.8%** | 16.1% | 15.4% | 13.9% | 14.5% |
| **Other information** | | | | | |
| Retail/wholesale ratio[4][5] | **74% / 26%** | 69% / 31% | 64% / 36% | 73% / 27% | 72% / 28% |
| Full-time equivalent employees[6] | **42,354** | 41,941 | 43,293 | 44,906 | 40,774 |

(1) In case of a loss, the effect of stock options potentially exercisable on diluted EPS is anti-dilutive; therefore, basic and diluted EPS will be the same.
(2) For additional information, see the "Non-GAAP measures" section.
(3) Beginning in 2008, these measures are based upon Basel II framework, whereas the prior years were based upon Basel I methodology.
(4) Ratio represents the amount of economic capital attributed to CIBC Retail Markets and Wholesale Banking as of the end of the year.
(5) Certain prior year information has been restated to conform to the presentation of the current year.
(6) Full-time equivalent headcount is a measure that normalizes the number of full-time and part-time employees, base plus commissioned employees, and 100% commissioned employees into equivalent full-time units based on actual hours of paid work during a given period.
n/m Not meaningful.

## 2010 Financial Performance

Net income for the year was $2,452 million, compared to $1,174 million in 2009. The results for the current and prior years were affected by certain significant items reported during the years as follows:

### 2010

- $232 million ($161 million after-tax) loss on the structured credit run-off business;
- $411 million ($117 million loss after-tax) of foreign exchange gains on capital repatriation activities;
- $141 million ($98 million after-tax) reversal of provision for credit losses in the general allowance;
- $25 million future tax asset write-down resulting from the enactment of lower Ontario corporate tax rates;
- $30 million ($17 million after-tax) reversal of interest expense related to the favourable conclusion of prior years' tax audits; and
- $17 million ($12 million after-tax) negative impact of changes in credit spreads on the mark-to-market (MTM) of credit derivatives in our corporate loan hedging program.

### 2009

- $1,003 million ($684 million after-tax) loss on the structured credit run-off business;
- $265 million ($182 million after-tax) negative impact of changes in credit spreads on the MTM of credit derivatives in our corporate loan hedging program;
- $164 million ($106 million after-tax) of valuation charges related to certain trading and available-for-sale (AFS) positions in exited and other run-off businesses;
- $136 million ($81 million after-tax) of higher than normal losses and write-downs on our legacy merchant banking portfolios;
- $107 million ($73 million after-tax) provision for credit losses in the general allowance;
- $92 million ($51 million after-tax) MTM loss relating to interest-rate hedges for the leveraged lease portfolio that did not qualify for hedge accounting;
- $83 million ($56 million after-tax) loan loss in our leveraged loan and other run-off portfolios;
- $27 million ($18 million after-tax) of a higher litigation provision and other operational costs;
- $26 million ($18 million after-tax) decrease in credit valuation adjustments (CVAs) against credit exposures to derivative counterparties, other than financial guarantors, on non-structured credit contracts;
- $25 million ($17 million after-tax) interest income on income tax reassessments; and
- $111 million ($7 million after-tax) of foreign exchange gains on capital repatriation activities.

## Net Interest Income and Margin

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Average assets | **$ 345,943** | $ 350,706 | $ 344,865 |
| Net interest income | **6,204** | 5,394 | 5,207 |
| Net interest margin | **1.79%** | 1.54% | 1.51% |

Net interest income was up $810 million or 15% from 2009, with increases primarily due to higher treasury interest income, volume growth in most retail products, wider spreads in lending products, and interest income in the structured credit run-off business compared to interest expense in the prior year. These factors were partially offset by narrower spreads in deposits, volume driven decreases in corporate lending, and lower income from U.S. real estate finance. The prior year included losses relating to interest-rate hedges for the leveraged lease portfolio that did not qualify for hedge accounting.

Additional information on net interest income and margin is provided in the "Supplementary annual financial information" section.

## Non-interest Income

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Underwriting and advisory fees | **$ 426** | $ 478 | $ 411 |
| Deposit and payment fees | **756** | 773 | 776 |
| Credit fees | **341** | 304 | 237 |
| Card fees | **304** | 328 | 306 |
| Investment management and custodial fees | **459** | 419 | 525 |
| Mutual fund fees | **751** | 658 | 814 |
| Insurance fees, net of claims | **277** | 258 | 248 |
| Commissions on securities transactions | **474** | 472 | 565 |
| Trading income (loss) | **603** | (531) | (6,821) |
| AFS gains (losses), net | **400** | 275 | (40) |
| FVO income (loss) | **(623)** | (33) | (249) |
| Income from securitized assets | **631** | 518 | 585 |
| Foreign exchange other than trading | **683** | 496 | 437 |
| Other | **399** | 119 | 713 |
| | **$ 5,881** | $ 4,534 | $ (1,493) |

Non-interest income was up $1,347 million or 30% from 2009.

*Underwriting and advisory fees* were down $52 million or 11%, primarily due to lower equity new issuances.

*Credit fees* were up $37 million or 12%, primarily due to higher committed corporate lending facilities.

*Card fees* were down $24 million or 7%, primarily due to higher securitization activity.

*Investment management and custodial fees* were up $40 million or 10% and *mutual fund fees* were up $93 million or 14%, primarily due to market-driven increases in asset values.

*Trading income (loss)* was up $1,134 million, driven largely by lower losses in the structured credit run-off business. See the "Trading activities" section which follows for further details.

*AFS gains (losses), net* includes realized gains and losses on disposals, net of write-downs to reflect other-than-temporary impairments (OTTI) in the value of the securities and limited partnerships. Gains were up $125 million or 45%, primarily due to lower write-downs during the year, partially offset by lower net realized gains on sale of securities.

*FVO income (loss)* represents revenue from financial instruments designated at fair value and related hedges. FVO loss was up $590 million, primarily due to higher losses in the structured credit run-off business, resulting from the Cerberus Capital Management LP (Cerberus) note. Largely offsetting these losses were gains on the underlying securities included in trading income noted below. Gains from U.S. real estate finance were also lower during the year. Further details on the composition of our FVO income (loss) are provided in Note 13 to the consolidated financial statements.

*Income from securitized assets* was higher by $113 million or 22%, primarily due to a higher level of securitized assets.

*Foreign exchange other than trading* was up $187 million or 38%, largely due to higher foreign exchange gains on capital repatriation activities.

*Other* includes realized gains and losses on sales and write-downs of equity-accounted investments, and other commissions and fees. Other revenue was up $280 million, mainly due to lower MTM losses associated with our corporate loan hedging program and gain on sale of a U.S. investment, partially offset by lower other commissions and fees.

## Trading Activities

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Trading income (loss) consists of: | | | |
| Net interest income | **$ 218** | $ 237 | $ (418) |
| Non-interest income | **603** | (531) | (6,821) |
| | **$ 821** | $ (294) | $ (7,239) |

Trading income was higher by $1,115 million, primarily due to lower losses in the structured credit run-off business. Offsetting this increase was higher losses in the FVO income (loss) noted above. For a more detailed discussion of the structured credit losses, refer to the "Run-off businesses and other selected activities" section.

Further details on the composition of our trading income by product type are provided in Note 12 to the consolidated financial statements.

## Provision for Credit Losses

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Specific | | | |
| Consumer | **$ 943** | $ 1,020 | $ 595 |
| Business and government | **258** | 392 | 105 |
| | **1,201** | 1,412 | 700 |
| General | **(155)** | 237 | 73 |
| | **$ 1,046** | $ 1,649 | $ 773 |

The provision for credit losses was down $603 million or 37% from 2009.

The specific provision in consumer portfolios was down $77 million driven by lower write-offs in the cards portfolio, as well as improvements in delinquencies and lower write-offs in the personal lending portfolio.

The specific provision in business and government lending decreased by $134 million across all portfolios, mainly attributable to lower losses in the run-off portfolios in the U.S. and Europe, and the U.S. real estate finance portfolio.

The decrease in the general provision for credit losses was primarily related to the cards and business and government lending portfolios, reflecting improved economic conditions. This was offset in part by the general allowance established for the MasterCard portfolio acquired from Citi Cards Canada Inc. (the MasterCard portfolio).

## Non-interest Expenses

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Employee compensation and benefits | | | |
| Salaries | **$ 2,202** | $ 2,180 | $ 2,435 |
| Performance-based compensation | **1,103** | 995 | 942 |
| Benefits | **566** | 435 | 540 |
| | **3,871** | 3,610 | 3,917 |
| Occupancy costs | **648** | 597 | 610 |
| Computer, software and office equipment | **1,003** | 1,010 | 1,095 |
| Communications | **290** | 288 | 284 |
| Advertising and business development | **197** | 173 | 217 |
| Professional fees | **210** | 189 | 230 |
| Business and capital taxes | **88** | 117 | 118 |
| Other | **720** | 676 | 730 |
| | **$ 7,027** | $ 6,660 | $ 7,201 |

Non-interest expenses increased by $367 million or 6% from 2009.

*Employee compensation and benefits* increased by $261 million or 7%, primarily due to higher performance-based compensation, and higher pension expenses resulting from changes in certain assumptions and the market value of our plan assets.

*Occupancy costs* increased by $51 million or 9%, mainly due to higher rental expenses during the year.

*Advertising and business development* increased by $24 million or 14%, mainly due to higher spending during the year.

*Professional fees* increased by $21 million or 11%, mainly due to higher consulting and legal expenses.

*Business and capital taxes* decreased by $29 million or 25%, mainly as a result of lower tax rates, as discussed in the "Taxes" section.

*Other*, mainly comprising operational losses, outside services, and other variable expenses increased by $44 million or 7%, mainly due to the settlement with the Ontario Securities Commission (OSC) relating to our participation in the asset-backed commercial paper (ABCP) market and the servicing fees in relation to the acquisition of the MasterCard portfolio.

## Taxes

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Income tax expense (benefit) | **$ 1,533** | $ 424 | $ (2,218) |
| Indirect taxes[1] | | | |
| GST, HST and sales taxes | **211** | 208 | 200 |
| Payroll taxes | **180** | 155 | 180 |
| Capital taxes | **73** | 106 | 107 |
| Property and business taxes | **52** | 51 | 45 |
| Total indirect taxes | **516** | 520 | 532 |
| Total taxes | **$ 2,049** | $ 944 | $ (1,686) |
| Income taxes as a percentage of net income before income taxes and non-controlling interests | **38.2%** | 26.2% | 52.1% |
| Total taxes as a percentage of net income before deduction of total taxes and non-controlling interests | **45.3%** | 44.1% | 45.2% |

(1) Certain amounts in this table are based on a paid or payable basis and do not factor in capitalization and subsequent amortization.

Income taxes include those imposed on CIBC as a Canadian legal entity, as well as on our domestic and foreign subsidiaries. Indirect taxes comprise goods and services tax (GST), harmonized sales tax (HST), and sales, payroll, capital, property and business taxes. Indirect taxes are included in non-interest expenses.

Total income and indirect taxes were up $1,105 million from 2009.

Income tax expense was $1,533 million, compared to $424 million in 2009. This change was primarily due to higher income in the year. The current year included increased taxes related to foreign exchange gains on capital repatriation activities.

Indirect taxes were down $4 million, or 1%. A decrease in capital taxes was largely offset by an increase in payroll taxes. Capital taxes were down due to the reduction of capital tax rates in certain provinces. Payroll taxes were up as the prior year included a favourable resolution of a payroll tax audit. On July 1, 2010, Ontario and British Columbia enacted HST to replace provincial sales tax.

At October 31, 2010, our future income tax asset was $767 million, net of a $66 million (US$65 million) valuation allowance. Included in the future income tax asset were $385 million related to Canadian non-capital loss carryforwards that expire in 18 years, $54 million related to Canadian capital loss carryforwards that have no expiry date, and $267 million related to our U.S. operations. Accounting standards require a valuation allowance when it is more likely than not that all or a portion of a future income tax asset will not be realized prior to its expiration. Although realization is not assured, we believe that based on all available evidence, it is more likely than not that all of the future income tax asset, net of the valuation allowance, will be realized.

On October 2, 2009 and March 17, 2010, the Canada Revenue Agency (CRA) issued reassessments disallowing the deduction of approximately $3.0 billion of the 2005 Enron settlement payments and related legal expenses. In May 2010, CRA also proposed to disallow legal expenses related to 2006. On April 30, May 19 and September 9, 2010, we filed Notices of Appeal with the Tax Court of Canada. On September 30 and November 12, 2010, we received Replies from the Department of Justice which confirmed CRA's reassessments. The matter is proceeding to litigation. We believe that we will be successful in sustaining at least the amount of the accounting tax benefit recognized to date. Should we successfully defend our tax filing position in its entirety, we would be able to recognize an additional accounting tax benefit of $214 million and taxable refund interest of approximately $167 million. Should we fail to defend our position in its entirety, additional tax expense of approximately $865 million and non-deductible interest of approximately $128 million would be incurred.

The Ontario Government will reduce Ontario corporate tax rates to 10% by 2013. These reductions were substantively enacted for accounting purposes as at November 16, 2009. As a result, we wrote down our future tax assets by approximately $25 million. The statutory income tax rate applicable to CIBC as a legal entity was 30.6% in 2010. The rate will be reduced to 28.2% in 2011 and further reduced to 25.3% by 2014.

Final closing agreements for leveraged leases were executed with the Internal Revenue Service (IRS) in 2009. In 2010, final taxable amounts and interest charges were agreed with the IRS and payments were applied to the various affected tax years.

For a reconciliation of our income taxes in the consolidated statement of operations with the combined Canadian federal and provincial income tax rate, see Note 23 to the consolidated financial statements.

## Foreign Exchange

In 2010, the Canadian dollar appreciated 11% on average relative to the U.S. dollar from the prior year. The estimated impact of U.S. dollar translation on the consolidated statement of operations was as follows:

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Estimated increase (decrease) on: | | | |
| Total revenue | **$ (205)** | $ 90 | $ (25) |
| Provision for credit losses | **(19)** | 25 | (3) |
| Non-interest expense | **(79)** | 90 | (42) |
| Income taxes and non-controlling interest | **(15)** | (5) | 2 |
| Net income | **$ (92)** | $ (20) | $ 18 |

## Significant Events

### Sale of CIBC Mellon Trust Company's Issuer Services business

On July 28, 2010, CIBC Mellon Trust Company (CMT), a 50/50 joint venture between CIBC and The Bank of New York Mellon, announced it had signed an agreement to sell its Issuer Services business (stock transfer and employee share purchase plan). The transaction closed on November 1, 2010. CMT's Issuer Services business results are reported in CIBC's Corporate and Other reporting segment and the results of its operations are not considered significant to CIBC's consolidated results.

### Acquisition of Citi Cards Canada Inc.'s Canadian MasterCard portfolio

On September 1, 2010, we completed the acquisition of Citi Cards Canada Inc.'s (Citi) rights and obligations in respect of their Canadian MasterCard portfolio for cash consideration of approximately $1.2 billion. The total portfolio consists of approximately $2.3 billion of directly owned and securitized credit card receivables to Broadway Trust, as well as certain other related assets. Approximately $811 million of credit card receivables were directly owned at the closing date. Broadway Trust had $1.2 billion of sold receivables and approximately $100 million of cash. These assets were funded by $1.1 billion of externally issued senior notes and $201 million of subordinated notes, which we purchased. We have retained Citi as the transitional servicer until we transfer these accounts onto our platforms. See Note 3 of the consolidated financial statements for further details.

### Acquisition of CIT Business Credit Canada Inc.

On April 30, 2010, CIBC acquired from CIT Financial Ltd. (CIT) the 50% interest in CIT Business Credit Canada Inc. (CITBCC) that we did not already own. Total cash consideration was $306 million. Additional cash consideration of up to $8 million may be payable to CIT depending on certain circumstances. CITBCC was established in 2000 as a joint venture between CIBC and CIT. Subsequent to the acquisition, CITBCC was renamed CIBC Asset-Based Lending Inc.

### Investment in The Bank of N.T. Butterfield & Son Limited

On March 2, 2010, we invested $155 million (US$150 million) for a direct 22.5% common equity interest in The Bank of N.T. Butterfield & Son Limited (Butterfield), as part of a $570 million (US$550 million) recapitalization of Butterfield. The Carlyle Group and other institutional investors invested the remaining $415 million (US$400 million). We also invested $23 million (US$22 million) or 3.3% on March 2, 2010 indirectly in common shares of Butterfield through a private equity fund sponsored by The Carlyle Group. We had previously committed US$150 million to the fund to invest in financial services transactions.

Pursuant to a US$130 million rights offering, which closed on May 11, 2010, other investors, including Butterfield's shareholders, participated in the recapitalization by subscribing for additional common shares, which decreased the size of our direct investment to $130 million (US$125 million) or 18.8% and our indirect ownership in Butterfield to $19 million (US$18 million) or 2.7%. Our total ownership in Butterfield may decrease in the future under certain circumstances.

In addition, we provided Butterfield with a senior secured credit facility for up to $306 million (US$300 million) that was reduced from the original $510 million (US$500 million), at Butterfield's request. We also nominated two out of twelve directors on Butterfield's Board of Directors.

## Outlook for 2011

Both the Canadian and U.S. economies are expected to continue on a moderate recovery path in 2011, with real GDP growth in both countries near 2%, and unemployment rates holding steady. U.S. domestic demand is expected to be dampened by the end of major fiscal stimulus efforts and the absence of a rebound in the troubled housing market. Canada's export growth is expected to be held back by a strong Canadian dollar and a slow recovery in the U.S. The domestic economy should see a slower pace to home building and government spending. The absence of inflation risks should keep interest rates very low by historic standards, although the Bank of Canada could raise overnight rates slightly in the latter half of the year.

CIBC Retail Markets is expected to face slower demand growth for mortgages and household credit, with a modest recovery in demand for business credit. The lagged impacts of the earlier recession on credit quality will continue to fade, allowing for an improvement in delinquencies and a reduction in personal bankruptcies. Demand for investment products should be supported as confidence gradually improves.

Wholesale Banking should benefit from a healthier pace of issuance of equities and bonds, with governments remaining heavy borrowers and businesses taking advantage of stronger capital markets. Merger and acquisition activity could increase as confidence improves. Corporate credit demand should be supported by growth in capital spending, although the public debt market and internal cash flows will be a competitive source of funding. U.S. real estate finance could remain slow given an overhang of vacant properties. Corporate default rates could remain contained as we move further from the prior recession.

## Fourth Quarter Review

| $ millions, except per share amounts, for the three months ended | | | | **2010** | | | | 2009[(1)] |
|---|---|---|---|---|---|---|---|---|
| | **Oct. 31** | **Jul. 31** | **Apr. 30** | **Jan. 31** | Oct. 31 | Jul. 31 | Apr. 30 | Jan. 31 |
| Revenue | | | | | | | | |
| CIBC Retail Markets | **$ 2,480** | **$ 2,472** | **$ 2,334** | **$ 2,402** | $ 2,356 | $ 2,318 | $ 2,223 | $ 2,375 |
| Wholesale Banking | **238** | **315** | **548** | **613** | 503 | 552 | (213) | (330) |
| Corporate and Other | **536** | **62** | **39** | **46** | 29 | (13) | 151 | (23) |
| Total revenue | **$ 3,254** | **$ 2,849** | **$ 2,921** | **$ 3,061** | $ 2,888 | $ 2,857 | $ 2,161 | $ 2,022 |
| Net interest income | **$ 1,645** | **$ 1,548** | **$ 1,497** | **$ 1,514** | $ 1,419 | $ 1,369 | $ 1,273 | $ 1,333 |
| Non-interest income | **1,609** | **1,301** | **1,424** | **1,547** | 1,469 | 1,488 | 888 | 689 |
| Total revenue | **3,254** | **2,849** | **2,921** | **3,061** | 2,888 | 2,857 | 2,161 | 2,022 |
| Provision for credit losses | **150** | **221** | **316** | **359** | 424 | 547 | 394 | 284 |
| Non-interest expenses | **1,860** | **1,741** | **1,678** | **1,748** | 1,669 | 1,699 | 1,639 | 1,653 |
| Income before taxes and non-controlling interests | **1,244** | **887** | **927** | **954** | 795 | 611 | 128 | 85 |
| Income taxes | **742** | **244** | **261** | **286** | 145 | 172 | 174 | (67) |
| Non-controlling interests | **2** | **3** | **6** | **16** | 6 | 5 | 5 | 5 |
| Net income (loss) | **$ 500** | **$ 640** | **$ 660** | **$ 652** | $ 644 | $ 434 | $ (51) | $ 147 |
| Per share – basic EPS | **$ 1.17** | **$ 1.54** | **$ 1.60** | **$ 1.59** | $ 1.57 | $ 1.02 | $ (0.24) | $ 0.29 |
| – diluted EPS | **$ 1.17** | **$ 1.53** | **$ 1.59** | **$ 1.58** | $ 1.56 | $ 1.02 | $ (0.24) | $ 0.29 |

(1) Certain prior period information has been restated to conform to the presentation of the current year.

### Compared with Q4/09

Net income was down $144 million or 22% from the fourth quarter of 2009.

Net interest income was up $226 million or 16%, primarily due to higher treasury revenue, volume growth in most retail products including the impact of the MasterCard portfolio, and higher trading-related net interest income partially offset by lower spreads in retail products.

Non-interest income was up $140 million or 10%, primarily due to foreign exchange gains of $411 million on capital repatriation activities, higher net realized gains on sale of AFS securities and lower write-downs, higher income from securitization activities, and higher mutual fund fees. These factors were partially offset by higher losses in the structured credit run-off business and lower underwriting and advisory fees.

Provision for credit losses was down $274 million or 65%. The specific provision for credit losses was down $193 million, attributable to lower provisions in the consumer and business and government portfolios. The general provision for credit losses was down $81 million, driven by improvements in cards and personal lending, as well as a refinement in how we calculate our general allowance for small business, partially offset by changes in the provision for large corporate loans and the establishment of an allowance for the MasterCard portfolio.

Non-interest expenses were up $191 million or 11%, primarily due to higher performance-related compensation, pension expenses, computer-related costs, advertising and business development expenses, and the impact of HST on these and other items.

Income tax expense was up by $597 million, primarily due to the tax expense of $528 million on capital repatriation activities during the quarter.

### Compared with Q3/10

Net income was down $140 million or 22% from the prior quarter.

Net interest income was up $97 million or 6%, primarily due to volume growth in most retail products, including the impact of the MasterCard portfolio, and higher trading-related net interest income.

Non-interest income was up $308 million or 24%, primarily due to foreign exchange gains on the capital repatriation activities, higher income from securitization activities, and higher commissions on securities transactions. These factors were partially offset by higher losses in the structured credit run-off business and lower underwriting and advisory fees.

Provision for credit losses was down $71 million or 32%. The specific provision for credit losses was down $82 million, attributable to lower provisions in the consumer and business and government portfolios. The general provision for credit losses was up $11 million, driven by the establishment of an allowance for the MasterCard portfolio and changes in the provision for large corporate loans, largely offset by a refinement in how we calculate our general allowance for small business.

Non-interest expenses were up $119 million or 7%, primarily due to higher computer-related costs, advertising and business development expenses, professional fees, occupancy costs, and the impact of HST on these and other items.

Income tax expense was higher by $498 million, primarily due to the tax expense on the capital repatriation activities during the quarter.

## Quarterly Trend Analysis

Our quarterly results are modestly affected by seasonal factors. The first quarter is normally characterized by increased credit card purchases over the holiday period. 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 capital markets activity, which affects our brokerage, investment management, and wholesale banking activities.

### Revenue

CIBC Retail Markets revenue was up over the period reflecting growth in volumes and improved credit spreads, partially offset by lower treasury allocations.

Wholesale Banking revenue is influenced to a large extent by capital markets conditions. In the first half of 2009 and the second half of 2010, Wholesale Banking was adversely affected by the losses in the structured credit run-off business.

Corporate and Other revenue is affected by the impact of significant items not included in the other business lines. The fourth quarter of 2010 and the second quarter of 2009 included foreign exchange gains on capital repatriation activities. Foreign exchange losses on capital repatriation activities were included in the first quarter of 2009.

### Provision for credit losses

The provision for credit losses is dependent upon the credit cycle in general and on the credit performance of the loan portfolio. CIBC Retail Markets provisions trended higher through the third quarter of 2009 largely due to higher losses in the cards and personal lending portfolios. This was the result of both volume growth as well as economic deterioration in the consumer sector. The cards and personal lending portfolios showed some improvements in 2010. Wholesale Banking provisions stabilized in 2010, reflecting improvement in economic conditions in both the U.S. and Europe.

### Non-interest expenses

Non-interest expenses were fairly constant throughout the period with higher employee compensation and benefit expenses and occupancy costs during 2010.

### Income taxes

Income taxes vary with changes in income subject to tax and the jurisdictions in which the income is earned. It can also be affected by the impact of significant items. The fourth quarter of 2010 and the second quarter of 2009 included income tax expense on capital repatriation activities. Income tax benefits on the foreign exchange losses on capital repatriation activities were included in the first quarter of 2009. The first quarter of 2010 and the second quarter of 2009 included write-downs of future tax assets. The fourth quarter of 2009 included a tax benefit, primarily from a positive revaluation of future tax assets.

### Non-controlling interests

Non controlling interests were down in 2010 due to lower net income from FirstCaribbean International Bank (FirstCaribbean). The first quarter of 2010 included the minority interest related to the gain on the sale of a U.S. investment.

## Review of 2009 Financial Performance

| $ millions, for the year ended October 31 | | CIBC Retail Markets | Wholesale Banking | Corporate and Other | CIBC Total |
|---|---|---|---|---|---|
| 2009[1] | Net interest income | $ 5,404 | $ 430 | $ (440) | $ 5,394 |
| | Non-interest income | 3,866 | 82 | 586 | 4,534 |
| | Intersegment revenue | 2 | – | (2) | – |
| | Total revenue | 9,272 | 512 | 144 | 9,928 |
| | Provision for credit losses | 1,382 | 218 | 49 | 1,649 |
| | Non-interest expenses | 5,228 | 1,060 | 372 | 6,660 |
| | Income (loss) before taxes and non-controlling interests | 2,662 | (766) | (277) | 1,619 |
| | Income taxes | 746 | (294) | (28) | 424 |
| | Non-controlling interests | 21 | – | – | 21 |
| | Net income (loss) | $ 1,895 | $ (472) | $ (249) | $ 1,174 |
| 2008[1] | Net interest income | $ 5,475 | $ (183) | $ (85) | $ 5,207 |
| | Non-interest income | 3,857 | (5,774) | 424 | (1,493) |
| | Intersegment revenue | 5 | – | (5) | – |
| | Total revenue | 9,337 | (5,957) | 334 | 3,714 |
| | Provision for (reversal of) credit losses | 833 | 12 | (72) | 773 |
| | Non-interest expenses | 5,418 | 1,318 | 465 | 7,201 |
| | Income (loss) before taxes and non-controlling interests | 3,086 | (7,287) | (59) | (4,260) |
| | Income taxes | 763 | (3,104) | 123 | (2,218) |
| | Non-controlling interests | 19 | (1) | – | 18 |
| | Net income (loss) | $ 2,304 | $ (4,182) | $ (182) | $ (2,060) |

(1) Certain prior year information has been restated to conform to the presentation of the current year.

The following discussion provides a comparison of our results of operations for the years ended October 31, 2009 and 2008.

### Overview

Net income for 2009 was $1,174 million, compared to a net loss of $2,060 million in 2008. This was due to higher revenue driven mainly by lower structured credit run-off business losses and lower non-interest expenses, offset in part by higher provision for credit losses and income taxes.

### Revenue by segments

#### CIBC Retail Markets

Revenue was in line with 2008 with narrower spreads and lower wealth management revenue largely offset by volume growth across most products.

#### Wholesale Banking

Revenue was up $6,469 million from 2008, primarily due to lower losses from the structured credit run-off business and higher revenue in capital markets and corporate and investment banking, partially offset by MTM losses on corporate loan hedges in 2009 compared to MTM gains in 2008.

#### Corporate and Other

Revenue was down $190 million or 57% from 2008, mainly due to lower unallocated treasury revenue which includes securitization activities, partially offset by higher foreign exchange gains on capital repatriation activities. Losses from the hedging of stock appreciation rights (SARs) were included in 2008.

### Consolidated CIBC

#### Net interest income

Net interest income was up $187 million or 4% from 2008, primarily due to volume growth in most retail products, lower trading-related interest expense, higher interest income from FirstCaribbean mainly due to the weaker Canadian dollar, and interest income on tax reassessments. These increases were partially offset by spread compression in retail products and lower revenue from trading securities.

#### Non-interest income

Non-interest income was up $6,027 million from 2008, largely due to lower losses from the structured credit run-off business. In addition, realized gains on AFS securities net of write-downs, revenue from U.S. real estate finance, foreign exchange gains on capital repatriation activities, underwriting and advisory fees, and credit fees were higher during 2009. These increases were partially offset by MTM losses associated with corporate loan hedging programs in 2009 compared to MTM gains in 2008, higher MTM losses on our inventory of mortgage-backed securities (MBS) net of seller swaps, lower investment management and custodial fees, and lower income from securitized assets.

#### Provision for credit losses

The provision for credit losses was up $876 million from 2008. Specific provision increased $712 million, primarily due to higher write-offs and delinquencies in the cards and unsecured personal lending portfolios, and higher impaired loans in the run-off and U.S. real estate finance businesses.

The general provision increased by $164 million, primarily related to cards due to the difficult economic environment.

#### Non-interest expenses

Non-interest expenses decreased by $541 million or 8% from 2008, primarily due to lower employee compensation and benefits, lower computer and software related expenses, lower spending on advertising and business development, lower legal and consulting expenses, and lower litigation reserves and indirect taxes.

#### Income taxes

Income taxes were up $2,642 million from 2008, primarily due to higher income in 2009 and a $486 million income tax reduction in 2008 attributable to an increase in our expected tax benefit relating to Enron-related litigation settlements.

# 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, while other measures do not have a standardized meaning under GAAP and, accordingly, these measures, described below, may not be comparable to similar measures used by other companies. Investors may find these non-GAAP financial measures useful in analyzing financial performance.

## Net interest income (TEB)

We evaluate net interest income on an equivalent before-tax basis. In order to arrive at the TEB amount, we gross up tax-exempt income on certain securities to the equivalent level that would have incurred tax at the statutory rate. Meanwhile the corresponding entry is made in the income tax expense. This measure enables comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income (TEB) is used to calculate the efficiency ratio (TEB) and trading income (TEB). We believe these measures permit uniform measurement, which may enable users of our financial information to make comparisons more readily.

## Economic capital

Economic capital provides the financial framework to evaluate the returns of each business line, commensurate with the risk taken. See the "Capital resources" section for details on the definition and calculation of economic capital. Economic capital is a non-GAAP measure and there is no comparable GAAP measure.

## Economic profit

Net income, adjusted for a charge on capital, determines economic profit. This measures the return generated by each business line in excess of our cost of capital, thus enabling users of our financial information to identify relative contributions to shareholder value.

## Segmented return on equity

We use ROE on a segmented basis as one of the measures for performance evaluation and resource allocation decisions. While ROE for total CIBC provides a measure of return on common equity, ROE on a segmented basis provides a similar metric related to the capital allocated to the segments. We use economic capital to calculate ROE on a segmented basis. As a result, segmented ROE is a non-GAAP measure.

## Cash basis measures

Cash basis measures are calculated by adjusting the amortization of other intangible assets to net income and non-interest expenses. Management believes these measures permit uniform measurement, which may enable users of our financial information to make comparisons more readily.

## Managed loans

We securitize loans and sell resulting securities or loans to variable interest entities (VIEs), that in turn issue securities to investors. These loans and securities are removed from the consolidated balance sheet upon sale. Loans on a managed basis include securitization inventory as well as loans and securities sold. We use this measure to evaluate the credit performance and the overall financial performance of the underlying loans.

## Tangible common equity

Tangible common equity (TCE) comprises the sum of common share capital, excluding short trading positions in our own shares, retained earnings, contributed surplus, non-controlling interests, and accumulated other comprehensive income, less goodwill and intangible assets other than software. The TCE ratio is calculated by dividing TCE by risk-weighted assets (RWAs).

The following table provides a reconciliation of non-GAAP to GAAP measures related to consolidated CIBC. The reconciliations of non-GAAP measures of our strategic business units (SBUs) are provided in their respective sections.

## Statement of operations measures

| $ millions, for the year ended October 31 | | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| Net interest income | | **$ 6,204** | $ 5,394 | $ 5,207 | $ 4,558 | $ 4,435 |
| Non-interest income | | **5,881** | 4,534 | (1,493) | 7,508 | 6,916 |
| Total revenue per financial statements | | **12,085** | 9,928 | 3,714 | 12,066 | 11,351 |
| TEB adjustment | | **53** | 42 | 188 | 297 | 224 |
| Total revenue (TEB)[1] | A | **$ 12,138** | $ 9,970 | $ 3,902 | $ 12,363 | $ 11,575 |
| Trading income (loss) | | **$ 821** | $ (294) | $ (7,239) | $ (310) | $ 685 |
| TEB adjustment | | **49** | 38 | 183 | 292 | 221 |
| Trading income (loss) (TEB)[1] | | **$ 870** | $ (256) | $ (7,056) | $ (18) | $ 906 |
| Non-interest expenses per financial statements | | **$ 7,027** | $ 6,660 | $ 7,201 | $ 7,612 | $ 7,488 |
| Less: amortization of other intangible assets | | **39** | 43 | 42 | 39 | 29 |
| Cash non-interest expenses[1] | B | **$ 6,988** | $ 6,617 | $ 7,159 | $ 7,573 | $ 7,459 |
| Net income (loss) applicable to common shares | | **$ 2,283** | $ 1,012 | $ (2,179) | $ 3,125 | $ 2,514 |
| Add: after-tax effect of amortization of other intangible assets | | **30** | 33 | 32 | 29 | 20 |
| Cash net income (loss) applicable to common shares[1] | C | **$ 2,313** | $ 1,045 | $ (2,147) | $ 3,154 | $ 2,534 |
| Loans and acceptances (after allowance for credit losses) | | **$184,576** | $175,609 | $180,323 | $170,678 | $151,916 |
| Add: loans securitized | | **53,669** | 51,826 | 43,409 | 29,983 | 24,740 |
| Managed loans and acceptances[1] | D | **$238,245** | $227,435 | $223,732 | $200,661 | $176,656 |
| Specific provision for credit losses | | **$ 1,201** | $ 1,412 | $ 700 | $ 614 | $ 612 |
| Add: losses on securitized portfolio | | **132** | 189 | 139 | 151 | 149 |
| Specific provision for credit losses on a managed basis[1] | E | **$ 1,333** | $ 1,601 | $ 839 | $ 765 | $ 761 |
| Basic weighted average of common shares (thousands) | F | **387,802** | 381,677 | 370,229 | 336,092 | 335,135 |
| Diluted weighted average of common shares (thousands) | G | **388,807** | 382,442 | 371,763 | 339,316 | 338,360 |
| Cash efficiency ratio (TEB)[1] | B/A | **57.6%** | 66.4% | n/m | 61.3% | 64.4% |
| Cash basic EPS[1] | C/F | **$ 5.96** | $ 2.74 | $ (5.80) | $ 9.38 | $ 7.56 |
| Cash diluted EPS[1][2] | C/G | **$ 5.95** | $ 2.73 | $ (5.80) | $ 9.30 | $ 7.49 |
| Loan loss ratio (on managed basis)[1] | E/D | **0.56%** | 0.70% | 0.38% | 0.38% | 0.43% |

(1) Non-GAAP measure.
(2) In case of a loss, the effect of stock options potentially exercisable on diluted EPS is anti-dilutive; therefore cash basic and cash diluted EPS are the same.
n/m Not meaningful.

## Business Unit Allocations

Treasury activities impact the reported financial results of our SBUs – CIBC Retail Markets and Wholesale Banking.

Each line of business within our SBUs is charged or credited with a market-based cost of funds on assets and liabilities, respectively, which impacts the revenue performance of the SBUs. Once the interest and liquidity risk inherent in our customer-driven assets and liabilities is transfer priced into Treasury, it is managed within CIBC's risk framework and limits. The majority of the revenue from these Treasury activities is then allocated to the "Other" line of business within CIBC Retail Markets and Wholesale Banking.

Treasury also allocates capital to the SBUs in a manner that is intended to consistently measure and align economic costs with the underlying benefits and risks associated with SBU activities. Earnings on unallocated capital and the impact of securitization activities remain in Corporate and Other. Revenue, expenses, and balance sheet resources relating to certain activities are fully allocated to the lines of business.

Non-interest expenses are attributed to the SBUs to which they relate based on appropriate criteria.

We review our transfer pricing and treasury allocations methodologies on an ongoing basis to ensure they reflect changing market environments and industry practices.

To measure and report the results of operations of the lines of business within our CIBC Retail Markets SBU, we use a Manufacturer/Customer Segment/Distributor Management Model. The model uses certain estimates and allocation methodologies in the preparation of segmented financial information. Under this model, internal payments for sales and trailer commissions and distribution service fees are made among the lines of business. Periodically, the sales and trailer commission rates paid to customer segments for certain products are revised and applied prospectively.

# Business Line Overview

## CIBC Retail Markets

CIBC Retail Markets comprises CIBC's personal banking, business banking and wealth management businesses. We provide a full range of financial products, services and advice to nearly 11 million personal, business and wealth management clients in Canada and the Caribbean, as well as investment management services globally to retail and institutional clients in Hong Kong, Singapore and the Caribbean.

Our objective is to be the primary financial institution for our clients, consolidating their business with us by delivering what matters most – excellent service, strong financial advice and competitive products.

In 2010, we invested in delivering greater access and choice to our clients in how they do their everyday banking:

- Became the first major bank in Canada to launch a mobile banking App for iPhone, and now offer mobile banking for BlackBerry and other smartphone users
- Opened an additional 35 new or expanded branches, completing our plans to build, relocate or expand 70 branches across Canada a year ahead of schedule
- *CIBC Aerogold Visa* credit cards recognized as the top airline travel cards by rewardscanada.ca for the second year in a row
- Became Canada's largest dual issuer of credit cards offering a broad range of both Visa and MasterCard credit cards in the premium and mass market categories
- Delivered debit card innovation with the *CIBC Advantage Card*, the first debit card in Canada to offer Visa Debit, which provides expanded acceptance for online purchases and international debit transactions
- Named *Best Consumer Internet Bank* in Canada for the past three years by *Global Finance Magazine*
- Continued our national brand advertising campaign to demonstrate that what matters to our clients, matters to all of us at CIBC

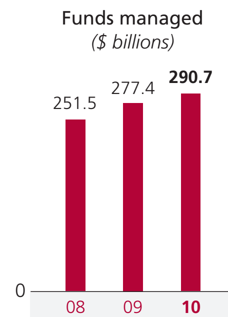
### Priorities

- Provide strong advisory solutions
- Deliver an excellent client experience
- Offer competitive products

**2010 in Review**

### Personal banking

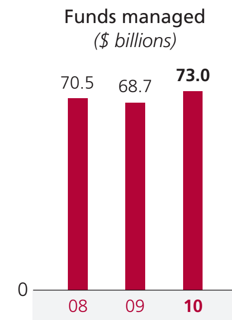
- 5% growth in funds managed
- Largest dual issuer of credit cards in Canada with the acquisition of a MasterCard portfolio
- Key product innovations yielded strong results – *CIBC eAdvantage Savings Account, CIBC EverydayPlus Chequing Account,* equity-linked GICs linked to stocks and mutual funds
- Launched *CIBC Advantage Card*, the first debit card in Canada with Visa Debit



**2010 in Review**

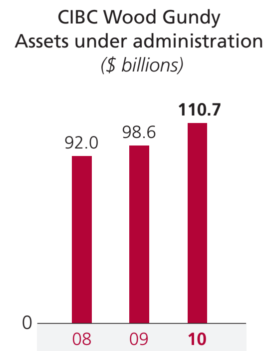
## Business banking

- 6% growth in funds managed
- New leadership and renewed focus on business banking segment
- Offered *CIBC Unlimited Business Operating Account*, providing unlimited day-to-day transactions for small business owners



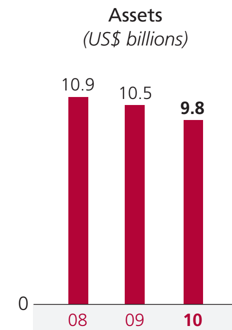

## Wealth management

- A leader in managed solutions
- Record long-term net sales growth
- Solid fund performance – 62% of funds with one-year returns above the median
- Growth in high net worth client base




## FirstCaribbean

- Launched mobile banking region-wide, upgraded ABMs, and enhanced the client website
- Launched *CIBC Axiom Portfolios* mutual fund family, Visa Debit cards, a suite of small business products and commodity derivatives



## Results[1]

| $ millions, for the year ended October 31 | 2010 | 2009[2] | 2008[2] |
|---|---|---|---|
| Revenue | | | |
| Personal banking | **$ 6,413** | $ 5,932 | $ 5,719 |
| Business banking | **1,360** | 1,282 | 1,308 |
| Wealth management | **1,382** | 1,275 | 1,532 |
| FirstCaribbean | **590** | 713 | 574 |
| Other | **(57)** | 70 | 204 |
| Total revenue (a) | **9,688** | 9,272 | 9,337 |
| Provision for credit losses | **1,252** | 1,382 | 833 |
| Non-interest expenses (b) | **5,421** | 5,228 | 5,418 |
| Income before taxes and non-controlling interests | **3,015** | 2,662 | 3,086 |
| Income tax expense | **809** | 746 | 763 |
| Non-controlling interests | **15** | 21 | 19 |
| Net income (c) | **$ 2,191** | $ 1,895 | $ 2,304 |
| Efficiency ratio (b/a) | **56.0%** | 56.4% | 58.0% |
| Amortization of other intangible assets (d) | **$ 29** | $ 32 | $ 31 |
| Cash efficiency ratio[3] ((b-d)/a) | **55.7%** | 56.0% | 57.7% |
| Return on equity[3] | **42.7%** | 38.2% | 46.8% |
| Charge for economic capital[3] (e) | **$ (704)** | $ (673) | $ (634) |
| Economic profit[3] (c+e) | **$ 1,487** | $ 1,222 | $ 1,670 |
| Average assets ($ billions) | **$ 268.1** | $ 265.0 | $ 238.5 |
| Full-time equivalent employees | **29,106** | 28,921 | 29,368 |

(1) For additional segmented information, see Note 28 to the consolidated financial statements.
(2) Certain prior year information has been restated to conform to the presentation of the current year.
(3) For additional information, see the "Non-GAAP measures" section.

### Financial overview

Net income was up $296 million or 16% from 2009. Revenue increased as a result of volume growth across most lines of business, higher fees, and wider spreads, partially offset by lower treasury revenue allocations. Lower provision for credit losses due to the improved economic environment was partially offset by higher non-interest expenses.

### Revenue

Revenue was up $416 million or 4% from 2009.

*Personal banking* revenue was up $481 million or 8%. Volume growth across most products, wider spreads in lending products, and the impact of the acquisition of the MasterCard portfolio were partially offset by narrower spreads in deposits.

*Business banking* revenue was up $78 million or 6%, primarily due to volume growth in deposits, higher commercial banking fees, and wider spreads.

*Wealth management* revenue was up $107 million or 8%. Fee income was higher as a result of market-driven increases in asset values.

*FirstCaribbean* revenue was down $123 million or 17% as a result of a stronger Canadian dollar, lower treasury allocations and volumes, and narrower spreads, partially offset by higher securities gains.

*Other* was down $127 million, primarily due to lower treasury revenue allocations.

### Provision for credit losses

Provision for credit losses was down $130 million or 9% from 2009. Lower losses were mainly driven by lower delinquencies, bankruptcies and write-offs in the cards and personal lending portfolios.

### Non-interest expenses

Non-interest expenses were up $193 million or 4% from 2009, primarily as a result of higher performance-related compensation and pension expense, partially offset by the impact of the stronger Canadian dollar on FirstCaribbean expenses.

### Income taxes

Income taxes were up $63 million or 8% from 2009, mainly due to an increase in income, partially offset by a lower effective tax rate.

### Average assets

Average assets were marginally higher by $3.1 billion or 1% from 2009.

## Wholesale Banking

Wholesale Banking provides a wide range of credit, capital markets, investment banking, merchant banking and research products and services to government, institutional, corporate and retail clients in Canada and in key markets around the world.

Our objective is to be the premier client-focused wholesale bank based in Canada by bringing Canadian capital markets products to Canada and the rest of the world, and bringing the world to Canada.

In 2010, we focused on market leadership in our core businesses by delivering excellent service and value to our clients. We were:

- Lead coordinator on a $6.0 billion, five-year bond offering, for Canada Housing Trust No. 1
- Co-lead arranger and joint bookrunner on a $2.3 billion corporate revolver for Penn West Energy Trust
- Joint lead and joint bookrunner on a 10-year, $1.0 billion bond offering for TELUS Corporation
- Sole lead arranger and sole bookrunner on a $1.0 billion corporate revolver for Enerplus
- Joint bookrunner for Cameco Corporation's $908 million bought secondary offering of Centerra Gold Inc. common shares
- Joint lead agent and joint bookrunner for a $700 million offering of senior notes of Husky Energy Inc.
- Joint bookrunner on a $287 million bought deal secondary offering for Dollarama Inc. – the second secondary offering since Dollarama's IPO in October 2009
- Finance advisor to the Encana Board of Directors on a $21.0 billion transaction

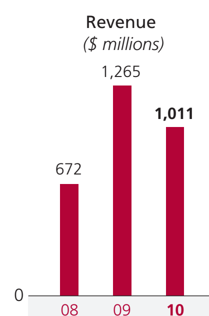
### Priorities

- Client-focused strategy
- Market leadership in core businesses
- Grow with CIBC

**2010 in Review**

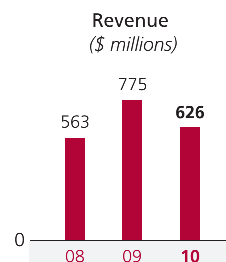
### Capital markets

- Maintained leadership positions in equity trading, debt capital markets and structured products
- Expanded equity research coverage, with a focus on the energy, mining and materials, and financial services sectors
- Improved competitive position with large asset managers and expanded the equity trading client base
- Broadened client-focused product capabilities
- Improved foreign exchange market share




### Corporate and investment banking

- Maintained strong position in mergers and acquisitions (M&A), equity and debt underwriting, and improved market position in syndicated lending
- Authorized loan commitments up 14.6%
- Strong client-focus



## Results[1]

| $ millions, for the year ended October 31 | | 2010 | | 2009[2] | | 2008[2] |
|---|---|---|---|---|---|---|
| Revenue (TEB)[3] | | | | | | |
| Capital markets | $ | **1,011** | $ | 1,265 | $ | 672 |
| Corporate and investment banking | | **626** | | 775 | | 563 |
| Other | | **130** | | (1,486) | | (7,004) |
| Total revenue (TEB)[3] (a) | | **1,767** | | 554 | | (5,769) |
| TEB adjustment | | **53** | | 42 | | 188 |
| Total revenue (b) | | **1,714** | | 512 | | (5,957) |
| Provision for credit losses | | **88** | | 218 | | 12 |
| Non-interest expenses (c) | | **1,147** | | 1,060 | | 1,318 |
| Income (loss) before taxes and non-controlling interests | | **479** | | (766) | | (7,287) |
| Income tax expense (benefit) | | **125** | | (294) | | (3,104) |
| Non-controlling interests | | **12** | | – | | (1) |
| Net income (loss) (d) | $ | **342** | $ | (472) | $ | (4,182) |
| Efficiency ratio (c/b) | | **66.9%** | | n/m | | n/m |
| Amortization of other intangible assets (e) | $ | **1** | $ | 2 | $ | 1 |
| Cash efficiency ratio (TEB)[3] ((c-e)/a) | | **64.9%** | | n/m | | n/m |
| Return on equity[3] | | **17.6%** | | (20.6)% | | (185.1)% |
| Charge for economic capital[3] (f) | $ | **(254)** | $ | (347) | $ | (300) |
| Economic profit (loss)[3] (d+f) | $ | **88** | $ | (819) | $ | (4,482) |
| Average assets ($ billions) | $ | **105.1** | $ | 110.8 | $ | 123.8 |
| Full-time equivalent employees | | **1,159** | | 1,077 | | 1,139 |

(1) For additional segmented information, see Note 28 to the consolidated financial statements.
(2) Certain prior year information has been restated to conform to the presentation of the current year.
(3) For additional information, see the "Non-GAAP measures" section.
n/m Not meaningful.

### Financial overview

Net income was $342 million, compared to a net loss of $472 million in 2009. This was primarily due to lower losses in the structured credit run-off business, lower MTM losses on corporate loan hedges, and gains in legacy merchant banking and other run-off businesses compared to losses in the prior year. The current year also benefited from a lower provision for credit losses.

### Revenue (TEB)[3]

Revenue was up $1,213 million from 2009.

*Capital markets* revenue was down $254 million, driven by lower revenue from fixed income trading, global derivatives, strategic risk, foreign exchange revenue, and equity new issuances.

*Corporate and investment banking* revenue was down $149 million, primarily due to lower revenue from U.S. real estate finance and equity new issuances.

*Other* revenue was up $1,616 million, primarily due to lower losses in the structured credit run-off business, lower MTM losses on corporate loan hedges, and gains in legacy merchant banking and other run-off businesses, compared to losses in the prior year.

### Provision for credit losses

Provision for credit losses was down $130 million from 2009, mainly due to lower losses in the European leveraged finance run-off and U.S. real estate finance portfolios.

### Non-interest expenses

Non-interest expenses were up $87 million or 8%, primarily due to higher employee salaries and benefits, expenses related to the ABCP settlement with the OSC, and higher performance-related compensation.

### Income taxes

Income tax expense was $125 million, compared to a benefit of $294 million in 2009, largely due to lower losses in the structured credit run-off business.

### Average assets

Average assets were down $5.7 billion or 5% from 2009, primarily due to reduced trading activity in our exited and run-off businesses.

# Corporate and Other

Corporate and Other comprises the five functional groups – Technology and Operations; Corporate Development; Finance (including Treasury); Administration; and Risk Management – that support CIBC's SBUs. It also includes the CIBC Mellon joint ventures, and other income statement and balance sheet items, including the general allowance, not directly attributable to the business lines. The general allowance applicable to FirstCaribbean is determined locally and is included in CIBC Retail Markets. The impact of securitization is retained within Corporate and Other. The remaining revenue and expenses are generally allocated to the SBUs.

## Results[1]

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Total revenue | **$ 683** | $ 144 | $ 334 |
| (Reversal of) provision for credit losses | **(294)** | 49 | (72) |
| Non-interest expenses | **459** | 372 | 465 |
| Income (loss) before taxes | **518** | (277) | (59) |
| Income tax expense (benefit) | **599** | (28) | 123 |
| Net loss | **$ (81)** | $ (249) | $ (182) |
| Full-time equivalent employees[2] | **12,089** | 11,943 | 12,786 |

(1) For additional segmented information, see Note 28 to the consolidated financial statements.
(2) Prior year information has been restated to conform to the presentation of the current year.

### Financial overview

Net loss was lower by $168 million from 2009, primarily due to a reversal of provision for credit losses in the general allowance and higher unallocated treasury revenue, partially offset by the after-tax impact on capital repatriation activities noted below, higher unallocated corporate support costs, and lower interest income from income tax reassessments.

During the year, capital repatriation activities resulted in accumulated foreign exchange gains, net of hedges, of $416 million, previously recorded in the accumulated other comprehensive income (AOCI), being transferred to non-interest income in the consolidated statement of operations. The after-tax impact of these capital repatriations resulted in a loss of $120 million in the consolidated net income. Our capital repatriation activities in 2009 had resulted in non-interest income of $111 million and an after-tax gain of $7 million. These capital repatriations had no impact on our shareholders' equity or on our Tier 1 capital ratio.

### Revenue

Revenue was up $539 million from 2009, mainly due to higher foreign exchange gains on capital repatriation activities and higher unallocated treasury revenue, partially offset by lower interest income from income tax reassessments.

### (Reversal of) provision for credit losses

Reversal of credit losses was $294 million, compared to a provision for credit losses of $49 million in 2009. This was primarily due to a reversal of provision for credit losses in the general allowance for the cards and business and government portfolios, reflective of improved economic conditions, partially offset by lower recoveries on securitized card balances.

### Non-interest expenses

Non-interest expenses were up $87 million or 23% from 2009, primarily due to higher unallocated corporate support costs.

### Income taxes

Income tax expense was $599 million, compared to an income tax benefit of $28 million in 2009, primarily due to the tax impact of foreign exchange gains on the repatriation activities noted above and higher income.

# Run-off Businesses and Other Selected Activities

## Run-off Businesses

Given the uncertain market conditions and to focus on our core businesses in Wholesale Banking, we curtailed activity in our structured credit and non-Canadian leveraged finance businesses and have established a focused team with the mandate to manage and reduce the residual exposures.

### Structured credit run-off business

### Overview and results

Our structured credit business, within Wholesale Banking, comprised our previous activities as principal and for client facilitation. These activities included warehousing of assets and structuring of special purpose entities (SPEs), which resulted in the holding of unhedged positions. Other activities included intermediation, correlation and flow trading, which earned a spread on matching positions.

*Exposures*

Our exposures largely consist of the following categories:

*Unhedged*

- U.S. residential mortgage market (USRMM)
- Non-USRMM

*Hedged by*

- Financial guarantors (non-USRMM) including unmatched positions where we have purchased protection but do not have exposure to the underlying
- Other counterparties (USRMM and non-USRMM)

*Results*

The net loss, before taxes, for the year was $232 million, compared with $1,003 million for the prior year.

The net loss for the year was the result of a reduction in receivables related to purchased protection from financial guarantors on loan assets that are carried at amortized cost due to an improvement of the underlying position MTM, negative impact of the revaluations of the Cerberus note, losses from the transactions to reduce our exposures, and lower MTM of unmatched purchased protection. These losses were partially offset by decreases in CVA relating to financial guarantors driven by MTM recoveries for certain underlying assets and tightening credit spreads, and gains on unhedged positions.

*Change in exposures*

The following table summarizes our positions within our structured credit run-off business:

| US$ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Notional | | |
| Investments and loans | **$ 12,006** | $ 10,442 |
| Written credit derivatives, liquidity and credit facilities | **15,163** | 22,710 |
| Total gross exposures | **$ 27,169** | $ 33,152 |
| Purchased credit derivatives | **$ 21,571** | $ 32,257 |

We undertook a number of transactions during the year to reduce our exposures, as noted below:

*USRMM*

- Terminated $610 million (US$582 million) of contracts with financial guarantors (counterparties "I" and "II"), resulting in a pre-tax loss of $48 million (US$46 million);
- Terminated $60 million (US$59 million) of written credit derivatives and assumed the related securities of the same amount with no significant pre-tax impact as a result; and
- Assumed the underlying reference securities of written credit derivatives with notional of $883 million (US$829 million). The written credit derivatives were subsequently terminated with no significant pre-tax impact as a result of these transactions.

*Non-USRMM*

Collateralized loan obligations (CLOs)

- Terminated $3.7 billion (US$3.5 billion) of written credit derivatives and assumed the related securities of the same amount, some of which were classified as loans, resulting in a pre-tax loss of $5 million (US$5 million);
- Subsequently sold certain of these and other CLO securities with notional of $1.9 billion (US$1.8 billion), resulting in a pre-tax loss of $35 million (US$34 million); and
- Terminated $2.9 billion (US$2.8 billion) of hedging contracts with financial guarantors (counterparties "I", "II", "III", "IV" and "VII"), resulting in a pre-tax loss of $50 million (US$48 million).

Corporate debt

- Terminated $1.9 billion (US$1.8 billion) of written credit derivatives resulting in a pre-tax loss of $3 million (US$3 million); and
- Terminated $1.8 billion (US$1.8 billion) of related hedging and $3.0 billion (US$2.8 billion) of other unmatched purchased protection contracts with financial guarantors (counterparties "VI" and "IX"), resulting in a pre-tax loss of $25 million (US$24 million).

Collateralized debt obligations (CDOs) of trust preferred securities (TruPs)

- Sold TruPs with notional of $243 million (US$240 million), resulting in a pre-tax gain of $57 million (US$56 million); and
- Terminated $244 million (US$240 million) of related hedging contracts with a financial guarantor (counterparty "II"), resulting in a pre-tax loss of $38 million (US$37 million).

Commercial mortgage-backed securities (CMBS)

- Terminated $793 million (US$777 million) of unmatched purchased protection contracts with a financial guarantor (previously referred to as counterparty "I"), resulting in a pre-tax loss of $152 million (US$149 million).

Other non-USRMM

- Terminated $812 million (US$788 million) of hedging contracts on Other non-USRMM exposures with financial guarantors (counterparties "I", "II" and "IV") and a non-financial guarantor, resulting in a pre-tax loss of $9 million (US$9 million);
- The underlying on a $138 million (US$134 million) written credit derivative was redeemed without any loss and therefore our written credit derivative as well as the related hedging contract with a financial guarantor (counterparty "II") matured. The transactions resulted in a pre-tax gain of $51 million (US$50 million) primarily from reversal of the CVA;
- Terminated a $231 million (US$225 million) written credit derivative and assumed the related loan of the same amount. We subsequently delivered the loan under the terms of the related hedging contract with a financial guarantor (counterparty "VII"). As a result, related purchased protection became unmatched. There was no significant pre-tax income as a result of the transaction; and
- Sold security classified as a loan with notional of $77 million (US$75 million), resulting in a pre-tax gain of $8 million (US$8 million).

Normal amortization reduced the notional of our purchased credit derivatives with financial guarantors by $611 million (US$589 million).

### *Gain on reduction of unfunded commitment on a variable funding note (VFN)*

In the fourth quarter of 2008, we recognized a gain of $895 million (US$841 million), resulting from the reduction to zero of our unfunded commitment on a VFN issued by a CDO. This reduction followed certain actions of the indenture trustee for the CDO following the September 15, 2008 bankruptcy filing of Lehman Brothers Holdings, Inc. (Lehman), the guarantor of a related credit default swap agreement with the CDO.

In September 2010, just prior to the expiration of a statute of limitations, the Lehman Estate instituted an adversary proceeding against numerous financial institutions, indenture trustees and note holders, including CIBC, related to this and more than 40 other CDOs. The Lehman Estate seeks a declaration that the indenture trustee's actions were improper and that CIBC remains obligated to fund the VFN. In October 2010, the bankruptcy court issued an order, at the request of the Lehman Estate, staying all proceedings in the action for a period of nine months.

Of note, in September 2010, the U.S. District Court for the Southern District of New York agreed to hear Bank of New York's appeal of the U.S. bankruptcy court ruling in the first quarter of 2010, in *Lehman Brothers Special Financing, Inc. v. BNY Corporate Trustee Services, Ltd*., finding unenforceable a customary provision in a CDO transaction that reversed the priority of the payment waterfall upon the bankruptcy of Lehman, the credit support provider under a related swap agreement. On November 17, 2010, the Lehman Estate advised the U.S. District Court that it has settled this dispute in principle with the sole note holder. At the request of the Lehman Estate, the Court granted a 90-day stay of Bank of New York's appeal to allow time for the settlement documents to be finalized.

Although there can be no certainty regarding any eventual outcome, we continue to believe that the CDO indenture trustee's actions in reducing the unfunded commitment on our VFN to zero, were fully supported by the terms of the governing contracts and the relevant legal standards and CIBC intends to vigorously contest the adversary proceeding.

## Total exposures

The exposures held within our structured credit run-off business within Wholesale Banking are summarized in the table below. Only our direct investments and exposures through written credit derivatives to consolidated CDOs are included in this table. The table excludes the protection from Cerberus on our USRMM exposures.

US$ millions, as at October 31, 2010

| | Exposures[1] | | | | | Hedged by | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Investments and loans[2] | | | Written credit derivatives, liquidity and credit facilities[3] | | Purchased credit derivatives and index hedges | | | |
| | | | | | | Financial guarantors | | Others | |
| | Notional | Fair value | Carrying value | Notional | Fair value[4][5] | Notional | Fair value before CVA[4] | Notional | Fair value before CVA[4] |
| **Hedged** | | | | | | | | | |
| USRMM – CDOs | $ – | $ – | $ – | $ 402 | $ 349 | $ – | $ – | $ 402 | $ 349 |
| **Total USRMM hedged** | **$ –** | **$ –** | **$ –** | **$ 402** | **$ 349** | **$ –** | **$ –** | **$ 402** | **$ 349** |
| Non-USRMM | | | | | | | | | |
| CLO | $ – | $ – | $ – | $ 3,916 | $ 199 | $ 3,668 | $ 189 | $ 249 | $ 15 |
| CLO classified as loans[6] | 6,420 | 5,933 | 5,992 | – | – | 6,215 | 331 | 223 | 13 |
| Corporate debt | – | – | – | 8,238 | 217 | 800 | 26 | 7,442 | 199 |
| Corporate debt (Unmatched) | – | – | – | – | – | 1,600 | 11 | – | – |
| Other securities classified as loans[7] | 429 | 265 | 343 | – | – | 429 | 165 | – | – |
| Others | 77 | 50 | 50 | 220 | 44 | 165 | 57 | 153 | 7 |
| Others (Unmatched) | – | – | – | – | – | 225 | 225 | – | – |
| **Total non-USRMM hedged** | **$ 6,926** | **$ 6,248** | **$ 6,385** | **$ 12,374** | **$ 460** | **$ 13,102** | **$ 1,004** | **$ 8,067** | **$ 234** |
| **Total hedged** | **$ 6,926** | **$ 6,248** | **$ 6,385** | **$ 12,776** | **$ 809** | **$ 13,102** | **$ 1,004** | **$ 8,469** | **$ 583** |
| **Unhedged** | | | | | | | | | |
| USRMM – CDOs | $ 3,007 | $ 249 | $ 249 | $ 1,430 | $ 1,146 | $ – | $ – | $ – | $ – |
| **Total USRMM unhedged** | **$ 3,007** | **$ 249** | **$ 249** | **$ 1,430** | **$ 1,146** | **$ –** | **$ –** | **$ –** | **$ –** |
| Non-USRMM | | | | | | | | | |
| CLO | $ 156 | $ 109 | $ 109 | $ 130 | $ 2 | $ – | $ – | $ – | $ – |
| CLO classified as loans[6] | 853 | 780 | 786 | – | – | – | – | – | – |
| Corporate debt | 172 | 124 | 124 | – | – | – | – | – | – |
| Montreal Accord related notes[3][8] | 368 | 197 | 197 | 294 | n/a | – | – | – | – |
| Third-party sponsored ABCP conduits[3] | 60 | 60 | 60 | 97 | n/a | – | – | – | – |
| Other securities classified as loans | 193 | 172 | 173 | – | – | – | – | – | – |
| Others[3][9] | 271 | 200 | 200 | 436 | 40 | – | – | – | – |
| **Total non-USRMM unhedged** | **$ 2,073** | **$ 1,642** | **$ 1,649** | **$ 957** | **$ 42** | **$ –** | **$ –** | **$ –** | **$ –** |
| **Total unhedged** | **$ 5,080** | **$ 1,891** | **$ 1,898** | **$ 2,387** | **$ 1,188** | **$ –** | **$ –** | **$ –** | **$ –** |
| **Total hedged and unhedged** | **$ 12,006** | **$ 8,139** | **$ 8,283** | **$ 15,163** | **$ 1,997** | **$ 13,102** | **$ 1,004** | **$ 8,469** | **$ 583** |
| October 31, 2009 | $ 10,442 | $ 6,721 | $ 7,024 | $ 22,710 | $ 4,152 | $ 23,748 | $ 3,413 | $ 8,509 | $ 681 |

(1) We have excluded our total holdings, including holdings related to our treasury activities, of notional US$792 million (2009: US$868 million) with fair value of US$796 million (2009: US$865 million) in debt securities issued by Federal National Mortgage Association (Fannie Mae) (notional US$42 million, fair value US$42 million), and Government National Mortgage Association (Ginnie Mae) (notional US$750 million, fair value US$754 million). Trading equity securities with a fair value of US$1 million (2009: US$1 million), issued by Student Loan Marketing Association (Sallie Mae), were also excluded.
(2) Excludes equity and surplus notes that we obtained in consideration for commutation of our USRMM contracts with financial guarantors with notional US$249 million and carrying value US$18 million, as at October 31, 2010 (2009: notional US$261 million and fair value US$39 million).
(3) Undrawn notional of the liquidity and credit facilities relating to Montreal Accord related notes amounted to US$294 million (2009: US$277 million), relating to third-party non-bank sponsored ABCP conduits amounted to US$97 million (2009: US$61 million), and relating to unhedged Other non-USRMM amounted to nil (2009: US$15 million).
(4) This is the gross fair value of the contracts, which was typically zero, or close to zero, at the time they were entered into.
(5) This represents the fair value of written credit derivatives only.
(6) Investments and loans include unfunded investment commitments with a notional of US$182 million as at October 31, 2010 (2009: US$247 million).
(7) Represents CDOs with TruPs collateral.
(8) Includes estimated notional USRMM exposure of US$83 million as at October 31, 2010 (2009: US$104 million).
(9) Includes warehouse non-residential mortgage-backed securities (RMBS) with notional US$10 million and fair value of nil.
n/a Not applicable.

## *Cerberus transaction*

In 2008, we transacted with Cerberus to obtain downside protection on our hedged and unhedged USRMM CDO exposures while retaining upside participation if the underlying securities recover. As at October 31, 2010, the outstanding principal and fair value of the limited recourse note issued as part of the Cerberus transaction was $535 million (US$525 million) and $526 million (US$516 million), respectively. The underlying USRMM CDO exposures, none of which are now hedged by financial guarantors, consist of securities with fair value of $250 million (US$245 million) and derivative liabilities with notional of $1,445 million (US$1,417 million) and fair value of $1,155 million (US$1,132 million), as at October 31, 2010. During the year, we had a loss of $362 million (US$347 million) on the limited recourse note, including interest expense thereon, which was partially offset by gains of $234 million (US$225 million) on the underlying exposures.

## *Purchased protection from financial guarantors*

The following table presents the notional amounts and fair values of non-USRMM related protection purchased from financial guarantors, and the underlying referenced assets, by counterparty. The fair value net of CVA is included in derivative instruments in other assets on the consolidated balance sheet. We no longer have USRMM related protection purchased from financial guarantors as at October 31, 2010 (2009: notional $588 million; fair value, net of CVA $115 million). Also, we no longer have any purchased protection with counterparty "I" (2009: notional $1,567 million; fair value, net of CVA $206 million).

US$ millions, as at October 31, 2010

| | | | Notional amounts of referenced non-USRMM assets | | | | | Protection purchased from financial guarantors | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Counterparty | Standard & Poor's | Moody's Investors Service | CLO | Corporate debt | CMBS | Other | Total notional | Fair value before CVA | CVA | Fair value less CVA |
| II | **R**[6] | **Caa2**[3] | **522** | **–** | **–** | **–** | **522** | **21** | **(14)** | **7** |
| III | **–**[4] | **–**[4] | **691** | **–** | **–** | **106** | **797** | **79** | **(56)** | **23** |
| IV[5] | **–**[4] | **–**[4] | **550** | **–** | **–** | **–** | **550** | **31** | **(31)** | **–** |
| V | **–**[4] | **–**[4] | **2,554** | **–** | **–** | **–** | **2,554** | **127** | **(31)** | **96** |
| VI | **BB** | **Ba1** | **–** | **2,400**[2] | **–** | **–** | **2,400** | **37** | **(7)** | **30** |
| VII | **AA+** | **Aa3**[1] | **4,203** | **–** | **–** | **225**[2] | **4,428** | **462** | **(74)** | **388** |
| VIII | **AA+** | **Aa3**[1] | **1,288** | **–** | **–** | **123** | **1,411** | **109** | **(22)** | **87** |
| IX | **BB-**[1] | **Ba1** | **75** | **–** | **–** | **365** | **440** | **138** | **(50)** | **88** |
| **Total financial guarantors** | | | **$ 9,883** | **$ 2,400** | **$ –** | **$ 819** | **$ 13,102** | **$ 1,004** | **$ (285)** | **$ 719** |
| October 31, 2009 | | | $ 13,292 | $ 6,959 | $ 777 | $ 2,132 | $ 23,160 | $ 2,880 | $ (1,591) | $ 1,289 |

(1) Credit watch/outlook with negative implication.
(2) Includes US$1.6 billion and US$225 million of unmatched purchased protection related to corporate debt and Other non-USRMM, respectively.
(3) Under review.
(4) Rating withdrawn or not rated.
(5) Subsequent to October 31, 2010, we terminated the remaining contracts with this counterparty with no impact on our results.
(6) Subsequent to October 31, 2010, the rating has been withdrawn.

The total CVA gain for financial guarantors was $703 million (US$678 million) for the year. Separately, we recorded a net loss of $341 million (US$332 million) on terminations and maturity of contracts with financial guarantors during the year.

As at October 31, 2010, the CVA on credit derivative contracts with financial guarantors was $291 million (US$285 million) (2009: $2.2 billion (US$2.0 billion)), and the fair value of credit derivative contracts with financial guarantors net of CVA was $732 million (US$719 million) (2009: $1.5 billion (US$1.4 billion)). Further significant losses could result depending on the performance of both the underlying assets and the financial guarantors.

In addition, in our other run-off portfolios, we have loans and tranched securities positions that are partly secured by direct guarantees from financial guarantors or by bonds guaranteed by financial guarantors. As at October 31, 2010, these positions were performing and the total amount guaranteed by financial guarantors was approximately $70 million (US$69 million) (2009: $75 million (US$69 million)).

The following table provides further data and description of the non-USRMM referenced assets underlying the protection purchased from financial guarantors:

US$ millions, as at October 31, 2010

| | Notional | Fair value purchased protection | Total tranches[1] | Notional/ tranche | | Fair value/ tranche | | WAL in years[2][3] | Investment grade underlyings | Subordination/ attachment[4] | | Detachment[5] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | High | Low | High | Low | | | Average | Range | Average | Range |
| **Hedged** | | | | | | | | | | | | | |
| CLO (includes loans) | **$ 9,883** | **$ 520** | **67** | **$ 353** | **$ 3** | **$ 21** | **$ –** | **3.4** | **2%** | **32%** | **24-67%** | **98%** | **50-100%** |
| Corporate debt | **800** | **26** | **1** | **800** | **800** | **26** | **26** | **3.1** | **51%** | **15%** | **15%** | **30%** | **30%** |
| Others | | | | | | | | | | | | | |
| TruPs (includes loans) | **519** | **203** | **9** | **89** | **32** | **38** | **8** | **11.7** | **n/a** | **50%** | **45-57%** | **100%** | **100%** |
| Other | **75** | **19** | **1** | **75** | **75** | **19** | **19** | **3.4** | **n/a** | **29%** | **29%** | **100%** | **100%** |
| **Unmatched** | | | | | | | | | | | | | |
| Corporate debt | **1,600** | **11** | **2** | **800** | **800** | **7** | **4** | **2.6** | **66%** | **17%** | **15-18%** | **32%** | **30-33%** |
| Other | **225** | **225** | **1** | **225** | **225** | **225** | **225** | **5.1** | **n/a** | **–** | **–** | **100%** | **100%** |
| | **$ 13,102** | **$ 1,004** | **81** | **$ 2,342** | **$ 1,935** | **$ 336** | **$ 282** | | | | | | |

(1) A tranche is a portion of a security offered as part of the same transaction where the underlying may be an asset, pool of assets, index or another tranche. The value of the tranche depends on the value of the underlying, subordination and deal specific structures such as tests/triggers.
(2) The weighted average life (WAL) of the positions is impacted by assumptions on collateral, interest deferrals and defaults, and prepayments, and for TruPs CDOs, also the potential for successful future auctions. These assumptions and the resulting WAL, especially for TruPs CDOs, may change significantly from period to period.
(3) The WAL of a tranche will typically be shorter than the WAL for the underlying collateral for one or more reasons relating to how cash flows from repayment and default recoveries are directed to pay down the tranche.
(4) Subordination/attachment points are the level of losses which can be sustained on the collateral underlying the reference assets without those losses impacting the tranches shown above.
(5) The detachment points are the level of losses on the collateral underlying the reference assets at which point any further losses cease to impact the tranches shown above.
n/a Not available.

### *Hedged positions*

#### CLO

The hedged CLO underlyings consist of 67 tranches. Approximately 11% of the total notional amount of the CLO tranches was rated equivalent to AAA, 69% rated between the equivalent of AA+ and AA-, and the remainder rated between the equivalent of A+ and A-, as at October 31, 2010. Approximately 16% of the underlying collateral was rated equivalent to BB- or higher, 55% was rated between the equivalent of B+ and B-, 13% rated equivalent to CCC+ or lower, with the remainder unrated as at October 31, 2010. The collateral comprises assets in a wide range of industries with the highest concentration in the services (personal and food) industry (21%); the broadcasting, publishing and telecommunication sector (18%); and the manufacturing sector (12%). Only 3% is in the real estate sector. Approximately 69% and 25% of the underlyings represent U.S. and European exposures, respectively.

#### Corporate debt

The hedged corporate debt underlyings consist of one super senior synthetic CDO tranche that references portfolios of primarily U.S. (63%) and European (20%) corporate debt in various industries (manufacturing – 28%, financial institutions – 16%, cable and telecommunications – 11%, retail and wholesale – 3%). Approximately 9% of the total notional of US$800 million of the corporate debt underlyings were rated equivalent to A- or higher, 42% were rated between the equivalent of BBB+ and BBB-, 35% were rated equivalent to BB+ or lower, with the remainder unrated as at October 31, 2010.

#### Others

Other hedged positions include CDOs with TruPs collateral, which are Tier I Innovative Capital Instruments issued by U.S. regional banks and insurers, and tranches of CDOs.

### *Unmatched positions*

#### Corporate debt

The unmatched corporate debt underlyings consist of two super senior synthetic CDO tranches that reference portfolios of primarily U.S. (55%) and European (33%) corporate debt in various industries (manufacturing – 30%, financial institutions – 7%, cable and telecommunications – 14%, retail and wholesale – 9%). Approximately 21% of the total notional amount of US$1.6 billion of the unmatched corporate debt underlyings were rated equivalent to A- or higher, 45% were rated between the equivalent of BBB+ and BBB-, 23% were rated equivalent to BB+ or lower, with the remainder unrated as at October 31, 2010.

#### Other

The underlying in our other unmatched position is a loan backed by film receivables.

## *Purchased protection from other counterparties*

The following table provides the notional amounts and fair values, before CVA of US$9 million (2009: US$8 million) of purchased credit derivatives from non-financial guarantor counterparties, excluding unmatched purchased credit derivatives:

| | USRMM related | | Non-USRMM related | | Total | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Notional | | Fair value | |
| US$ millions, as at October 31 | Notional | Fair value | Notional | Fair value | **2010** | 2009 | **2010** | 2009 |
| Non-bank financial institutions | **$ 402** | **$ 349** | **$ 53** | **$ 3** | **$ 455** | $ 437 | **$ 352** | $ 350 |
| Banks | **–** | **–** | **570** | **32** | **570** | 862 | **32** | 86 |
| Canadian conduits | **–** | **–** | **7,442** | **199** | **7,442** | 7,166 | **199** | 245 |
| Others | **–** | **–** | **2** | **–** | **2** | 2 | **–** | – |
| | **$ 402** | **$ 349** | **$ 8,067** | **$ 234** | **$ 8,469** | $ 8,467 | **$ 583** | $ 681 |

The non-financial guarantor counterparty hedging our USRMM exposures is a large U.S.-based diversified multinational insurance and financial services company with which CIBC has market-standard collateral arrangements. Approximately 99% of other counterparties hedging our non-USRMM exposures have internal credit ratings equivalent to investment grade.

The assets underlying the exposure hedged by counterparties other than financial guarantors are as below:

| | USRMM related | Non-USRMM related | | | |
|---|---|---|---|---|---|
| | Notional | Notional | | | |
| US$ millions, as at October 31, 2010 | CDO[(1)] | CLO[(2)] | Corporate debt | Other[(3)] | Total |
| Non-bank financial institutions | **$ 402** | **$ –** | **$ –** | **$ 53** | **$ 53** |
| Banks | **–** | **472** | **–** | **98** | **570** |
| Canadian conduits | **–** | **–** | **7,442** | **–** | **7,442** |
| Others | **–** | **–** | **–** | **2** | **2** |
| | **$ 402** | **$ 472** | **$ 7,442** | **$ 153** | **$ 8,067** |

(1) The US$402 million represents super senior CDO with approximately 68% sub-prime RMBS, 2% Alt-A RMBS, 14% asset-backed securities (ABS) CDO, and 16% non-USRMM. Sub-prime and Alt-A are all pre-2006 vintage.
(2) All underlyings are non-investment grade. 5% is U.S. exposure and 95% is European exposure. Major industry concentration is in the services industry (32%), the manufacturing sector (14%), the broadcasting and communication industries (12%), and only 5% is in the real estate sector.
(3) Approximately 91% of the underlyings are investment grade or equivalent based on internal ratings with the majority of the exposure located in the U.S. and Europe. The industry concentration is primarily banking and financial institutions, manufacturing, broadcasting, publishing and telecommunication, with approximately 2% in the real estate sector.

## *Canadian conduits*

We purchased credit derivative protection from Canadian conduits and generated revenue by selling the same protection to third parties. The reference portfolios consist of diversified indices of corporate loans and bonds. These conduits are in compliance with their collateral posting arrangements and have posted collateral exceeding current market exposure. Great North Trust is sponsored by CIBC and MAV I was party to the Montreal Accord.

| US$ millions, as at October 31, 2010 | Underlying | Notional[(1)] | MTM (before CVA) | Collateral and guarantee notionals[(2)] |
|---|---|---|---|---|
| Great North Trust | Investment grade corporate credit index[(3)] | **$ 4,844** | **$ 188** | **$ 294** |
| MAV I | 160 Investment grade corporates[(4)] | **2,598** | **11** | **339** |
| | | **$ 7,442** | **$ 199** | **$ 633** |
| October 31, 2009 | | $ 7,166 | $ 245 | $ 602 |

(1) These exposures mature within 2 to 6 years.
(2) Comprises investment grade notes issued by third-party sponsored conduits, corporate floating rate notes, bankers' acceptances (BAs), and funding commitments. The fair value of the collateral as at October 31, 2010 was US$652 million (2009: US$566 million).
(3) Consists of a static portfolio of 126 North American corporate reference entities that were investment grade rated when the index was created. 79% of the entities are rated BBB- or higher. 100% of the entities are U.S. entities. Financial guarantors represent approximately 2% of the portfolio. 4% of the entities have experienced credit events. Original attachment point is 30% and there is no direct exposure to USRMM or the U.S. commercial real estate market.
(4) The underlying portfolio consists of a static portfolio of 160 corporate reference entities of which 91% were investment grade on the trade date. 82% of the entities are currently rated BBB- or higher (investment grade). 58% of the entities are U.S. entities. Financial guarantors represent approximately 3% of the portfolio. 3% of the entities have experienced credit events. Original attachment point is 20% and there is no direct exposure to USRMM or the U.S. commercial real estate market.

*Unhedged USRMM exposures*
Our remaining net unhedged exposure (excluding the Cerberus protection noted above) to the USRMM, after write-downs, was $544 million (US$533 million) as at October 31, 2010. $469 million (US$460 million) of the net unhedged exposure relates to super senior CDOs of mezzanine RMBS.

*Unhedged non-USRMM exposures*
Our unhedged exposures to non-USRMM primarily relate to the following categories: CLO, corporate debt, Montreal Accord related notes, third-party non-bank sponsored ABCP conduits and other.

CLO
Our unhedged CLO exposures, including those classified as loans, with notional of $1.2 billion (US$1.1 billion) are mostly tranches rated equivalent to AA or higher as at October 31, 2010, and are primarily backed by diversified pools of U.S. and European-based senior secured leveraged loans.

Corporate debt
Approximately 64%, 11% and 25% of the unhedged corporate debt exposures with notional of $175 million (US$172 million) are related to positions in Canada, Europe, and other countries, respectively.

Montreal Accord related notes
As at October 31, 2010, we held variable rate Class A-1 and Class A-2 notes and various tracking notes with a combined fair value of $201 million, and remaining notional value of $375 million that were originally received in exchange for our non-bank sponsored ABCP in January 2009, upon the ratification of the Montreal Accord restructuring. The notes are expected to mature in December 2016 and are backed by fixed income, traditional securitization and CDO assets as well as super senior credit default swaps on investment grade corporates. The underlying assets that have U.S. subprime mortgage exposures have been isolated and are specifically linked to tracking notes with a notional value of $83 million and a fair value of $8 million as at October 31, 2010.

We have provided $300 million of undrawn Margin Funding Facility to be used if the amended collateral triggers of the related credit derivatives are breached and the new trusts created under the restructuring plan do not have sufficient assets to meet any collateral calls. If the loan facility was fully drawn and subsequently more collateral was required due to breaching further collateral triggers, we would not be obligated to fund any additional collateral, although the consequence would likely be the loss of that $300 million loan.

During the first quarter of 2010, we reached a settlement with the OSC relating to our participation in the ABCP market. Our net loss for the year from the settlement, MTM, and dispositions was $29 million.

Third-party non-bank sponsored ABCP conduits
We provided liquidity and credit related facilities to third-party non-bank sponsored ABCP conduits. As at October 31, 2010, $160 million (US$157 million) of the facilities remained committed, which mostly relate to U.S. CDOs. As at October 31, 2010, $61 million (US$60 million) of the committed facilities were drawn. Of the undrawn facilities, $7 million (US$7 million) were subject to liquidity agreements under which the conduits maintain the right to put their assets back to CIBC at par. The underlying assets of the U.S. CDOs have maturities ranging from less than one year to eight years.

Other
Other unhedged exposures with notional of $918 million (US$900 million) include $75 million (US$74 million) of credit facilities (drawn US$74 million and undrawn nil) provided to SPEs with lottery receivables (36%) and U.S. mortgage defeasance loans (64%).

Included in the above are $646 million (US$633 million) of securities and written protection on tranches of high yield corporate debt portfolios, inflation linked notes, and non-US RMBS with 61% rated the equivalent of AA- or higher, 4% rated between the equivalent of A+ and A-, with the remaining rated equivalent to BB+ or lower.

Other unhedged exposures classified as loans with notional of $197 million (US$193 million) represent primarily investment grade ABS.

### European leveraged finance (ELF)
We provided leveraged finance to non-investment grade customers to facilitate their buyout, acquisition and restructuring activities. We generally underwrote leveraged financial loans and syndicated the majority of the loans, earning a fee during the process. We stopped transacting new ELF business in 2008.

Exposures of ELF loans (net of write-downs and allowance for credit losses) by industry are as below:

| $ millions, as at October 31, 2010 | Drawn | Undrawn |
|---|---|---|
| Manufacturing | **$ 223** | **$ 71** |
| Hardware and software | **219** | **21** |
| Wholesale trade | **198** | **9** |
| Publishing and printing | **36** | **8** |
| Business services | **14** | **16** |
| Telecommunications | **11** | **5** |
| Transportation | **10** | **10** |
| Utilities | **10** | **–** |
| Total exposure | **$ 721** | **$ 140** |
| October 31, 2009 | $ 834 | $ 162 |

As at October 31, 2010, we had drawn leveraged loans of $746 million (2009: $894 million) and unfunded letters of credit and commitments of $140 million (2009: $162 million). The drawn and undrawn amounts include performing notional of $555 million and $65 million, respectively, in respect of certain restructured facilities. Of the drawn loans, $76 million (2009: $99 million) relating to restructured facilities were considered impaired, for which an allowance of $25 million as at October 31, 2010 (2009: $60 million) has been applied. As a result of restructuring, drawn loans of $32 million and undrawn commitments of $29 million were cancelled during the year. In addition, of the total performing loans and commitments, $379 million were on the credit watch list as at October 31, 2010 (2009: $485 million).

## Other Selected Activities
In response to the recommendations of the Financial Stability Forum, this section provides additional details on other selected activities.

### Securitization business
Our securitization business provides clients access to funding in the debt capital markets. We sponsor several multi-seller conduits in Canada that purchase pools of financial assets from our clients, and finance the purchases by issuing ABCP to investors. We generally provide the conduits with commercial paper backstop liquidity facilities, securities distribution, accounting, cash management, and other financial services.

As at October 31, 2010, our holdings of ABCP issued by our non-consolidated sponsored multi-seller conduits that offer ABCP to external investors were $110 million (2009: $487 million) and our committed backstop liquidity facilities to these conduits were $2.6 billion (2009: $4.0 billion). We also provided credit facilities of $40 million (2009: $50 million) to these conduits as at October 31, 2010.

The following table shows the underlying collateral and the average maturity for each asset type in these multi-seller conduits:

| $ millions, as at October 31, 2010 | Amount[1] | Estimated weighted avg. life (years) |
|---|---|---|
| Asset class | | |
| Credit cards | **$ 975** | **2.3**[2] |
| Canadian residential mortgages | **489** | **1.2** |
| Franchise loans | **469** | **0.4** |
| Auto leases | **141** | **1.0** |
| Equipment leases/loans | **40** | **0.9** |
| Other | **28** | **1.0** |
| | **$ 2,142** | **1.5** |
| October 31, 2009 | $ 3,612 | 1.7 |

(1) The committed backstop liquidity facility of these assets was the same as the amounts noted in the table, other than for franchise loans, auto leases and other, for which the facility was $750 million, $197 million, and $187 million, respectively.
(2) Based on the revolving period and amortization period contemplated in the transaction.

The short-term notes issued by the conduits are backed by the above assets. The performance of the above assets has met the criteria required to retain the credit ratings of the notes issued by the multi-seller conduits.

We also participated in a syndicated facility for a 364-day commitment of $475 million to a CIBC-sponsored single-seller conduit that provides funding to franchisees of a major Canadian retailer. Our portion of the commitment is $95 million. At October 31, 2010 we funded $72 million (2009: $69 million) by the issuance of bankers' acceptances.

We also securitize our mortgages and credit card receivables. Details of our consolidated VIEs and securitization transactions during the year are provided in Note 6 to the consolidated financial statements.

## U.S. real estate finance

In our U.S. real estate finance business, we operate a full-service platform which originates commercial mortgages to mid-market clients under four programs.

The construction program offers floating-rate financing to properties under construction. The interim program offers fixed and floating-rate financing, typically with an average term of one to three years for properties that are fully leased or with some leasing or renovation yet to be done. In addition the interim program provides operating lines to select borrowers. These programs provide feeder product for the group's permanent fixed-rate loan program. Once the construction and interim phases are complete and the properties are income producing, borrowers are offered fixed-rate financing within the permanent program (typically with average terms of 10 years). On September 27, 2010, CIBC signed a joint venture agreement with a private equity firm to set up an entity with US$125 million in equity. The entity will originate a pool of US$750 million of newly advanced fixed-rate first mortgages secured by commercial real estate in the U.S. Under the terms of the agreement, we will invest up to US$20 million of equity and provide a US$625 million in senior-ranking credit to the entity. The credit facility is structured with a three-year initial term. Each advance under the facility to fund a loan will be subject to CIBC's credit approval. We will also provide a US$92 million contingent swap line relating to the entity's interest rate hedging activity.

The business also maintains CMBS trading and distribution capabilities. As at October 31, 2010, we had CMBS inventory with a notional amount of $9 million (US$9 million) and a fair value of less than $1 million (US$1 million) (2009: less than $1 million (US$1 million)).

The following table provides a summary of our positions in this business:

| US$ millions, as at October 31, 2010 | Drawn | Undrawn |
|---|---|---|
| Construction program | **$ 125** | **$ 24** |
| Interim program | **1,684** | **218** |
| Joint venture | **–** | **625** |
| Total exposure | **$ 1,809** | **$ 867** |
| October 31, 2009 | $ 2,209 | $ 236 |

As at October 31, 2010, $225 million (US$221 million) (2009: $279 million (US$257 million)) of funded loans were considered impaired and $276 million (US$271 million) of loans and $4 million (US$4 million) of undrawn commitments were included in the credit watch list. As at October 31, 2010, the allowance for credit losses for this portfolio was $76 million (US$75 million). During the year, we recorded a provision for credit losses of $81 million (US$78 million).

## U.S. leveraged finance

We sold our U.S. leveraged finance business as part of our sale of some of our U.S. businesses to Oppenheimer Holdings Inc. (Oppenheimer) in fiscal 2008. Under the transaction, the leveraged loans in existence at the time of the sale remained with us. These loans are being managed to maturity. In addition, under the current terms of our agreement with Oppenheimer, we agreed to provide a loan warehouse facility of up to $2.0 billion (US$2.0 billion) to finance and hold syndicated loans originated for U.S. middle market companies by Oppenheimer. Underwriting of any loan for inclusion in this facility is subject to joint credit approval by Oppenheimer and CIBC. Exposures of our U.S. leveraged loans, including loans originated through Oppenheimer (net of allowance for credit losses of $16 million (US$15 million) as at October 31, 2010) are summarized in the table below.

| US$ millions, as at October 31, 2010 | Drawn | Undrawn[1] |
|---|---|---|
| Transportation | **$ 114** | **$ 43** |
| Gaming and lodging | **17** | **32** |
| Healthcare | **30** | **93** |
| Media and advertising | **24** | **21** |
| Manufacturing | **20** | **82** |
| Other | **22** | **44** |
| Total exposure | **$ 227** | **$ 315** |
| October 31, 2009 | $ 370 | $ 575 |

(1) Includes unfunded letters of credit of US$23 million (2009: US$36 million).

As at October 31, 2010, we had $13 million (US$13 million) of net impaired loans, and $127 million (US$125 million) of loans and $31 million (US$31 million) of undrawn commitments included in the credit watch list. No provision for credit losses was recognized during the year.

# Financial Condition

## Review of Consolidated Balance Sheet

| $ millions, as at October 31 | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Cash and deposits with banks | **$ 12,052** | $ 7,007 |
| Securities | | |
| Trading | **28,557** | 15,110 |
| AFS | **26,621** | 40,160 |
| FVO | **22,430** | 22,306 |
| | **77,608** | 77,576 |
| Securities borrowed or purchased under resale agreements | **37,342** | 32,751 |
| Loans | | |
| Residential mortgages | **93,568** | 86,152 |
| Personal | **34,335** | 33,869 |
| Credit card | **12,127** | 11,808 |
| Business and government | **38,582** | 37,343 |
| Allowance for credit losses | **(1,720)** | (1,960) |
| | **176,892** | 167,212 |
| Derivative instruments | **24,682** | 24,696 |
| Other assets | **23,464** | 26,702 |
| | **$ 352,040** | $ 335,944 |
| **Liabilities and shareholders' equity** | | |
| Deposits | | |
| Personal | **$ 113,294** | $ 108,324 |
| Business and government | **127,759** | 107,209 |
| Bank | **5,618** | 7,584 |
| | **246,671** | 223,117 |
| Derivative instruments | **26,489** | 27,162 |
| Obligations related to securities lent or sold short or under repurchase agreements | **37,893** | 43,369 |
| Other liabilities | **20,256** | 22,090 |
| Subordinated indebtedness | **4,773** | 5,157 |
| Preferred share liabilities | **–** | 600 |
| Non-controlling interests | **168** | 174 |
| Shareholders' equity | **15,790** | 14,275 |
| | **$ 352,040** | $ 335,944 |

### Assets

As at October 31, 2010, total assets increased by $16.1 billion or 5% from 2009.

Cash and deposits with banks were up $5.0 billion or 72%, mainly due to higher treasury deposit placements.

Securities overall were at the same levels as at October 31, 2009. Trading securities increased mainly in the equity portfolio whereas AFS securities decreased mainly in government issued bonds. Further details on the composition of securities are provided in Note 4 to the consolidated financial statements and in the "Supplementary annual financial information" section.

Securities borrowed or purchased under resale agreements increased by $4.6 billion or 14% primarily due to client demand.

Loans increased by $9.7 billion or 6% mainly due to an increase in residential mortgages resulting from volume growth, net of new securitizations and repayments. The acquisition of the MasterCard portfolio during the year also contributed to the growth in loans. A detailed discussion of the loan portfolios is included in the "Management of risk" section. Further details on the composition of loans are provided in Note 5 to the consolidated financial statements and in the "Supplementary annual financial information" section.

Other assets were down $3.2 billion or 12%, mainly due to lower collateral pledged, future income tax assets, and bankers' acceptances.

### Liabilities

Total liabilities as at October 31, 2010 were up by $14.6 billion or 5% from 2009.

Deposits were up $23.6 billion or 11%, primarily due to the issuance of medium term notes and covered bonds, retail volume growth, and reclassification of certain payables from other liabilities during the year. Further details on the composition of deposits are provided in Note 10 to the consolidated financial statements and in the "Supplementary annual financial information" section.

Obligations related to securities lent or sold short or under repurchase agreements decreased by $5.5 billion or 13%, primarily due to funding requirements.

Other liabilities decreased by $1.8 billion or 8%, primarily due to reclassification of certain payables to deposits noted above, partially offset by a payable outstanding relating to the redemption of preferred share liabilities on October 31, 2010 noted below.

Subordinated indebtedness decreased by $0.4 billion or 7% as the issuance of debentures was more than offset with the redemption of debentures during the year. See the "Capital resources" section for more details.

The preferred share liabilities were redeemed on October 31, 2010. See Note 17 to the consolidated financial statements for more details.

### Shareholders' equity

Shareholders' equity as at October 31, 2010 was up by $1.5 billion or 11%, mainly due to a net increase in retained earnings and the issuance of common shares pursuant to the stock option, shareholder investment, and employee share purchase plans.

## Capital Resources

Our capital strength protects our depositors and creditors from risks inherent in our businesses, allows us to absorb unexpected losses, and enables us to take advantage of attractive business opportunities. It also enables us to maintain a favourable credit standing and to raise additional capital or other funding on attractive terms. Our objective is to maintain a strong and efficient capital base. We manage and monitor our capital to maximize risk-adjusted return to shareholders and to meet regulatory requirements.

### Basel II Capital Accord and recent revisions to regulatory capital requirements

On November 1, 2007, we adopted the Basel II capital management framework, which enhances the risk sensitivity of minimum regulatory capital requirements.

In July 2009, the Basel Committee on Banking Supervision (BCBS) issued a series of guidelines to enhance the Basel II capital management framework. The guidelines include revisions to the Basel II market risk framework, enhancements to the Basel II credit risk framework, and the introduction of capital requirements for incremental risk in the trading book. These guidelines strengthen the rules governing trading book capital as well as increase the capital requirements for securitization and re-securitization activities. In addition, the amendment prescribes expanded supervisory review of internal risk management activities surrounding securitization and re-securitization activities, as well as increased disclosure for such activities. We are working on a series of enhancements to our market Value-at-Risk (VaR) models in order to meet the new regulatory requirements and ensure a comprehensive assessment of risk, which will increase our VaR measure and regulatory capital requirements. These enhancements are required to be implemented by the first quarter of fiscal 2012.

In December 2009, the BCBS issued a consultative document which proposed increases to the quality, quantity, and consistency of capital, with the goal of strengthening the resilience of the banking sector. In July 2010, amendments to the original proposals were released, followed in September 2010 by details on phase-in arrangements and minimum requirements. While the proposed new capital rules are expected to be finalized by the BCBS by the end of 2010, the BCBS may continue to refine certain aspects of reforms after 2010. We have analyzed the impact that the guidelines could have on our capital position, and are confident that we will be able to meet the new requirements.

### Regulatory capital and ratios

Our minimum regulatory capital requirements are determined in accordance with guidelines issued by OSFI. The OSFI guidelines evolved from the framework of risk-based capital standards developed by the Bank for International Settlements (BIS). The BIS framework allows some domestic regulatory discretion in determining capital. Capital ratios of banks in different countries are, therefore, not strictly comparable unless adjusted for discretionary differences.

Current BIS standards require that banks maintain minimum Tier 1 and Total capital ratios of 4% and 8%, respectively. OSFI has established that Canadian deposit-taking financial institutions maintain Tier 1 and Total capital ratios of at least 7% and 10%, respectively.

Total regulatory capital consists of Tier 1 and Tier 2 capital. The components of our regulatory capital are shown in the table below.

Capital adequacy requirements are applied on a consolidated basis. The consolidation basis applied to CIBC's financial statements is described in Note 1 to the consolidated financial statements. All subsidiaries, except certain investments and holdings which are not subject to risk assessment under Basel II and are instead deducted from regulatory capital, are included for regulatory capital calculation purposes. A deduction approach applies to investments in insurance subsidiaries, substantial investments, and applicable securitization-related activities. Our Canadian insurance subsidiary, CIBC Life Insurance Company Limited, is subject to OSFI's Minimum Continuing Capital Surplus Requirements for life insurance companies.

As a result of our holdings of subordinated enhancement notes issued by Cards II Trust, commencing the fourth quarter of 2009, we are required to hold regulatory capital for the underlying securitized credit card receivables as if they had remained on our balance sheet. We apply the same capital treatment to the securitized credit card receivables relating to Broadway Trust; these assets resulted from our acquisition of the MasterCard portfolio on September 1, 2010, which included the acquisition of all subordinated enhancement notes issued by Broadway Trust (see "Significant events" section for additional details). In aggregate, applying this treatment to Cards II Trust and Broadway Trust resulted in a reduction of our Tier 1 and Total capital ratios by approximately 0.34% and 0.42%, respectively.

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Tier 1 capital | | |
| Common shares | **$ 6,804** | $ 6,241 |
| Contributed surplus | **96** | 92 |
| Retained earnings | **6,095** | 5,156 |
| Net after-tax fair value losses arising from changes in institution's own credit risk | **1** | 4 |
| Foreign currency translation adjustments | **(575)** | (495) |
| Net after-tax unrealized holding losses on AFS equity securities | **–** | (14) |
| Non-cumulative preferred shares(1) | **3,156** | 3,756 |
| Innovative instruments | **1,599** | 1,599 |
| Certain non-controlling interests in subsidiaries | **168** | 174 |
| Goodwill | **(1,913)** | (1,997) |
| Gains on sale of applicable securitized assets | **(58)** | (59) |
| 50/50 deductions from each of Tier 1 and Tier 2(2) | **(522)** | (303) |
| | **14,851** | 14,154 |
| Tier 2 capital | | |
| Perpetual subordinated indebtedness | **270** | 286 |
| Other subordinated indebtedness (net of amortization) | **4,404** | 4,736 |
| Net after-tax unrealized holding gains on AFS equity securities | **4** | – |
| Eligible general allowance (standardized approach) | **126** | 119 |
| 50/50 deductions from each of Tier 1 and Tier 2(2) | **(522)** | (303) |
| Investment in insurance activities(3) | **(167)** | (165) |
| | **4,115** | 4,673 |
| **Total capital available for regulatory purposes** | **$ 18,966** | $ 18,827 |
| Regulatory capital ratios | | |
| Tier 1 capital | **13.9%** | 12.1% |
| Total capital | **17.8%** | 16.1% |
| Assets-to-capital multiple | **17.0x** | 16.3x |

(1) Non-cumulative preferred share liabilities included in Tier 1 capital were redeemed as at October 31, 2010 (2009: $600 million).
(2) Items which are deducted 50% from each of Tier 1 capital and Tier 2 capital include allowance shortfall calculated under AIRB approach, securitization exposures (other than gain on sale of applicable securitized assets), and substantial investments in unconsolidated entities.
(3) Investment in insurance activities continues to be deducted 100% from Tier 2 capital in accordance with OSFI's transition rules.

The Tier 1 ratio was up 1.8% and the Total capital ratio was up 1.7% from October 31, 2009. The capital ratios benefited from lower RWAs and an increase in both Tier 1 and Total regulatory capital.

The $10.6 billion decrease in RWAs was largely attributable to a decrease in structured credit exposure to financial guarantors, the effect of a strengthening Canadian dollar on foreign currency denominated assets, updates to advanced internal ratings based (AIRB) model parameters, and a reduction in our future tax asset, partially offset by the acquisition of the MasterCard portfolio.

Tier 1 and Total regulatory capital increased mainly due to internal capital generation and the issuance of common shares, offset in part by the redemption of preferred shares noted below. The Total regulatory capital as at October 31, 2010 also reflected the issuance and redemption of subordinated debt noted below.

## Capital management

Our capital management policies, established by the Board, relate to capital strength, capital mix, dividends and return of capital, and the unconsolidated capital adequacy of regulated entities. Each year a capital plan and three-year outlook are established, which encompass all the associated elements of capital: forecasts of sources and uses, maturities, redemptions, new issuances, corporate initiatives and business growth. The capital plan is stress-tested in various ways to ensure that it is sufficiently robust under all reasonable scenarios. We maintain a process which determines plausible but stressed economic scenarios, and then apply these stresses to the vast majority of our exposures to determine the impact on the consolidated statement of operations, RWA requirements, and consequently, key capital ratios. This helps us analyze the potential risks within our portfolios and establish prudent capital levels in excess of the regulatory minimum requirements. All of the elements of capital are monitored throughout the year and the capital plan is adjusted as appropriate.

The following were the main capital initiatives undertaken in 2010:

### Subordinated debt

On April 30, 2010, we issued $1,100 million principal amount of 4.11% Debentures (subordinated indebtedness) due April 30, 2020. The Debentures qualify as Tier 2 regulatory capital.

On September 9, 2010, we redeemed all $1,300 million of our 3.75% Debentures (subordinated indebtedness) due September 9, 2015. The Debentures were redeemed at 100% of the principal amount, plus accrued interest thereon.

Subsequent to the year-end, on November 2, 2010, we issued $1,500 million principal amount of 3.15% Debentures (subordinated indebtedness) due November 2, 2020. The Debentures qualify as Tier 2 capital.

## Preferred shares

On October 31, 2010, we redeemed the following non-cumulative Class A Preferred Shares:

- 8 million of Series 19 with a par value of $25 each for a redemption price of $25.45 each; and
- 16 million of Series 23 with a par value of $25 each for a redemption price of $25.00 each.

## Common shares

During the year, we issued 1.9 million (2009: 1.0 million) new common shares for a total consideration of $88 million (2009: $41 million), pursuant to stock option plans.

Under CIBC's Shareholder Investment Plan (Plan), shareholders may elect to reinvest dividends received on common or preferred shares into additional common shares, and purchase additional common shares through optional cash contributions. Under the Plan, we may elect to have shares issued from Treasury or purchased in the open market. If the shares are issued from Treasury, we may offer a discount on reinvested dividends. In 2010, we issued shares from Treasury at a 3% discount from the average market price (as defined in the Plan) for reinvested dividends. During 2010, we issued 6.0 million (2009: 2.2 million) new common shares for a total consideration of $419 million (2009: $137 million), pursuant to the Plan.

Effective February 2010, employee contributions to CIBC's Canadian Employee Share Purchase Plan (ESPP) have been used to purchase common shares issued from Treasury. For additional details about the ESPP, see Note 21 to the consolidated financial statements. During 2010, we issued 0.8 million new common shares for a total consideration of $56 million, pursuant to the ESPP.

## Dividends

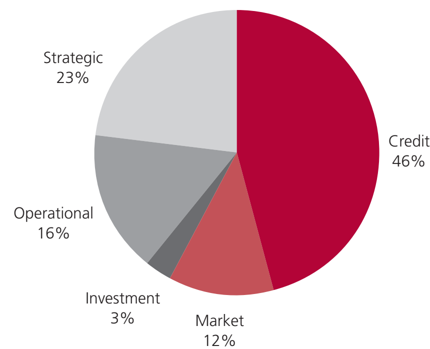
During the year, we paid quarterly dividends of 87 cents per common share. Common and preferred share dividends are declared quarterly at the discretion of the Board. The declaration and payment of dividends is governed by Section 79 of the Bank Act (Canada), the terms of the preferred shares, and the terms of the Notes issued by CIBC Capital Trust, as explained in Notes 17 and 18 to the consolidated financial statements.

## Economic capital

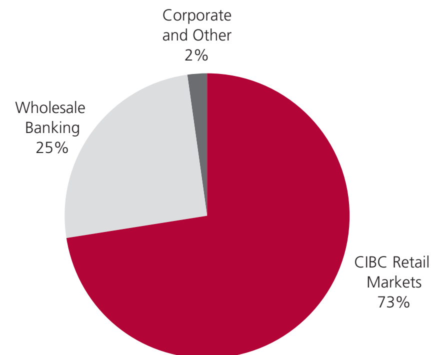
Economic capital provides the financial framework to evaluate the returns of each business line, commensurate with the risk taken. It comprises the capital required to protect against unexpected losses, in periods of near catastrophic "worst case" loss scenarios, while remaining an independent going concern. Economic capital is therefore an estimate of the amount of equity capital required by the businesses to absorb losses consistent with our targeted risk rating over a one-year horizon. The economic capital methodologies that we employ quantify the level of inherent risk within our products, clients and business lines, as required. This enables us to measure and compare risk-adjusted returns across products and business lines, and contributes to the analysis of where to direct the allocation of balance sheet resources.

Our economic capital methodology comprises a number of key risk types including credit, strategic, operational, investment, and market.

### Total economic capital by risk type




### Total economic capital by segment



## Risk-weighted assets

Under the Basel II AIRB approach, credit RWAs are calculated according to the mathematical formula utilizing probability of default (PD), loss given default (LGD), and exposure at default (EAD), and in some cases, maturity adjustments.

Under the Basel II standardized approach, credit RWAs are calculated by applying the weighting factors specified in the OSFI guidelines to on- and off-balance sheet exposures. RWAs for market risk in the trading portfolio are statistically estimated based on models approved by OSFI. RWAs for operational risk related to losses from inadequate or failed processes, people, and systems are estimated under a model-based approach approved by OSFI.

| | Risk-weighted amounts | |
|---|---|---|
| $ millions, as at October 31 | **2010** | 2009 |
| **Credit risk** | | |
| Standardized approach | | |
| Corporate | **$ 4,729** | $ 5,554 |
| Sovereign | **178** | 202 |
| Banks | **394** | 405 |
| Real estate secured personal lending | **1,653** | 1,716 |
| Other retail | **2,288** | 875 |
| | **9,242** | 8,752 |
| AIRB approach | | |
| Corporate | **31,236** | 34,388 |
| Sovereign | **1,595** | 1,670 |
| Banks | **3,902** | 3,552 |
| Real estate secured personal lending | **4,213** | 4,894 |
| Qualifying revolving retail | **14,281** | 14,801 |
| Other retail | **5,302** | 5,650 |
| Equity[1] | **695** | 896 |
| Trading book | **3,516** | 7,588 |
| Securitizations | **1,761** | 2,522 |
| Adjustment for scaling factor | **3,990** | 4,558 |
| | **70,491** | 80,519 |
| Other credit risk-weighted assets | **7,049** | 7,919 |
| Total credit risk | **86,782** | 97,190 |
| **Market risk (Internal Models Approach)** | **1,625** | 1,321 |
| **Operational risk (Advanced Measurement Approach)** | **18,256** | 18,787 |
| Total risk-weighted assets | **$ 106,663** | $ 117,298 |

(1) 100% risk-weighted.

## Outstanding share data

| | Shares outstanding | | Conversion for common shares | |
|---|---|---|---|---|
| As at November 26, 2010 | No. of shares | $ millions | CIBC's conversion date | Shareholders' conversion date |
| **Common shares**[1] | 392,953,553 | $ 6,817 | | |
| **Class A Preferred Shares** | | | | |
| Classified as equity | | | | |
| Series 18 | 12,000,000 | $ 300 | not convertible | not convertible |
| Series 26 | 10,000,000 | 250 | April 30, 2008 | not convertible |
| Series 27 | 12,000,000 | 300 | October 31, 2008 | not convertible |
| Series 28 | 2,000 | –[2] | not convertible | not convertible |
| Series 29 | 13,232,342 | 331 | May 1, 2010 | not convertible |
| Series 30 | 16,000,000 | 400 | not convertible | not convertible |
| Series 31 | 18,000,000 | 450 | not convertible | not convertible |
| Series 32 | 12,000,000 | 300 | not convertible | not convertible |
| Series 33 | 12,000,000 | 300 | not convertible | not convertible |
| Series 35 | 13,000,000 | 325 | not convertible | not convertible |
| Series 37 | 8,000,000 | 200 | not convertible | not convertible |
| Total | | $ 3,156 | | |
| **Stock options outstanding** | 5,484,153 | | | |

(1) Net of treasury shares.
(2) Due to rounding.

As noted in the table above, Class A Preferred Shares Series 26, 27, and 29 provide CIBC with the right to convert the shares to common shares on or after a specified conversion date. Each such share is convertible into a number of common shares, determined by dividing the then applicable cash redemption price by 95% of the average common share price (as defined in the relevant short form prospectus or prospectus supplement), subject to a minimum price of $2.00 per share.

Non-cumulative Rate Reset Class A Preferred Shares, Series 33 (Series 33 shares) may be converted on a one-for-one basis into non-cumulative Floating Rate Class A Preferred Shares Series 34 (Series 34 shares) at the holder's option on July 31, 2014. Thereafter, Series 33 shares and Series 34 shares are convertible, one to the other, at every fifth anniversary of July 31, 2014.

Non-cumulative Rate Reset Class A Preferred Shares Series 35 (Series 35 shares) may be converted on a one-for-one basis into non-cumulative Floating Rate Class A Preferred Shares Series 36 (Series 36 shares) at the holder's option on April 30, 2014. Thereafter, Series 35 shares and Series 36 shares are convertible, one to the other, at every fifth anniversary of April 30, 2014.

Non-cumulative Rate Reset Class A Preferred Shares Series 37 (Series 37 shares) may be converted on a one-for-one basis into non-cumulative Floating Rate Class A Preferred Shares Series 38 (Series 38 shares) at the holder's option on July 31, 2014. Thereafter, Series 37 shares and Series 38 shares are convertible, one to the other, at every fifth anniversary of July 31, 2014.

## Off-balance Sheet Arrangements

Off-balance sheet arrangements include securitizations, derivatives, credit-related arrangements, and guarantees. These off-balance sheet arrangements are either not recorded on the consolidated balance sheet or are recorded in amounts that differ from the full contract or notional amounts. They could have a current or future effect on our financial condition as they involve, among other risks, varying elements of market, credit, and liquidity risk, as discussed in the "Management of risk" section. Off-balance sheet arrangements are generally undertaken both as a revenue-generating business activity and for risk management, capital management, and/or funding management purposes.

### Securitizations

Off-balance sheet arrangements may involve the use of VIEs. VIEs may be formed as corporations, partnerships, limited liability companies or trusts. They are an important part of the financial markets, providing market liquidity by facilitating investors' access to specific portfolios of assets and risks.

VIEs are often used for securitizing our own assets or third-party assets. In a securitization, an entity transfers assets to a VIE in exchange for cash. The VIE will fund these purchases by issuing ownership interests and debt securities to third-party investors.

VIEs are also used to create investment products by aggregating pools of assets and issuing ABCP or longer-term multi-tiered debt instruments which may include super senior, senior, mezzanine, and equity tranches. Often these VIEs are referred to by reference to the types of assets that are aggregated within the VIE, such as RMBS which aggregate residential mortgage loans, or CLOs which aggregate corporate loans. In addition, VIEs can also aggregate debt securities issued by other VIEs, such as RMBS, in which case they are referred to as CDOs. In more complex structures, VIEs aggregate securities issued by other CDOs and then issue a further tranche of debt securities.

VIEs are generally structured to be bankruptcy remote, thereby insulating investors from creditors of other entities, including the asset seller. Investors can benefit from and may have recourse to, the VIE assets, including a cash collateral account and over-collateralization in the form of excess assets, a liquidity facility or a guarantee or other forms of credit enhancements. Accordingly, the debt securities issued by the VIE may obtain a more favourable credit rating from rating agencies than the transferor could obtain for its own debt issuance, resulting in lower financing costs.

We engage one or more of the four major rating agencies, Moody's Investors Service (Moody's), DBRS, Standard & Poor's (S&P) and Fitch Ratings Limited (Fitch), to opine on the credit ratings of ABS issued by our sponsored securitization vehicles. In the event that ratings differ between rating agencies, we use the more conservative rating.

### Securitization of our own assets

Securitization of our own assets provides us with an additional source of liquidity. It may also reduce our risk exposure and provide regulatory capital relief. Securitizations are accounted for as asset sales only when we surrender control of the transferred assets and receive consideration other than beneficial interests in the transferred assets. Accounting standards require a determination to be made as to whether the VIE that purchases these assets should be consolidated into our financial statements. We record the transaction as a sale of assets when the aforementioned criteria are met and when we are not required to consolidate the VIE. When such asset sales occur, we may retain residual components of the securitized assets, such as interest-only strips, one or more senior or subordinated tranches of debt, and cash reserve accounts, all of which are considered retained interests in the securitized assets. We continue to service all securitized assets after transfer.

The following table provides details on our securitized assets. Further details on our securitization transactions are provided in Note 6 to the consolidated financial statements.

| $ millions, as at or for the year ended October 31 | | Residential mortgages | Credit cards | Commercial mortgages |
|---|---|---|---|---|
| **2010** | **Outstanding securitized assets** | **$ 49,435** | **$ 3,797** | **$ 437** |
| | **Retained interests in securitized assets** | **1,105** | **467** | **–** |
| | **Liquidity facilities**[1] | **772** | **–** | **–** |
| | **Securitization revenue**[2] | **277** | **354** | **–** |
| 2009 | Outstanding securitized assets | $ 49,038 | $ 2,239 | $ 549 |
| | Retained interests in securitized assets | 1,178 | 279 | – |
| | Liquidity facilities[1] | 443 | – | – |
| | Securitization revenue[2] | 210 | 308 | – |

(1) Net of investments in our securitization vehicles.
(2) Includes net gain on sale of securitized assets of $259 million (2009: $144 million).

#### *Residential mortgage loans*

We securitize insured fixed- and variable-rate residential mortgages through the creation of MBS under the Canada Mortgage Bond (CMB) program, sponsored by Canada Mortgage and Housing Corporation (CMHC), and the Government of Canada National Housing Act MBS Auction process. Under both programs, the MBS are sold to a trust that issues securities to investors. During the year, we sold approximately $12.1 billion (2009: $20.3 billion) of MBS under these programs. We maintain the client account relationships and continue to service the securitized loans. We also enter into swap arrangements with CMHC to receive interest cash flows from the securitized MBS assets in return for paying interest on the bond issued by CMHC. In addition to interest on the MBS assets, the swap arrangement entitles us to any interest earned on CMHC's principal reinvestment account resulting from principal repaid on those MBS assets.

We also securitize Canadian insured prime mortgages and uninsured Near-Prime/Alt-A mortgages to a qualifying special purpose entity (QSPE), which we are not required to consolidate. During the year, we sold $0.4 billion (2009: $0.5 billion) of these mortgages into the QSPE. We have retained interest in those mortgages through the retention of an excess spread and cash reserve accounts that are subordinate to the funding obligations to investors of the ABS. We are also counterparty to interest rate swap agreements and provide a liquidity facility to the QSPE.

*Credit card receivables*

Prior to September 1, 2010, credit card receivables were securitized through our Cards II Trust, which was established to purchase a proportionate share of designated portfolios, with the proceeds of securities issued by the trust. Effective September 1, 2010, we also securitize credit card receivables associated with explicitly identified individual accounts through Broadway Trust as a result of the MasterCard portfolio acquisition (see Note 3 to the consolidated financial statements for additional details). We are one of several underwriters that distribute securities issued by the trusts. We continue to maintain the credit card client account relationships and provide servicing for receivables sold to the trusts. Our credit card securitizations are revolving securitizations, with new credit card receivables sold to the trusts each period to replenish receivable amounts as clients repay their balances. The trusts meet the criteria for a QSPE pursuant to the Canadian Institute of Chartered Accountants (CICA) Accounting Guideline (AcG) 12, "Transfers of Receivables", and, accordingly, we do not consolidate either of the trusts.

We retain some risk of loss with respect to the receivables held by the trusts to the extent of our retained interest. Our interests in the excess spread from the trusts are subordinate to the trusts' obligation to the holders of their ABS. The excess spread represents our participation in the residual income after all the interests and administrative expenses have been paid. As a result, excess spread absorbs losses with respect to credit card receivables before payments to the note-holders are affected. Subordinated notes, which we may retain, also absorb losses before payments to senior note-holders are affected.

*Commercial mortgage loans*

We securitize certain commercial mortgages through a pass-through QSPE structure that results in ownership certificates held by various investors. As at October 31, 2010, we held ownership certificates of $5 million (2009: $26 million). We continue to service the mortgages.

## Securitization of third-party assets

*CIBC sponsored conduits*

We sponsor several multi- and single-seller conduits in Canada that purchase pools of financial assets from our clients, and finance the purchases by issuing commercial paper to investors. These conduits provide our clients with access to liquidity in the debt capital markets by allowing them to sell assets to the conduits. The sellers to the conduits may continue to service the assets and may be exposed to credit losses realized on these assets, typically through the provision of over-collateralization or another form of credit enhancement. The conduits may obtain credit enhancements from third-party providers.

We generally provide the conduits with commercial paper backstop liquidity facilities, securities distribution, accounting, cash management, and operations services. The liquidity facilities for our sponsored ABCP programs in Macro Trust, Safe Trust, Smart Trust, and Sound Trust require us to provide funding, subject to the satisfaction of certain limited conditions with respect to the conduits, to fund non-defaulted assets.

We are required to maintain certain short- and/or long-term debt ratings with respect to the liquidity facilities provided to our own sponsored ABCP programs. If we are downgraded below the specified level, and we fail to make alternative arrangements that meet the requirements of the rating agencies that rate the ABCP issued by the conduits, we could be required to provide funding into an escrow account in respect of our liquidity commitments.

We may also act as the counterparty to derivative contracts entered into by a conduit in order to convert the yield of the underlying assets to match the needs of the conduit's investors or to mitigate the interest rate risk within the conduit. All fees earned in respect of these activities are on a market basis.

Revenue from the above activities amounted to approximately $12 million (2009: approximately $11 million).

*CIBC structured CDO vehicles*

As discussed in the "Run-off businesses and other selected activities" section, we curtailed our business activity in structuring CDO vehicles. We have a focused team with the mandate to manage and reduce the residual exposures from legacy activities. These exposures mainly arose through our previous involvement in acting as structuring and placement agent for CDOs. We lent to, or invested in, the debt or equity tranches of these vehicles, and acted as a counterparty to derivative contracts. In some transactions structured on behalf of clients, we first purchased the assets at their request with the original intention to sell them into CDOs.

*Third-party structured vehicles – run-off*

Similar to our structured CDO activities, we also curtailed our business activities in third-party structured vehicles. Our activities were mainly intermediation, correlation and flow trading which earned us a spread on matching positions. These activities are now being managed by the focused team discussed above. The table below excludes our investments (fair value – 2010: $188 million; 2009: $69 million) in, and written credit derivatives (2010: notional $0.9 billion, negative fair value $0.7 billion; 2009: notional $1.9 billion, negative fair value $1.7 billion) on, the notes of consolidated CDOs.

*Third-party structured vehicles – continuing*

We have investments in third-party structured vehicles through our treasury and trading activities.

Our exposures to non-consolidated entities involved in the securitization of third-party assets (both CIBC sponsored/structured and third-party structured) are summarized in the table below. Investments and loans are stated at carrying value. Undrawn liquidity and credit facilities and written credit derivatives are stated at notional amounts.

| $ millions, as at October 31 | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **Investment and loans**[1] | **Undrawn liquidity and credit facilities** | **Written credit derivatives (notional)**[2] | Investment and loans[1] | Undrawn liquidity and credit facilities | Written credit derivatives (notional)[2] |
| CIBC sponsored conduits | **$ 182** | **$ 2,182**[3] | **$ –** | $ 556 | $ 3,108[3] | $ – |
| CIBC structured CDO vehicles | **448** | **50** | **389** | 737 | 66 | 652 |
| Third-party structured vehicles – run-off | **7,696** | **585** | **5,128** | 6,676 | 650 | 11,110 |
| Third-party structured vehicles – continuing | **1,778** | **–** | **–** | 1,695 | – | – |

(1) Excludes securities issued by, retained interest in, and derivatives with, entities established by CMHC, Fannie Mae, Freddie Mac, Ginnie Mae, Federal Home Loan Bank, Federal Farm Credit Bank, and Sallie Mae. Exposure related to CIBC structured CDO and third-party structured vehicles hedged by credit derivatives amounted to $6.4 billion (2009: $6.1 billion).
(2) Comprises credit derivatives written options and total return swaps under which we assume exposures. The negative fair value recorded on the consolidated balance sheet was $1.1 billion (2009: $4.1 billion). Notional amounts of $4.7 billion (2009: $10.7 billion) were hedged with credit derivatives protection from third parties, the fair value of these hedges net of CVA was $0.5 billion (2009: $0.6 billion). Accumulated fair value losses amount to $0.5 billion (2009: $0.5 billion) on unhedged written credit derivatives.
(3) Net of $182 million (2009: $556 million) of investments and loans in CIBC sponsored conduits.

## Other financial transactions

We are the sponsor of several mutual and pooled funds, in the form of trusts. We are the administrator of these funds. In addition, we may act in other capacities, including custodian, trustee, and broker. We earn fees at market rates from these trusts. We do not guarantee either principal or returns to investors in these funds, except in very limited circumstances. We act as a trustee of a number of personal trusts and have a fiduciary responsibility to act in the best interests of the beneficiaries of the trusts. We earn a fee for acting as a trustee. We also participate in transactions to modify the cash flows of trusts managed by third-party asset managers to create investments with specific risk profiles, or to assist clients in the efficient management of other risks. Typically, these involve the use of derivative products, which transfer the risks and returns to or from a trust.

## Derivatives

We participate in derivatives transactions, as a market maker facilitating the needs of our clients or as a principal to manage the risks associated with our funding, investing and trading strategies. Since 2008, we have ceased activities in the following areas:

- Credit derivative contracts with clients to enable them to create synthetic exposures to meet their needs.
- Intermediation trades that assume credit risks of clients through credit derivatives, and in turn offset these risks by entering into credit derivative contracts with third-party financial institutions.

All derivatives are recorded at fair value on our consolidated balance sheet. See Notes 2 and 14 to the consolidated financial statements for details on derivative contracts and the risks associated with them.

## Credit-related arrangements

We enter into various commitments to meet the financing needs of clients, which are summarized in the table below. For a detailed description of these arrangements, see Note 25 to the consolidated financial statements.

| | Contract amounts expiration per period | | | | | |
|---|---|---|---|---|---|---|
| $ millions, as at October 31 | Less than 1 year | 1 – 3 years | 3 – 5 years | Over 5 years | **2010 Total** | 2009 Total |
| Securities lending[1][2] | $ 57,325 | $ – | $ – | $ – | **$ 57,325** | $ 43,907 |
| Unutilized credit commitments[3] | 23,998 | 17,610 | 2,401 | 521 | **44,530** | 39,747 |
| Backstop liquidity facilities | 4,403 | – | – | – | **4,403** | 4,869 |
| Standby and performance letters of credit | 4,656 | 767 | 146 | 152 | **5,721** | 5,123 |
| ALM credit derivatives written options | – | – | – | – | **–** | 27 |
| Documentary and commercial letters of credit | 290 | – | – | – | **290** | 234 |
| Other | 381 | – | – | – | **381** | 371 |
| | $ 91,053 | $18,377 | $ 2,547 | $ 673 | **$112,650** | $ 94,278 |

(1) Includes the full contract amount of custodial client securities totalling $45.0 billion (2009: $33.3 billion) lent by CIBC Mellon Global Securities Services Company, which is a 50/50 joint venture between CIBC and The Bank of New York Mellon.
(2) Securities lending of $4.3 billion (2009: $5.3 billion) for cash is excluded from the table above as it is reported on the consolidated balance sheet as obligations related to securities lent or sold under repurchase agreements.
(3) Includes irrevocable lines of credit totalling $34.9 billion (2009: $30.7 billion), of which $14.3 billion (2009: $18.7 billion) will expire in one year or less, and excludes personal lines of credit, home equity lines of credit, and credit card lines.

## Guarantees

Guarantees include contracts that contingently require the guarantor to make payments to a guaranteed party based on (a) changes in an underlying economic characteristic that is related to an asset, liability or an equity security of the guaranteed party; (b) failure of another party to perform under an obligating agreement; or (c) failure of a third party to pay its indebtedness when due. For a detailed description of our guarantees, maximum potential future payments, and the liability recorded on the consolidated balance sheet, see Note 25 to the consolidated financial statements.

# Management of Risk

We have provided, in the MD&A, certain disclosures required under the CICA handbook section 3862, "Financial Instruments – Disclosures" related to the nature and extent of risks arising from financial instruments, as permitted by that handbook section. These disclosures are included in the sections "Risk overview", "Credit risk", "Market risk", "Liquidity risk", "Operational risk", "Reputation and legal risk", and "Regulatory risk". These disclosures have been shaded and form an integral part of the consolidated financial statements.

## Risk Overview

Most of CIBC's business activities involve, to a varying degree, a variety of risks, including credit, market, liquidity, and operational risks.

Our objective is to balance the level of risk with our business objectives for growth and profitability, in order to achieve consistent and sustainable performance over the long term, 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 is supported by limits, policies, procedures and other controls.

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.

Our risk management framework includes:

- Risk policies, procedures and limits to align activities with 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; and
- Oversight through our risk-focused committees and governance structures.

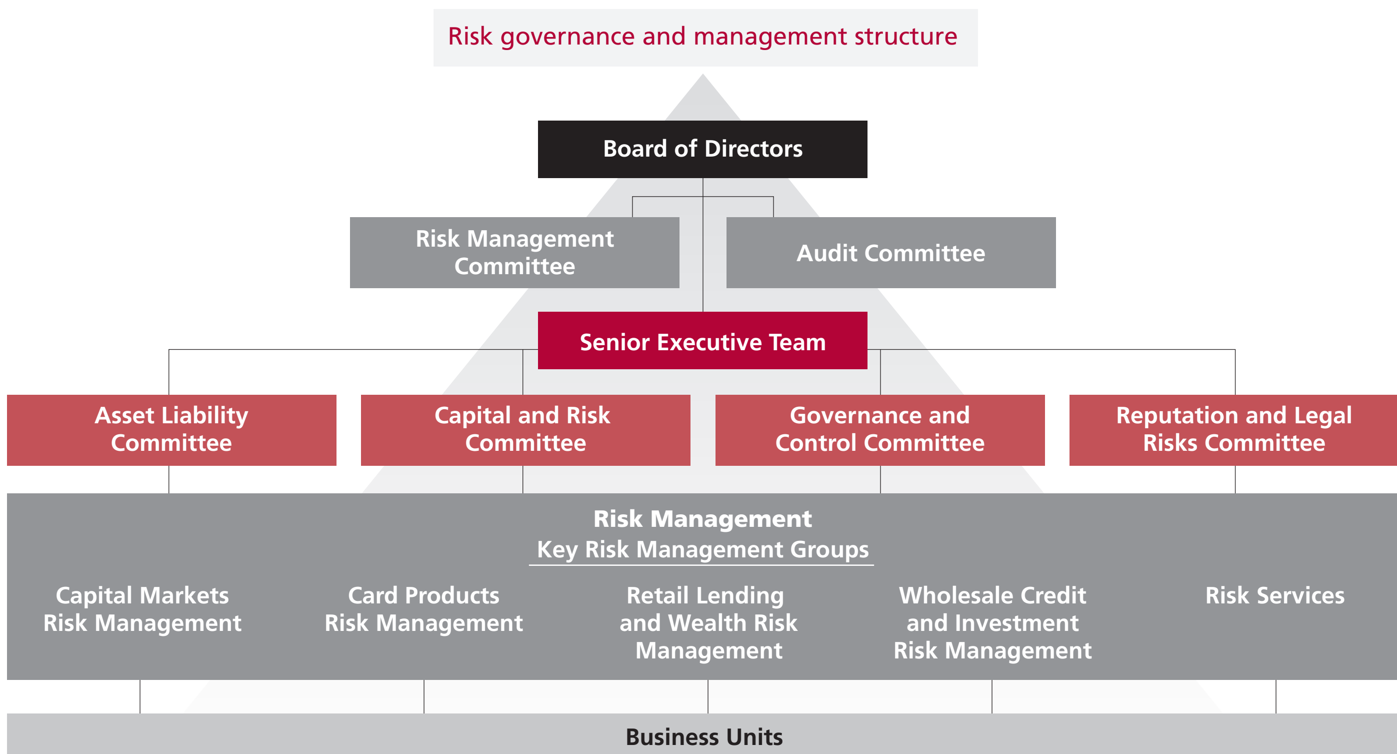
We continuously monitor our risk profile against our defined risk appetite and related limits, taking actions as needed to maintain an appropriate balance of risk and return. Monitoring our risk profile includes forward-looking analysis of sensitivity to local and global market factors, economic conditions, 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 risk strategies across the organization, with oversight provided by the Board of Directors.

### Risk governance

Our risk governance and management structure is illustrated below:

Risk governance and management structure



*Board of Directors (the Board):* The Board oversees the enterprise-wide risk management program through approval of our risk appetite and supporting risk management policies and limits. The Board accomplishes its mandate through its Risk Management and Audit committees, described below.

*Risk Management Committee (RMC):* This committee assists the Board in fulfilling its responsibilities for approving CIBC's risk appetite and overseeing CIBC's risk profile and performance against the defined risk appetite. This includes oversight of policies, procedures and limits related to the identification, measurement, monitoring and controlling of CIBC's principal business risks.

*Audit Committee:* The Audit Committee reviews the overall adequacy and the effectiveness of internal controls and the control environment, including controls over the risk management process.

*Senior Executive Team (SET):* The SET, led by the CEO, and including the executives reporting directly to the CEO, is responsible for setting business strategy and for monitoring, evaluating and managing risks across CIBC. The SET is supported by the following committees:

- *Asset Liability Committee (ALCO):* This committee, which is comprised of the SET, senior Business and Risk Management executives, reviews CIBC's key risks and implications for balance sheet and liquidity management.
- *Capital and Risk Committee (CRC):* This committee, which is comprised of the SET, senior leaders from the lines of business, Risk Management and other infrastructure groups, provides a forum for the strategic assessment of risks and risk-mitigation strategies. Key activities include reviewing, evaluating and recommending CIBC's risk-appetite statement and risk strategies; reviewing and evaluating business strategies in the context of our risk-appetite; and identifying, reviewing and advising on current and emerging risk issues and associated mitigation plans.
- *Governance and Control Committee (GCC):* This committee acts as the senior point of management review with respect to the design and effectiveness of CIBC's governance and internal control structure, within the parameters and strategic objectives established by the CEO and direction provided by the Board.
- *Reputation and Legal Risks (RLR) Committee:* This committee reviews transactions for potential material reputation and/or legal impacts and provides oversight of our policies and procedures relative to the management of reputation and legal risks.

## Risk management

The Risk Management group is responsible for setting risk strategy and for providing independent oversight of risk measurement, monitoring and control. Our Risk Management group works in partnership with our businesses to identify, assess, mitigate and monitor the risks associated with business activities and strategies.

The Risk Management group performs several important activities including the following:

- Developing CIBC's risk appetite;
- Setting risk strategy to manage risks in alignment with our risk appetite and business strategy;
- Establishing and communicating policies, procedures and limits to control risks in alignment with risk strategy;
- Measuring, monitoring and reporting on risk levels;
- Identifying and assessing emerging and potential strategic risks; and
- Deciding on transactions that fall outside of risk limits delegated to underlying business lines.

The five key groups within Risk Management, independent of the originating businesses, contribute to our management of risk:

- *Capital Markets Risk Management* – This unit provides independent oversight of the measurement, monitoring and control of market risks (both trading and non-trading), trading credit risk and trading operational risk across CIBC's portfolios.
- *Card Products Risk Management* – This unit oversees the management of credit risk in the card products portfolio, including the optimization of lending profitability.
- *Retail Lending and Wealth Risk Management* – This unit primarily oversees the management of credit and fraud risk in the retail lines of credit and loans, residential mortgage, and small business loan portfolios, including the optimization of lending profitability. This unit is also responsible for overall risk management oversight of wealth management activities.
- *Wholesale Credit and Investment Risk Management* – This unit is responsible for the adjudication and oversight of credit risks associated with our commercial and wholesale lending activities globally, management of the risks of our investment portfolios, as well as management of the special loans portfolios.
- *Risk Services* – This unit is responsible for regulatory and economic capital analysis and reporting, operational risk management, and enterprise-wide risk and stress analysis and reporting. Risk Services is also responsible for policies associated with credit and operational risks, including reputation and legal risks.

Liquidity and funding risks are managed by Treasury. The measurement, monitoring and control of liquidity and funding risk is addressed in collaboration with Risk Management, with oversight provided by the ALCO.

## Risk identification and measurement

Risk identification and measurement are important elements of our risk management framework. Risk identification is a continuous process, generally achieved through:

- Ongoing monitoring of trading and non-trading portfolios;
- Regular assessment of risks associated with lending and trading credit exposures;
- Assessment of risks in new business activities and processes;
- Assessment of risks in restructurings and re-organizations;
- Assessment of risks in complex and unusual business transactions; and
- Regular monitoring of the overall risk profile considering market developments and trends and external and internal events.

We have enterprise-wide methodologies, models and techniques in place to measure both the quantitative and qualitative aspects of risks, appropriate for the various types of risks we face. These methodologies, models and techniques are subject to independent assessment and review to ensure that the underlying logic remains sound, that model risks have been identified and managed, that use of the models continue to be appropriate and outputs are valid.

Risk is usually measured in terms of expected loss, unexpected loss, and economic capital.

### Expected loss

Expected loss represents the loss that is statistically expected to occur in the normal course of business in a given period of time.

In respect of credit risk, the parameters used to measure expected loss are PD, LGD, and EAD. These parameters are updated regularly and are based on our historical experience and benchmarking of credit exposures.

For trading market risks, VaR is the statistical technique used to measure risk. VaR is the estimate of the maximum loss in market value that we would expect to incur in our trading portfolio due to an adverse one-day movement in market rates and prices, within a given level of confidence.

For trading credit risks associated with market value based products, we use models to estimate exposure relative to the value of the portfolio of trades with each counterparty, giving consideration to market rates and prices.

### Unexpected loss and economic capital

Unexpected loss is the statistical estimate of the amount by which actual losses might exceed expected losses over a specified time horizon, computed at a given confidence level. We use economic capital to estimate the level of capital needed to protect us against unexpected losses. Economic capital allows us to assess performance on a risk-adjusted basis. Refer to the "Financial condition" section for additional details.

We also use techniques such as sensitivity analysis and stress testing to help ensure that the risks remain within our risk appetite and that our capital is adequate to cover those risks. Our stress testing program includes evaluation of the potential effects of various economic and market scenarios on our risk profile.

### Risk controls

Our risk management framework includes a comprehensive set of risk controls, designed to ensure that risks are being appropriately identified and managed.

Our risk controls are part of CIBC's overall Control Framework, developed based on the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) widely accepted "Internal Control – Integrated Framework". The Control Framework also draws on elements of the OSFI Supervisory Framework and Corporate Governance Guidelines.

The Board, primarily through the RMC, approves certain risk limits and delegates specific transactional approval authorities to the CEO. The RMC must approve transactions that exceed delegated authorities. Onward delegation of authority by the CEO to business units is controlled to ensure decision-making authorities are restricted to those individuals with the necessary experience levels.

In addition, CIBC has rigorous processes to identify, evaluate and remediate risk control deficiencies in a timely manner.

Regular reporting is provided to the RMC to evidence compliance with risk limits. Risk limits are reviewed annually by the RMC, and the delegation of authority to the CEO is reviewed and approved annually by the Board.

## Credit Risk

Credit risk primarily arises from our direct lending activities, and from our trading, investment, and hedging activities. Credit risk is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms.

To control credit risk in alignment with CIBC's risk appetite, CIBC has implemented policies and standards as well as limits to control credit concentrations. Key policies and limits are subject to annual review and approval by the RMC.

Senior management reports to the RMC at least quarterly on material credit risk matters, including material credit transactions, compliance with limits, portfolio trends, impaired loans and credit loss provisioning levels. Impaired loan balances, allowances, and credit losses are reviewed by the RMC and the Audit Committee quarterly.

The Risk Management group provides enterprise-wide adjudication and oversight of the management of credit risk in our credit portfolios. Adjudication and portfolio management decisions are based on our risk appetite, as reflected in our policies, standards and limits. Credit approval authorities are controlled to ensure decisions are made by qualified and experienced personnel.

### Process and control

The credit approval process is centrally controlled, with all significant credit requests submitted to a credit adjudication group within Risk Management that is independent of the originating businesses. Approval authorities are a function of the risk and amount of credit requested. In certain cases, credit requests must be referred to the Credit Committee, a sub-committee of the CRC, or to the RMC for approval.

After initial approval, individual credit exposures continue to be monitored, with a formal risk assessment, including review of assigned ratings, documented at least annually. Higher risk-rated accounts are subject to closer monitoring and are reviewed at least quarterly. Collections and specialized loan workout groups handle the day-to-day management of assigned high risk loans to maximize recoveries.

### Credit concentration limits

Credit concentration limits are established for business and government loans to control against adverse concentrations within portfolios. These include limits for individual borrowers, groups of related borrowers, industry sectors, country and geographic regions, and products or portfolios. Direct loan sales, credit derivative hedges, or structured transactions may also be used to reduce concentrations.

## Credit risk mitigation

We may mitigate credit risk by obtaining a pledge of collateral in support of loans. Our credit risk management policies include requirements relating to collateral including requirements to verify the collateral and its value and to ensure we have legal certainty with respect to the assets pledged. Valuations are updated periodically depending on the nature of the collateral. The main types of collateral include: (i) cash or marketable securities for securities lending and repurchase transactions; (ii) charges over operating assets such as inventory, receivables and real estate properties for lending to small business and commercial borrowers; and (iii) mortgages over residential properties for retail lending. We have policies in place to monitor the existence of undesirable concentrations in the collateral supporting our mortgage exposure.

We also obtain third-party guarantees and insurance to reduce the risk in our lending portfolios, the most material of which relate to our residential mortgage portfolio that is insured by CMHC or other investment grade counterparties.

We use credit derivatives to reduce industry sector concentrations and single-name exposures, or as part of portfolio diversification techniques.

We limit the credit risk of over-the-counter (OTC) derivatives through the use of multi-product derivative master netting agreements and collateral.

## Exposure to credit risk

The following table presents the exposure to credit risk, which is measured as EAD for on- and off-balance sheet financial instruments. EAD represents the estimate of the amount which will be drawn at the time of default.

Total exposure increased by $13.6 billion in 2010, primarily due to increases in our corporate portfolio, as well as our real estate secured personal lending portfolio. Overall repo-style transaction exposure is down from October 31, 2009, though exposure levels can fluctuate significantly, due to the very short-term nature of the activity. The increase in other off-balance sheet exposure is largely due to increases in indemnities related to our securities lending exposure.

As a result of our holdings of subordinated enhancement notes issued by Cards II Trust, commencing in the fourth quarter of 2009, we are required to hold regulatory capital for the underlying securitized credit card receivables as if they had remained on our balance sheet. We apply the same capital treatment to the securitized credit card receivables relating to Broadway Trust; these assets resulted from our acquisition of the MasterCard portfolio (see the "Significant events" section for additional details) on September 1, 2010.

| $ millions, as at October 31 | | | 2010 | | | 2009 |
|---|---|---|---|---|---|---|
| | **AIRB approach** | **Standardized approach** | **Total** | AIRB approach | Standardized approach | Total |
| **Business and government portfolios** | | | | | | |
| Corporate | | | | | | |
| Drawn | **$ 31,522** | **$ 4,495** | **$ 36,017** | $ 32,035 | $ 5,286 | $ 37,321 |
| Undrawn commitments | **21,853** | **167** | **22,020** | 17,341 | 211 | 17,552 |
| Repo-style transactions | **28,614** | **–** | **28,614** | 22,207 | – | 22,207 |
| Other off-balance sheet | **4,765** | **188** | **4,953** | 3,755 | 216 | 3,971 |
| OTC derivatives | **5,316** | **29** | **5,345** | 7,594 | 47 | 7,641 |
| | **92,070** | **4,879** | **96,949** | 82,932 | 5,760 | 88,692 |
| Sovereign | | | | | | |
| Drawn | **45,055** | **2,518** | **47,573** | 55,398 | 2,078 | 57,476 |
| Undrawn commitments | **4,513** | **–** | **4,513** | 4,216 | – | 4,216 |
| Repo-style transactions | **1,056** | **–** | **1,056** | 1,815 | – | 1,815 |
| Other off-balance sheet | **184** | **–** | **184** | 150 | – | 150 |
| OTC derivatives | **1,778** | **–** | **1,778** | 1,314 | – | 1,314 |
| | **52,586** | **2,518** | **55,104** | 62,893 | 2,078 | 64,971 |
| Banks | | | | | | |
| Drawn | **15,613** | **1,723** | **17,336** | 15,016 | 1,483 | 16,499 |
| Undrawn commitments | **890** | **–** | **890** | 811 | – | 811 |
| Repo-style transactions | **51,395** | **219** | **51,614** | 59,783 | 148 | 59,931 |
| Other off-balance sheet | **42,082** | **–** | **42,082** | 30,936 | – | 30,936 |
| OTC derivatives | **7,486** | **5** | **7,491** | 6,349 | 13 | 6,362 |
| | **117,466** | **1,947** | **119,413** | 112,895 | 1,644 | 114,539 |
| **Total business and government portfolios** | **262,122** | **9,344** | **271,466** | 258,720 | 9,482 | 268,202 |
| Less: repo collateral | **(76,273)** | **–** | **(76,273)** | (77,291) | – | (77,291) |
| **Total business and government portfolios (net)** | **185,849** | **9,344** | **195,193** | 181,429 | 9,482 | 190,911 |
| **Retail portfolios** | | | | | | |
| Real estate secured personal lending | | | | | | |
| Drawn | **108,818** | **2,216** | **111,034** | 100,939 | 2,307 | 103,246 |
| Undrawn commitments | **25,983** | **–** | **25,983** | 24,728 | – | 24,728 |
| | **134,801** | **2,216** | **137,017** | 125,667 | 2,307 | 127,974 |
| Qualifying revolving retail | | | | | | |
| Drawn | **20,743** | **–** | **20,743** | 20,940 | – | 20,940 |
| Undrawn commitments | **40,095** | **–** | **40,095** | 40,351 | – | 40,351 |
| Other off-balance sheet | **381** | **–** | **381** | 370 | – | 370 |
| | **61,219** | **–** | **61,219** | 61,661 | – | 61,661 |
| Other retail | | | | | | |
| Drawn | **8,001** | **2,991** | **10,992** | 8,149 | 1,106 | 9,255 |
| Undrawn commitments | **2,110** | **20** | **2,130** | 2,244 | 21 | 2,265 |
| Other off-balance sheet | **18** | **–** | **18** | 42 | – | 42 |
| | **10,129** | **3,011** | **13,140** | 10,435 | 1,127 | 11,562 |
| **Total retail portfolios** | **206,149** | **5,227** | **211,376** | 197,763 | 3,434 | 201,197 |
| **Securitization exposures** | **17,592**[1] | **–** | **17,592** | 17,446[1] | – | 17,446 |
| **Gross credit exposure** | **$ 485,863** | **$ 14,571** | **$ 500,434** | $ 473,929 | $ 12,916 | $ 486,845 |

(1) Under the internal ratings based (IRB) approach.

The portfolios are categorized based upon how we manage the business and the associated risks. Amounts provided are after CVA related to financial guarantors, and before allowance for credit losses and risk mitigation. Non-trading equity exposures are not included in the table above as they have been deemed immaterial under the OSFI guidelines, and hence, are subject to 100% risk-weighting.

## Exposures subject to advanced internal rating based (AIRB) approach

### Business and government portfolios (excluding scored small business) – risk-rating method

This section describes the portfolio rating categories. The portfolio is comprised of exposures to corporate, sovereign, and bank obligors. These exposures are individually assessed and assigned an obligor rating that reflects our estimate of the financial strength of the borrower, and a facility rating that reflects the security applicable to the exposure.

The obligor rating takes into consideration our financial assessment of the obligor, the industry, and the economic environment of the region in which the obligor operates. Where a guarantee from a third party exists, both the obligor and the guarantor will be assessed. While our obligor rating is arrived at independently of external ratings for the obligor, our risk-rating methodology includes a review of those external ratings.

A mapping between our internal ratings and the ratings used by external ratings agencies is shown in the table below.

| Grade | CIBC rating | S&P equivalent | Moody's equivalent |
|---|---|---|---|
| Investment grade | **00 – 47** | AAA to BBB- | Aaa to Baa3 |
| Non-investment grade | **51 – 67** | BB+ to B- | Ba1 to B3 |
| Watchlist | **70 – 80** | CCC+ to CC | Caa1 to Ca |
| Default | **90** | D | C |

We use quantitative modelling techniques to assist in the development of internal risk-rating systems. The risk-rating systems have been developed through analysis of internal and external credit risk data. The risk ratings are used for portfolio management, risk limit setting, product pricing, and in the determination of economic capital.

We assess risk exposure using the following three dimensions. Parameter estimates for each of these dimensions are long-term averages with adjustments for the impact of any potential change in the credit cycle.

- PD – the probability that the obligor will default within the next 12 months.
- EAD – the estimate of the amount which will be drawn at the time of default.
- LGD – the expected severity of loss as the result of the default, expressed as a percentage of the EAD.

The effectiveness of the risk rating systems and the parameters associated with the risk ratings are monitored within Risk Management and are subject to an annual review. The models used in the estimation of the risk parameters are also subject to independent validation by the Risk Management validation group, which is independent of both the origination business and the model development process.

A simplified risk-rating process (slotting approach) is used for uninsured Canadian commercial mortgages, which comprise non-residential mortgages and multi-family residential mortgages. These exposures are individually rated on our rating scale using a risk-rating methodology that considers the property's key attributes, which include its loan-to-value and debt service ratios, the quality of the property, and the financial strength of the owner/sponsor. All exposures are secured by a lien over the property. Additionally, we have insured multi-family residential mortgages, which are not treated under the slotting approach, but are instead treated as sovereign exposures in the table below.

### *Credit quality of the risk-rated portfolios*

The following table provides the credit quality of the risk-rated portfolios. Amounts provided are before allowance for credit losses, and after credit risk mitigation, CVA related to financial guarantors, and collateral on repurchase agreement activities.

$ millions, as at October 31

| | | EAD | | | |
|---|---|---|---|---|---|
| | Grade | Corporate | Sovereign | Banks | Total |
| **2010** | **Investment grade** | **$ 33,217** | **$ 51,036** | **$ 67,501** | **$ 151,754** |
| | **Non-investment grade** | **22,761** | **517** | **2,347** | **25,625** |
| | **Watchlist** | **603** | **1** | **3** | **607** |
| | **Default** | **1,061** | **1** | **–** | **1,062** |
| | | **$ 57,642** | **$ 51,555** | **$ 69,851** | **$ 179,048** |
| | **Strong** | | | | **$ 6,612** |
| | **Good** | | | | **111** |
| | **Satisfactory** | | | | **57** |
| | **Weak** | | | | **13** |
| | **Default** | | | | **8** |
| | **Total slotted exposure** | | | | **$ 6,801** |
| | **Total business and government portfolios** | | | | **$ 185,849** |
| 2009 | Investment grade | $ 31,516 | $ 60,966 | $ 55,554 | $ 148,036 |
| | Non-investment grade | 21,777 | 362 | 2,112 | 24,251 |
| | Watchlist | 1,865 | 3 | 4 | 1,872 |
| | Default | 1,041 | 2 | – | 1,043 |
| | | $ 56,199 | $ 61,333 | $ 57,670 | $ 175,202 |
| | Strong | | | | $ 5,999 |
| | Good | | | | 159 |
| | Satisfactory | | | | 52 |
| | Weak | | | | 9 |
| | Default | | | | 8 |
| | Total slotted exposure | | | | $ 6,227 |
| | Total business and government portfolios | | | | $ 181,429 |

The decrease in watchlist exposures was largely attributable to reductions in our structured credit portfolio. Default exposures were up marginally from October 31, 2009, with the majority of the exposure in the European leveraged finance run-off portfolio, as well as the U.S. real estate finance portfolio.

## Retail portfolios

Retail portfolios are characterized by a large number of relatively small exposures. They comprise: real estate secured personal lending (residential mortgages and personal loans and lines secured by residential property); qualifying revolving retail exposures (credit cards and unsecured lines of credit); and other retail exposures (loans secured by non-residential assets, unsecured loans including student loans, and scored small business loans). These portfolios are managed as pools of homogenous risk exposures, using external credit bureau scores and/or other behavioural assessment to group exposures according to similar credit risk profiles. These pools are assessed through statistical techniques, such as credit scoring and computer-based models. Characteristics used to group individual exposures vary by asset category; as a result, the number of pools, their size, and the statistical techniques applied to their management differ accordingly.

The following table maps the PD bands to various risk levels:

| Risk level | PD bands |
|---|---|
| Exceptionally low | 0.01% – 0.20% |
| Very low | 0.21% – 0.50% |
| Low | 0.51% – 2.00% |
| Medium | 2.01% – 10.00% |
| High | 10.01% – 99.99% |
| Default | 100.00% |

### *Credit quality of the retail portfolios*

The following table presents the credit quality of the retail portfolios. Amounts provided are before allowance for credit losses and after credit risk mitigation. Retail portfolios include $3.5 billion (2009: $3.7 billion) of small business scored exposures.

$ millions, as at October 31

| | | EAD | | | |
|---|---|---|---|---|---|
| | Risk level | Real estate secured personal lending | Qualifying revolving retail | Other retail | Total |
| **2010** | **Exceptionally low** | **$ 115,235** | **$ 32,252** | **$ 825** | **$ 148,312** |
| | **Very low** | **10,991** | **9,230** | **2,244** | **22,465** |
| | **Low** | **7,705** | **12,556** | **4,885** | **25,146** |
| | **Medium** | **593** | **5,484** | **2,045** | **8,122** |
| | **High** | **112** | **1,523** | **61** | **1,696** |
| | **Default** | **165** | **174** | **69** | **408** |
| | | **$ 134,801** | **$ 61,219** | **$ 10,129** | **$ 206,149** |
| 2009 | Exceptionally low | $ 98,402 | $ 31,569 | $ 2,423 | $ 132,394 |
| | Very low | 12,058 | 9,650 | 2,399 | 24,107 |
| | Low | 14,438 | 13,080 | 4,197 | 31,715 |
| | Medium | 205 | 5,556 | 1,289 | 7,050 |
| | High | 402 | 1,622 | 44 | 2,068 |
| | Default | 162 | 184 | 83 | 429 |
| | | $ 125,667 | $ 61,661 | $ 10,435 | $ 197,763 |

Retail portfolios include $59.5 billion (2009: $59.1 billion) of insured residential mortgages, and government guaranteed student loans and small business loans.

## Exposures subject to the standardized approach

Exposures within FirstCaribbean, obligations of certain exposures of individuals for non-business purposes, and certain exposures in the CIBC Mellon joint ventures have been deemed immaterial, and are subject to the standardized approach. In addition, credit card receivables, which resulted from our acquisition of the MasterCard portfolio on September 1, 2010 (see the "Significant events" section for additional details) are subject to the standardized approach. A detailed breakdown of our standardized exposures before allowance for credit losses by risk-weight category is provided below.

$ millions, as at October 31

| | Risk-weight category | | | | | **2010** | 2009 |
|---|---|---|---|---|---|---|---|
| | 0% | 20% | 50% | 75% | 100% | **Total** | Total |
| Corporate | $ – | $ – | $ 40 | $ – | $ 4,839 | **$ 4,879** | $ 5,760 |
| Sovereign | 2,241 | 81 | 69 | – | 127 | **2,518** | 2,077 |
| Bank | – | 1,808 | 125 | – | 14 | **1,947** | 1,645 |
| Real estate secured personal lending | – | – | – | 2,215 | 1 | **2,216** | 2,307 |
| Other retail | – | – | – | 2,801 | 210 | **3,011** | 1,127 |
| | $ 2,241 | $ 1,889 | $ 234 | $ 5,016 | $ 5,191 | **$ 14,571** | $ 12,916 |

## Securitization exposures

The following table provides details on our securitization exposures by credit ratings under the IRB approach. Accumulated gain of $58 million (2009: $59 million) is not included in the table below as it is deducted from Tier 1 capital.

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| | EAD(1) | |
| S&P rating equivalent | | |
| AAA to BBB- | **$ 16,255** | $ 16,367 |
| BB+ to BB- | **9** | 116 |
| Below BB- | **484** | 120 |
| Unrated | **308** | 565 |
| | **$ 17,056** | $ 17,168 |

(1) EAD under IRB approach is net of financial collateral of $478 million (2009: $219 million).

## Counterparty credit exposures

We have counterparty credit exposure that arises from our interest rate, foreign exchange, equity, commodity, and credit derivatives trading, hedging, and portfolio management activities, as explained in Note 14 to the consolidated financial statements. The PD of our counterparties is measured in the same manner as our direct lending activity.

We are exposed to wrong-way risk when the exposure to a particular counterparty is adversely correlated with the credit quality of that counterparty. When we are exposed to wrong-way risk with a derivative counterparty, our procedures subject those transactions to a more rigorous approval process. The exposure may be hedged with other derivatives to further mitigate the risk that can arise from these transactions.

We establish a CVA for expected future credit losses from each of our derivative counterparties. The expected future credit loss is a function of our estimates of the PD, the expected loss/exposure in the event of default, and other factors such as risk mitigants.

## Rating profile of derivative MTM receivables

| $ billions, as at October 31 | 2010 | | 2009 | |
|---|---|---|---|---|
| | Exposure[1] | | | |
| S&P rating equivalent | | | | |
| AAA to BBB- | $ 6.45 | 86.7% | $ 6.12 | 75.5% |
| BB+ to B- | 0.82 | 11.0 | 1.42 | 17.5 |
| CCC+ to CCC- | 0.01 | 0.1 | 0.42 | 5.1 |
| Below CCC- | 0.02 | 0.3 | 0.08 | 1.0 |
| Unrated | 0.14 | 1.9 | 0.07 | 0.9 |
| | $ 7.44 | 100.0% | $ 8.11 | 100.0% |

(1) MTM value of the derivative contracts is after CVA and derivative master netting agreements, and before any collateral.

## Concentration of exposures

Concentration of credit risk exists when a number of obligors are engaged in similar activities, or operate in the same geographical areas or industry sectors, and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political, or other conditions.

## Geographic distribution

The following table provides a geographic distribution of our business and government exposures under the AIRB approach. The classification of geography is based upon the country of ultimate risk. Amounts are before allowance for credit losses and risk mitigation, and after CVA related to financial guarantors and $76.3 billion (2009: $77.3 billion) of collateral held for our repurchase agreement activities.

| $ millions, as at October 31 | | | | | 2010 | 2009 |
|---|---|---|---|---|---|---|
| | Canada | U.S. | Europe | Other | Total | Total |
| Drawn | $ 72,141 | $ 10,967 | $ 6,012 | $ 3,070 | $ 92,190 | $ 102,449 |
| Undrawn commitments | 22,652 | 2,749 | 458 | 1,397 | 27,256 | 22,368 |
| Repo-style transactions | 1,763 | 2,347 | 466 | 216 | 4,792 | 6,514 |
| Other off-balance sheet | 35,956 | 4,737 | 5,730 | 608 | 47,031 | 34,841 |
| OTC derivatives | 6,350 | 3,058 | 4,635 | 537 | 14,580 | 15,257 |
| | $ 138,862 | $ 23,858 | $ 17,301 | $ 5,828 | $ 185,849 | $ 181,429 |

For retail portfolios, substantially all of the exposures under the AIRB approach are based in Canada.

## Business and government exposures by industry groups

The following table provides an industry-wide breakdown of our business and government exposures under the AIRB approach. Amounts are before allowance for credit losses and risk mitigation, and after CVA related to financial guarantors and $76.3 billion (2009: $77.3 billion) of collateral held for our repurchase agreement activities.

| $ millions, as at October 31 | | | | | | 2010 | 2009 |
|---|---|---|---|---|---|---|---|
| | Drawn | Undrawn commitment | Repo-style transactions | Other off-balance sheet | OTC derivatives | Total | Total |
| Commercial mortgages | $ 6,638 | $ 163 | $ – | $ – | $ – | $ 6,801 | $ 6,228 |
| Financial institutions | 24,210 | 2,927 | 4,711 | 43,741 | 11,453[1] | 87,042 | 71,314[1] |
| Retail | 2,390 | 1,917 | – | 263 | 42 | 4,612 | 3,903 |
| Business services | 3,506 | 1,274 | 29 | 331 | 100 | 5,240 | 5,065 |
| Manufacturing – capital goods | 1,056 | 1,066 | – | 101 | 42 | 2,265 | 2,062 |
| Manufacturing – consumer goods | 1,288 | 820 | – | 45 | 35 | 2,188 | 1,960 |
| Real estate and construction | 5,717 | 2,690 | – | 618 | 71 | 9,096 | 8,183 |
| Agriculture | 2,968 | 999 | – | 31 | 23 | 4,021 | 3,486 |
| Oil and gas | 2,791 | 4,742 | – | 352 | 419 | 8,304 | 8,128 |
| Mining | 264 | 1,955 | – | 284 | 63 | 2,566 | 1,795 |
| Forest products | 353 | 344 | 9 | 102 | 42 | 850 | 761 |
| Hardware and software | 496 | 349 | 1 | 31 | 4 | 881 | 888 |
| Telecommunications and cable | 418 | 982 | – | 185 | 172 | 1,757 | 1,711 |
| Broadcasting, publishing, and printing | 424 | 487 | – | 73 | 12 | 996 | 990 |
| Transportation | 1,114 | 723 | – | 422 | 44 | 2,303 | 2,390 |
| Utilities | 875 | 1,901 | – | 332 | 404 | 3,512 | 3,185 |
| Education, health, and social services | 1,211 | 874 | 17 | 66 | 80 | 2,248 | 2,135 |
| Governments | 36,471 | 3,043 | 25 | 54 | 1,574 | 41,167 | 57,245 |
| | $ 92,190 | $ 27,256 | $ 4,792 | $ 47,031 | $ 14,580 | $ 185,849 | $ 181,429 |

(1) Includes $1.2 billion (2009: $2.8 billion) of EAD with financial guarantors hedging our derivative contracts. The fair value of these derivative contracts net of CVA was $732 million (2009: $1.5 billion).

As at October 31, 2010, the notional amount of credit protection purchased against our business and government loans was $1.2 billion (2009: $2.5 billion). The decrease during the year was due to unwinding of a number of hedge positions. The largest sector concentrations hedged through these programs were oil and gas of $767 million (2009: $1.2 billion) and financial intermediaries of $332 million (2009: $776 million). All counterparties from whom we have purchased credit protection for the loan portfolio are financial institutions with investment grade ratings from major rating agencies.

## Total loans and acceptances

As at October 31, 2010, total loans and acceptances after allowance for credit losses were $184.6 billion (2009: $175.6 billion). Consumer loans (comprising residential mortgages, credit cards and personal loans, including student loans) constitute 75% (2009: 74%) of the portfolio, and business and government loans (including acceptances) constitute the remaining.

Consumer loans increased $8.3 billion or 6% from the prior year, resulting mainly from volume growth in residential mortgages and the acquisition of the MasterCard portfolio (which closed in September 2010). Residential mortgages increased by $7.4 billion or 9% and constitute 67% (2009: 66%) of the total consumer loan portfolio and exhibit very low levels of credit risk. The acquisition of the MasterCard portfolio accounted for $0.8 billion of the increase in credit cards.

Business and government loans (including acceptances) were up slightly by $0.7 billion or 1% from the prior year.

## Impaired loans, allowance and provision for credit losses

| $ millions, as at or for the year ended October 31 | **Business and government loans** | **Consumer loans** | **2010 Total** | Business and government loans | Consumer loans | 2009 Total |
|---|---|---|---|---|---|---|
| Gross impaired loans | | | | | | |
| Balance at beginning of year | **$ 1,184** | **$ 727** | **$ 1,911** | $ 399 | $ 584 | $ 983 |
| New additions | **626** | **1,636** | **2,262** | 1,142 | 1,646 | 2,788 |
| Returned to performing status, repaid or sold | **(404)** | **(515)** | **(919)** | (201) | (436) | (637) |
| Gross impaired loans prior to write-offs | **1,406** | **1,848** | **3,254** | 1,340 | 1,794 | 3,134 |
| Write-offs | **(326)** | **(1,092)** | **(1,418)** | (156) | (1,067) | (1,223) |
| Balance at end of year | **$ 1,080** | **$ 756** | **$ 1,836** | $ 1,184 | $ 727 | $ 1,911 |
| Specific allowance(1) | | | | | | |
| Balance at beginning of year | **$ 442** | **$ 293** | **$ 735** | $ 200 | $ 243 | $ 443 |
| Write-offs | **(326)** | **(1,092)** | **(1,418)** | (156) | (1,067) | (1,223) |
| Provisions | **258** | **943** | **1,201** | 392 | 1,020 | 1,412 |
| Recoveries | **12** | **111** | **123** | 28 | 93 | 121 |
| Others | **(9)** | **(1)** | **(10)** | (22) | 4 | (18) |
| Balance at end of year | **$ 377** | **$ 254** | **$ 631** | $ 442 | $ 293 | $ 735 |
| Net impaired loans | | | | | | |
| Balance at beginning of year | **$ 742** | **$ 434** | **$ 1,176** | $ 199 | $ 341 | $ 540 |
| Net change in gross impaired | **(104)** | **29** | **(75)** | 785 | 143 | 928 |
| Net change in allowance | **65** | **39** | **104** | (242) | (50) | (292) |
| Balance at end of year | **$ 703** | **$ 502** | **$ 1,205** | $ 742 | $ 434 | $ 1,176 |
| Gross impaired loans less specific allowance as a percentage of related assets(2) | | | **0.54%** | | | 0.56% |

(1) Excludes allowance on letters of credit (2010: nil; 2009: $1 million).
(2) The related assets include loans, securities borrowed or purchased under resale agreements, and acceptances.

## Impaired loans

During the year, $2.3 billion of loans were newly classified as impaired, down $0.5 billion from 2009. The decrease was driven by a decrease of $516 million in business and government loans and $10 million in consumer loans.

Reductions in gross impaired loans (GIL) through remediation, repayment or sale were $919 million, up $282 million from 2009. The increase comprised $79 million in consumer loans and $203 million in business and government loans. For the year, write-offs totalled $1.4 billion, up $195 million from the prior year. Consumer loan write-offs increased by $25 million, while business and government loan write-offs increased by $170 million.

Canadian consumer GIL trended higher beginning in 2007 due to both historical growth of the portfolio and economic deterioration but showed some signs of improvement in 2010. The majority of impaired residential mortgages in 2010 were in the Canadian insured portfolio where losses are expected to be minimal. The decrease in the business and government portfolio in 2010 was attributable to an improvement in credit quality of the Canadian and U.S. portfolios and increased write-offs, partially offset by deterioration in FirstCaribbean.

Additional details on the geographic distribution and industry classification of impaired loans are provided in the "Supplementary annual financial information" section.

## Allowance for credit losses

The total allowance for credit losses consists of specific and general allowance components carried on the consolidated balance sheet.

The allowance for credit losses is the means by which we reduce the book value of our loan portfolio to the value of future cash flows that we expect to receive from those loans, discounted at the effective interest rate of the loan. Our loss estimate on impaired loans, and therefore, the level of specific allowance for such loans is a function of the security and collateral held against each of the impaired loans in the portfolio. The nature of the security and collateral varies by loan, and may include cash, guarantees, real property, inventory, accounts receivable, or other assets. Larger loans are assessed individually, while smaller retail loans may be assessed on a pooled basis, using historical loss data. The general allowance provides for credit losses that are expected to have already occurred in the current portfolio, but that have not yet been specifically identified or provided for through the specific allowance.

For a discussion on the methodologies used in establishing our allowance for credit losses, see the "Critical accounting policies and estimates" section. A breakdown of the allowance by geographic region and industry classification is provided in the "Supplementary annual financial information" section.

The total allowance for credit losses was $1,784 million, down $259 million or 13% from 2009.

Specific allowance for credit losses, excluding the allowance for letters of credit, was $631 million, down $104 million or 14% from 2009. The decrease was in both consumer and business and government loans. The specific allowance for consumer loans decreased by $39 million or 13%, mainly due to improvements in personal lending. The specific allowance for business and government loans decreased by $65 million or 15%, related to financial institutions, and the publishing, printing and broadcasting sector. The specific allowance was down in 2010 as a result of the improving economic conditions.

Consumer GIL increased to $756 million from $727 million a year ago. The increase was mainly attributable to residential mortgages driven by volume growth, partially offset by an improvement in personal lending. Despite the increase in residential mortgages, no material increases in allowance and losses are expected in this portfolio due to protection provided by mortgage insurance. Personal lending GIL decreased from a year ago, consistent with the downward movement in specific allowances for this portfolio, as a result of economic improvements in Canada.

The specific allowance for business and government loans decreased to $377 million from $442 million a year ago as the Canadian economy continued to recover and the U.S. economy began to improve. Business and government GIL decreased from $1,184 million to $1,080 million. The decrease was primarily in the U.S. and Canada. Business and government GIL decreased $211 million in the U.S. where specific allowances decreased $45 million (or approximately 21% of the decrease in GIL). In Canada, GIL decreased $41 million while the specific allowance decreased $14 million (or approximately 34% of the decrease in GIL). The decrease in GIL in Canada and the U.S. was partially offset by an increase of $148 million in the other regions, while allowances in the other regions decreased by $6 million. The increase in GIL in the other regions was attributable to our FirstCaribbean subsidiary, partially offset by a decrease in GIL in Europe. The allowance coverage in FirstCaribbean is generally lower than other regions, reflecting lower expected losses from the portfolio, given the higher level of security in place in the region.

Additional information on specific allowance for credit losses as a percentage of GIL is provided in the "Supplementary annual financial information" section.

The general allowance was $1,153 million, down $154 million from 2009. The decrease in consumer loans was $59 million or 7%, mainly driven by an improvement in the credit quality of our Visa card portfolio, partially offset by the general allowance established for the recently acquired MasterCard portfolio.

The decrease in business and government loans was $77 million or 20%, driven by a decrease in the Canadian portfolio of $37 million resulting mainly from a refinement in how we calculate our general allowance for small business, other countries (mainly Europe and the Caribbean) portfolio of $31 million, and the U.S. portfolio of $9 million. Additional information on the general allowance as a percentage of total net loans is provided in the "Supplementary annual financial information" section.

The general allowance related to undrawn credit facilities was down $18 million, primarily attributed to an improvement in the credit risk profile due to improving economic conditions.

Management believes the total allowance for credit losses as at October 31, 2010 was appropriate in light of the composition of the credit portfolio. Future additions to, or reductions of, the allowance will be influenced by the continuing evaluation of risks in the loan portfolio as well as changing economic conditions.

## Settlement risk

Settlement risk is the risk that one party fails to deliver at the time of settlement on the terms of a contract between two parties. This risk can arise in general trading activities and from payment and settlement system participation.

Many global settlement systems offer significant risk reduction benefits through complex risk mitigation frameworks. We participate in several North American payment and settlement systems, including a global foreign exchange multilateral netting system. We also use financial intermediaries to access some payment and settlement systems.

Transactions settled outside of payment and settlement systems require approval of credit facilities for counterparties, either as pre-approved settlement risk limits or payment-versus-payment arrangements. Bilateral payment netting agreements may be put in place to mitigate risk by reducing the aggregate settlement amount between counterparties.

## Market Risk

Market risk arises from positions in currencies, securities and derivatives held in our trading portfolios, and from our retail banking business, investment portfolios and other non-trading activities. Market risk is defined as the potential for financial loss from adverse changes in underlying market factors, including interest and foreign exchange rates, credit spreads, and equity and commodity prices.

Market risk is managed through an integrated internal control framework. Each business has a dedicated market risk manager, supplemented by regional risk managers located in all of our major trading centres, facilitating comprehensive risk coverage.

We have comprehensive policies for market risk management related to identification and measurement of the various types of market risk, the eligibility of certain of those risks for inclusion in the trading and non-trading books, and to the establishment of limits within which we manage our overall exposures.

Our policies also outline requirements for valuation model construction, and align with accounting policies with respect to MTM and model valuation methodologies, the independent checking of the valuation of positions, and the establishment of valuation adjustments.

In June 2010, the BCBS announced the delay of the implementation of revisions to the Basel II market risk framework until December 2011. We are working on a series of enhancements to our VaR models in order to meet the new regulatory requirements and ensure more complete risk capture, which will increase our VaR measure. We expect implementation of these enhancements to begin in fiscal 2011 with the inclusion of additional risk factors (which will lead to higher VaR results in the first quarter of 2011), and be completed within the revised timeline for revisions to the Basel II market risk framework in the first quarter of 2012.

### Process and control

Market risk exposures are monitored daily against approved risk limits, and control processes are in place to monitor that only authorized activities are undertaken. We generate daily risk and limit-monitoring reports, based on the previous day's positions. Summary market risk and limit compliance reports are produced and reviewed weekly with the SET, and quarterly with the RMC.

We have risk tolerance levels, expressed in terms of both statistically based VaR measures and potential worst-case stress losses. We use a three-tiered approach to set market risk and stress limits on the amounts of risk that we can assume in our trading and non-trading activities, as follows:

- Tier 1 limits are our overall market risk and worst-case scenario limits;
- Tier 2 limits are designed to control the risk profile in each business; and
- Tier 3 limits are at the desk level and designed to monitor risk concentration and the impact of book-specific stress events.

Tier 1 limits are established by the CEO, consistent with the risk tolerance policies approved by the RMC; Tier 2 and Tier 3 limits are approved at levels of management commensurate with the risk taken.

### Trading activities

We hold positions in traded financial instruments to meet client investment and risk management needs, and for proprietary trading purposes. 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.

### Risk measurement

We use the following measures for market risk:

- VaR, which enables the meaningful comparison of the risks in different businesses and asset classes;
- Stress testing and scenario analyses, which provide insight into portfolio behaviour under extreme circumstances; and
- Backtesting, which validates the effectiveness of risk quantification through analysis of actual and theoretical profit and loss outcomes.

The VaR measures disclosed in the table and backtesting chart on the next pages exclude exposures in our run-off businesses as described on pages 50 to 56 of the MD&A. These positions are being managed down independent of our trading businesses and our processes include frequent comprehensive measurement and reporting of the main risks to both management and the RMC.

#### *Value-at-Risk*

Our VaR methodology is a statistical technique that measures the potential overnight loss within a 99% confidence level. VaR uses numerous risk factors as inputs and is computed through the use of historical volatility of each risk factor and the associated historical correlations among them, evaluated over a one-year period.

Total market risk VaR is determined by the combined modelling of VaR for each of interest rate, credit spread, equity, foreign exchange, commodity, and debt specific risks, along with the reduction due to the portfolio effect arising from the interrelationship of the different risks.

Actual market loss experience may differ from that implied by the VaR measure for a variety of reasons. Fluctuations in market rates and prices may differ from those in the past that are used to compute the VaR measure. Additionally, the VaR measure does not account for any losses that may occur beyond the 99% confidence level.

To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests against defined limits to ensure CIBC would withstand an extreme market event.

#### *Stress testing and scenario analysis*

Stress testing and scenario analyses are designed to add insight to possible outcomes of abnormal market conditions, and to highlight possible risk concentrations.

Our stress testing measures the effect on portfolio values of a wide range of extreme moves in market prices. The methodology assumes that no actions are taken during the stress event to mitigate risk, reflecting the decreased liquidity that frequently accompanies market shocks.

Our scenario analysis approach simulates the impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical market data during periods of market disruption, or are based on the hypothetical occurrence of economic events, political events and natural disasters suggested and designed by economists, business leaders and risk managers.

Among the historical scenarios used were the 1987 equity market crash, the 1994 period of U.S. Federal Reserve tightening, the 1998 Russian-led crisis, the market events following September 11, 2001, and the 2008 market crisis. The hypothetical scenarios used include potential market crises originating in North America and Asia.

Our core stress testing and scenario analyses are run daily, and further ad hoc analysis is carried out as required. Scenarios are reviewed and amended as necessary to ensure they remain relevant. Limits are placed on the maximum acceptable loss to the aggregate portfolio under any worst-case scenario and on the impact of stress testing at the detailed portfolio level and by asset class.

*Backtesting*

For each of our trading portfolios, and in aggregate, the backtesting process measures that actual profit and loss outcomes are consistent with the statistical assumptions of the VaR model. This process also includes the calculation of a hypothetical or static profit and loss. This represents the theoretical change in value of the prior day's closing portfolio due to each day's price movements, on the assumption that the contents of the portfolio remained unchanged.

The table below shows the mix of market risks by type of risk and in aggregate. The risks are interrelated and the diversification effect reflects the reduction of risk due to portfolio effects among the trading positions. Our trading risk exposures to interest rates and credit spreads arise from activities in the global debt and derivative markets, particularly from transactions in the Canadian, U.S. and European markets. The primary instruments are government and corporate debt, interest rate derivatives and other. The bulk of the trading exposure to foreign exchange risk arises from transactions involving the U.S. dollar, Euro, British pound and Japanese yen, whereas the primary risks of losses in equities are in the U.S., Canadian and European markets. Trading exposure to commodities arises primarily from transactions involving North American natural gas and oil product indices.

Total average risk for the trading portfolio was down 33% from the previous year, primarily due to proactive managing down of the market risk exposure and general improvement in the capital markets.

## VaR by risk type – trading portfolio[1]

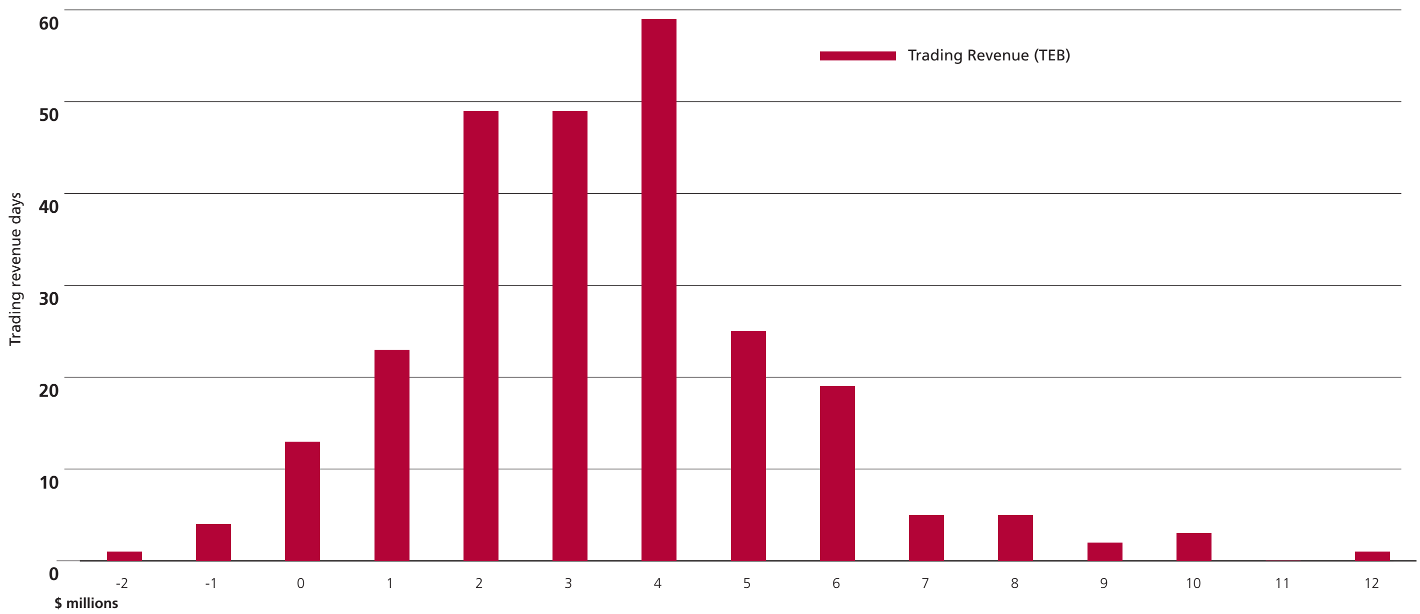
| $ millions, as at or for the year ended October 31 | | | | **2010** | | | | 2009 |
|---|---|---|---|---|---|---|---|---|
| | **Year-end** | **Average** | **High** | **Low** | Year-end | Average | High | Low |
| Interest rate risk | **$ 3.2** | **$ 3.2** | **$ 6.2** | **$ 1.3** | $ 3.3 | $ 4.1 | $ 7.7 | $ 1.7 |
| Credit spread risk | **0.9** | **0.6** | **1.4** | **0.3** | 0.5 | 1.2 | 7.9 | 0.4 |
| Equity risk | **0.8** | **1.1** | **2.5** | **0.6** | 1.2 | 2.8 | 6.1 | 1.0 |
| Foreign exchange risk | **0.7** | **1.0** | **2.7** | **0.3** | 1.1 | 0.9 | 7.3 | 0.1 |
| Commodity risk | **0.3** | **0.5** | **3.1** | **0.2** | 0.5 | 0.7 | 2.7 | 0.3 |
| Debt specific risk | **2.2** | **1.7** | **2.8** | **1.0** | 1.2 | 2.5 | 6.1 | 0.9 |
| Diversification effect[2] | **(4.0)** | **(3.9)** | **n/m** | **n/m** | (3.4) | (5.9) | n/m | n/m |
| Total risk | **$ 4.1** | **$ 4.2** | **$ 6.8** | **$ 2.6** | $ 4.4 | $ 6.3 | $ 14.6 | $ 3.0 |

(1) The table excludes exposures in our run-off businesses, which are described on pages 50 to 56 of the MD&A.
(2) Aggregate VaR is less than the sum of the VaR of the different market risk types due to risk offsets resulting from 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.

## Trading revenue

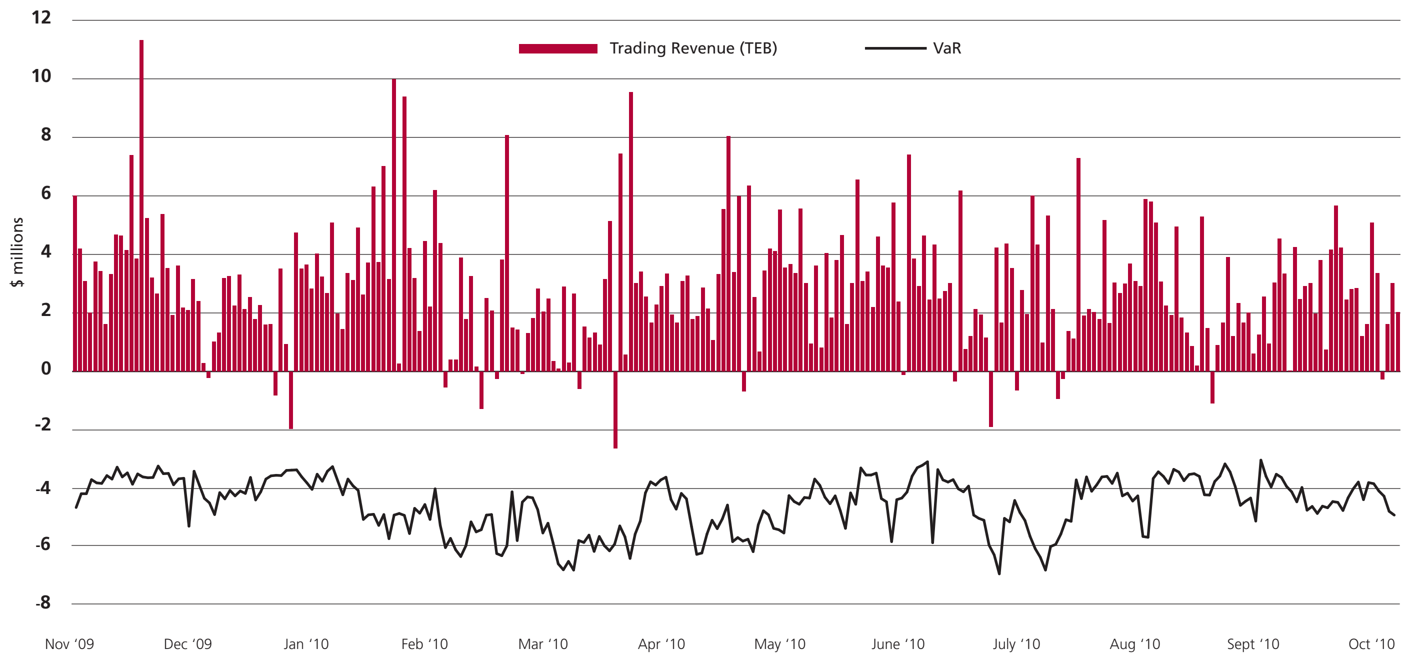
Trading revenue was $821 million (2009: $(294) million; 2008: $(7,239) million) and trading revenue (TEB)[1] was $870 million (2009: $(256) million; 2008: $(7,056) million). The trading revenue and trading revenue (TEB)[1] for 2010 in the daily trading revenue histogram and trading revenue (TEB)[1] and VaR backtesting graph below exclude $134 million from run-off positions related primarily to structured credit, which cannot be meaningfully allocated to specific days. The histogram below presents the frequency distribution of daily trading revenue (TEB)[1] for 2010. Trading revenue (TEB)[1] was positive for 93% of the days (2009: 91%; 2008: 55%). Daily trading losses did not exceed VaR during the year. Average daily trading revenue (TEB)[1] was $2.9 million (2009: $3.3 million; 2008: $0.4 million). The trading revenue (TEB)[1] below and VaR backtesting graph which follows compares the 2010 actual daily trading revenue (TEB)[1] with the previous day's VaR measures.

## Frequency distribution of daily 2010 trading revenue (TEB)(1)(2)




(1) For additional information, see the "Non-GAAP measures" section. Trading revenue comprises both trading net interest income and non-interest income.
(2) The graph excludes revenue from run-off positions related primarily to reductions in fair value of structured credit assets and CVA, which cannot be allocated meaningfully to specific days.

## Backtesting of trading revenue (TEB)(1)(2) vs. VaR




(1) For additional information, see the "Non-GAAP measures" section.
(2) The graph excludes revenue from run-off positions related primarily to reductions in fair value of structured credit assets and CVA, which cannot be allocated meaningfully to specific days.

## Non-exchange traded commodity derivatives

In the normal course of business, we trade non-exchange traded commodity derivative contracts. We control and manage our non-exchange traded commodity derivatives risk through the VaR and stress testing methodologies described above. We use modelling techniques or other valuation methodologies to determine the fair value of these contracts.

The following table provides the fair value, based upon maturity of non-exchange traded commodity contracts:

| $ millions, as at October 31, 2010 | Positive | Negative | Net |
|---|---|---|---|
| Maturity less than 1 year | $ 216 | $ 171 | $ 45 |
| Maturity 1 – 3 years | 178 | 205 | (27) |
| Maturity 4 – 5 years | 29 | 13 | 16 |
| Maturity in excess of 5 years | 62 | 4 | 58 |
| Fair value of contracts | $ 485 | $ 393 | $ 92 |

## Non-trading activities

Market risks also arise from our retail banking business, equity investments and other non-trading activities. We originate many retail products with market risk characteristics. Changes in market conditions, customer behaviour and competitive market pressures can have an impact on the market risk exposure and retail margins earned from these products. Foreign exchange exposures arising from net earnings from, and investments in, foreign operations are also included in non-trading activities.

### Interest rate risk

Non-trading interest rate risk consists primarily of risk inherent in ALM activities and the activities of domestic 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 prepayment exposures of mortgage products, mortgage commitments and some GIC products with early redemption features; this optionality is measured consistent with our actual experience. A variety of cash instruments and derivatives, principally interest rate swaps, futures and options, are used to manage and control these risks.

ALM activities are conducted by Treasury under the supervision of the SET, within the overall risk appetite established by the Board. Compliance with trading and non-trading market risk policy, as well as market risk limits is monitored daily by market risk management.

Our principal interest rate risk measures are VaR, earnings risk, and future risk. Earnings risk is the impact to net income after-tax, over a one-year term of an immediate 1% and 2% increase in market interest rates. Future risk is the impact to common shareholders' equity (on a present value basis) of an immediate 1% and 2% increase in market interest rates.

Our total non-trading interest rate risk exposure, as at October 31, 2010, is included in Note 20 to the consolidated financial statements. On- and off-balance sheet assets and liabilities are generally reported based on the earlier of their contractual repricing or maturity date; however, our disclosure includes the assumed interest rate sensitivity of certain assets and liabilities (including core deposits and credit card balances), reflecting how we manage interest rate risk; the assumed duration of core balances is approximately 1.9 years. The interest rate position reported in Note 20 presents our risk exposure only at a point in time. The exposure can change depending on client preference for products and terms, including mortgage prepayment or other options exercised, and the nature of our management of the various and diverse portfolios that comprise the consolidated interest rate risk position.

The following table shows the potential impact over the next 12 months, adjusted for estimated prepayments, of an immediate 100 and 200 basis point increase or decrease in interest rates. In addition, we have a floor in place in the downward shock to accommodate for the current low interest rate environment.

*Interest rate sensitivity – non-trading (after-tax)*

| $ millions, as at October 31 | | **2010** | | | 2009 | |
|---|---|---|---|---|---|---|
| | **C$** | **US$** | **Other** | C$ | US$ | Other |
| 100 basis points increase in interest rates | | | | | | |
| Net income | **$ 110** | **$ 12** | **$ 3** | $ 134 | $ (21) | $ 2 |
| Change in present value of shareholders' equity[1] | **(39)** | **(17)** | **(12)** | 322 | (89) | (6) |
| 100 basis points decrease in interest rates | | | | | | |
| Net income | **$ (173)** | **$ (2)** | **$ (3)** | $ (30) | $ 21 | $ (2) |
| Change in present value of shareholders' equity[1] | **(68)** | **9** | **9** | (257) | 75 | 5 |
| 200 basis points increase in interest rates | | | | | | |
| Net income | **$ 196** | **$ 25** | **$ 5** | $ 218 | $ (42) | $ 3 |
| Change in present value of shareholders' equity[1] | **(117)** | **(33)** | **(25)** | 643 | (178) | (11) |
| 200 basis points decrease in interest rates | | | | | | |
| Net income | **$ (250)** | **$ (2)** | **$ (3)** | $ (22) | $ 19 | $ (1) |
| Change in present value of shareholders' equity[1] | **(161)** | **13** | **17** | (536) | 126 | 12 |

(1) Commencing 2010, amounts reported exclude the impact of structural assumptions relating to shareholders' equity.

### Foreign exchange risk

Non-trading foreign exchange risk, also referred to as structural foreign exchange risk, arises primarily from our investments in foreign operations. This risk, predominantly in U.S. dollars, is managed using derivative hedges and by funding the investments in foreign currencies. We actively manage this risk to ensure that the potential impact to earnings is minimized and that the potential impact on our capital ratios is within tolerances set by the RMC.

Structural foreign exchange risk is managed by Treasury under the supervision of the SET, with the overall risk appetite established by the Board. Compliance with trading and non-trading market risk policy, as well as market risk limits is monitored daily by market risk management.

A 1% appreciation of the Canadian dollar would reduce our shareholders' equity as at October 31, 2010 by approximately $39 million (2009: $40 million) on a pre-tax basis.

Our non-functional currency denominated earnings are converted into the functional currencies through spot or forward foreign exchange transactions. Thus, there is no significant impact of exchange rate fluctuations on our consolidated statement of operations, except for foreign functional currency earnings, which are translated at average monthly exchange rates as they arise.

We hedge certain foreign currency contractual expenses using derivatives which are accounted for as cash flow hedges. The net change in fair value of these hedging derivatives included in AOCI amounted to a loss of $24 million as at October 31, 2010 (2009: loss of $38 million). This amount will be released from AOCI to offset the hedged currency fluctuations as the expenses are incurred.

### Derivatives held for ALM purposes

Where derivatives are held for ALM purposes, and when transactions meet the criteria specified in the CICA handbook section 3865, we apply hedge accounting for the risks being hedged, as discussed in Notes 1, 2 and 15 to the consolidated financial statements. Derivative hedges that do not qualify for hedge accounting treatment are referred to as economic hedges and are recorded at fair value on the consolidated balance sheet with changes in fair value recognized in the consolidated statement of operations.

Economic hedges for other than FVO financial instruments may lead to income volatility because the hedged items are either recorded on a cost or amortized cost basis; this income volatility may not be representative of the overall risk.

### Equity risk

Non-trading equity risk arises primarily in our merchant banking activities. Our merchant banking investments comprise public and private equities, investments in limited partnerships, and equity-accounted investments.

The following table provides the amortized cost and fair values of our non-trading equities, including merchant banking portfolios:

| $ millions, as at October 31 | | Amortized cost | Fair value |
|---|---|---|---|
| **2010** | **AFS securities** | **$ 696** | **$ 1,023** |
| | **Equity-accounted investments** | **298** | **324** |
| | | **$ 994** | **$ 1,347** |
| 2009 | AFS securities | $ 948 | $ 1,206 |
| | Equity-accounted investments | 190 | 209 |
| | | $ 1,138 | $ 1,415 |

## Liquidity Risk

Liquidity risk arises from our general funding activities and in the course of managing our assets and liabilities. It is the risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavourable rates or selling assets on a forced basis.

Our liquidity risk management strategies seek to maintain sufficient liquid financial resources to continually fund our balance sheet under both normal and stressed market environments.

In its oversight capacity, the Board establishes the liquidity risk framework that recognizes the credit-sensitive nature of our business activities and the importance of depositor confidence. The established management framework consists of policies, limits and independent monitoring structures governing major regional funding centres and operating subsidiaries in North America, Europe and Asia.

The Treasurer oversees and governs our liquidity risk management framework and is responsible for recommending and maintaining the liquidity policies as well as monitoring compliance to the policies.

Policies and standards defining our liquidity risk management, measurement and reporting requirements are reviewed and approved annually by the RMC. Our liquidity policies require maintenance of sufficient unencumbered liquid assets or unused funding capacity to meet anticipated funding needs (as measured by a selected benchmark stress scenario) for a minimum period of time as determined by the RMC. Guidelines are set to ensure adequate diversification of funds and to manage individual depositor concentration.

As part of the liquidity risk management framework, our enterprise-wide pledging policy sets out consolidated aggregate net maximum pledge limits for financial and non-financial assets. Pledged assets are considered encumbered for liquidity purposes.

We maintain and periodically update a liquidity contingency plan for responding to stress event impacts. The plan is presented annually to the RMC.

## Process and control

Actual and anticipated inflows and outflows of funds generated from on- and off-balance sheet exposure are monitored on a daily basis to ensure compliance with the limits. Potential cash flows under various stress scenarios are modelled using balance sheet positions. Short-term asset/liability mismatch limits are set by geographic location and consolidated for overall global exposure. On a consolidated basis, prescribed liquidity levels under a selected benchmark stress scenario are maintained for a minimum time horizon.

The RMC is regularly informed of current and prospective liquidity conditions, ongoing monitoring measures and the implementation of enhanced measurement tools.

## Risk measurement

Our liquidity measurement system provides daily liquidity risk exposure reports for review by senior management. ALCO monitors CIBC's current and prospective liquidity position in relation to risk appetite and limits. Stress event impacts are measured through scenario analyses, designed to measure potential impact of abnormal market conditions on the liquidity risk profile. Treatment of cash flows under varying conditions is reviewed periodically to determine whether changes to customer behaviour assumptions are warranted.

The primary liquidity risk metric to measure and monitor our liquidity positions is liquidity horizon, the future point in time when projected cumulative cash outflows exceed cash inflows. Our on- and off-balance sheet positions are projected forward using parameters to reflect response expectations by category under given stress environments.

Collateral, which consists mainly of cash and high-quality government bonds that are generally acceptable by central banks, is primarily used to minimize exposure to counterparty credit risk. In the normal course of business, we are exposed to the risk of counterparties being unable to provide required collateral to cover their exposure with us. In addition, we are exposed to impacts of downgrades of our own credit ratings on the requirements to collateralize counterparties' credit exposures. As part of our liquidity framework, we make prudential assumptions on intraday and other collateral requirements that may arise under hypothetical CIBC defined liquidity stress events. These requirements are pre-funded by holding appropriate liquid asset buffers in the form of unencumbered high-quality securities.

## Term funding sources and strategies

We manage liquidity to meet both short- and long-term cash requirements. Reliance on short-term wholesale funding is maintained at prudent levels.

We obtain funding through both wholesale and retail sources. Consistent with our liquidity risk mitigation strategies, we continue to source term funding in the wholesale markets from a variety of clients and geographic locations, borrowing across a range of maturities, using a mix of funding instruments.

Core personal deposits remain a primary source of retail funding and totalled $108.6 billion as at October 31, 2010 (2009: $104.3 billion).

Strategies for managing liquidity risk include maintaining diversified sources of wholesale term funding, asset securitization initiatives, and maintenance of segregated pools of high-quality liquid assets that can be sold or pledged as security to provide a ready source of cash. Collectively, these strategies result in lower dependency on short-term wholesale funding.

New facilities introduced in 2008 by various governments and global central banks including the Bank of Canada and the U.S. Federal Reserve Bank provide liquidity to financial systems. These liquidity initiatives include expansion of eligible types of collateral, provision of term liquidity through Purchase and Resale Agreement facilities, and the pooling and sale to CMHC of NHA MBS, which are composed of insured residential mortgage pools. From time to time, we utilize these term funding facilities, pledging a combination of private and public sector assets against these obligations. These facilities have largely been withdrawn, but term funding raised will continue to be outstanding.

We were an active issuer of term debt during the year, raising US$4,250 million, CHF 1,175 million, and AUD 750 million through covered bond issuances, and over $14 billion through the issuance of Canadian and U.S. deposit notes.

We have historically securitized various financial assets, including credit card receivables and residential and commercial mortgages. For further discussion of our off-balance sheet arrangements affecting liquidity and funding, see the "Off-balance sheet arrangements" section.

Balance sheet liquid assets are summarized in the following table:

| $ billions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Cash | **$ 1.3** | $ 1.2 |
| Deposits with banks | **10.7** | 5.8 |
| Securities issued by Canadian governments[1] | **5.4** | 16.8 |
| Mortgage-backed securities[1] | **20.1** | 19.4 |
| Other securities[2] | **40.9** | 31.0 |
| Securities borrowed or purchased under resale agreements | **37.3** | 32.8 |
| | **$ 115.7** | $ 107.0 |

(1) These represent securities with residual term to contractual maturity of more than one year.
(2) Comprises AFS securities and FVO securities with residual term to contractual maturity within one year and trading securities.

In the course of our regular business activities, certain assets are pledged as part of collateral management, including those necessary for day-to-day clearing and settlement of payments and securities. Pledged assets, including those for covered bonds, securities borrowed or financed through repurchase agreements as at October 31, 2010 totalled $33.5 billion (2009: $36.7 billion). For additional details, see Note 25 to the consolidated financial statements.

## Credit ratings

Access to wholesale funding sources and the cost of funds are dependent on various factors including credit ratings. During the course of the year, DBRS changed CIBC's outlook from negative to stable and Moody's lowered its ratings on Canadian bank preferred shares. The change to our preferred share ratings as a result of Moody's decision is reflected in the table below. There have been no other changes to our credit ratings and outlook during the year at major credit rating agencies.

Our funding and liquidity levels remained stable and sound over the year and we do not anticipate any events, commitments or demands that will materially impact our liquidity risk position.

Our credit ratings are summarized in the table below:

| | Short-term debt | | Senior debt | | Subordinated debt | | Preferred shares | |
|---|---|---|---|---|---|---|---|---|
| As at October 31 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| DBRS | **R-1(H)** | R-1(H) | **AA** | AA | **AA(L)** | AA(L) | **Pfd-1(L)** | Pfd-1(L) |
| Fitch | **F1+** | F1+ | **AA-** | AA- | **A+** | A+ | **A** | A |
| Moody's | **P-1** | P-1 | **Aa2** | Aa2 | **Aa3** | Aa3 | **Baa1** | A1 |
| S&P | **A-1** | A-1 | **A+** | A+ | **A** | A | **P-1(L)** | P-1(L) |

## Impact on collateral if there is a downgrade of CIBC's credit rating

We are required to deliver collateral to certain derivative counterparties in case 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.

## Restrictions on the flow of funds

We have certain subsidiaries that have separate regulatory capital, liquidity and funding requirements, as set by banking and securities regulators. Requirements of these entities are subject to regulatory change and can fluctuate depending on activity.

We monitor and manage our capital and liquidity requirements across these entities to ensure that capital is used efficiently and that each entity is in continuous compliance with local regulations.

## 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.

### Financial liabilities

The following table provides the maturity profile of financial liabilities based upon contractual repayment obligations, and excludes contractual cash flows related to derivative liabilities. Contractual maturity information related to derivatives is provided in Note 14 to the consolidated financial statements. Although contractual repayments of many deposit accounts are on demand or at short notice, in practice, short-term deposit balances remain stable. Our deposit retention history indicates that many customers do not request repayment on the earliest redemption date and the table therefore does not reflect the anticipated cash flows.

| $ millions, as at October 31 | Less than 1 year | 1 – 3 years | 3 – 5 years | Over 5 years | No specified maturity | **2010 Total** | 2009 Total |
|---|---|---|---|---|---|---|---|
| Liabilities | | | | | | | |
| Deposits | $ 76,428 | $ 39,264 | $ 8,885 | $ 9,515 | $ 112,579 | **$ 246,671** | $ 223,117 |
| Acceptances | 7,684 | – | – | – | – | **7,684** | 8,397 |
| Obligations related to securities sold short | 9,673 | – | – | – | – | **9,673** | 5,916 |
| Obligations related to securities lent or sold under repurchase agreements | 26,121 | 1,478 | – | 621 | – | **28,220** | 37,453 |
| Other liabilities | – | – | – | – | 12,740 | **12,740** | 13,867 |
| Subordinated indebtedness | – | – | 250 | 4,366 | – | **4,616** | 4,969 |
| Preferred share liabilities | – | – | – | – | – | **–** | 600 |
| | $ 119,906 | $ 40,742 | $ 9,135 | $ 14,502 | $ 125,319 | **$ 309,604** | $ 294,319 |

## Credit and liquidity commitments

The following table provides the contractual maturity of notional amounts of credit, guarantee, and liquidity commitments should contracts be fully drawn upon and clients default. Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contractual amounts is not representative of future liquidity requirements.

| | Contract amounts expiration per period | | | | | |
|---|---|---|---|---|---|---|
| $ millions, as at October 31 | Less than 1 year | 1 – 3 years | 3 – 5 years | Over 5 years | **2010 Total** | 2009 Total |
| Unutilized credit commitments[1] | $ 23,998 | $17,610 | $ 2,401 | $ 521 | **$ 44,530** | $ 39,747 |
| Backstop liquidity facilities | 4,403 | – | – | – | **4,403** | 4,869 |
| Standby and performance letters of credit | 4,656 | 767 | 146 | 152 | **5,721** | 5,123 |
| Documentary and commercial letters of credit | 290 | – | – | – | **290** | 234 |
| | $ 33,347 | $18,377 | $ 2,547 | $ 673 | **$ 54,944** | $ 49,973 |

(1) Excludes personal lines of credit, home equity lines of credit, and credit card lines.

## Other contractual obligations

The following table provides the contractual maturities of other contractual obligations affecting our short- and long-term and capital resource needs:

| $ millions, as at October 31 | Less than 1 year | 1 – 3 years | 3 – 5 years | Over 5 years | **2010 Total** | 2009 Total |
|---|---|---|---|---|---|---|
| Operating leases | $ 332 | $ 596 | $ 495 | $ 1,482 | **$ 2,905** | $ 2,871 |
| Purchase obligations[1] | 581 | 801 | 219 | 151 | **1,752** | 1,438 |
| Investment commitments[2] | 294 | – | – | – | **294** | 372 |
| Pension contributions[3] | 216 | – | – | – | **216** | 199 |
| Underwriting commitments | 183 | – | – | – | **183** | 358 |
| | $ 1,606 | $ 1,397 | $ 714 | $ 1,633 | **$ 5,350** | $ 5,238 |

(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 timeframes.
(2) As an investor in merchant banking activities, we enter into commitments to fund external private equity funds and investments in equity and debt securities at market value at the time the commitments are drawn. As the timing of future investment commitments is non-specific and callable by the counterparty, obligations have been included as less than one year.
(3) Subject to change as contribution decisions are affected by various factors, such as market performance, regulatory requirements, and management's ability to change funding policy. Also, funding requirements after 2011 are excluded due to the significant variability in the assumptions required to project the timing of future cash flows.

# Strategic Risk

Strategic risk arises from ineffective business strategies or the failure to effectively execute strategies. It includes, but is not limited to, potential financial loss due to the failure of acquisitions or organic growth initiatives.

Oversight of strategic risk is the responsibility of the SET and the Board. At least annually, the CEO presents CIBC's strategic planning process and CIBC's annual strategic business plan to the Board for review and approval. The Board reviews the plan in light of management's assessment of emerging market trends, the competitive environment, potential risks and other key issues.

One of the tools for measuring, monitoring and controlling strategic risk is attribution of economic capital against this risk. Our economic capital models include a strategic risk component for those businesses utilizing capital to fund an acquisition or a significant organic growth strategy.

# Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, human error or external events.

Operational risks driven by people and processes are mitigated through human resources policies and practices, and operational procedural controls, respectively. Operational risks driven by systems are managed through controls over technology development and change management.

The GCC oversees the effectiveness of our internal control framework within the parameters and strategic objectives established by the SET. The SET is accountable to the Board and its Audit Committee and the RMC for maintaining a strong internal control environment.

### Process and control

Each line of business has responsibility for the day-to-day management of operational risk. Infrastructure and governance groups maintain risk and control self-assessment processes. We maintain a corporate insurance program to provide additional protection from loss and a global business continuity management program to mitigate business continuity risks in the event of a disaster.

### Risk measurement

We use the Advanced Measurement Approach (AMA) under Basel II to calculate operational risk regulatory capital. Our operational risk measurement methodology attributes operational risk capital to expected and unexpected losses arising from the following loss event types:

- Legal liability (with respect to third parties, clients and employees);
- Client restitution;
- Regulatory compliance and taxation violations;
- Loss or damage to assets;
- Transaction processing errors; and
- Theft, fraud and unauthorized activities.

Operational risk capital is calculated using a loss distribution approach with the input parameters based on either actual internal loss experience where a statistically significant amount of internal historical data is available, or applying a loss scenario approach based on the available internal/external loss data and management expertise.

In addition to the capital attributed as described above, adjustments are made for internal control issues and risks that are not included in the original operational risk profile. These adjustments are based on the results of the quarterly risk and control self-assessment processes, which involve input from the business and infrastructure groups as well as from the governance areas such as the Operational Risk Department, Control Division, Internal Audit, Legal, and Compliance.

Under AMA, we are allowed to recognize the risk mitigating impact of insurance in the measures of operational risk used for regulatory minimum capital requirements. Although our current insurance policies are tailored to provide earnings protection from potential high-severity losses, we currently do not take any capital relief as a result of our insurance program.

We attribute operational risk capital at the line of business level. Capital represents the worst-case loss and is determined for each loss event type and production/infrastructure/corporate governance line of business. The aggregate risk of CIBC is less than the sum of the individual parts, as the likelihood that all business groups across all regions will experience a worst-case loss in every loss category in the same year is extremely small. To adjust for the fact that all risks are not 100% correlated, we incorporate a portfolio effect to ensure that the aggregated risk is representative of the total bank-wide risk. The process for determining correlations considers both internal and external historical correlations and takes into account the uncertainty surrounding correlation estimates.

The results of the capital calculations are internally backtested each quarter, and the overall methodology is independently validated by the Risk Management Validation group to ensure that the assumptions applied are reasonable and conservative.

## Reputation and Legal Risk

Our reputation and financial soundness are of fundamental importance to us and to our customers, shareholders and employees.

Reputation risk is the potential for negative publicity regarding our business conduct or practices which, whether true or not, could significantly harm our reputation as a leading financial institution, or could materially and adversely affect our business, operations or financial condition.

Legal risk is the potential for civil litigation or criminal or regulatory proceedings being commenced against CIBC that, once decided, could materially and adversely affect our business, operations or financial condition.

The RMC provides oversight of the management of reputation and legal risk. The identification, consideration and prudent, proactive management of potential reputation and legal risk is a key responsibility of CIBC and all of our employees.

Our Global Reputation and Legal Risks Policy sets standards for safeguarding our reputation and minimizing exposure to our reputation and legal risk. The policy is supplemented by business procedures for identifying and escalating transactions that could pose material reputation risk and/or legal risk to the RLR Committee.

## Regulatory Risk

Regulatory risk is the risk of non-compliance with regulatory requirements. Non-compliance with these requirements may lead to regulatory sanctions and harm to our reputation.

Our regulatory compliance philosophy is to manage regulatory risk through the promotion of a strong compliance culture, and the integration of sound controls within the business and infrastructure groups. The foundation of this approach is a comprehensive Legislative Compliance Management (LCM) framework. The LCM framework maps regulatory requirements to internal policies, procedures and controls that govern regulatory compliance.

Our Compliance department is responsible for the development and maintenance of a comprehensive regulatory compliance program, including oversight of the LCM framework. The department is independent of business management and reports regularly to the Audit Committee.

Primary responsibility for compliance with all applicable regulatory requirements rests with senior management of the business and infrastructure groups, and extends to all employees. The Compliance department's activities support those groups, with particular emphasis on those regulatory requirements that govern the relationship between CIBC and its clients and those requirements that help protect the integrity of the capital markets.

## Environmental Risk

Environmental risk is the risk of financial loss or damage to reputation associated with environmental issues, whether arising from our credit and investment activities or related to our own operations. Our corporate environmental policy, originally approved by the Board in 1993 and most recently updated and approved by the RMC in 2010, commits CIBC to responsible conduct in all activities to protect and conserve the environment; safeguard the interests of all stakeholders from unacceptable levels of environmental risk; and support the principles of sustainable development.

The policy is addressed by an integrated Corporate Environmental Management Program which is under the overall management of the Environmental Risk Management (ERM) group in Risk Management. Environmental evaluations are integrated into our credit and investment risk assessment processes, with environmental risk management standards and procedures in place for all sectors. In addition, environmental and social risk assessments in project finance are required in accordance with our commitment to the Equator Principles, a voluntary set of guidelines for financial institutions based on the screening criteria of the International Finance Corporation, which we adopted in 2003. We also conduct ongoing research and benchmarking on environmental issues such as climate change and biodiversity protection as they may pertain to responsible lending practices. We are also a signatory to and participant in the Carbon Disclosure Project, which promotes corporate disclosure to the investment community on greenhouse gas emissions and climate change management.

The ERM group works closely with Corporate Services, Marketing, Communications and Public Affairs, and other business and functional groups in ensuring that high standards of environmental due diligence and responsibility are applied in our facilities management, purchasing and other operations. An Environmental Management Committee is in place to provide oversight and to support these activities.

# Accounting and Control Matters

## Critical Accounting Policies and Estimates

A summary of significant accounting policies is presented in Note 1 to the 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 required in the critical accounting policies discussed below could have a material impact on our financial results. We have established control procedures to ensure accounting policies are applied consistently and processes for changing methodologies are well controlled.

### Valuation of financial instruments

Debt and equity trading securities, obligations related to securities sold short, all derivative contracts, AFS securities other than private equities, and FVO financial instruments are carried at fair value. FVO financial instruments include debt securities, business and government loans, and business and government deposits.

The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value is defined as the amount at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction motivated by normal business considerations. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Level 1, 2 or 3) as outlined below. Fair value is best evidenced by an independent quoted market price for the same instrument in an active market (Level 1).

If a market price in an active market is not available, the fair value is estimated on the basis of valuation models. Observable market inputs are utilized for valuation purposes to the extent possible and appropriate.

Valuation models may utilize predominantly observable market inputs (Level 2), including: interest rates, foreign currency rates, equity and equivalent synthetic instrument prices, index levels, credit spreads, counterparty credit quality, corresponding market volatility levels, and other market-based pricing factors, as well as any appropriate, highly correlated proxy market valuation data. Valuation models may also utilize predominantly non-observable market inputs (Level 3).

If the fair value of a financial instrument is not determinable based upon quoted market prices in an active market, and a suitable market proxy is not available, the transaction price would be considered to be the best indicator of market value on the transaction date. When the fair value of a financial instrument is determined using a valuation technique that incorporates significant non-observable market inputs, no inception profit or loss (difference between the determined fair value and the transaction price) is recognized at the time the financial instrument is first recorded. Any gains or losses at inception would be recognized only in future periods over the term of the instruments, or when market quotes or data become observable.

In inactive markets, quotes obtained from brokers are indicative quotes, meaning that they are not binding, and are mainly derived from the brokers' internal valuation models. Due to the inherent limitations of the indicative broker quotes in estimating fair value, we also consider the values provided by our internal models, where appropriate, utilizing observable market inputs to the extent possible.

To ensure that valuations are appropriate, a number of policies and controls are put in place. Independent validation of fair value is performed at least on a monthly basis. Valuations are verified to external sources such as exchange quotes, broker quotes or other management-approved independent pricing sources. Key model inputs, such as yield curves and volatilities, are independently verified. Valuation models used, including analytics for the construction of yield curves and volatility surfaces, are vetted and approved, consistent with our model risk policy.

The table below presents amounts in each category of financial instruments, which are fair valued using valuation techniques based on non-observable market inputs (Level 3), for the structured credit run-off business and consolidated CIBC.

| $ millions, as at October 31 | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **Structured credit run-off business** | **Total CIBC** | **Total CIBC[(1)]** | Structured credit run-off business | Total CIBC | Total CIBC[(1)] |
| Assets | | | | | | |
| Trading securities | **$ 1,647** | **$ 1,647** | **5.8%** | $ 1,221 | $ 1,360 | 9.0% |
| AFS securities | **20** | **2,849** | **10.7** | 20 | 1,297 | 3.2 |
| FVO securities and loans | **9** | **20** | **0.1** | 203 | 210 | 0.9 |
| Derivative instruments | **1,340** | **1,461** | **5.9** | 2,068 | 2,453 | 9.9 |
| Liabilities | | | | | | |
| Deposits[(2)] | **$ 1,063** | **$ 1,428** | **37.3%** | $ 689 | $ 689 | 15.4% |
| Derivative instruments | **2,052** | **3,076** | **11.6** | 4,317 | 5,131 | 18.9 |

(1) Represents percentage of Level 3 assets and liabilities in each reported category on the consolidated balance sheet.
(2) Includes FVO deposits and bifurcated embedded derivatives.

## Sensitivity of Level 3 financial assets and liabilities

Much of our structured credit run-off business requires the application of valuation techniques using non-observable market inputs. In an inactive market, indicative broker quotes, proxy valuation from comparable financial instruments, and other internal models using our own assumptions of how market participants would price a market transaction on the measurement date (all of which we consider to be non-observable market inputs), are predominantly used for the valuation of these positions. We also consider whether a CVA is required to recognize the risk that any given counterparty to which we are exposed, may not ultimately be able to fulfill its obligations.

For credit derivatives purchased from financial guarantors, our CVA is generally driven off market-observed credit spreads, where available. For financial guarantors that do not have observable credit spreads or where observable credit spreads are available but do not reflect an orderly market (i.e., not representative of fair value), a proxy market spread is used. The proxy market credit spread is based on our internal credit rating for the particular financial guarantor. Credit spreads contain information on market (or proxy market) expectations of PD as well as LGD. The credit spreads are applied in relation to the weighted-average life of our exposure to the counterparties. For financial guarantor counterparties where a proxy market credit spread is used, we also make an adjustment to reflect additional financial guarantor risk over an equivalently rated non-financial guarantor counterparty. The amount of the adjustment is dependent on all available internal and external market information for financial guarantors. The final CVA takes into account the expected correlation between the future performance of the underlying reference assets and that of the counterparties, except for high quality reference assets where we expect no future credit degradation.

Where appropriate, on certain financial guarantors, we determined the CVA based on estimated recoverable amounts.

Interest-only strips from the sale of securitized assets are valued using prepayment rates, which we consider to be a non-observable market input.

Swap arrangements related to the sale of securitized assets are valued using liquidity rates, which we consider to be a non-observable market input.

ABS are sensitive to credit spreads, which we consider to be a non-observable market input.

FVO deposits that are not managed as part of our structured credit run-off business are sensitive to non-observable credit spreads, which are derived using extrapolation and correlation assumptions.

Certain bifurcated embedded derivatives, due to the complexity and unique structure of the instruments, require significant assumptions and judgment to be applied to both the inputs and valuation techniques, which we consider to be non-observable.

The effect of changing one or more of the assumptions to fair value these instruments to reasonably possible alternatives would impact net income or OCI as described below.

Our unhedged structured credit exposures (USRMM and non-USRMM) are sensitive to changes in MTM, generally as derived from indicative broker quotes and internal models as described above. A 10% adverse change in MTM of the underlyings would result in losses of approximately $54 million in our unhedged USRMM portfolio and $108 million in our non-USRMM portfolio, excluding unhedged non-USRMM positions classified as loans which are carried at amortized cost, and before the impact of the Cerberus transaction. The fair value of the Cerberus protection against USRMM positions is expected to reasonably offset any changes in the fair value of USRMM positions.

For our hedged positions, there are two categories of sensitivities, the first relates to our hedged loan portfolio and the second relates to our hedged fair valued exposures. Since on-balance sheet hedged loans are carried at amortized cost whereas the related credit derivatives are fair valued, a 10% increase in the MTM of credit derivatives in our hedged structured credit positions would result in a net gain of approximately $35 million, assuming current CVA ratios remain unchanged. A 10% reduction in the MTM of our on-balance sheet fair valued exposures and a 10% increase in the MTM of all credit derivatives in our hedged structured credit positions would result in a net loss of approximately $8 million, assuming current CVA ratios remain unchanged.

The impact of a 10% increase in the MTM of unmatched credit derivatives, where we have purchased protection but do not have exposure to the underlying, would result in a net gain of approximately $1 million, assuming current CVA ratios remain unchanged.

The impact of a 10% reduction in receivables, net of CVA from financial guarantors, would result in a net loss of approximately $75 million.

A 10% increase in prepayment rates pertaining to our retained interests related to the interest-only strip, resulting from the sale of securitized assets, would result in a net loss of approximately $24 million.

A 20 basis point decrease in liquidity rates used to fair value our derivatives related to the sale of securitized assets would result in a loss of approximately $94 million.

A 10% reduction in the MTM of our on-balance sheet ABS that are valued using non-observable credit and liquidity spreads would result in a decrease in OCI of approximately $177 million.

A 10% reduction in the MTM of certain FVO deposits which are not managed as part of our structured credit run-off business and are valued using non-observable inputs, including correlation and extrapolated credit spreads, would result in a gain of approximately $13 million.

A 10% reduction in the MTM of certain bifurcated embedded derivatives, valued using internally vetted valuation techniques, would result in a gain of approximately $24 million.

The net loss recognized in the consolidated statement of operations, on the financial instruments, for which fair value was estimated using valuation techniques requiring non-observable market parameters, was $732 million (2009: net loss of $419 million).

We apply judgment in establishing valuation adjustments that take into account various factors that may have an impact on the valuation. Such factors include, but are not limited to, the bid-offer spread, illiquidity due to lack of market depth, parameter uncertainty and other market risk, model risk, credit risk, and future administration costs. During 2010, we reassessed our estimate of valuation adjustments for administration (servicing) costs relating to our derivatives portfolio. These valuation adjustments are based on our estimates of what a market participant would require from a fair value perspective to compensate for future servicing costs on our portfolio. This reassessment led to a release of $25 million of valuation adjustments.

The following table summarizes our valuation adjustments:

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Trading securities | | |
| Market risk | **$ 2** | $ 7 |
| Derivatives | | |
| Market risk | **64** | 81 |
| Credit risk | **325** | 2,241 |
| Administrative costs | **6** | 33 |
| Other | **–** | 2 |
| | **$ 397** | $ 2,364 |

Note 2 to the consolidated financial statements presents the valuation methods used to determine fair value showing separately those that are carried at fair value on the consolidated balance sheet and those that are not.

## Risk factors related to fair value adjustments

We believe that we have made appropriate fair value adjustments and have taken appropriate write-downs to date. The establishment of fair value adjustments and the determination of the amount of write-downs involve estimates that are based on accounting processes and judgments by management. We evaluate the adequacy of the fair value adjustments and the amount of write-downs on an ongoing basis. The levels of fair value adjustments and the amount of the write-downs could be changed as events warrant and may not reflect ultimate realizable amounts.

## Impairment of AFS securities

AFS securities include debt and equity securities and retained interests in securitized assets.

AFS securities, other than equities that do not have a quoted market value in an active market, are stated at fair value, whereby the difference between the fair value and the amortized cost is included in AOCI. Equities that do not have a quoted market value in an active market are carried at cost. AFS securities are subject to impairment reviews to assess whether or not there is an OTTI. The assessment of OTTI depends on whether the instrument is debt or equity in nature.

AFS debt securities are identified as impaired when there is objective observable evidence concerning the inability to collect the contractual principal or interest. Factors that are reviewed for impairment assessment include, but are not limited to, operating performance and future expectations, liquidity and capital adequacy, external credit ratings, underlying asset quality deterioration, industry valuation levels for comparable entities, and any changes in market and economic outlook.

For AFS equity instruments, objective evidence of impairment exists if there has been a significant or prolonged decline in the fair value of the investment below its cost. In making the OTTI assessment we also consider significant adverse changes in the technological, market, economic, or legal environments in which the issuer operates, or if the issuer is experiencing significant financial difficulty, as well as our intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

Realized gains and losses on disposal and write-downs to reflect OTTI in the value of AFS are recorded in the consolidated statement of operations. Previously recognized impairment losses for debt securities (but not equity securities) are reversed if subsequent increase in fair value can be objectively identified and is related to an event occurring after the impairment loss was recognized.

## Allowance for credit losses

We establish and maintain an allowance for credit losses that is considered the best estimate of probable credit-related losses existing in our portfolio of on- and off-balance sheet financial instruments, giving due regard to current conditions. The allowance for credit losses consists of specific and general components.

## Specific allowance

### Consumer loans

A specific allowance is established for residential mortgages, personal loans, and certain small business loan portfolios, which consist of large numbers of homogeneous balances of relatively small amounts. We take a portfolio approach and establish the specific allowance utilizing a formula basis, since it is not practical to review each individual loan. We evaluate these portfolios for specific allowances by reference to historical ratios of write-offs to balances in arrears and to balances outstanding. Further analysis and evaluation of the allowance is performed to account for the aging of the portfolios and the impact of economic trends and conditions.

A specific allowance is not established for credit card loans and they are not classified as impaired. Instead, they are fully written off when payments are contractually 180 days in arrears, or upon customer bankruptcy. Commencing the fourth quarter of 2009, interest on credit card loans is accrued only to the extent that there is an expectation of receipt. Prior to that, interest was accrued until the loans were written off. See Note 5 to the consolidated financial statements for additional details.

### Business and government loans

Business and government loan portfolios are assessed on an individual loan basis. Specific allowances are established when impaired loans are identified. A loan is classified as impaired when we are of the opinion that there is no longer a reasonable assurance of the full and timely collection of principal and interest. The specific allowance is the amount required to reduce the carrying value of an impaired loan to its estimated realizable amount. This is determined by discounting the expected future cash flows at the effective interest rate inherent in the loan before impairment.

## General allowance

The general allowance provides for credit losses that are present in the credit portfolios, but which have not yet been specifically identified or provided for through specific allowances. The general allowance applies to on- and off-balance sheet credit exposures that are not carried at fair value. The methodology for determining the appropriate level of the general allowance incorporates a

number of factors, including the size of the portfolios, expected loss rates, and relative risk profiles. We also consider estimates of the time periods over which losses that are present would be specifically identified and a specific provision taken, our view of current economic and portfolio trends, and evidence of credit quality improvements or deterioration. On a regular basis, the parameters that affect the general allowance calculation are updated, based on our experience and the economic environment.

Expected loss rates for business loan portfolios are based on the risk rating of each credit facility and on the PD factors associated with each risk rating, as well as estimates of LGD. The PD factors reflect our historical experience over an economic cycle, and is supplemented by data derived from defaults in the public debt markets. LGD estimates are based on our historical experience. For consumer loan portfolios, expected losses are based on our historical loss rates and aggregate balances. As at October 31, 2010, our model indicated a range of outcomes for the general allowance between $621 million and $1,699 million. The general allowance of $1,153 million (2009: $1,307 million), which represents our best estimate of losses inherent but not specifically provided for in our loan portfolios, was selected from within the range based on a qualitative analysis of the economic environment and credit trends, as well as the risk profile of the loan portfolios. A uniform 10% increase in the PDs or loss severity across all portfolios would cause the general allowance to increase by approximately $115 million.

## Securitizations and VIEs

### Securitization of our own assets

We have determined that substantially all of our securitizations are accounted for as sales because we surrender control of the transferred assets and receive consideration other than beneficial interests in the transferred assets. We have also determined that the entities to which we have transferred the assets should not be consolidated because they are either QSPEs or we are not the primary beneficiary of the entities.

Gains or losses on transfers accounted for as sales depend, in part, upon the allocation of previous carrying amounts to assets sold and retained interests. These carrying amounts are allocated in proportion to the relative fair value of the assets sold and the retained interest. As market prices are generally not available for retained interests, we estimate fair value based on the present value of expected future cash flows. This requires us to estimate expected future cash flows, which incorporate expected credit losses, scheduled payments and unscheduled prepayment rates, discount rates, and other factors that influence the value of retained interests. Actual cash flows may differ significantly from our estimations. These estimates directly affect our calculation of gain on sale from securitizations and the rate at which retained interests are taken into income.

For additional information on our securitizations, including key economic assumptions used in measuring the fair value of retained interests and the sensitivity of the changes to those assumptions, see the "Off-balance sheet arrangements" section, Note 6 to the consolidated financial statements, and the "Valuation of financial instruments" section above.

### *Securitization of third-party assets*

We also sponsor several VIEs that purchase pools of third-party financial assets. Our derivative and administrative transactions with these entities are generally not considered variable interests. We monitor the extent to which we support these VIEs through direct investment in the debt issued by the VIEs and through the provision of liquidity protection to the other debt holders, to assess whether we are the primary beneficiary and consolidator of these entities.

AcG-15, "Consolidation of Variable Interest Entities" provides guidance on applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. To determine which VIEs require consolidation under AcG-15, we exercise judgment by identifying our variable interests and comparing them with other variable interests held by unrelated parties to determine if we are exposed to a majority of each of these entities' expected losses or expected residual returns. We have consolidated certain other VIEs as we determined that we were exposed to a majority of the expected losses or residual returns.

Where we consider that CIBC is the primary beneficiary of any VIEs, AcG-15 requires that we reconsider this assessment in the following circumstances: (i) when there is a significant change to the design of the VIE or the ownership of variable interests that significantly changes the manner in which expected losses and expected residual returns are allocated; (ii) when we sell or dispose of a part or all of our variable interest to unrelated parties; or (iii) when the VIE issues new variable interest to unrelated parties. Where CIBC is not the primary beneficiary, AcG-15 requires that we reconsider whether we are the primary beneficiary when we acquire additional variable interests.

Specifically, in relation to ABCP conduits (the conduits), we reconsider our primary beneficiary assessment whenever our level of interest in the ABCP issued by the conduits changes significantly, or in the less frequent event that the liquidity protection we provide to the conduits is drawn or amended. To the extent that our ABCP holdings in a particular conduit exceeds 45%, it is likely that we will consider ourselves to be the primary beneficiary, as a result of the relatively small amount of variability stemming from the other variable interests in the conduit. A significant increase in our holdings of ABCP issued by the conduits would become more likely in a scenario in which the market for bank-sponsored ABCP suffered a significant deterioration such that the conduits were unable to roll their ABCP.

Securitizations and VIEs affect all our reporting segments.

## Asset impairment

### Goodwill, other intangible assets and long-lived assets

As at October 31, 2010, we had goodwill of $1.9 billion (2009: $2.0 billion) and other intangible assets with an indefinite life amounting to $136 million (2009: $137 million). Under Canadian GAAP, goodwill is not amortized, but is instead subject to, at least annually, an assessment for impairment by applying a two-step fair value-based test. In the first test, the fair value of the reporting unit is compared to its book value including goodwill. If the book value of the reporting unit exceeds the fair value, an impairment loss is then recognized pursuant to the second test to the extent that, at the reporting unit level, the carrying amount of goodwill exceeds the implied fair value of goodwill. Where appropriate, the carrying values of our reporting units are based on economic capital models and are designed to approximate the net book value a reporting unit would have if it was a stand-alone entity.

Acquired intangible assets are separately recognized if the benefits of the intangible assets are obtained through contractual or other legal rights, or if the intangible assets can be sold, transferred,

licensed, rented, or exchanged. Determining the useful lives of intangible assets requires judgment and fact-based analysis. Intangibles with an indefinite life are not amortized but are assessed for impairment by comparing the fair value to the carrying value.

Long-lived assets and other identifiable intangibles with a definite life are amortized over their estimated useful lives. These assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In performing the review for recoverability, we estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized to the extent that fair value is less than the carrying value.

We use judgment to estimate the fair value of the reporting units and other intangible assets with an indefinite life. The fair value of the reporting units and other intangible assets with an indefinite life are derived from internally developed valuation models, using market or discounted cash flow approaches. Under a market approach, the models consider various factors, including normalized earnings, projected forward earnings, and price earnings multiples. Under a discounted cash flow approach, the models consider various factors, including projected cash flows, terminal growth rates and discount rates.

Our goodwill impairment tests conducted using these models during both the current and prior years indicate that the fair value of all of the reporting units subject to testing exceeded the carrying value. The valuations determined by these models are sensitive to the underlying business conditions in the markets in which the reporting units operate. The largest components of our goodwill relate to our Wealth Management reporting unit in Canada and our FirstCaribbean reporting unit in the Caribbean. Changes in estimated fair values could result in the future depending on various factors including changes in expected economic conditions in these markets.

Our indefinite life intangible asset impairment tests during both the current and prior years indicate that the fair value of the indefinite life intangible assets subject to testing exceeded their carrying values.

These assets are held in all our reporting segments. For additional details, see Note 8 to the consolidated financial statements.

## Income taxes

We use judgment in the estimation of income taxes and future income tax assets and liabilities. As part of the process of preparing our consolidated financial statements, we are required to estimate income taxes in each of the jurisdictions where we operate.

This process involves estimating actual current tax exposure, together with assessing temporary differences that result from the different treatments of items for tax and accounting purposes, and any tax loss carryforwards.

We are also required to establish a future income tax asset in respect of expenses recorded currently for which a tax deduction will be available in a future period, such as the general allowance for credit losses and loss carryforwards.

As at October 31, 2010, we had available future income tax assets in excess of future income tax liabilities of $833 million (2009: $1,730 million), before a valuation allowance of $66 million (2009: $95 million). We are required to assess whether it is more likely than not that our future income tax assets will be realized prior to their expiration and, based on all the available evidence, determine if a valuation allowance is required on all or a portion of our future income tax assets. The factors used to assess the likelihood of realization are our past experience of income and capital gains, forecast of future net income before taxes, available tax planning strategies that could be implemented to realize the future income tax assets, and the remaining expiration period of tax loss carryforwards. Although realization is not assured, we believe, based on all the available evidence, it is more likely than not that the remaining future income tax assets, net of the valuation allowance, will be realized prior to their expiration.

Income tax accounting impacts all our reporting segments. For further details of our income taxes, see Note 23 to the consolidated financial statements.

## Contingent liabilities

In the ordinary course of its business, CIBC is a party to a number of legal proceedings, including regulatory investigations. In certain of these matters, claims for substantial monetary damages are asserted against CIBC and its subsidiaries. In accordance with Canadian GAAP, amounts are accrued for the financial resolution of claims if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In some cases, however, it is either not possible to determine whether such a liability has been incurred or to reasonably estimate the amount of loss until the case is closer to resolution, in which case no accrual can be made until that time. If the reasonable estimate of loss involves a range within which a particular amount appears to be a better estimate, that amount would be accrued. If no such better estimate within a range is indicated, the minimum amount in the range is required to be accrued. We regularly assess the adequacy of CIBC's contingent liability accrual and make the necessary adjustments to incorporate new information as it becomes available. Adjustments to the accrual in any quarter may be material in situations where significant new information becomes available. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, we do not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on our consolidated financial position. However, the outcome of any such matters, individually or in aggregate, may be material to our operating results for a particular year.

Contingent liabilities impact all our reporting segments. For further details of our contingent liabilities, see Note 25 to the consolidated financial statements.

### Employee future benefit assumptions

We are the sponsor of defined benefit pension and other post-employment (including post-retirement) benefit plans for eligible employees. The pension and other post-employment benefit expense and obligations, which impact all of our reporting segments, are dependent upon assumptions used in calculating such amounts. These assumptions include discount rates, projected salary increases, expected returns on assets, health care cost trend rates, turnover of employees, retirement age, and mortality rates. These assumptions are reviewed annually in accordance with accepted actuarial practice and approved by management.

The discount rate assumption used in determining pension and other post-employment benefit obligations and net benefit expense reflects the market yields, as of the measurement date, on high-quality debt instruments with cash flows that match expected benefit payments. The expected rate of return on plan assets assumption is based on expected returns for the various asset classes, weighted by portfolio allocation. Anticipated future long-term performance of individual asset categories is considered, reflecting expected future inflation and expected real yields on fixed-income securities and equities. Other assumptions are based on actual plan experience and our best estimates.

Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. As at October 31, 2010, the net amount of unamortized actuarial losses was $1,423 million (2009: $1,171 million) in respect of pension plans and $151 million (2009: $100 million) in respect of other post-employment benefit plans.

Our benefit plans are funded to or above the amounts required by relevant legislation or plan term. During the year, we contributed $369 million (2009: $233 million) to the defined benefit pension plans, which included $175 million (2009: $84 million) above the minimum required. Our 2010 funding contributions to our principal Canadian pension plan was the maximum amount allowed by the Income Tax Act (Canada).

Our principal post-employment benefit plans are unfunded. We fund benefit payments for these plans as incurred. During the year, these benefit payments totalled $33 million (2009: $32 million).

We continue to administer a funded trust in respect of long-term disability benefits. This plan was closed to new claims effective June 1, 2004. During the year, we contributed $15 million (2009: $5 million) to the trust.

For further details of our annual pension and other post-employment expense and liability, see Note 22 to the consolidated financial statements.

For our Canadian plans, which represent more than 90% of our pension and other post-employment benefit plans, management has approved changes to the assumptions to be used for the 2011 expense calculation. Management has approved a weighted-average discount rate of approximately 5.5% for pension and other post-employment benefit plans, which is a decrease of 90 basis points over the similar rate for 2010. The approved weighted-average expected long-term rate of return on plan assets is 6.3% for the funded defined benefit plans, which are primarily pension plans. This is unchanged from 2010. The aggregate impact of these changes in assumptions together with the impact of changes in market value of the plan assets in the year is expected to be an increase of $82 million in expense recognition for 2011.

Actual experience different from that anticipated or future changes in assumptions may affect our pension and other post-employment benefit obligations, expense and funding contributions. The following table outlines the potential impact of changes in certain key assumptions used in measuring the accrued benefit obligations and related expenses:

| $ millions, as at October 31, 2010 | Pension benefit plans | | Other benefit plans | |
|---|---|---|---|---|
| | Obligation | Expense | Obligation | Expense |
| **Impact of a change of 100 basis points in key assumptions:** | | | | |
| Discount rate | | | | |
| Decrease in assumption | $ 617 | $ 62 | $ 94 | $ 5 |
| Increase in assumption | (520) | (69) | (77) | (2) |
| Expected long-term rate of return on plan assets | | | | |
| Decrease in assumption | n/a | 37 | n/a | – |
| Increase in assumption | n/a | (37) | n/a | – |
| Rate of compensation increase | | | | |
| Decrease in assumption | (110) | (27) | (2) | – |
| Increase in assumption | 119 | 29 | 2 | – |

n/a Not applicable.

The sensitivity analysis contained in this table should be used with caution, as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

## Financial Instruments

As a financial institution, our assets and liabilities primarily comprise financial instruments, which include deposits, securities, loans, derivatives, acceptances, repurchase agreements, subordinated debt, and preferred shares.

We use these financial instruments for both trading and non-trading activities. Trading activities include the purchase and sale of securities, transacting in foreign exchange and derivative instruments in the course of facilitating client trades, and taking proprietary trading positions with the objective of income generation. Non-trading activities generally include the business of lending, investing, funding, and ALM.

The use of financial instruments may either introduce or mitigate exposures to market, credit and/or liquidity risks. See the "Management of risk" section for details on how these risks are managed.

Financial instruments are accounted for according to their classification. For details on the accounting for these instruments, see Note 1 to the consolidated financial statements.

For significant assumptions made in determining the valuation of financial and other instruments, see the "Valuation of financial instruments" section above.

## Accounting Developments

### Changes in accounting policies

#### 2010

There were no changes to significant accounting policies during 2010.

#### 2009

*Financial instruments – recognition and measurement*

Effective November 1, 2008, we adopted the revised CICA handbook section 3855 "Financial Instruments – Recognition and Measurement".

The revised standard defines loans and receivables as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. As a result of this change in definition, the following transitional provisions were applied effective November 1, 2008:

- HTM debt instruments that met the revised definition of loans and receivables were required to be reclassified from HTM to loans and receivables;
- Loans and receivables that an entity intended to sell immediately or in the near term were required to be classified as trading financial instruments; and
- AFS debt instruments were eligible for reclassification to loans and receivables if they met the revised definition of loans and receivables. AFS debt instruments were eligible for reclassification to HTM if they had fixed and determinable payments and were quoted in an active market and the entity had the positive intention and ability to hold to maturity. The reclassification from AFS to loans and receivables or to HTM was optional and could be made on an instrument-by-instrument basis. We did not elect to reclassify any AFS securities.

Following adoption of the revised standard:

- Debt securities that meet the definition of loans and receivables at initial recognition may be classified as loans and receivables or designated as AFS or held for trading, but are precluded from being classified as HTM;
- Impairment charges through income for HTM financial instruments are to be recognized for credit losses only, rather than on the basis of a full write down to fair value; and
- Previously recognized OTTI losses on AFS debt securities are to be reversed through income if the increase in their fair value is related to improvement in credit that occurred subsequent to the recognition of the OTTI.

The adoption of the revised standard resulted in financial instruments previously classified as HTM being reclassified to loans and receivables with no impact to retained earnings or AOCI.

We adopted the CICA handbook sections 3855 "Financial Instruments – Recognition and Measurement" and 3862 "Financial Instruments – Disclosures" as amended and reclassified certain trading securities to HTM and AFS, from August 1, 2008. See Note 4 to the consolidated financial statements for additional details.

*Financial instruments – disclosures and presentation*

For the year ended October 31, 2009, we adopted the amended CICA 3862 handbook section "Financial Instruments – Disclosures", which expands financial instrument fair value measurement and liquidity risk management disclosures. The disclosures are provided in Notes 2, 14 and 29 to the consolidated financial statements.

*Intangible assets*

Effective November 1, 2008, we adopted the CICA handbook section 3064, "Goodwill and Intangible Assets", which replaced CICA handbook sections 3062, "Goodwill and Other Intangible Assets", and 3450, "Research and Development Costs". The new section establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets.

The adoption of this guidance did not result in a change in the recognition of our goodwill and intangible assets. However, we retroactively reclassified intangible assets relating to application software with net book value of $385 million as at October 31, 2008, from Land, buildings and equipment to Software and other intangible assets on our consolidated balance sheet.

#### 2008

*Leveraged leases*

Effective November 1, 2007, we adopted the amended CICA Emerging Issues Committee Abstract (EIC) 46, "Leveraged Leases", which was based upon the Financial Accounting Standards Board Staff Position FAS 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction". The EIC required that a change in the estimated timing of cash flows relating to income taxes results in a recalculation of the timing of income recognition from the leveraged lease.

The adoption of this guidance resulted in a $66 million charge to opening retained earnings as at November 1, 2007. An amount approximating this non-cash charge is being recognized into income over the remaining lease terms using the effective interest rate method.

*Capital disclosures*

Effective November 1, 2007, we adopted the CICA handbook section 1535, "Capital Disclosures", which requires an entity to disclose its objective, policies and processes for managing capital. In addition, the section requires disclosure of summary quantitative information about capital components. See Note 17 to the consolidated financial statements for additional details.

*Financial instruments*

Effective November 1, 2007, we adopted the CICA handbook sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation".

These sections replace CICA handbook section 3861 "Financial Instruments – Disclosure and Presentation" and enhance disclosure requirements on the nature and extent of risks arising from financial instruments and how the entity manages those risks. See Note 29 to the consolidated financial statements for additional details.

We adopted the amendments to the CICA handbook sections 3855 "Financial Instruments – Recognition and Measurement" and 3862 "Financial Instruments – Disclosures" and reclassified certain trading securities to HTM and AFS, from August 1, 2008. See Note 4 to the consolidated financial statements for additional details.

### Future accounting policy changes

#### Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued three new handbook sections: 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests".

CICA handbook section 1582 provides guidance on the application of the purchase method of accounting for business combinations. In particular, this section addresses the determination of the carrying amount of the assets and liabilities of a subsidiary company, goodwill, and accounting for a non-controlling interest at the time of the business combination. Under this standard, most acquisition-related costs must now be accounted for as expenses in the periods they are incurred. This new section is applicable for acquisitions completed on or after November 1, 2011, although early adoption is permitted to facilitate the transition to IFRS in 2011.

CICA handbook section 1601 establishes standards for the preparation of consolidated financial statements after the acquisition date. CICA handbook section 1602 addresses the accounting and presentation of non-controlling interests in the consolidated financial statements subsequent to a business combination. CICA handbook sections 1601 and 1602 must be adopted concurrently with CICA handbook section 1582.

## Transition to International Financial Reporting Standards (IFRS)

Canadian publicly accountable enterprises must transition to IFRS for fiscal years beginning on or after January 1, 2011. As a result, we will adopt IFRS commencing November 1, 2011 and will publish our first consolidated financial statements, prepared in accordance with IFRS, for the quarter ending January 31, 2012. Upon adoption, we will provide fiscal 2011 comparative financial information also prepared in accordance with IFRS, including an opening IFRS consolidated balance sheet as at November 1, 2010.

The transition to IFRS represents a significant initiative for CIBC and is supported by a formal governance structure with an enterprise view and a dedicated project team. Our IFRS transition program has been divided into three phases: (i) discovery; (ii) execution; and (iii) conversion. The discovery phase included an accounting diagnostic which identified the accounting standards that are relevant to CIBC, and the identification and planning for the execution phase. The execution phase which we are currently in, commenced with a detailed analysis of the IFRS standards and continues through to the preparation of the policies, processes, technologies, strategies, and reporting for the upcoming transition. The final conversion phase will report on the new IFRS standards in 2012 and reconcile Canadian GAAP to IFRS with fiscal 2011 comparative information under IFRS.

Our IFRS transition project continues to progress on track with our transition plan. We have appropriately engaged our external and internal auditors to review key milestones and activities as we progress through the transition.

### Process, financial reporting controls and technology

Pursuant to our plans, an initial assessment was previously completed to identify the IFRS standards that represent key accounting differences from Canadian GAAP. More detailed assessment work was completed in the first two quarters of fiscal 2010, including execution work with respect to the underlying financial reporting and business processes and controls. During the last two quarters of fiscal 2010, we completed a significant amount of the development of the business processes and internal controls over financial reporting that will enable us to restate our comparative opening November 1, 2010 consolidated balance sheet and comparative fiscal 2011 consolidated financial statements to IFRS, while at the same time preparing normal course fiscal 2011 Canadian GAAP financial information. This included the development of a technology-based comparative year reporting tool to track IFRS financial information during our fiscal 2011 comparative year, which was tested in the last two quarters of fiscal 2010 and is now operational. Implementation of the developed business processes and internal controls over comparative year financial reporting is expected to commence in the first quarter of the fiscal 2011 comparative year.

We will continue to develop the business processes and controls related to transaction level accounting, including those related to the greater use of on-balance sheet accounting as a result of IFRS differences concerning the derecognition of financial assets. While we have identified additional resource and process requirements as part of our assessment and execution work, we have not identified any significant modifications for our supporting information technology systems, nor do we expect any significant changes to our business activities. Identified technology impacts include the realignment of system feeds to more efficiently report our securitized mortgages on the consolidated balance sheet.

During fiscal 2010, we refreshed our assessment for many of the incremental disclosures required under IFRS. We will complete our assessment work in the first half of fiscal 2011, including the disclosures and associated controls required in respect of the transition to IFRS in fiscal 2012.

Concurrent with preparing for the impact of IFRS on our financial reporting, we have also focused on preparing CIBC for impacts that IFRS will have on the financial statements of our clients and counterparties, including impacts to our loan management processes, controls and risk rating systems.

### Communications and training

Information regarding the progress of the project continued to be communicated to internal stakeholders during fiscal 2010, including our Audit Committee, senior executives and the Program Steering Committee, and to external stakeholders including OSFI and our external auditor. Communications to external stakeholders will continue through the quarterly and annual reports. In addition, we are currently preparing for additional external communications with the investor community in fiscal 2011.

We believe we have the financial reporting expertise to support our transition to IFRS. We have accounting policy staff dedicated to assessing the impact of IFRS and consulting with external advisors as necessary. In 2009, we launched an enterprise-wide training program to raise the level of awareness of IFRS throughout CIBC, and to prepare staff to perform in an IFRS environment. We completed the delivery of our training program during fiscal 2010, which included separate learning paths for: (i) groups that need to understand and execute on the impact of IFRS on CIBC and its subsidiaries; and (ii) groups, such as Risk Management and the businesses, that need to understand the impact of transitioning away from Canadian GAAP on our Canadian clients and counterparties. While the training was completed during fiscal 2010, additional training will be provided in 2011 as required.

## Financial impacts

The requirements concerning the transition to IFRS are set out in IFRS 1, "First-Time Adoption of International Financial Reporting Standards", which generally requires that changes from Canadian GAAP be applied retroactively and reflected in our opening November 1, 2010 comparative IFRS consolidated balance sheet. However, there are a number of transitional elections, some of which entail an exemption from full restatement, available under the transitional rules that we continue to evaluate. The most significant election is in the area of accounting for post-employment benefits in which we have the choice to either restate our existing unamortized net actuarial losses to what they would have been had we always followed IFRS or to charge them to retained earnings at transition. Other significant elections include: (i) whether we should restate prior business combinations to reflect IFRS differences concerning business acquisition accounting or to only apply IFRS differences to business acquisitions that may arise subsequent to transition; (ii) whether to charge our cumulative foreign currency translation account to retained earnings at transition; and (iii) whether to reclassify certain of our financial instruments in or out of the "fair value option" at transition. During the third quarter of 2010, the International Accounting Standards Board (IASB) issued a pronouncement proposing an additional transitional election with respect to changing the grandfathering date for determining which securitizations are derecognized from the consolidated balance sheet under IFRS from January 1, 2004 to any date up to the transition date of November 1, 2010. The proposal is expected to be ratified in December 2010.

IFRS is expected to result in accounting policy differences in many areas. Based on existing IFRS and the assessment of our transitional elections to date, the areas that have the potential for the most significant impact to our financial and capital reporting include derecognition of financial instruments and the accounting for post-employment benefits. Other areas include, but are not limited to consolidations, accounting for share-based compensation, measurement and impairment of equity instruments, accounting for foreign exchange, accounting for joint ventures, and measurement of loss contingencies.

OSFI has issued guidance allowing banks to phase-in over five quarters most of the negative impacts that IFRS will have on their Tier 1 capital. In addition, OSFI has indicated that mortgages that come back on the consolidated balance sheet with respect to securitizations completed prior to March 31, 2010 under the CMB program will not negatively impact the capital leverage ratio.

### Derecognition of financial instruments

There are differences between Canadian GAAP and existing IFRS concerning the determination of whether financial instruments should be derecognized from the consolidated balance sheet. Under IFRS, the determination of whether a financial asset should be derecognized is based to a greater extent on the transfer of risks and rewards rather than on whether the assets have been legally isolated from the transferor.

As a result, securitization transactions are much more likely to be accounted for as secured borrowings rather than as sales, which will result in an increase to total assets recorded on our consolidated balance sheet, and a charge to retained earnings at transition in respect of gains previously recorded from off-balance sheet accounting, particularly in respect of residential mortgages securitized through the creation of MBS under the CMB program and Government of Canada National Housing Act MBS Auction process. The on-balance sheet treatment for securitized mortgages may also impact our hedging strategies.

The proposed change to IFRS 1 permitting transfers that occured before November 1, 2010 to be exempted from these requirements could reduce the initial impact of these accounting rules, although we may elect to still apply the rules retroactively, which would result in a gross-up to our opening IFRS balance sheet of approximately $29 billion in respect to the securitized residential mortgages.

### Post-employment benefits

The IFRS 1 accounting election for post-employment benefits may also negatively impact our capital ratios through charging unamortized actuarial losses to retained earnings at transition, however this "fresh-start" election would also reduce post-transition compensation expense through the elimination of amortization expense that would otherwise occur. Based on our October 31, 2010 actuarial valuation, the net impact of the "fresh-start" election combined with a number of other less significant IFRS differences relating to post-employment benefits, would be a reduction of Tier 1 capital of approximately $1.1 billion after-tax.

Other elections related to the accounting for actuarial gains and losses that may arise after transition also have the potential to impact our capital and earnings in subsequent years. Regardless of the alternative we choose, we will record in expense the cost of benefits incurred during the year, plus the interest cost on the obligation net of the expected returns on plan assets. However, the IASB has issued an exposure draft proposing significant changes to the accounting for employee future benefits which are likely to become mandatory in a fiscal period sometime after our transition to IFRS.

### Consolidation

The IFRS requirements for consolidation are based on a control model as set out in the criteria in IAS 27 – "Consolidated and Separate Financial Statements", whereas under Canadian GAAP, the determination is either based on a control model or beneficial interest model depending on whether the entity is considered a VIE. Furthermore, IFRS does not embody the concept of a QSPE, which is exempted from consolidation under Canadian GAAP. As a result, certain entities are likely to be consolidated by CIBC under IFRS that are currently not consolidated under Canadian GAAP, which could impact CIBC in a similar manner to the derecognition rules noted above.

### Share-based payments

Under IFRS, the cost of share-based payments is generally recognized over the vesting period of the award and may include the fiscal year preceding the grant date. The impact of forfeitures is estimated over the life of the award. Under Canadian GAAP, we recognize the cost

of the awards in the year preceding the grant date if the award is for past service, and over the vesting period after the grant date if the award is for retention; we recognize forfeitures on an as incurred basis.

### Business combinations

Under IFRS, there is a greater use of fair value measurement in the accounting for business combinations, including the measurement of non-controlling interests and contingent consideration and the use of the closing date, rather than the announcement date, to value share consideration. In addition, transaction costs and certain restructuring costs that were able to be capitalized in the purchase equation under Canadian GAAP must be expensed under IFRS. These differences will impact purchase price allocations and the amount of goodwill recorded on the consolidated balance sheet. However, IFRS 1 allows entities to only apply these changes to business acquisitions that occur after transition.

### Cumulative foreign currency translation differences

IFRS 1 allows entities to elect to charge the cumulative translation account for all foreign operations to retained earnings at transition. Based on the balance in the foreign currency translation account as at October 31, 2010, this "fresh-start" election would result in a reclassification of $575 million from AOCI to retained earnings. This adjustment would not impact our Tier 1 capital.

### Future changes

Proposed changes to the IFRS accounting standards, including the changes related to employee future benefits noted above and proposed changes to the standards addressing loan loss provisioning and the classification and measurement of financial instruments, may introduce additional significant accounting differences, although we expect that the changes arising from the proposed standards will not be effective for us until the years following our IFRS transition in fiscal 2012. During fiscal 2010, we continued to monitor these proposed changes to IFRS, as well as potential changes in the interpretation of existing IFRS on our assessment of the financial, capital, and business implications of the transition to IFRS.

The impact of IFRS to us at transition will ultimately depend on the IFRS standards and capital reporting rules in effect at the time, transition elections that have not yet been finalized, and the prevailing business and economic facts and circumstances. The evolving nature of IFRS will likely also result in additional accounting changes, some of which may be significant, in the years following our initial transition. We continue to monitor changes in the standards and to adjust our transition plans accordingly.

## Related-party Transactions

We have various processes in place to ensure that the relevant related-party information is identified and reported to the Corporate Governance Committee (CGC) of the Board on a quarterly basis, as required by the Bank Act. The CGC has the responsibility for reviewing our policies and practices in identifying transactions with our related parties that may materially affect us, and reviewing the associated procedures for promoting compliance with the Bank Act.

For further details, see Note 27 to the consolidated financial statements.

## 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 defined in the rules of the SEC and the Canadian Securities Administrators) as at October 31, 2010, and has concluded that such disclosure controls and procedures were effective.

### Management's annual report on internal control over financial reporting

CIBC's management is responsible for establishing and maintaining adequate internal control over financial reporting for CIBC.

Internal control over financial reporting is a process designed by, or under the supervision of, the President and Chief Executive Officer and the Chief Financial Officer and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. CIBC's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of CIBC; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of CIBC are being made only in accordance with authorizations of CIBC's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of CIBC's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

CIBC's management has used the COSO framework to evaluate the effectiveness of CIBC's internal control over financial reporting.

As at October 31, 2010, management assessed the effectiveness of CIBC's internal control over financial reporting and concluded that such internal control over financial reporting was effective and that there were no material weaknesses in CIBC's internal control over financial reporting that have been identified by management.

Ernst & Young LLP, who has audited the consolidated financial statements of CIBC for the year ended October 31, 2010, has also issued a report on internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States). This report is located on page 107 of this Annual Report.

### Changes in internal control over financial reporting

There have been no changes in CIBC's internal control over financial reporting during the year ended October 31, 2010, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

# Supplementary Annual Financial Information

## Average balance sheet, net interest income and margin

| $ millions, for the year ended October 31 | Average balance 2010 | 2009 | 2008 | Interest 2010 | 2009 | 2008 | Average rate 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|
| **Domestic assets**[1] | | | | | | | | | |
| Cash and deposits with banks | **$ 3,359** | $ 2,370 | $ 2,708 | **$ 16** | $ 26 | $ 174 | **0.48%** | 1.10% | 6.43% |
| Securities Trading | **14,895** | 10,423 | 26,664 | **368** | 269 | 692 | **2.47** | 2.58 | 2.60 |
| AFS | **19,969** | 21,661 | 6,321 | **598** | 589 | 269 | **2.99** | 2.72 | 4.26 |
| FVO | **19,713** | 23,602 | 16,780 | **282** | 435 | 615 | **1.43** | 1.84 | 3.67 |
| Securities borrowed or purchased under resale agreements | **18,910** | 19,575 | 21,999 | **90** | 190 | 727 | **0.48** | 0.97 | 3.30 |
| Loans Residential mortgages | **89,714** | 80,551 | 88,667 | **2,566** | 2,284 | 3,957 | **2.86** | 2.84 | 4.46 |
| Personal and credit card | **43,851** | 41,823 | 38,587 | **2,786** | 2,612 | 2,871 | **6.35** | 6.25 | 7.44 |
| Business and government | **20,041** | 21,413 | 21,668 | **927** | 1,023 | 1,308 | **4.63** | 4.78 | 6.04 |
| Total loans | **153,606** | 143,787 | 148,922 | **6,279** | 5,919 | 8,136 | **4.09** | 4.12 | 5.46 |
| Other interest-bearing assets | **419** | 429 | 758 | **55** | 110 | 111 | **13.13** | 25.64 | 14.64 |
| Derivative instruments | **9,459** | 12,120 | 9,141 | **–** | – | – | **–** | – | – |
| Customers' liability under acceptances | **7,774** | 9,490 | 8,607 | **–** | – | – | **–** | – | – |
| Other non-interest-bearing assets | **13,761** | 17,977 | 14,645 | **–** | – | – | **–** | – | – |
| Total domestic assets | **261,865** | 261,434 | 256,545 | **7,688** | 7,538 | 10,724 | **2.94** | 2.88 | 4.18 |
| **Foreign assets**[1] | | | | | | | | | |
| Cash and deposits with banks | **7,694** | 5,973 | 12,514 | **36** | 59 | 464 | **0.47** | 0.99 | 3.71 |
| Securities Trading | **5,647** | 6,481 | 24,504 | **89** | 149 | 825 | **1.58** | 2.30 | 3.37 |
| AFS | **14,649** | 15,382 | 3,972 | **198** | 225 | 148 | **1.35** | 1.46 | 3.73 |
| FVO | **416** | 634 | 658 | **27** | 38 | 40 | **6.49** | 5.99 | 6.08 |
| HTM | **–** | – | 1,719 | **–** | – | 93 | **–** | – | 5.41 |
| Securities borrowed or purchased under resale agreements | **16,933** | 14,995 | 10,985 | **103** | 134 | 808 | **0.61** | 0.89 | 7.36 |
| Loans Residential mortgages | **2,210** | 2,428 | 2,076 | **177** | 140 | 154 | **8.01** | 5.77 | 7.42 |
| Personal and credit card | **1,058** | 1,260 | 1,212 | **79** | 100 | 98 | **7.47** | 7.94 | 8.09 |
| Business and government | **17,582** | 18,584 | 12,254 | **685** | 911 | 802 | **3.90** | 4.90 | 6.54 |
| Total loans | **20,850** | 22,272 | 15,542 | **941** | 1,151 | 1,054 | **4.51** | 5.17 | 6.78 |
| Other interest-bearing assets | **166** | 140 | 432 | **13** | 3 | 7 | **7.83** | 2.14 | 1.62 |
| Derivative instruments | **14,487** | 19,199 | 13,595 | **–** | – | – | **–** | – | – |
| Customers' liability under acceptances | **–** | 1 | 2 | **–** | – | – | **–** | – | – |
| Other non-interest-bearing assets | **3,236** | 4,195 | 4,397 | **–** | – | – | **–** | – | – |
| Total foreign assets | **84,078** | 89,272 | 88,320 | **1,407** | 1,759 | 3,439 | **1.67** | 1.97 | 3.89 |
| **Total assets** | **$ 345,943** | $ 350,706 | $ 344,865 | **$ 9,095** | $ 9,297 | $ 14,163 | **2.63%** | 2.65% | 4.11% |
| **Domestic liabilities**[1] | | | | | | | | | |
| Deposits Personal | **$ 104,862** | $ 96,292 | $ 89,378 | **$ 1,398** | $ 1,739 | $ 2,334 | **1.33%** | 1.81% | 2.61% |
| Business and government | **82,697** | 76,029 | 82,590 | **571** | 657 | 2,571 | **0.69** | 0.86 | 3.11 |
| Bank | **1,156** | 1,881 | 1,652 | **4** | 7 | 27 | **0.35** | 0.37 | 1.63 |
| Total deposits | **188,715** | 174,202 | 173,620 | **1,973** | 2,403 | 4,932 | **1.05** | 1.38 | 2.84 |
| Derivative instruments | **10,357** | 13,751 | 9,679 | **–** | – | – | **–** | – | – |
| Acceptances | **7,774** | 9,499 | 8,609 | **–** | – | – | **–** | – | – |
| Obligations related to securities sold short | **8,492** | 6,054 | 7,740 | **209** | 156 | 252 | **2.46** | 2.58 | 3.26 |
| Obligations related to securities lent or sold under repurchase agreements | **25,885** | 32,158 | 18,459 | **186** | 252 | 444 | **0.72** | 0.78 | 2.41 |
| Other liabilities | **10,183** | 11,574 | 10,121 | **(5)** | 18 | 26 | **(0.05)** | 0.16 | 0.26 |
| Subordinated indebtedness | **4,767** | 5,387 | 5,042 | **180** | 183 | 227 | **3.78** | 3.40 | 4.50 |
| Preferred share liabilities | **598** | 600 | 600 | **35** | 31 | 31 | **5.85** | 5.17 | 5.17 |
| Total domestic liabilities | **256,771** | 253,225 | 233,870 | **2,578** | 3,043 | 5,912 | **1.00** | 1.20 | 2.53 |
| **Foreign liabilities**[1] | | | | | | | | | |
| Deposits Personal | **6,217** | 6,766 | 6,294 | **85** | 119 | 183 | **1.37** | 1.76 | 2.91 |
| Business and government | **30,437** | 32,176 | 42,708 | **111** | 263 | 1,241 | **0.36** | 0.82 | 2.91 |
| Bank | **5,678** | 7,839 | 14,344 | **23** | 94 | 497 | **0.41** | 1.20 | 3.46 |
| Total deposits | **42,332** | 46,781 | 63,346 | **219** | 476 | 1,921 | **0.52** | 1.02 | 3.03 |
| Derivative instruments | **15,863** | 21,783 | 14,395 | **–** | – | – | **–** | – | – |
| Acceptances | **–** | 1 | 2 | **–** | – | – | **–** | – | – |
| Obligations related to securities sold short | **128** | 407 | 2,161 | **2** | 2 | 36 | **1.56** | 0.49 | 1.67 |
| Obligations related to securities lent or sold under repurchase agreements | **13,494** | 11,214 | 12,115 | **109** | 269 | 981 | **0.81** | 2.40 | 8.10 |
| Other liabilities | **1,637** | 2,516 | 4,323 | **(25)** | 88 | 62 | **(1.53)** | 3.50 | 1.43 |
| Subordinated indebtedness | **622** | 866 | 856 | **8** | 25 | 44 | **1.29** | 2.89 | 5.14 |
| Non-controlling interests | **168** | 179 | 162 | **–** | – | – | **–** | – | – |
| Total foreign liabilities | **74,244** | 83,747 | 97,360 | **313** | 860 | 3,044 | **0.42** | 1.03 | 3.13 |
| Total liabilities | **331,015** | 336,972 | 331,230 | **2,891** | 3,903 | 8,956 | **0.87** | 1.16 | 2.70 |
| Shareholders' equity | **14,928** | 13,734 | 13,635 | **–** | – | – | **–** | – | – |
| **Total liabilities and shareholders' equity** | **$ 345,943** | $ 350,706 | $ 344,865 | **$ 2,891** | $ 3,903 | $ 8,956 | **0.84%** | 1.11% | 2.60% |
| Net interest income and margin | | | | **$ 6,204** | $ 5,394 | $ 5,207 | **1.79%** | 1.54% | 1.51% |
| Additional disclosures: | | | | | | | | | |
| Non-interest-bearing deposit liabilities | | | | | | | | | |
| Domestic | **$ 26,125** | $ 22,977 | $ 21,795 | | | | | | |
| Foreign | **$ 2,234** | $ 3,405 | $ 2,832 | | | | | | |

(1) Classification as domestic or foreign is based on domicile of debtor or customer.

## Volume/rate analysis of changes in net interest income

| $ millions | | 2010/2009 | | | 2009/2008 | |
|---|---|---|---|---|---|---|
| | Increase (decrease) due to change in: | | | Increase (decrease) due to change in: | | |
| | **Average balance** | **Average rate** | **Total** | Average balance | Average rate | Total |
| **Domestic assets**[1] | | | | | | |
| Cash and deposits with banks | **$ 11** | **$ (21)** | **$ (10)** | $ (22) | $ (126) | $ (148) |
| Securities Trading | **115** | **(16)** | **99** | (421) | (2) | (423) |
| AFS | **(46)** | **55** | **9** | 653 | (333) | 320 |
| FVO | **(72)** | **(81)** | **(153)** | 250 | (430) | (180) |
| Securities borrowed or purchased under resale agreements | **(6)** | **(94)** | **(100)** | (80) | (457) | (537) |
| Loans Residential mortgages | **260** | **22** | **282** | (362) | (1,311) | (1,673) |
| Personal and credit card | **127** | **47** | **174** | 241 | (500) | (259) |
| Business and government | **(66)** | **(30)** | **(96)** | (15) | (270) | (285) |
| Total loans | **321** | **39** | **360** | (136) | (2,081) | (2,217) |
| Other interest-bearing assets | **(3)** | **(52)** | **(55)** | (48) | 47 | (1) |
| Change in domestic interest income | **320** | **(170)** | **150** | 196 | (3,382) | (3,186) |
| **Foreign assets**[1] | | | | | | |
| Cash and deposits with banks | **17** | **(40)** | **(23)** | (243) | (162) | (405) |
| Securities Trading | **(19)** | **(41)** | **(60)** | (607) | (69) | (676) |
| AFS | **(11)** | **(16)** | **(27)** | 425 | (348) | 77 |
| FVO | **(13)** | **2** | **(11)** | (1) | (1) | (2) |
| HTM | **–** | **–** | **–** | (93) | – | (93) |
| Securities borrowed or purchased under resale agreements | **17** | **(48)** | **(31)** | 295 | (969) | (674) |
| Loans Residential mortgages | **(13)** | **50** | **37** | 26 | (40) | (14) |
| Personal and credit card | **(16)** | **(5)** | **(21)** | 4 | (2) | 2 |
| Business and government | **(49)** | **(177)** | **(226)** | 414 | (305) | 109 |
| Total loans | **(78)** | **(132)** | **(210)** | 444 | (347) | 97 |
| Other interest-bearing assets | **1** | **9** | **10** | (5) | 1 | (4) |
| Change in foreign interest income | **(86)** | **(266)** | **(352)** | 215 | (1,895) | (1,680) |
| **Total change in interest income** | **$ 234** | **$ (436)** | **$ (202)** | $ 411 | $ (5,277) | $ (4,866) |
| **Domestic liabilities**[1] | | | | | | |
| Deposits Personal | **$ 155** | **$ (496)** | **$ (341)** | $ 181 | $ (776) | $ (595) |
| Business and government | **58** | **(144)** | **(86)** | (204) | (1,710) | (1,914) |
| Bank | **(3)** | **–** | **(3)** | 4 | (24) | (20) |
| Total deposits | **210** | **(640)** | **(430)** | (19) | (2,510) | (2,529) |
| Obligations related to securities sold short | **63** | **(10)** | **53** | (55) | (41) | (96) |
| Obligations related to securities lent or sold under repurchase agreements | **(49)** | **(17)** | **(66)** | 330 | (522) | (192) |
| Other liabilities | **(2)** | **(21)** | **(23)** | 4 | (12) | (8) |
| Subordinated indebtedness | **(21)** | **18** | **(3)** | 16 | (60) | (44) |
| Preferred share liabilities | **–** | **4** | **4** | – | – | – |
| Change in domestic interest expense | **201** | **(666)** | **(465)** | 276 | (3,145) | (2,869) |
| **Foreign liabilities**[1] | | | | | | |
| Deposits Personal | **(10)** | **(24)** | **(34)** | 14 | (78) | (64) |
| Business and government | **(14)** | **(138)** | **(152)** | (306) | (672) | (978) |
| Bank | **(26)** | **(45)** | **(71)** | (225) | (178) | (403) |
| Total deposits | **(50)** | **(207)** | **(257)** | (517) | (928) | (1,445) |
| Obligations related to securities sold short | **(1)** | **1** | **–** | (29) | (5) | (34) |
| Obligations related to securities lent or sold under repurchase agreements | **55** | **(215)** | **(160)** | (73) | (639) | (712) |
| Other liabilities | **(31)** | **(82)** | **(113)** | (26) | 52 | 26 |
| Subordinated indebtedness | **(7)** | **(10)** | **(17)** | 1 | (20) | (19) |
| Change in foreign interest expense | **(34)** | **(513)** | **(547)** | (644) | (1,540) | (2,184) |
| **Total change in interest expense** | **$ 167** | **$ (1,179)** | **$ (1,012)** | $ (368) | $ (4,685) | $ (5,053) |
| **Change in total net interest income** | **$ 67** | **$ 743** | **$ 810** | $ 779 | $ (592) | $ 187 |

(1) Classification as domestic or foreign is based on domicile of debtor or customer.

## Analysis of net loans and acceptances

| $ millions, as at October 31 | | | | | Canada[1] | | | | | U.S.[1] |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 | **2010** | 2009 | 2008 | 2007 | 2006 |
| Residential mortgages | **$ 91,338** | $ 83,837 | $ 88,185 | $ 89,772 | $ 81,326 | **$ 1** | $ 1 | $ 1 | $ 3 | $ 4 |
| Student | **523** | 677 | 858 | 1,060 | 1,284 | **–** | – | – | – | – |
| Personal | **32,365** | 31,729 | 29,648 | 26,640 | 25,731 | **241** | 162 | 215 | 155 | 252 |
| Credit card | **11,508** | 11,121 | 10,329 | 8,737 | 7,027 | **30** | 28 | 25 | 23 | 19 |
| Total net consumer loans | **135,734** | 127,364 | 129,020 | 126,209 | 115,368 | **272** | 191 | 241 | 181 | 275 |
| Non-residential mortgages | **6,339** | 5,789 | 5,790 | 4,892 | 5,018 | **2** | 3 | 77 | 531 | 1,822 |
| Financial institutions | **1,852** | 2,422 | 4,107 | 2,757 | 1,901 | **352** | 644 | 1,045 | 310 | 307 |
| Retail | **2,487** | 1,926 | 2,261 | 2,088 | 2,044 | **52** | 115 | 193 | 266 | 121 |
| Business services | **2,773** | 2,701 | 2,951 | 3,106 | 3,277 | **403** | 455 | 558 | 365 | 263 |
| Manufacturing – capital goods | **970** | 709 | 860 | 829 | 957 | **12** | 26 | 296 | 250 | 142 |
| Manufacturing – consumer goods | **1,016** | 787 | 951 | 1,123 | 1,102 | **18** | 17 | 90 | 195 | 143 |
| Real estate and construction | **3,123** | 2,903 | 2,975 | 2,602 | 2,494 | **1,563** | 2,054 | 2,138 | 999 | 906 |
| Agriculture | **3,240** | 2,897 | 3,058 | 2,890 | 2,911 | **(1)** | (1) | – | 10 | 6 |
| Oil and gas | **2,418** | 3,091 | 3,605 | 3,851 | 3,100 | **145** | 12 | 58 | 114 | 103 |
| Mining | **123** | 501 | 1,763 | 513 | 215 | **32** | – | 39 | 11 | 5 |
| Forest products | **376** | 299 | 340 | 474 | 476 | **–** | 61 | 93 | 94 | 58 |
| Hardware and software | **223** | 172 | 190 | 238 | 257 | **33** | 43 | 140 | 169 | 57 |
| Telecommunications and cable | **264** | 148 | 565 | 507 | 419 | **13** | 34 | 107 | 112 | 119 |
| Publishing, printing, and broadcasting | **386** | 505 | 580 | 523 | 703 | **–** | – | 59 | 100 | 12 |
| Transportation | **750** | 800 | 627 | 616 | 633 | **359** | 294 | 460 | 623 | 489 |
| Utilities | **795** | 667 | 862 | 258 | 277 | **99** | 57 | 162 | 179 | 79 |
| Education, health and social services | **1,301** | 1,240 | 1,296 | 1,222 | 1,214 | **46** | 47 | 119 | 83 | 70 |
| Governments | **759** | 685 | 856 | 824 | 901 | **–** | – | – | – | – |
| Others | **358** | 96 | – | – | – | **1,031** | 1,128 | – | – | – |
| General allowance allocated to business and government loans | **(217)** | (254) | (282) | (279) | (260) | **(67)** | (76) | (42) | (54) | (101) |
| Total net business and government loans including acceptances[2] | **29,336** | 28,084 | 33,355 | 29,034 | 27,639 | **4,092** | 4,913 | 5,592 | 4,357 | 4,601 |
| Total net loans and acceptances | **$ 165,070** | $ 155,448 | $ 162,375 | $ 155,243 | $ 143,007 | **$ 4,364** | $ 5,104 | $ 5,833 | $ 4,538 | $ 4,876 |

(1) Classification by country is based on domicile of debtor or customer.
(2) Commencing 2010, business and government net loans and acceptances related to FirstCaribbean have been retroactively categorized by industry groups consistent with CIBC's practice. Previously, they were included within business services, other than non-residential mortgages, which was reported separately. Prior year information was restated.

## Analysis of net loans and acceptances (continued)

| $ millions, as at October 31 | | | | | Other[1] | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 | **2010** | 2009 | 2008 | 2007 | 2006 |
| Residential mortgages | **$ 2,190** | $ 2,272 | $ 2,463 | $ 1,848 | $ 3 | **$ 93,529** | $ 86,110 | $ 90,649 | $ 91,623 | $ 81,333 |
| Student | **1** | 1 | 1 | 1 | – | **524** | 678 | 859 | 1,061 | 1,284 |
| Personal | **688** | 759 | 909 | 782 | 160 | **33,294** | 32,650 | 30,772 | 27,577 | 26,143 |
| Credit card | **111** | 110 | 126 | 102 | – | **11,649** | 11,259 | 10,480 | 8,862 | 7,046 |
| Total net consumer loans | **2,990** | 3,142 | 3,499 | 2,733 | 163 | **138,996** | 130,697 | 132,760 | 129,123 | 115,806 |
| Non-residential mortgages | **392** | 495 | 519 | 343 | – | **6,733** | 6,287 | 6,386 | 5,766 | 6,840 |
| Financial institutions | **1,032** | 971 | 1,245 | 1,498 | 1,570 | **3,236** | 4,037 | 6,397 | 4,565 | 3,778 |
| Retail | **582** | 691 | 775 | 726 | 164 | **3,121** | 2,732 | 3,229 | 3,080 | 2,329 |
| Business services | **1,053** | 1,361 | 1,837 | 1,468 | 281 | **4,229** | 4,517 | 5,346 | 4,939 | 3,821 |
| Manufacturing – capital goods | **78** | 100 | 73 | 105 | 177 | **1,060** | 835 | 1,229 | 1,184 | 1,276 |
| Manufacturing – consumer goods | **253** | 296 | 365 | 373 | 110 | **1,287** | 1,100 | 1,406 | 1,691 | 1,355 |
| Real estate and construction | **681** | 755 | 613 | 231 | 23 | **5,367** | 5,712 | 5,726 | 3,832 | 3,423 |
| Agriculture | **104** | 114 | 142 | 116 | – | **3,343** | 3,010 | 3,200 | 3,016 | 2,917 |
| Oil and gas | **–** | – | – | – | 12 | **2,563** | 3,103 | 3,663 | 3,965 | 3,215 |
| Mining | **129** | 348 | 1,149 | 1,319 | 39 | **284** | 849 | 2,951 | 1,843 | 259 |
| Forest products | **31** | 21 | 28 | 73 | 98 | **407** | 381 | 461 | 641 | 632 |
| Hardware and software | **242** | 271 | 243 | 169 | 41 | **498** | 486 | 573 | 576 | 355 |
| Telecommunications and cable | **33** | 44 | 213 | 465 | 383 | **310** | 226 | 885 | 1,084 | 921 |
| Publishing, printing and broadcasting | **36** | 39 | 10 | 133 | 336 | **422** | 544 | 649 | 756 | 1,051 |
| Transportation | **249** | 273 | 369 | 397 | 469 | **1,358** | 1,367 | 1,456 | 1,636 | 1,591 |
| Utilities | **310** | 351 | 247 | 264 | 152 | **1,204** | 1,075 | 1,271 | 701 | 508 |
| Education, health and social services | **27** | 19 | – | 52 | 60 | **1,374** | 1,306 | 1,415 | 1,357 | 1,344 |
| Governments | **633** | 567 | 822 | 473 | – | **1,392** | 1,252 | 1,678 | 1,297 | 901 |
| Others | **6,312** | 5,255 | – | – | – | **7,701** | 6,479 | – | – | – |
| General allowance allocated to business and government loans | **(25)** | (56) | (34) | (41) | (45) | **(309)** | (386) | (358) | (374) | (406) |
| Total net business and government loans including acceptances[2] | **12,152** | 11,915 | 8,616 | 8,164 | 3,870 | **45,580** | 44,912 | 47,563 | 41,555 | 36,110 |
| Total net loans and acceptances | **$ 15,142** | $ 15,057 | $ 12,115 | $ 10,897 | $ 4,033 | **$ 184,576** | $ 175,609 | $ 180,323 | $ 170,678 | $ 151,916 |

(1) Classification by country is based on domicile of debtor or customer.
(2) Commencing 2010, business and government net loans and acceptances related to FirstCaribbean have been retroactively categorized by industry groups consistent with CIBC's practice. Previously, they were included within business services, other than non-residential mortgages, which was reported separately. Prior year information was restated.

## Summary of allowance for credit losses

| $ millions, as at or for the year ended October 31 | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Balance at beginning of year | **$ 2,043** | $ 1,523 | $ 1,443 | $ 1,444 | $ 1,638 |
| Provision for credit losses | **1,046** | 1,649 | 773 | 603 | 548 |
| Write-offs | | | | | |
| Domestic | | | | | |
| Residential mortgages | **9** | 7 | 4 | 5 | 12 |
| Student | **9** | 11 | 11 | 13 | 27 |
| Personal and credit card | **1,054** | 1,034 | 681 | 673 | 648 |
| Other business and government | **150** | 115 | 113 | 131 | 156 |
| Foreign | | | | | |
| Residential mortgages | **3** | 2 | – | 2 | – |
| Personal and credit card | **17** | 13 | 6 | 22 | – |
| Other business and government | **176** | 41 | 35 | 15 | 23 |
| Total write-offs | **1,418** | 1,223 | 850 | 861 | 866 |
| Recoveries | | | | | |
| Domestic | | | | | |
| Student | **–** | 1 | 1 | 2 | 3 |
| Personal and credit card | **109** | 89 | 87 | 77 | 65 |
| Other business and government | **8** | 8 | 13 | 19 | 14 |
| Foreign | | | | | |
| Personal and credit card | **2** | 3 | 5 | 2 | – |
| Other business and government | **4** | 20 | 8 | 47 | 36 |
| Total recoveries | **123** | 121 | 114 | 147 | 118 |
| Net write-offs | **1,295** | 1,102 | 736 | 714 | 748 |
| Foreign exchange and other adjustments | **(10)** | (27) | 43 | 110 | 6 |
| Balance at end of year | **$ 1,784** | $ 2,043 | $ 1,523 | $ 1,443 | $ 1,444 |
| Comprised of: | | | | | |
| Loans | **$ 1,720** | $ 1,960 | $ 1,446 | $ 1,443 | $ 1,442 |
| Letters of credit | **–** | 1 | – | – | 2 |
| Undrawn credit facilities | **64** | 82 | 77 | – | – |
| Ratio of net write-offs during year to average loans outstanding during year | **0.74%** | 0.66% | 0.45% | 0.46% | 0.53% |

## Specific allowances for credit losses as a percentage of gross impaired loans

| | Specific allowance for credit losses | | | | | Specific allowance as a % of gross impaired loans | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| $ millions, as at October 31 | **2010** | 2009 | 2008 | 2007 | 2006 | **2010** | 2009 | 2008 | 2007 | 2006 |
| Domestic[(1)] | | | | | | | | | | |
| Residential mortgages | **$ 19** | $ 14 | $ 9 | $ 11 | $ 13 | **7.3%** | 6.1% | 6.3% | 9.2% | 11.0% |
| Personal loans | **193** | 226 | 169 | 183 | 245 | **88.9** | 94.2 | 79.0 | 83.9 | 91.4 |
| Credit cards | **–** | – | – | – | 105 | **–** | – | – | – | n/m |
| Business and government | **120** | 134 | 121 | 133 | 172 | **55.3** | 51.9 | 71.2 | 66.2 | 75.8 |
| Total domestic | **$ 332** | $ 374 | $ 299 | $ 327 | $ 535 | **47.9%** | 51.4% | 56.7% | 60.8% | 87.3% |
| Foreign[(1)] | | | | | | | | | | |
| Residential mortgages | **$ 11** | $ 21 | $ 27 | $ 19 | $ – | **5.7%** | 12.2% | 18.8% | 19.0% | –% |
| Personal loans | **31** | 32 | 38 | 24 | – | **35.6** | 37.6 | 45.8 | 42.9 | – |
| Credit cards | **–** | – | – | – | – | **–** | – | – | – | – |
| Business and government | **257** | 308 | 79 | 61 | 7 | **29.8** | 33.3 | 34.5 | 36.1 | 41.2 |
| Total foreign | **$ 299** | $ 361 | $ 144 | $ 104 | $ 7 | **26.2%** | 30.5% | 31.6% | 32.0% | 41.2% |
| Total specific allowance | **$ 631** | $ 735 | $ 443 | $ 431 | $ 542 | **34.4%** | 38.5% | 45.1% | 49.9% | 86.0% |

(1) Classification as domestic is based on domicile of debtor or customer.
n/m Not meaningful.

## General allowance as a percentage of total net loans

| $ millions, as at October 31 | General allowance for credit losses 2010 | 2009 | 2008 | 2007 | 2006 | General allowance as a % of total net loans 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Domestic[1] | | | | | | | | | | |
| Residential mortgages | **$ 5** | $ 4 | $ 6 | $ 8 | $ 12 | **–%** | –% | –% | –% | –% |
| Personal loans | **287** | 279 | 280 | 354 | 375 | **0.9** | 0.9 | 0.9 | 1.3 | 1.4 |
| Credit cards | **477** | 548 | 348 | 258 | 102 | **4.1** | 4.9 | 3.4 | 3.0 | 1.5 |
| Business and government | **217** | 254 | 282 | 279 | 260 | **0.7** | 0.9 | 0.8 | 1.0 | 0.9 |
| Total domestic | **$ 986** | $ 1,085 | $ 916 | $ 899 | $ 749 | **0.6%** | 0.7% | 0.6% | 0.6% | 0.5% |
| Foreign[1] | | | | | | | | | | |
| Residential mortgages | **$ 4** | $ 3 | $ 4 | $ 3 | $ – | **0.2%** | 0.1% | 0.2% | 0.2% | –% |
| Personal loans | **6** | 4 | 6 | 14 | 5 | **0.6** | 0.4 | 0.5 | 1.5 | 1.2 |
| Credit cards | **1** | 1 | 1 | 1 | – | **0.7** | 0.7 | 0.7 | 0.8 | – |
| Business and government | **92** | 132 | 76 | 95 | 146 | **0.6** | 0.8 | 0.5 | 0.8 | 1.7 |
| Total foreign | **$ 103** | $ 140 | $ 87 | $ 113 | $ 151 | **0.5%** | 0.7% | 0.5% | 0.7% | 1.7% |
| Total general allowance | **$ 1,089** | $ 1,225 | $ 1,003 | $ 1,012 | $ 900 | **0.6%** | 0.7% | 0.6% | 0.6% | 0.6% |

(1) Classification as domestic or foreign is based on domicile of debtor or customer.

## Net loans and acceptances by geographic location[1]

| $ millions, as at October 31 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Canada | | | | | |
| Atlantic provinces | **$ 9,446** | $ 8,903 | $ 8,977 | $ 8,848 | $ 8,213 |
| Quebec | **13,779** | 12,435 | 12,693 | 12,052 | 11,376 |
| Ontario | **77,791** | 72,527 | 76,065 | 74,362 | 70,441 |
| Prairie provinces | **7,934** | 7,348 | 7,152 | 6,281 | 5,897 |
| Alberta, Northwest Territories and Nunavut | **27,667** | 27,336 | 28,145 | 26,654 | 22,813 |
| British Columbia and Yukon | **29,439** | 27,984 | 30,259 | 27,945 | 25,016 |
| General allowance allocated to Canada | **(986)** | (1,085) | (916) | (899) | (749) |
| Total Canada | **$ 165,070** | $ 155,448 | $ 162,375 | $ 155,243 | $ 143,007 |
| U.S. | **$ 4,364** | $ 5,104 | $ 5,833 | $ 4,538 | $ 4,876 |
| Other countries | **$ 15,142** | $ 15,057 | $ 12,115 | $ 10,897 | $ 4,033 |
| Total net loans and acceptances | **$ 184,576** | $ 175,609 | $ 180,323 | $ 170,678 | $ 151,916 |

(1) Classification by country is based on domicile of debtor or customer.

## Impaired loans before general allowance

| $ millions, as at October 31 | Canada[1] | | | | | U.S.[1] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | 2007 | 2006 | **2010** | 2009 | 2008 | 2007 | 2006 |
| **Gross impaired loans** | | | | | | | | | | |
| Residential mortgages | **$ 259** | $ 230 | $ 143 | $ 119 | $ 118 | **$ –** | $ – | $ – | $ – | $ – |
| Student | **23** | 29 | 33 | 41 | 49 | **–** | – | – | – | – |
| Personal | **194** | 211 | 181 | 177 | 219 | **–** | – | – | – | – |
| Total gross impaired consumer loans | **476** | 470 | 357 | 337 | 386 | **–** | – | – | – | – |
| Non-residential mortgages | **8** | 8 | 4 | 3 | 4 | **–** | – | – | – | – |
| Financial institutions | **1** | 1 | 4 | 6 | 2 | **–** | 135 | – | – | – |
| Retail and business services | **57** | 97 | 89 | 95 | 90 | **51** | 45 | – | 20 | 8 |
| Manufacturing – consumer and capital goods | **46** | 49 | 17 | 26 | 37 | **16** | 31 | 2 | 3 | 2 |
| Real estate and construction | **54** | 16 | 8 | 19 | 14 | **183** | 244 | 2 | – | – |
| Agriculture | **6** | 9 | 20 | 33 | 60 | **–** | – | – | – | – |
| Resource-based industries | **26** | 26 | 20 | 4 | 2 | **–** | – | – | – | – |
| Telecommunications, media and technology | **10** | 44 | 3 | 6 | 7 | **–** | – | 2 | 1 | 2 |
| Transportation | **7** | 5 | 3 | 5 | 5 | **13** | 19 | – | – | – |
| Utilities | **–** | – | – | – | – | **–** | – | – | – | – |
| Other | **2** | 3 | 2 | 4 | 6 | **–** | – | – | – | – |
| Total gross impaired – business and government loans[2] | **217** | 258 | 170 | 201 | 227 | **263** | 474 | 6 | 24 | 12 |
| Total gross impaired loans | **693** | 728 | 527 | 538 | 613 | **263** | 474 | 6 | 24 | 12 |
| Other past due loans[3] | **376** | 472 | 366 | 60 | 45 | **–** | – | 5 | – | – |
| Total gross impaired and other past due loans | **$ 1,069** | $ 1,200 | $ 893 | $ 598 | $ 658 | **$ 263** | $ 474 | $ 11 | $ 24 | $ 12 |
| **Allowance for credit losses** | | | | | | | | | | |
| Residential mortgages | **$ 19** | $ 14 | $ 9 | $ 11 | $ 13 | **$ –** | $ – | $ – | $ – | $ – |
| Student | **7** | 12 | 11 | 16 | 22 | **–** | – | – | – | – |
| Credit card | **–** | – | – | – | 105 | **–** | – | – | – | – |
| Personal | **186** | 214 | 158 | 167 | 223 | **–** | – | – | – | – |
| Total allowance – consumer loans | **212** | 240 | 178 | 194 | 363 | **–** | – | – | – | – |
| Non-residential mortgages | **2** | 2 | 1 | 1 | 1 | **–** | – | – | – | – |
| Financial institutions | **1** | 1 | 1 | 1 | 2 | **–** | 17 | – | – | – |
| Retail and business services | **36** | 59 | 74 | 66 | 74 | **22** | 10 | – | 14 | 3 |
| Manufacturing – consumer and capital goods | **23** | 27 | 11 | 17 | 33 | **7** | 17 | 1 | 3 | 1 |
| Real estate and construction | **18** | 8 | 8 | 13 | 9 | **63** | 89 | 2 | – | – |
| Agriculture | **4** | 6 | 10 | 18 | 36 | **1** | 1 | – | – | – |
| Resource-based industries | **19** | 12 | 7 | 3 | 2 | **–** | – | – | – | – |
| Telecommunications, media and technology | **9** | 13 | 3 | 6 | 6 | **–** | – | 1 | – | – |
| Transportation | **7** | 5 | 4 | 5 | 5 | **9** | 13 | – | – | – |
| Utilities | **–** | – | – | – | – | **–** | – | – | – | – |
| Other | **1** | 1 | 2 | 3 | 4 | **–** | – | – | – | – |
| Total allowance – business and government loans[2] | **120** | 134 | 121 | 133 | 172 | **102** | 147 | 4 | 17 | 4 |
| Total allowance | **$ 332** | $ 374 | $ 299 | $ 327 | $ 535 | **$ 102** | $ 147 | $ 4 | $ 17 | $ 4 |
| **Net impaired loans** | | | | | | | | | | |
| Residential mortgages | **$ 240** | $ 216 | $ 134 | $ 108 | $ 105 | **$ –** | $ – | $ – | $ – | $ – |
| Student | **16** | 17 | 22 | 25 | 27 | **–** | – | – | – | – |
| Credit card | **–** | – | – | – | (105) | **–** | – | – | – | – |
| Personal | **8** | (3) | 23 | 10 | (4) | **–** | – | – | – | – |
| Total net impaired consumer loans | **264** | 230 | 179 | 143 | 23 | **–** | – | – | – | – |
| Non-residential mortgages | **6** | 6 | 3 | 2 | 3 | **–** | – | – | – | – |
| Financial institutions | **–** | – | 3 | 5 | – | **–** | 118 | – | – | – |
| Retail and business services | **21** | 38 | 15 | 29 | 16 | **29** | 35 | – | 6 | 5 |
| Manufacturing – consumer and capital goods | **23** | 22 | 6 | 9 | 4 | **9** | 14 | 1 | – | 1 |
| Real estate and construction | **36** | 8 | – | 6 | 5 | **120** | 155 | – | – | – |
| Agriculture | **2** | 3 | 10 | 15 | 24 | **(1)** | (1) | – | – | – |
| Resource-based industries | **7** | 14 | 13 | 1 | – | **–** | – | – | – | – |
| Telecommunications, media and technology | **1** | 31 | – | – | 1 | **–** | – | 1 | 1 | 2 |
| Transportation | **–** | – | (1) | – | – | **4** | 6 | – | – | – |
| Utilities | **–** | – | – | – | – | **–** | – | – | – | – |
| Other | **1** | 2 | – | 1 | 2 | **–** | – | – | – | – |
| Total net impaired – business and government loans[2] | **97** | 124 | 49 | 68 | 55 | **161** | 327 | 2 | 7 | 8 |
| Total net impaired loans | **$ 361** | $ 354 | $ 228 | $ 211 | $ 78 | **$ 161** | $ 327 | $ 2 | $ 7 | $ 8 |

(1) Classification by country is based on domicile of debtor or customer.
(2) Commencing 2010, business and government gross impaired loans and specific allowance for credit losses related to FirstCaribbean have been retroactively categorized by industry groups consistent with CIBC's practice. Previously, they were included within retail and business services, other than non-residential mortgages, which was reported separately. Prior year information was restated.
(3) Represents loans where repayment of principal or payment of interest is contractually in arrears between 90 and 180 days. Commencing 2008, other past due loans also include government-guaranteed loans.

## Impaired loans before general allowance (continued)

| | Other[1] | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| $ millions, as at October 31 | **2010** | 2009 | 2008 | 2007 | 2006 | **2010** | 2009 | 2008 | 2007 | 2006 |
| **Gross impaired loans** | | | | | | | | | | |
| Residential mortgages | **$ 193** | $ 172 | $ 144 | $ 100 | $ – | **$ 452** | $ 402 | $ 287 | $ 219 | $ 118 |
| Student | **–** | – | – | – | – | **23** | 29 | 33 | 41 | 49 |
| Personal | **87** | 85 | 83 | 56 | – | **281** | 296 | 264 | 233 | 219 |
| Total gross impaired consumer loans | **280** | 257 | 227 | 156 | – | **756** | 727 | 584 | 493 | 386 |
| Non-residential mortgages | **67** | 57 | 28 | 34 | – | **75** | 65 | 32 | 37 | 4 |
| Financial institutions | **4** | 3 | 1 | – | – | **5** | 139 | 5 | 6 | 2 |
| Retail and business services | **208** | 132 | 70 | 28 | 3 | **316** | 274 | 159 | 143 | 101 |
| Manufacturing – consumer and capital goods | **15** | 16 | 7 | 4 | 2 | **77** | 96 | 26 | 33 | 41 |
| Real estate and construction | **228** | 115 | 76 | 59 | – | **465** | 375 | 86 | 78 | 14 |
| Agriculture | **20** | 14 | 15 | 10 | – | **26** | 23 | 35 | 43 | 60 |
| Resource-based industries | **–** | – | 1 | – | – | **26** | 26 | 21 | 4 | 2 |
| Telecommunications, media and technology | **32** | 90 | – | – | – | **42** | 134 | 5 | 7 | 9 |
| Transportation | **25** | 24 | 23 | 10 | – | **45** | 48 | 26 | 15 | 5 |
| Utilities | **1** | 1 | 1 | – | – | **1** | 1 | 1 | – | – |
| Other | **–** | – | 1 | – | – | **2** | 3 | 3 | 4 | 6 |
| Total gross impaired – business and government loans[2] | **600** | 452 | 223 | 145 | 5 | **1,080** | 1,184 | 399 | 370 | 244 |
| Total gross impaired loans | **880** | 709 | 450 | 301 | 5 | **1,836** | 1,911 | 983 | 863 | 630 |
| Other past due loans[3] | **5** | 6 | 3 | – | – | **381** | 478 | 374 | 60 | 45 |
| Total gross impaired and other past due loans | **$ 885** | $ 715 | $ 453 | $ 301 | $ 5 | **$ 2,217** | $ 2,389 | $ 1,357 | $ 923 | $ 675 |
| **Allowance for credit losses** | | | | | | | | | | |
| Residential mortgages | **$ 11** | $ 21 | $ 27 | $ 19 | $ – | **$ 30** | $ 35 | $ 36 | $ 30 | $ 13 |
| Student | **–** | – | – | – | – | **7** | 12 | 11 | 16 | 22 |
| Credit card | **–** | – | – | – | – | **–** | – | – | – | 105 |
| Personal | **31** | 32 | 38 | 24 | – | **217** | 246 | 196 | 191 | 223 |
| Total allowance – consumer loans | **42** | 53 | 65 | 43 | – | **254** | 293 | 243 | 237 | 363 |
| Non-residential mortgages | **14** | 9 | 4 | 3 | – | **16** | 11 | 5 | 4 | 1 |
| Financial institutions | **1** | 1 | – | – | – | **2** | 19 | 1 | 1 | 2 |
| Retail and business services | **63** | 46 | 30 | 13 | 3 | **121** | 115 | 104 | 93 | 80 |
| Manufacturing – consumer and capital goods | **4** | 5 | 3 | 2 | – | **34** | 49 | 15 | 22 | 34 |
| Real estate and construction | **46** | 27 | 27 | 19 | – | **127** | 124 | 37 | 32 | 9 |
| Agriculture | **9** | 6 | 4 | 2 | – | **14** | 13 | 14 | 20 | 36 |
| Resource-based industries | **–** | – | – | – | – | **19** | 12 | 7 | 3 | 2 |
| Telecommunications, media and technology | **11** | 59 | – | – | – | **20** | 72 | 4 | 6 | 6 |
| Transportation | **7** | 7 | 6 | 5 | – | **23** | 25 | 10 | 10 | 5 |
| Utilities | **–** | 1 | 1 | – | – | **–** | 1 | 1 | – | – |
| Other | **–** | – | – | – | – | **1** | 1 | 2 | 3 | 4 |
| Total allowance – business and government loans[2] | **155** | 161 | 75 | 44 | 3 | **377** | 442 | 200 | 194 | 179 |
| Total allowance | **$ 197** | $ 214 | $ 140 | $ 87 | $ 3 | **$ 631** | $ 735 | $ 443 | $ 431 | $ 542 |
| **Net impaired loans** | | | | | | | | | | |
| Residential mortgages | **$ 182** | $ 151 | $ 117 | $ 81 | $ – | **$ 422** | $ 367 | $ 251 | $ 189 | $ 105 |
| Student | **–** | – | – | – | – | **16** | 17 | 22 | 25 | 27 |
| Credit card | **–** | – | – | – | – | **–** | – | – | – | (105) |
| Personal | **56** | 53 | 45 | 32 | – | **64** | 50 | 68 | 42 | (4) |
| Total net impaired consumer loans | **238** | 204 | 162 | 113 | – | **502** | 434 | 341 | 256 | 23 |
| Non-residential mortgages | **53** | 48 | 24 | 31 | – | **59** | 54 | 27 | 33 | 3 |
| Financial institutions | **3** | 2 | 1 | – | – | **3** | 120 | 4 | 5 | – |
| Retail and business services | **145** | 86 | 40 | 15 | – | **195** | 159 | 55 | 50 | 21 |
| Manufacturing – consumer and capital goods | **11** | 11 | 4 | 2 | 2 | **43** | 47 | 11 | 11 | 7 |
| Real estate and construction | **182** | 88 | 49 | 40 | – | **338** | 251 | 49 | 46 | 5 |
| Agriculture | **11** | 8 | 11 | 8 | – | **12** | 10 | 21 | 23 | 24 |
| Resource-based industries | **–** | – | 1 | – | – | **7** | 14 | 14 | 1 | – |
| Telecommunications, media and technology | **21** | 31 | – | – | – | **22** | 62 | 1 | 1 | 3 |
| Transportation | **18** | 17 | 17 | 5 | – | **22** | 23 | 16 | 5 | – |
| Utilities | **1** | – | – | – | – | **1** | – | – | – | – |
| Other | **–** | – | 1 | – | – | **1** | 2 | 1 | 1 | 2 |
| Total net impaired – business and government loans[2] | **445** | 291 | 148 | 101 | 2 | **703** | 742 | 199 | 176 | 65 |
| Total net impaired loans | **$ 683** | $ 495 | $ 310 | $ 214 | $ 2 | **$ 1,205** | $ 1,176 | $ 540 | $ 432 | $ 88 |

(1) Classification by country is based on domicile of debtor or customer.
(2) Commencing 2010, business and government gross impaired loans and specific allowance for credit losses related to FirstCaribbean have been retroactively categorized by industry groups consistent with CIBC's practice. Previously, they were included within retail and business services, other than non-residential mortgages, which was reported separately. Prior year information was restated.
(3) Represents loans where repayment of principal or payment of interest is contractually in arrears between 90 and 180 days. Commencing 2008, other past due loans also include government-guaranteed loans.

## Deposits

| $ millions, for the year ended October 31 | Average balance 2010 | 2009 | 2008 | Interest 2010 | 2009 | 2008 | Rate 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|
| **Deposits in domestic bank offices**[1] | | | | | | | | | |
| Payable on demand | | | | | | | | | |
| Personal | **$ 7,026** | $ 5,967 | $ 5,783 | **$ 3** | $ 5 | $ 6 | **0.04%** | 0.08% | 0.10% |
| Business and government | **25,632** | 23,539 | 22,337 | **46** | 59 | 358 | **0.18** | 0.25 | 1.60 |
| Bank | **1,299** | 1,193 | 1,140 | **2** | 4 | 14 | **0.15** | 0.34 | 1.23 |
| Payable after notice | | | | | | | | | |
| Personal | **56,735** | 45,135 | 37,568 | **286** | 329 | 506 | **0.50** | 0.73 | 1.35 |
| Business and government | **11,812** | 8,622 | 6,825 | **62** | 48 | 182 | **0.52** | 0.56 | 2.67 |
| Bank | **4** | 1 | 4 | **–** | – | – | **–** | – | – |
| Payable on a fixed date | | | | | | | | | |
| Personal | **42,749** | 46,932 | 47,659 | **1,143** | 1,438 | 1,867 | **2.67** | 3.06 | 3.92 |
| Business and government | **46,073** | 45,192 | 54,189 | **493** | 448 | 1,815 | **1.07** | 0.99 | 3.35 |
| Bank | **560** | 1,062 | 641 | **2** | 4 | 22 | **0.36** | 0.38 | 3.43 |
| Total domestic | **191,890** | 177,643 | 176,146 | **2,037** | 2,335 | 4,770 | **1.06** | 1.31 | 2.71 |
| **Deposits in foreign bank offices** | | | | | | | | | |
| Payable on demand | | | | | | | | | |
| Personal | **439** | 482 | 508 | **3** | 5 | 13 | **0.68** | 1.04 | 2.56 |
| Business and government | **2,320** | 2,912 | 2,611 | **6** | 5 | 9 | **0.26** | 0.17 | 0.34 |
| Bank | **80** | 272 | 347 | **4** | 4 | 3 | **5.00** | 1.47 | 0.86 |
| Payable after notice | | | | | | | | | |
| Personal | **1,916** | 2,055 | 1,764 | **39** | 49 | 53 | **2.04** | 2.38 | 3.00 |
| Business and government | **647** | 662 | 410 | **1** | 1 | 3 | **0.15** | 0.15 | 0.73 |
| Payable on a fixed date | | | | | | | | | |
| Personal | **2,214** | 2,487 | 2,390 | **9** | 32 | 72 | **0.41** | 1.29 | 3.01 |
| Business and government | **26,650** | 27,278 | 38,926 | **74** | 359 | 1,445 | **0.28** | 1.32 | 3.71 |
| Bank | **4,891** | 7,192 | 13,864 | **19** | 89 | 485 | **0.39** | 1.24 | 3.50 |
| Total foreign | **39,157** | 43,340 | 60,820 | **155** | 544 | 2,083 | **0.40** | 1.26 | 3.42 |
| Total deposits | **$ 231,047** | $ 220,983 | $ 236,966 | **$ 2,192** | $ 2,879 | $ 6,853 | **0.95%** | 1.30% | 2.89% |

(1) Deposits by foreign depositors in our domestic bank offices amounted to $3.6 billion (2009: $4.2 billion; 2008: $3.6 billion).

## Short-term borrowings

| $ millions, as at or for the year ended October 31 | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Amounts outstanding at end of year** | | | |
| Obligations related to securities sold short | **$ 9,673** | $ 5,916 | $ 6,924 |
| Obligations related to securities lent or sold under repurchase agreements | **28,220** | 37,453 | 38,023 |
| Total short-term borrowings | **$ 37,893** | $ 43,369 | $ 44,947 |
| **Obligations related to securities sold short** | | | |
| Average balance | **$ 8,620** | $ 6,461 | $ 9,901 |
| Maximum month-end balance | **10,554** | 7,368 | 11,984 |
| Average interest rate | **2.45%** | 2.45% | 2.91% |
| **Obligations related to securities lent or sold under repurchase agreements** | | | |
| Average balance | **39,379** | 43,372 | 30,574 |
| Maximum month-end balance | **45,886** | 49,211 | 38,023 |
| Average interest rate | **0.75%** | 1.20% | 4.66% |

## Fees paid to the shareholders' auditors

| $ millions, for the year ended October 31 | 2010 | 2009 | 2008 |
|---|---|---|---|
| Audit fees[1] | **$ 16.3** | $ 19.0 | $ 18.0 |
| Audit related fees[2] | **2.8** | 2.2 | 2.3 |
| Tax fees[3] | **0.4** | 0.4 | 0.4 |
| Other | **–** | – | 1.3 |
| Total | **$ 19.5** | $ 21.6 | $ 22.0 |

(1) For the audit of CIBC's annual financial statements and services normally provided by the principal auditor in connection with CIBC's statutory and regulatory filings. Audit fees also include the audit of internal control over financial reporting under standards of the Public Company Accounting Oversight Board (United States).
(2) For the assurance and related services that are reasonably related to the performance of the audit or review of CIBC's financial statements, including accounting consultation, various agreed upon procedures and translation of financial reports.
(3) For tax compliance services.

# Consolidated Financial Statements

## Contents


**105** Financial Reporting Responsibility

**106** Independent Auditors' Reports to Shareholders

**108** Consolidated Balance Sheet

**109** Consolidated Statement of Operations

**110** Consolidated Statement of Comprehensive Income

**111** Consolidated Statement of Changes in Shareholders' Equity

**112** Consolidated Statement of Cash Flows

**113** Notes to the Consolidated Financial Statements

**113** **Note 1** – Summary of Significant Accounting Policies
**120** **Note 2** – Fair Value of Financial Instruments
**127** **Note 3** – Significant Acquisitions and Disposition
**128** **Note 4** – Securities
**131** **Note 5** – Loans
**133** **Note 6** – Securitizations and Variable Interest Entities
**137** **Note 7** – Land, Buildings and Equipment
**137** **Note 8** – Goodwill, Software and Other Intangible Assets
**138** **Note 9** – Other Assets
**138** **Note 10** – Deposits
**139** **Note 11** – Other Liabilities
**139** **Note 12** – Trading Activities
**140** **Note 13** – Financial Instruments Designated at Fair Value
**141** **Note 14** – Derivative Instruments
**145** **Note 15** – Designated Accounting Hedges
**146** **Note 16** – Subordinated Indebtedness
**147** **Note 17** – Common and Preferred Share Capital and Preferred Share Liabilities
**151** **Note 18** – Capital Trust Securities
**151** **Note 19** – Accumulated Other Comprehensive Income
**152** **Note 20** – Interest Rate Sensitivity
**153** **Note 21** – Stock-based Compensation
**155** **Note 22** – Employee Future Benefits
**159** **Note 23** – Income Taxes
**161** **Note 24** – Earnings per Share
**161** **Note 25** – Commitments, Guarantees, Pledged Assets and Contingent Liabilities
**165** **Note 26** – Concentration of Credit Risk
**165** **Note 27** – Related-party Transactions
**166** **Note 28** – Segmented and Geographic Information
**168** **Note 29** – Financial Instruments – Disclosures
**169** **Note 30** – Reconciliation of Canadian and U.S. Generally Accepted Accounting Principles
**179** **Note 31** – Future Accounting Policy Changes

# Financial Reporting Responsibility

The management of Canadian Imperial Bank of Commerce (CIBC) is responsible for the preparation of the Annual Report, which includes the consolidated financial statements and management's discussion and analysis (MD&A), and for the timeliness and reliability of the information disclosed. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as well as the requirements of the Bank Act (Canada). The MD&A has been prepared in accordance with the requirements of applicable securities laws.

The consolidated financial statements and MD&A, of necessity, contain items that reflect the best estimates and judgments of the expected effects of current events and transactions with appropriate consideration to materiality. All financial information appearing throughout the Annual Report is consistent with the consolidated financial statements.

Management has developed and maintains effective systems, controls and procedures to ensure that information used internally and disclosed externally is reliable and timely. During the past year, we have continued to improve, document and test the design and operating effectiveness of internal control over external financial reporting. The results of our work have been subjected to audit by the shareholders' auditors. As at year-end, we have determined that internal control over financial reporting is effective and CIBC is in compliance with the requirements set by the U.S. Securities and Exchange Commission (SEC) under Section 404 of the U.S. Sarbanes-Oxley Act (SOX). In compliance with Section 302 of SOX, CIBC's Chief Executive Officer and Chief Financial Officer provide to the SEC a certification related to CIBC's annual disclosure document in the U.S. (Form 40-F). The same certification is provided to the Canadian Securities Administrators pursuant to Multilateral Instrument 52-109.

The Chief Auditor and his staff review and report on CIBC's internal controls, including computerized information system controls and security, the overall control environment, and accounting and financial controls. The Chief Auditor has full and independent access to the Audit Committee.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee, which is composed of directors who are not officers or employees of CIBC. The Audit Committee reviews CIBC's interim and annual consolidated financial statements and MD&A and recommends them for approval by the Board of Directors. Other key responsibilities of the Audit Committee include monitoring CIBC's system of internal control, monitoring its compliance with legal and regulatory requirements, and reviewing the qualifications, independence and performance of the shareholders' auditors and internal auditors.

Ernst & Young LLP, the shareholders' auditors, obtain an understanding of CIBC's internal controls and procedures for financial reporting to plan and conduct such tests and other audit procedures as they consider necessary in the circumstances to express their opinions in the reports that follow. The shareholders' auditors have full and independent access to the Audit Committee to discuss their audit and related matters.

The Office of the Superintendent of Financial Institutions (OSFI) Canada is mandated to protect the rights and interest of depositors and creditors of CIBC. Accordingly, OSFI examines and enquires into the business and affairs of CIBC, as deemed necessary, to ensure that the provisions of the Bank Act (Canada) are being complied with and that CIBC is in sound financial condition.

**Gerald T. McCaughey**
President and Chief Executive Officer

**David Williamson**
Chief Financial Officer

December 1, 2010

# Independent Auditors' Reports to Shareholders

## Report on Financial Statements

We have audited the consolidated balance sheets of Canadian Imperial Bank of Commerce (CIBC) as at October 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended October 31, 2010. These financial statements are the responsibility of CIBC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of CIBC as at October 31, 2010 and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2010, in accordance with Canadian generally accepted accounting principles.

As explained in Note 1 to the consolidated financial statements, effective November 1, 2008, CIBC adopted amendments to Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3855 "Financial Instruments – Recognition and Measurement", and 3064 "Goodwill and Intangible Assets". In 2008, CIBC adopted the requirements of the amended CICA Emerging Issues Committee Abstract (EIC) 46, "Leveraged Leases" and amendments to CICA Handbook Section 3855 relating to the reclassification of financial assets.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of CIBC's internal control over financial reporting as of October 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 1, 2010 expressed an unqualified opinion thereon.

**Ernst & Young LLP**
Chartered Accountants
Licensed Public Accountants
Toronto, Canada
December 1, 2010

# Independent Auditors' Reports to Shareholders

## Report on Internal Controls under Standards of the Public Company Accounting Oversight Board (United States)

We have audited Canadian Imperial Bank of Commerce's (CIBC) internal control over financial reporting as of October 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). CIBC's management is responsible for maintaining effective internal control over financial reporting and for its assessment of internal control over financial reporting. Our responsibility is to express an opinion on the effectiveness of CIBC's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on assessed risk. Our audit included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CIBC maintained, in all material respects, effective internal control over financial reporting as of October 31, 2010 based on the COSO criteria.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CIBC as at October 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended October 31, 2010 of CIBC and our report dated December 1, 2010 expressed an unqualified opinion thereon.

**Ernst & Young LLP**
Chartered Accountants
Licensed Public Accountants
Toronto, Canada
December 1, 2010

# Consolidated Balance Sheet

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| **ASSETS** | | |
| Cash and non-interest-bearing deposits with banks | **$ 2,190** | $ 1,812 |
| Interest-bearing deposits with banks | **9,862** | 5,195 |
| **Securities** (Note 4) | | |
| Trading (Note 12) | **28,557** | 15,110 |
| Available-for-sale (AFS) | **26,621** | 40,160 |
| Designated at fair value (FVO) (Note 13) | **22,430** | 22,306 |
| | **77,608** | 77,576 |
| **Securities borrowed or purchased under resale agreements** | **37,342** | 32,751 |
| **Loans** (Note 5) | | |
| Residential mortgages | **93,568** | 86,152 |
| Personal | **34,335** | 33,869 |
| Credit card | **12,127** | 11,808 |
| Business and government (Note 13) | **38,582** | 37,343 |
| Allowance for credit losses | **(1,720)** | (1,960) |
| | **176,892** | 167,212 |
| **Other** | | |
| Derivative instruments (Note 14) | **24,682** | 24,696 |
| Customers' liability under acceptances | **7,684** | 8,397 |
| Land, buildings and equipment (Note 7) | **1,660** | 1,618 |
| Goodwill (Note 8) | **1,913** | 1,997 |
| Software and other intangible assets (Note 8) | **609** | 669 |
| Other assets (Note 9) | **11,598** | 14,021 |
| | **48,146** | 51,398 |
| | **$ 352,040** | $ 335,944 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Deposits** (Note 10) | | |
| Personal | **$ 113,294** | $ 108,324 |
| Business and government (Notes 13 and 18) | **127,759** | 107,209 |
| Bank | **5,618** | 7,584 |
| | **246,671** | 223,117 |
| **Other** | | |
| Derivative instruments (Note 14) | **26,489** | 27,162 |
| Acceptances | **7,684** | 8,397 |
| Obligations related to securities sold short (Notes 12 and 13) | **9,673** | 5,916 |
| Obligations related to securities lent or sold under repurchase agreements | **28,220** | 37,453 |
| Other liabilities (Note 11) | **12,572** | 13,693 |
| | **84,638** | 92,621 |
| **Subordinated indebtedness** (Note 16) | **4,773** | 5,157 |
| **Preferred share liabilities** (Note 17) | **–** | 600 |
| **Non-controlling interests** | **168** | 174 |
| **Shareholders' equity** | | |
| Preferred shares (Note 17) | **3,156** | 3,156 |
| Common shares (Note 17) | **6,803** | 6,240 |
| Treasury shares (Note 17) | **1** | 1 |
| Contributed surplus | **96** | 92 |
| Retained earnings | **6,095** | 5,156 |
| Accumulated other comprehensive income (AOCI) (Note 19) | **(361)** | (370) |
| | **15,790** | 14,275 |
| | **$ 352,040** | $ 335,944 |

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

**Gerald T. McCaughey**
President and Chief Executive Officer

**Ronald W. Tysoe**
Director

# Consolidated Statement of Operations

| $ millions, except as noted, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| **Interest income** | | | |
| Loans | **$ 7,288** | $ 7,183 | $ 9,308 |
| Securities borrowed or purchased under resale agreements | **193** | 324 | 1,535 |
| Securities | **1,562** | 1,705 | 2,682 |
| Deposits with banks | **52** | 85 | 638 |
| | **9,095** | 9,297 | 14,163 |
| **Interest expense** | | | |
| Deposits | **2,192** | 2,879 | 6,853 |
| Other liabilities | **476** | 785 | 1,801 |
| Subordinated indebtedness | **188** | 208 | 271 |
| Preferred share liabilities (Note 17) | **35** | 31 | 31 |
| | **2,891** | 3,903 | 8,956 |
| **Net interest income** | **6,204** | 5,394 | 5,207 |
| **Non-interest income** | | | |
| Underwriting and advisory fees | **426** | 478 | 411 |
| Deposit and payment fees | **756** | 773 | 776 |
| Credit fees | **341** | 304 | 237 |
| Card fees | **304** | 328 | 306 |
| Investment management and custodial fees | **459** | 419 | 525 |
| Mutual fund fees | **751** | 658 | 814 |
| Insurance fees, net of claims | **277** | 258 | 248 |
| Commissions on securities transactions | **474** | 472 | 565 |
| Trading income (loss) (Note 12) | **603** | (531) | (6,821) |
| AFS securities gains (losses), net (Note 4) | **400** | 275 | (40) |
| FVO income (loss) (Note 13) | **(623)** | (33) | (249) |
| Income from securitized assets | **631** | 518 | 585 |
| Foreign exchange other than trading | **683** | 496 | 437 |
| Other | **399** | 119 | 713 |
| | **5,881** | 4,534 | (1,493) |
| **Total revenue** | **12,085** | 9,928 | 3,714 |
| **Provision for credit losses** (Note 5) | **1,046** | 1,649 | 773 |
| **Non-interest expenses** | | | |
| Employee compensation and benefits | **3,871** | 3,610 | 3,917 |
| Occupancy costs | **648** | 597 | 610 |
| Computer, software and office equipment | **1,003** | 1,010 | 1,095 |
| Communications | **290** | 288 | 284 |
| Advertising and business development | **197** | 173 | 217 |
| Professional fees | **210** | 189 | 230 |
| Business and capital taxes | **88** | 117 | 118 |
| Other | **720** | 676 | 730 |
| | **7,027** | 6,660 | 7,201 |
| **Income (loss) before income taxes and non-controlling interests** | **4,012** | 1,619 | (4,260) |
| **Income tax expense (benefit)** (Note 23) | **1,533** | 424 | (2,218) |
| | **2,479** | 1,195 | (2,042) |
| **Non-controlling interests** | **27** | 21 | 18 |
| **Net income (loss)** | **$ 2,452** | $ 1,174 | $ (2,060) |
| **Preferred share dividends and premiums** (Note 17) | **(169)** | (162) | (119) |
| **Net income (loss) applicable to common shares** | **$ 2,283** | $ 1,012 | $ (2,179) |
| **Weighted-average common shares outstanding** (thousands) | **387,802** | 381,677 | 370,229 |
| **Weighted-average diluted common shares outstanding** (thousands) | **388,807** | 382,442 | 371,763 |
| **Earnings (loss) per share** (in dollars) (Note 24) – Basic | **$ 5.89** | $ 2.65 | $ (5.89) |
| – Diluted | **$ 5.87** | $ 2.65 | $ (5.89) |
| **Dividends per common share** (in dollars) (Note 17) | **$ 3.48** | $ 3.48 | $ 3.48 |

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

# Consolidated Statement of Comprehensive Income

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Net income (loss) | **$ 2,452** | $ 1,174 | $ (2,060) |
| Other comprehensive income (OCI), net of tax | | | |
| **Net foreign currency translation adjustments** | | | |
| Net gains (losses) on investment in self-sustaining foreign operations | **789** | (388) | 2,947 |
| Net gains (losses) on hedges of investment in self-sustaining foreign operations | **(869)** | 250 | (2,217) |
| | **(80)** | (138) | 730 |
| **Net change in AFS securities** | | | |
| Net unrealized gains (losses) on AFS securities | **303** | 462 | (41) |
| Transfer of net (gains) losses to net income | **(230)** | (236) | 5 |
| | **73** | 226 | (36) |
| **Net change in cash flow hedges** | | | |
| Net losses on derivatives designated as cash flow hedges | **(9)** | (26) | (12) |
| Net losses (gains) on derivatives designated as cash flow hedges transferred to net income | **25** | 10 | (32) |
| | **16** | (16) | (44) |
| Total OCI[1] | **9** | 72 | 650 |
| **Comprehensive income (loss)** | **$ 2,461** | $ 1,246 | $ (1,410) |

(1) Includes non-controlling interest of $1 million (2009: $1 million; 2008: $6 million).

The income tax benefit (expense) allocated to each component of OCI is presented in the table below:

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| **Net foreign currency translation adjustments** | | | |
| Changes on investment in self-sustaining foreign operations | **$ (1)** | $ 34 | $ (44) |
| Changes on hedges of investment in self-sustaining foreign operations | **518** | (16) | 1,013 |
| **Net change in AFS securities** | | | |
| Net unrealized gains (losses) on AFS securities | **(100)** | (151) | (25) |
| Transfer of net (gains) losses to net income | **68** | 111 | (37) |
| **Net change in cash flow hedges** | | | |
| Changes on derivatives designated as cash flow hedges | **3** | 13 | 7 |
| Changes on derivatives designated as cash flow hedges transferred to net income | **(3)** | (9) | 16 |
| | **$ 485** | $ (18) | $ 930 |

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

# Consolidated Statement of Changes in Shareholders' Equity

| $ millions, except number of shares, for the year ended October 31 | Shares 2010 | 2009 | 2008 | Amount 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| **Preferred shares** (Note 17) | | | | | | |
| Balance at beginning of year | | | | **$ 3,156** | $ 2,631 | $ 2,331 |
| Issue of preferred shares | | | | **–** | 525 | 300 |
| Balance at end of year | | | | **$ 3,156** | $ 3,156 | $ 2,631 |
| **Common shares** (Note 17) | | | | | | |
| Balance at beginning of year | **383,983,867** | 380,798,218 | 334,956,954 | **$ 6,240** | $ 6,062 | $ 3,133 |
| Issue of common shares | **8,755,633** | 3,185,649 | 45,841,264 | **563** | 178 | 2,963 |
| Issuance costs, net of related income taxes | **–** | – | – | **–** | – | (34) |
| Balance at end of year | **392,739,500** | 383,983,867 | 380,798,218 | **$ 6,803** | $ 6,240 | $ 6,062 |
| **Treasury shares** (Note 17) | | | | | | |
| Balance at beginning of year | **(2,000)** | 6,611 | 31,625 | **$ 1** | $ 1 | $ 4 |
| Purchases | **(51,048,586)** | (156,495,078) | (136,208,844) | **(3,594)** | (7,274) | (9,076) |
| Sales | **51,049,786** | 156,486,467 | 136,183,830 | **3,594** | 7,274 | 9,073 |
| Balance at end of year | **(800)** | (2,000) | 6,611 | **$ 1** | $ 1 | $ 1 |
| **Contributed surplus** | | | | | | |
| Balance at beginning of year | | | | **$ 92** | $ 96 | $ 96 |
| Stock option expense | | | | **11** | 12 | 9 |
| Stock options exercised | | | | **(4)** | (1) | (1) |
| Net (discount) premium on treasury shares and other | | | | **(3)** | (15) | (8) |
| Balance at end of year | | | | **$ 96** | $ 92 | $ 96 |
| **Retained earnings** | | | | | | |
| Balance at beginning of year, as previously reported | | | | **$ 5,156** | $ 5,483 | $ 9,017 |
| Adjustment for change in accounting policies | | | | **–** | (6)[(1)] | (66)[(2)] |
| **Balance at beginning of year, as restated** | | | | **5,156** | 5,477 | 8,951 |
| Net income (loss) | | | | **2,452** | 1,174 | (2,060) |
| Dividends (Note 17) | | | | | | |
| Common | | | | **(1,350)** | (1,328) | (1,285) |
| Preferred | | | | **(169)** | (162) | (119) |
| Other | | | | **6** | (5) | (4) |
| Balance at end of year | | | | **$ 6,095** | $ 5,156 | $ 5,483 |
| **AOCI, net of tax** (Note 19) | | | | | | |
| Balance at beginning of year | | | | **$ (370)** | $ (442) | $ (1,092) |
| OCI | | | | **9** | 72 | 650 |
| Balance at end of year | | | | **$ (361)** | $ (370) | $ (442) |
| **Retained earnings and AOCI** | | | | **$ 5,734** | $ 4,786 | $ 5,041 |
| **Shareholders' equity at end of year** | | | | **$ 15,790** | $ 14,275 | $ 13,831 |

(1) Represents the impact of changing the measurement date for employee future benefits. See Note 22 for additional details.
(2) Represents the impact of adopting the amended Canadian Institute of Chartered Accountants (CICA) Emerging Issues Committee Abstract 46, "Leveraged Leases". See Note 1 for additional details.

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

# Consolidated Statement of Cash Flows

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| **Cash flows provided by (used in) operating activities** | | | |
| Net income (loss) | **$ 2,452** | $ 1,174 | $ (2,060) |
| Adjustments to reconcile net income (loss) to cash flows provided by (used in) operating activities: | | | |
| Provision for credit losses | **1,046** | 1,649 | 773 |
| Amortization[1] | **375** | 403 | 410 |
| Stock option expense | **11** | 12 | (21) |
| Future income taxes | **800** | 38 | (1,547) |
| AFS securities (gains) losses, net | **(400)** | (275) | 40 |
| Losses on disposal of land, buildings and equipment | **1** | 2 | – |
| Other non-cash items, net | **(520)** | (297) | 250 |
| Changes in operating assets and liabilities | | | |
| Accrued interest receivable | **(108)** | 266 | 232 |
| Accrued interest payable | **42** | (339) | (299) |
| Amounts receivable on derivative contracts | **(292)** | 4,270 | (4,297) |
| Amounts payable on derivative contracts | **(574)** | (6,063) | 5,081 |
| Net change in trading securities | **(13,447)** | 22,278[2] | 13,658[2] |
| Net change in FVO securities | **(124)** | (445) | (11,570) |
| Net change in other FVO assets and liabilities | **118** | 100 | 7,034 |
| Current income taxes | **466** | 2,162 | (1,780) |
| Other, net | **2,178** | – | (5,470) |
| | **(7,976)** | 24,935 | 434 |
| **Cash flows provided by (used in) financing activities** | | | |
| Deposits, net of withdrawals | **24,588** | (7,569)[3] | (4,530) |
| Obligations related to securities sold short | **3,094** | (2,082) | (5,785) |
| Net obligations related to securities lent or sold under repurchase agreements | **(9,233)** | (570) | 9,079 |
| Issue of subordinated indebtedness | **1,100** | – | 1,150 |
| Redemption/repurchase of subordinated indebtedness | **(1,395)** | (1,419) | (339) |
| Issue of preferred shares | **–** | 525 | 300 |
| Issue of common shares, net | **563** | 178 | 2,929 |
| Net proceeds from treasury shares sold (purchased) | **–** | – | (3) |
| Dividends | **(1,519)** | (1,490) | (1,404) |
| Other, net | **(2,051)** | 596 | 707 |
| | **15,147** | (11,831) | 2,104 |
| **Cash flows provided by (used in) investing activities** | | | |
| Interest-bearing deposits with banks | **(4,667)** | 2,206 | 4,889 |
| Loans, net of repayments | **(24,509)** | (12,496) | (22,027) |
| Proceeds from securitizations | **14,192** | 20,744 | 11,328 |
| Purchase of AFS securities | **(55,392)** | (91,663) | (18,847) |
| Proceeds from sale of AFS securities | **41,144** | 30,205 | 15,764 |
| Proceeds from maturity of AFS securities | **27,585** | 35,628 | 8,109 |
| Net securities borrowed or purchased under resale agreements | **(4,591)** | 2,845 | (1,576) |
| Net cash used in acquisitions | **(297)** | – | – |
| Purchase of land, buildings and equipment | **(220)** | (272) | (149) |
| Proceeds from disposal of land, buildings and equipment | **–** | – | 2 |
| | **(6,755)** | (12,803) | (2,507) |
| Effect of exchange rate changes on cash and non-interest-bearing deposits with banks | **(38)** | (47) | 70 |
| **Net increase in cash and non-interest-bearing deposits with banks during year** | **378** | 254 | 101 |
| Cash and non-interest-bearing deposits with banks at beginning of year | **1,812** | 1,558 | 1,457 |
| **Cash and non-interest-bearing deposits with banks at end of year[4]** | **$ 2,190[5]** | $ 1,812 | $ 1,558 |
| Cash interest paid | **$ 2,849** | $ 4,242 | $ 9,255 |
| Cash income taxes paid (recovered) | **$ 267** | $ (1,775) | $ 1,110 |

(1) Includes amortization of buildings, furniture, equipment, leasehold improvements, software and other intangible assets.
(2) Includes securities initially bought as trading securities and subsequently reclassified to loans and AFS securities as noted in Note 4.
(3) Includes $1.6 billion of Notes purchased by CIBC Capital Trust (Note 18).
(4) Includes restricted cash balance of $246 million (2009: $268 million; 2008: $291 million).
(5) Includes cash reserved for payment on redemption of non-cumulative preferred shares (Note 17).

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

# Notes to the Consolidated Financial Statements

## Note 1 Summary of Significant Accounting Policies

The consolidated financial statements of Canadian Imperial Bank of Commerce (CIBC) are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are expressed in Canadian dollars.

A reconciliation of the impact on assets, liabilities, shareholders' equity, net income, and comprehensive income arising from differences between Canadian and U.S. GAAP is provided in Note 30.

The following paragraphs describe our significant accounting policies. New accounting policies which have been adopted are described in the "Accounting changes" section of this note.

### Basis of consolidation

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of CIBC, its controlled subsidiaries and certain variable interest entities (VIEs), for which we are considered to be the primary beneficiary, after the elimination of intercompany transactions and balances. A primary beneficiary is the enterprise that absorbs a majority of a VIE's expected losses or receives a majority of a VIE's expected residual returns, or both. Non-controlling interests in subsidiaries and consolidated VIEs are included as a separate line item on the consolidated balance sheet and the consolidated statement of operations.

An entity is a VIE if it does not have sufficient equity at risk to permit it to finance its activities without additional subordinated financial support, or in which equity investors do not have the characteristics of a controlling financial interest. The VIE guidelines also exempt certain entities from their scope, including qualified special purpose entities (QSPE).

Investments in companies over which we have significant influence are accounted for by the equity method, and are included in Other assets. Our share of income from these investments is included in Non-interest income – Other. Investments over which we exercise joint control are accounted for using the proportionate consolidation method, with only CIBC's pro-rata share of assets, liabilities, income and expenses being consolidated.

### Use of estimates and assumptions

The preparation of the consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the recognized and measured amounts of assets, liabilities, net income, comprehensive income and related disclosures. Estimates and assumptions are made in the areas of determining the fair value of financial instruments, accounting for allowance for credit losses, securitizations and VIEs, asset impairment, income taxes, contingent liabilities, and employee future benefits. Actual results could differ from these estimates and assumptions.

### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies of operations at prevailing exchange rates at the date of the consolidated balance sheet. Non-monetary assets and liabilities are translated into functional currencies at historical rates. Revenue and expenses are translated using average monthly exchange rates. Realized and unrealized gains and losses arising from translation into functional currencies are included in the consolidated statement of operations.

Assets and liabilities of self-sustaining foreign operations with a functional currency other than the Canadian dollar are translated into Canadian dollars at the exchange rates prevailing at balance sheet dates, while revenue and expenses of these foreign operations are translated into Canadian dollars at the average monthly exchange rates. Exchange gains and losses arising from the translation of these foreign operations and from the results of hedging the net investment in these foreign operations, net of applicable taxes, are reported in Net foreign currency translation adjustments, which is included in OCI.

A future income tax asset or liability is not recognized in respect of a translation gain or loss arising from an investment in a self-sustaining foreign subsidiary, when the gain or loss is not expected to be realized for tax purposes in the foreseeable future.

An appropriate portion of the accumulated exchange gains and losses and any applicable taxes in AOCI are recognized in the consolidated statement of operations when there is a reduction in the net investment in a self-sustaining foreign operation.

### Classification and measurement of financial assets and liabilities

All financial assets must be classified at initial recognition as trading, AFS, FVO, held-to-maturity (HTM), or loans and receivables based on the purpose for which the instrument was acquired and its characteristics. In addition, the standards require that all financial assets and all derivatives be measured at fair value with the exception of loans and receivables, debt securities classified as HTM and AFS equities that do not have quoted market values in an active market. Commencing August 1, 2008, reclassification of non-derivative financial assets from trading to AFS or HTM is allowed under rare circumstances. Such reclassifications are only permitted when there has been a change in management intent with respect to a particular non-derivative financial asset. Financial liabilities other than derivatives, obligations related to securities sold short and FVO liabilities are carried at amortized cost. Derivatives, obligations related to securities sold short and FVO liabilities are carried at fair value. Interest expense is recognized on an accrual basis using the effective interest rate method.

### Loans and receivables
Loans and receivables are recorded at amortized cost net of allowance for credit losses. Interest income is recognized on an accrual basis using the effective interest rate method. See "Impairment of financial assets" section of this note for our accounting of impaired loans.

### Trading financial instruments
Trading financial instruments are assets and liabilities held for trading activities or are part of a managed portfolio with a pattern of short-term profit taking. These are measured at estimated fair value as at the balance sheet date. Loans and receivables that an entity intends to sell immediately or in the near term must be classified as trading financial instruments.

Gains and losses realized on disposition and unrealized gains and losses from changes in fair value are reported in Non-interest income as Trading income (loss). Dividends and interest income earned and interest expense incurred are included in Interest income and Interest expense, respectively.

### AFS securities
AFS securities are carried at fair value (other than equities that do not have quoted market values in an active market) with unrealized gains and losses being reported in OCI until sale, or if an other-than-temporary impairment (OTTI) is recognized, at which point cumulative unrealized gains or losses are transferred from AOCI to the consolidated statement of operations. Equities that do not have quoted market values in an active market are carried at cost. Realized gains and losses on sale, determined on an average cost basis, and write-downs to reflect OTTI are included in AFS securities gains (losses), net, except for retained interests on interest-only strips arising from our securitization activities, which are included in Income from securitized assets. Dividends and interest income from AFS securities, other than interest-only strips, are included in Interest income.

### FVO financial instruments
FVO financial instruments are those that an entity designates on initial recognition as instruments that it will measure at fair value on the consolidated balance sheet. In addition to the requirement that reliable fair values are available, there are regulatory restrictions imposed by the Office of the Superintendent of Financial Institutions (OSFI) on the use of this designation. The criteria for applying the fair value option are met when (i) the application of the fair value option eliminates or significantly reduces the measurement inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis, or (ii) the financial instruments are part of a portfolio which is managed on a fair value basis, in accordance with our investment strategy and is reported internally on that basis.

Gains and losses realized on dispositions and unrealized gains and losses from changes in fair value of FVO financial instruments, and gains and losses arising from changes in fair value of derivatives and obligations related to securities sold short that are managed in conjunction with FVO financial instruments, are included in FVO income (loss). Dividends and interest earned and interest expense incurred on FVO assets and liabilities are included in Interest income and Interest expense, respectively.

### Transaction costs
Transaction costs related to trading and FVO financial instruments are expensed as incurred. Transaction costs for all other financial instruments are generally capitalized. For debt instruments, transaction costs are then amortized over the expected life of the instrument using the effective interest rate method. For equity instruments, transaction costs are added to the carrying value.

### Date of recognition of securities
We account for all securities transactions using settlement date accounting for the consolidated balance sheet.

### Effective interest rate
Interest income and expense for all financial instruments measured at amortized cost and for AFS debt securities is recognized in Interest income and Interest expense using the effective interest rate method.

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 amount of the financial asset or liability upon initial recognition.

Fees related to loan origination, including commitment, restructuring and renegotiation fees, are considered an integral part of the yield earned on a 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.

### Securities borrowed or purchased under resale agreements and obligations related to securities lent or sold under repurchase agreements
Securities purchased under resale agreements are treated as collateralized lending as they represent the purchase of securities effected with a simultaneous agreement to sell them back at a future date, which is generally in the near term. Interest income is accrued and separately disclosed in the consolidated statement of operations. Similarly, securities sold under repurchase agreements are treated as collateralized borrowing with interest expense accrued and reflected in Interest expense – Other liabilities.

The right to receive back cash collateral paid and the obligation to return cash collateral received on borrowing and lending of securities is recorded as securities borrowed and obligations related to securities lent under repurchase agreements, respectively. Interest on cash collateral paid and received is recorded in Interest income – Securities borrowed or purchased under resale agreements and Interest expense – Other liabilities, respectively.

### Impairment of financial assets
#### Impaired loans and allowance for credit losses
We classify a loan as impaired when, in our opinion, there is objective evidence of impairment as a result of one or more events that have occurred with a negative impact on the estimated future cash flows of the loan. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Generally, loans on which repayment of principal or payment of interest is contractually 90 days in arrears are automatically considered impaired unless they are fully secured and in the process of collection. Notwithstanding management's assessment of collectability, such loans are considered impaired if payments are 180 days in arrears.

Exceptions are as follows:

- Credit card loans are not classified as impaired and are fully written off when payments are contractually 180 days in arrears or upon customer bankruptcy. Commencing the fourth quarter of 2009, interest is accrued only to the extent that there is an expectation of receipt. Prior to that, interest was accrued until the loans were written-off. Refer to Note 5 for additional details.
- Loans guaranteed or insured by the Canadian government, the provinces or a Canadian government agency are classified as impaired only when payments are contractually 365 days in arrears.

When a loan is classified as impaired, accrual of interest ceases. All uncollected interest is recorded as part of the loan's carrying value for the purpose of determining the loan's estimated realizable value and establishing allowances for credit losses. A loan is returned to performing status 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 of the loan. No portion of cash received on any impaired loan is recorded as income until the loan is returned to performing status.

An impaired loan is carried at its estimated realizable value determined by discounting the expected future cash flows at the interest rate inherent in the loan, or its net recoverable value.

We establish and maintain an allowance for credit losses that we consider the best estimate of probable credit-related losses existing in our portfolio of on- and off-balance sheet financial instruments, having due regard to current conditions. The allowance for credit losses consists of specific and general components. The allowance on undrawn credit facilities including letters of credit is reported in Other liabilities.

Loans are written off against the related allowance for credit losses if there is no realistic prospect of future recovery and all collateral has been realized or transferred to CIBC. In subsequent periods, any recoveries of amounts previously written off are credited to the allowance for credit losses.

### *Specific allowance*

We conduct ongoing credit assessments of the business and government loan portfolios on an account-by-account basis and establish specific allowances when impaired loans are identified. Residential mortgages, personal loans, and certain small business loan portfolios consist of large numbers of homogeneous balances of relatively small amounts, for which specific allowances are established by reference to historical ratios of write-offs to balances in arrears and to balances outstanding. The allowance is provided for on- and off-balance sheet credit exposures that are not carried at fair value. Credit card loans are not classified as impaired and a specific allowance is not established. The specific allowance previously established for credit card loans was retroactively reclassified to the general allowance during 2009.

### *General allowance*

A general allowance is provided for losses which we estimate are inherent in the portfolio at the balance sheet date, but not yet specifically identified and, therefore, not yet captured in the determination of specific allowances. The allowance is provided for on- and off-balance sheet credit exposures that are not carried at fair value.

The general allowance is established with reference to expected loss rates associated with different credit portfolios at different risk levels and the estimated time period for losses that are present but yet to be specifically identified, adjusting for our view of the current and ongoing economic and portfolio trends. The parameters that affect the general allowance calculation are updated regularly, based on our experience and that of the market in general.

Expected loss rates for business loan portfolios are based on the risk rating of each credit facility and on the probability of default (PD) factors, as well as estimates of loss given default (LGD) associated with each risk rating. The PD factors reflect our historical experience over an economic cycle, and are supplemented by data derived from defaults in the public debt markets. LGD estimates are based on our experience over past years. For consumer loan portfolios, expected losses are based on our historical loss rates and aggregate balances, adjusted for recent loss trends and performance within the retail portfolios.

## Impairment of AFS securities

We are required to assess whether an AFS investment is impaired at each balance sheet date.

### *AFS debt securities*

An AFS debt security would be identified as impaired when there is objective observable evidence that comes to the attention of the holder about the ability to collect the contractual principal or interest.

We assess OTTI for investment grade perpetual preferred shares using this debt security model rather than an equity model.

Impairment is recognized through income to reduce the carrying value to its current fair value. Impairment losses previously recorded through income are to be reversed through income if the fair value subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized.

### *AFS equity instruments*

Objective evidence of impairment for an investment in an AFS equity instrument exists if there has been a significant or prolonged decline in the fair value of the investment below its cost, or if there is significant adverse change in the technological, market, economic, or legal environment in which the issuer operates, or if the issuer is experiencing significant financial difficulty. In assessing OTTI, we also consider our intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

The accounting for an identified impairment is the same as described for AFS debt securities above, with the exception that impairment losses previously recognized in income cannot be subsequently reversed.

## Derivatives held for trading purposes

Our derivative trading activities are primarily driven by client trading activities. We may also take proprietary trading positions in the interest rate, foreign exchange, debt, equity and commodity markets, with the objective of earning income.

All financial and commodity derivatives held for trading purposes are stated at fair value at the consolidated balance sheet date. Realized and unrealized trading gains and losses are included in Trading income (loss). Derivatives with positive fair value are reported as assets, while derivatives with negative fair value are reported as liabilities, in both cases as Derivative instruments.

## Derivatives held for asset/liability management (ALM) purposes

We use derivative instruments for ALM purposes to manage financial risks, such as movements in interest and foreign exchange rates. Derivatives are carried at fair value and are reported as assets where they have a positive fair value, and as liabilities where they have a negative fair value, in both cases as Derivative instruments.

### Derivatives that qualify for hedge accounting

We apply hedge accounting for derivatives held for ALM purposes that meet the criteria specified in the Canadian Institute of Chartered Accountants (CICA) handbook section 3865 "Hedges". There are three types of hedges: fair value, cash flow and hedges of net investments in self-sustaining foreign operations (NIFO). When hedge accounting is not applied, the change in the fair value of the derivative is always recognized in income. This includes instruments used for economic hedging purposes, such as swap contracts relating to mortgage securitization that do not meet the requirements for hedge accounting.

In order for derivatives to qualify for hedge accounting, the hedge relationship must be designated and formally documented at its inception in accordance with the CICA handbook section 3865. The particular risk management objective and strategy, the specific asset, liability or cash flow being hedged, as well as how hedge effectiveness is assessed, is documented. Hedge effectiveness requires a high correlation of changes in fair values or cash flows between the hedged and hedging items.

We assess the effectiveness of derivatives in hedging relationships, both at inception and on an ongoing basis. Ineffectiveness results to the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item; or the cumulative change in the fair value of the hedging derivative exceeds the cumulative change in the fair value of expected future cash flows of the hedged item. The amount of ineffectiveness of hedging instruments is recorded immediately in income.

Derivatives that do not qualify for hedge accounting are carried at fair value through income. See "Derivatives that do not qualify for hedge accounting" below.

#### *Fair value hedges*

We designate fair value hedges primarily as part of interest rate risk management strategies that use derivatives to hedge changes in the fair value of financial instruments with fixed interest rates. Changes in fair value attributed to the hedged interest rate risk are accounted for as basis adjustments to the hedged financial instruments and are recognized in Net interest income. Changes in fair value from the hedging derivatives are also recognized in Net interest income. Accordingly, any hedge ineffectiveness, representing the difference between changes in fair value of the hedging derivative and changes in the basis adjustment to the hedged item, is also recognized in Net interest income.

Similarly, for foreign exchange hedges, changes in fair value from the hedging derivatives and non-derivatives are recognized in Foreign exchange other than trading (FXOTT). Changes in fair value of the hedged item from the hedged foreign exchange risk are accounted for as basis adjustments and are also recognized in FXOTT. Any difference between the two represents hedge ineffectiveness.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated and the basis adjustment applied to the hedged item is then amortized over the remaining term of the hedged item. If the hedged item is derecognized, the unamortized basis adjustment is recognized immediately in income.

#### *Cash flow hedges*

We designate cash flow hedges primarily as part of interest rate risk management strategies that use derivatives and other financial instruments to mitigate our risk from variable cash flows by effectively converting certain variable-rate financial instruments to fixed-rate financial instruments, for hedging forecasted foreign currency denominated cash flows and hedging certain share-based compensation awards.

The effective portion of the change in fair value of the derivative instrument is offset through OCI until the variability in cash flows being hedged is recognized in income in future accounting periods, at which time an appropriate portion of the amount that was in AOCI is reclassified into income. The ineffective portion of the change in fair value of the hedging derivative is recognized in Net interest income, FXOTT, or Non-interest expenses immediately as it arises. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated and any remaining amount in AOCI remains therein until it is recognized in income when the variability in cash flows hedged or the hedged forecast transaction is ultimately recognized in income. When the forecasted transaction is no longer expected to occur, the related cumulative gain or loss in AOCI is immediately recognized in income.

#### *Hedges of net investments in self-sustaining foreign operations (NIFO)*

We designate NIFO hedges to mitigate the foreign exchange risk on our net investment in self-sustaining operations.

These hedges are accounted for in a similar manner to cash flow hedges. The effective portion of the changes in fair value of the hedging instruments relating to the changes in foreign currency spot rates is included in OCI (after taxes) until a reduction in the net investment occurs, at which time an appropriate portion of the accumulated foreign exchange gains and losses and any applicable taxes in AOCI are recognized in FXOTT and in income taxes, respectively. The ineffective portion of the change in fair value of the hedging instruments is recognized immediately in FXOTT.

### Derivatives that do not qualify for hedge accounting

The change in fair value of the derivatives not designated as accounting hedges but used to economically hedge FVO assets or liabilities is included in FVO income (loss). The change in fair value of other derivatives not designated as accounting hedges but used for other economic hedging purposes is included in FXOTT, Non-interest income – Other, or compensation expense, as appropriate.

## Embedded derivatives

All derivatives embedded in other financial instruments are valued as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative are the same as those of a freestanding derivative; and the combined contract is not held for trading or 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 recognized in Non-interest income – Other. The host instrument asset and liability are accreted to their maturity value through interest expense and interest income, 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 instrument.

Where an embedded derivative is separable from the host contract but the fair value, as at the acquisition or reporting date, cannot be reliably measured separately, the entire combined contract is carried at fair value.

For contracts containing one or more embedded derivatives where the embedded derivative significantly modifies the cash flows required by the contract and is not separated from the contract, the entire combined contract should be designated as FVO.

## Securitizations

Securitization of our own assets provides us with an additional source of liquidity. It may also reduce our risk exposure and provide regulatory capital relief. Our securitizations are accounted for as sales where we surrender control of the transferred assets and receive consideration other than beneficial interests in the transferred assets. When such sales occur, we may retain interest-only strips, one or more subordinated tranches and, in some cases, a cash reserve account, all of which are considered retained interests in the securitized assets.

Gains or losses on securitizations accounted for as sales are recognized in Income from securitized assets. The amount of the gain or loss recognized depends on the previous carrying values of the receivables involved in the transfer, allocated between the assets sold and retained interests based on their relative fair values at the date of transfer. As market prices are not available for interest-only strips, we estimate fair value based on the present value of expected future cash flows. This requires us to estimate credit losses, rate of prepayments, discount rates and other factors that influence the value of interest-only strips.

Retained interests in securitized assets are classified as AFS securities or loans, as appropriate, and are reviewed for impairment on a quarterly basis. Assets securitized and not sold are generally reported as FVO securities on the consolidated balance sheet and are stated at fair value.

Income from securitized assets comprises income from retained interests and servicing income, and is reported separately in the consolidated statement of operations.

We also recognize a servicing liability where we have retained the servicing obligation but do not receive adequate compensation for that servicing. The servicing liability is amortized over the life of the serviced assets and reported in Other liabilities.

## Mortgage commitments

Mortgage interest rate commitments are extended to our retail clients at no charge in contemplation of borrowing to finance the purchase of homes under mortgages to be funded by CIBC in the future. These commitments are usually for periods of up to 90 days and generally entitle the borrower to receive funding at the lower of the interest rate at the time of the commitment and the rate applicable at funding date. We use financial instruments, such as interest rate derivatives, to economically hedge our exposure to an increase in interest rates. We carry our commitments to the retail clients (based on an estimate of the commitments expected to be exercised) and the associated economic hedges at fair value on the consolidated balance sheet. Changes in fair value are recorded in Non-interest income – Other. In addition, as the commitments are an integral part of the mortgage, their initial fair value is recognized in interest income on an effective yield basis over the life of the resulting mortgages.

The fair value of the mortgage commitment upon funding, if any, is released into income to offset the difference between the mortgage amount advanced and its fair value, which is also recognized in income.

## Guarantees

Guarantees include contracts that contingently require the guarantor to make payments to a guaranteed party based on (i) changes in an underlying economic characteristic that is related to an asset, liability, or an equity security of the guaranteed party; (ii) failure of another party to perform under an obligating agreement; or (iii) failure of a third party to pay its indebtedness when due.

Guarantees are initially recognized at fair value, being the premium received, on the date the guarantee was given and then recognized into income over the life of the guarantee. No subsequent remeasurement of fair value is recorded unless the guarantee also qualifies as a derivative, in which case it is remeasured at fair value through income over its life and included in Derivative instruments in assets or liabilities, as appropriate.

## Accumulated other comprehensive income (AOCI)

AOCI is included on the consolidated balance sheet as a separate component (net of tax) of shareholders' equity. It includes net unrealized gains and losses on AFS securities, the effective portion of gains and losses on derivative instruments designated within effective cash flow hedges, and unrealized foreign currency translation gains and losses on self-sustaining foreign operations net of gains or losses on related hedges.

## Liabilities and equity

Preferred shares that are convertible into a variable number of common shares at the option of the holder are classified as liabilities on the consolidated balance sheet. Dividend payments and premiums on redemptions arising from such preferred shares are reported as Interest expense – Preferred share liabilities.

## Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented net when we have a legally enforceable right to set off the recognized amounts and intend to settle on a net basis or to realize the asset and settle the liability simultaneously.

## Acceptances and customers' liability under acceptances

Acceptances constitute a liability of CIBC on negotiable instruments issued to third parties by our customers. We earn a fee for guaranteeing and then making the payment to the third parties. The amounts owed to us by our customers in respect of these guaranteed amounts are reflected in assets as Customers' liability under acceptances.

## Land, buildings and equipment

Land is reported at cost. Buildings, furniture, equipment and leasehold improvements are reported at cost less accumulated amortization.

Amortization is recorded on a straight-line basis as follows:

| | |
|---|---|
| ■ Buildings | 40 years |
| ■ Computer equipment | 3 to 7 years |
| ■ Office furniture and other equipment | 4 to 15 years |
| ■ Leasehold improvements | Over estimated useful life |

Gains and losses on disposal are reported in Non-interest income – Other.

## Goodwill and software and other intangible assets

We use the purchase method of accounting for all business combinations. Identifiable intangible assets are recognized separately from goodwill and included in Software and other intangible assets. Goodwill represents the excess of the purchase price over the fair value of the net tangible and other intangible assets acquired in business combinations. Goodwill is allocated to the reporting unit that is expected to benefit from the synergies of the business combination. Reporting units comprise business operations with similar economic characteristics and strategies. Goodwill and other intangible assets with an indefinite life are not amortized, but are subjected to impairment review at least annually and, if impaired, are written down to fair value.

The impairment test for goodwill is based on a comparison of the carrying amount of the reporting unit, including the allocated goodwill, with its fair value. When the carrying amount of a reporting unit exceeds its fair value, any impairment of goodwill is measured by comparing the carrying value of the goodwill with its implied fair value. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value of its net tangible and other intangible assets.

The impairment test for other intangible assets with an indefinite life is based on a comparison of their carrying amount with their fair value.

Intangible assets with a definite life are amortized over their estimated useful lives, generally not exceeding 20 years, and are also subject to an assessment for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Software is amortized on a straight-line basis over 2 to 10 years.

## Future income taxes

We use the asset and liability method to provide for income taxes. The asset and liability method requires that income taxes reflect the expected future tax effect of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference and for unused losses for tax purposes, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. A valuation allowance is established, if necessary, to reduce the future income tax asset to an amount that is more likely than not to be realized.

## Employee future benefits

We are the sponsor of a number of employee benefit plans. These plans include both defined benefit and defined contribution pension plans, and various other post-retirement and post-employment benefit plans.

### Defined benefit plans

We accrue our obligations for defined benefit plans and related costs net of plan assets. The cost of pensions and other post-employment (including post-retirement) benefits earned by employees is actuarially determined using the projected benefit method prorated on service and our best estimate of expected return on plan assets, salary escalation, retirement ages of employees, mortality and expected health-care costs. The discount rate used to value liabilities is based on market rates as at the measurement date.

The expected return on plan assets is based on our best estimate of the long-term expected rate of return on plan assets and a market-related value of plan assets. The market-related value of plan assets is determined using a methodology where the difference between the actual and expected market value of plan assets is recognized over three years.

Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period over which employees become fully eligible for benefits, since it is expected that we will realize economic benefit from these plan changes during this period.

Net actuarial gains and losses that exceed 10% of the greater of the accrued benefit obligation or the market-related value of plan assets are also amortized on a straight-line basis over the expected average remaining service life of covered employees. Experience will often deviate from the actuarial assumptions resulting in actuarial gains or losses.

The expected average remaining service life of employees covered by our defined benefit pension plans is 10 years (2009: 10 years). The expected average remaining service life of employees covered by our other post-employment benefit plans is 12 years (2009: 12 years).

The accrued benefit asset or liability represents the cumulative difference between the expense and funding contributions and is included in Other assets and Other liabilities, respectively.

A valuation allowance is recognized when the accrued benefit asset for any plan is greater than the future economic benefit expected to be realized from sponsoring the plan. A change in the valuation allowance is recognized in the consolidated statement of operations for the period in which the change occurs.

When the restructuring of a defined benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

### Defined contribution plans

Costs for defined contribution plans are recognized during the year in which the service is provided.

## Stock-based compensation

We provide compensation to directors and certain employees in the form of stock options and/or share-based awards.

Compensation expense for awards under the Restricted Share Award (RSA) plan in respect of services already rendered is recognized in the year for which the grant is made. Compensation expense for similar awards in respect of future services is recognized over the applicable vesting period prior to the employee's retirement eligible date. Settlement of grants made under these programs may be either in common shares or equivalent cash value in accordance with the terms of the grant. Forfeitures are recognized as they arise.

Under our RSA plan, where grants are settled in common shares, we hold an equivalent number of common shares in a consolidated compensation trust. Common shares held in the trust and the obligations to employees are offset in Treasury shares. Any market gains or losses on the sale of shares arising from the forfeiture of unvested grants are recorded in Contributed surplus.

Under our RSA plan, where grants are settled in the cash equivalent of common shares, changes in the obligation which arise from fluctuations in the market price of common shares are recorded in

the consolidated statement of operations as compensation expense in proportion to the percentage of the award recognized. In the event of forfeiture of unvested grants, the amount previously recognized as compensation expense is reversed.

Compensation expense in respect of awards under the Performance Share Unit (PSU) plan in respect of services already rendered is recognized in the year for which the grant is made. In respect of awards for future services, compensation expense is recognized over the applicable vesting period prior to the employee's retirement eligible date. The amount recognized is based on management's best estimate of the number of PSUs expected to vest. Changes in the obligation which arise from fluctuations in the market price of common shares are recorded in the consolidated statement of operations as a compensation expense. In the event of forfeiture of unvested grants, the amount previously recognized as compensation expense is reversed.

The impact due to changes in common share price in respect of cash-settled share-based compensation under the RSA and PSU plans is hedged through the use of derivatives. The gains and losses on these derivatives are recognized in compensation expense, within the consolidated statement of operations, either immediately or over the applicable vesting period.

Our Book Value Unit (BVU) plan provides compensation related to the book value of CIBC on a per common share basis. Compensation expense in respect of this plan is recognized over the applicable vesting period prior to the employee's retirement eligible date. The amount recognized is based on the number of BVUs expected to vest, adjusted for new issues of, repurchase of, or dividends paid on, common shares. Changes in the obligation which arise from fluctuations in the book value of common shares are recorded in the consolidated statement of operations as a compensation expense. In the event of forfeiture of unvested grants, the amount previously recognized as compensation expense is reversed.

We use the fair value-based method to account for stock options granted to employees. The grant date value is recognized over the applicable vesting period prior to the employee's retirement eligible date, as an increase to compensation expense and contributed surplus. When the options are exercised, the proceeds we receive, together with the amount in contributed surplus, are credited to common share capital. No expense was recognized for stock options granted prior to November 1, 2001. When these options are exercised, only the proceeds received are credited to common share capital.

Up to 50% of options relating to the Employee Stock Option Plan (ESOP) granted prior to 2000 were eligible to be exercised as stock appreciation rights (SARs). SARs obligations, which arose from changes in the market price of common shares, were recorded in the consolidated statement of operations as compensation expense. If SARs were exercised as purchases of common shares, the exercise price, together with the relevant amount in other liabilities, representing the value of common shares at the market price, was credited to common share capital.

Amounts paid under the directors' plans are charged to compensation expense. Obligations relating to deferred share units under the directors' plans change with the common share price, and the change is recognized as a compensation expense or credit in the year in which the change occurs.

Our contribution under the Employee Share Purchase Plan (ESPP) is expensed as incurred.

## Fee and commission income

Underwriting and advisory fees and commissions on securities transactions are recognized as revenue when the related services are completed. Deposit and payment fees and insurance fees are recognized over the period that the related services are provided.

Card fees primarily include interchange income, late fees, cash advance fees, and annual fees. Card fees are recognized as billed, except for annual fees, which are recognized over a 12-month period.

Investment management and custodial fees are primarily investment, estate and trust management fees and are recorded on an accrual basis. Prepaid fees are deferred and amortized over the contract term.

Mutual fund fees are recorded on an accrual basis.

## Earnings per share (EPS)

Basic EPS is determined as net income minus dividends and premiums on preferred shares classified as equity, divided by the weighted-average number of common shares outstanding for the period.

Diluted EPS is determined as net income minus dividends and premiums on preferred shares classified as equity, divided by the weighted-average number of diluted common shares outstanding for the period. Diluted common shares reflect the potential dilutive effect of exercising the stock options based on the treasury stock method. The treasury stock method determines the number of incremental common shares by assuming that the outstanding stock options, whose exercise price is less than the average market price of common shares during the period, are exercised and then reduced by the number of common shares assumed to be repurchased with the exercise proceeds from the assumed exercise of the options. When there is a loss, diluted EPS equals basic EPS.

## Accounting changes

### 2010

There were no changes to significant accounting policies during 2010.

### 2009

*Financial instruments – recognition and measurement*

On July 29, 2009, the CICA issued amendments to section 3855 "Financial Instruments – Recognition and Measurement", with effect from November 1, 2008. The revised standard defined loans and receivables as non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. As a result of this change in definition, the following transitional provisions were applied effective November 1, 2008:

- HTM debt instruments that met the revised definition of loans and receivables were required to be reclassified from HTM to loans and receivables;
- Loans and receivables that an entity intended to sell immediately or in the near term were required to be classified as trading financial instruments; and
- AFS debt instruments were eligible for reclassification to loans and receivables if they met the revised definition of loans and receivables. AFS debt instruments were eligible for reclassification to HTM if they had fixed and determinable payments and were quoted in an active market and the entity had the positive intention

and ability to hold to maturity. The reclassification from AFS to loans and receivables or to HTM was optional and could be made on an instrument by instrument basis. We did not elect to reclassify any AFS securities.

Following adoption of the revised standard:
- Debt securities that meet the definition of loans and receivables at initial recognition may be classified as loans and receivables or designated as AFS or held for trading, but are precluded from being classified as HTM;
- Impairment charges through income for HTM financial instruments are to be recognized for credit losses only, rather than on the basis of a full write down to fair value; and
- Previously recognized OTTI losses on AFS debt securities are to be reversed through income if the increase in their fair value is related to improvement in credit that occurred subsequent to the recognition of the OTTI.

The adoption of the revised standard resulted in financial instruments previously classified as HTM being reclassified to loans and receivables with no impact to retained earnings or AOCI. Refer to Note 4 for additional details.

*Financial instruments – disclosures*

We adopted the amended CICA 3862 handbook section "Financial Instruments – Disclosures", which expanded financial instrument fair value measurement and liquidity risk management disclosures. See Notes 2, 14 and 29 for further details.

*Intangible assets*

Effective November 1, 2008, we adopted the CICA handbook section 3064, "Goodwill and Intangible Assets", which replaced CICA handbook sections 3062, "Goodwill and Other Intangible Assets", and 3450, "Research and Development Costs". The new section established standards for recognition, measurement, presentation, and disclosure of goodwill and intangible assets.

The adoption of this guidance did not result in a change in the recognition of our goodwill and intangible assets. However, we retroactively reclassified intangible assets relating to application software with net book value of $385 million as at October 31, 2008 from Land, buildings and equipment to Software and other intangible assets on our consolidated balance sheet.

### 2008

*Leveraged leases*

Effective November 1, 2007, we adopted the amended CICA Emerging Issues Committee Abstract (EIC) 46, "Leveraged Leases", which was based upon the Financial Accounting Standards Board Staff Position FAS 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction". The EIC required that a change in the estimated timing of cash flows relating to income taxes results in a recalculation of the timing of income recognition from the leveraged lease.

The adoption of this guidance resulted in a $66 million charge to opening retained earnings as at November 1, 2007. An amount approximating this non-cash charge is being recognized into income over the remaining lease terms using the effective interest rate method.

*Capital disclosures*

Effective November 1, 2007, we adopted the CICA handbook section 1535, "Capital Disclosures", which requires an entity to disclose its objective, policies and processes for managing capital. In addition, the section requires disclosure of summary quantitative information about capital components. See Note 17 for additional details.

*Financial instruments*

Effective November 1, 2007, we adopted the CICA handbook sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation".

These sections replace CICA handbook section 3861 "Financial Instruments – Disclosure and Presentation" and enhance disclosure requirements on the nature and extent of risks arising from financial instruments and how the entity manages those risks. See Note 29 for additional details.

We adopted the amendments to the CICA handbook sections 3855 "Financial Instruments – Recognition and Measurement" and 3862 "Financial Instruments – Disclosures" and reclassified certain trading securities to HTM and AFS, from August 1, 2008. See Note 4 for additional details.

## Note 2 Fair Value of Financial Instruments

This note presents the fair values of on- and off-balance sheet financial instruments and explains how we determine those values. Note 1, "Summary of Significant Accounting Policies" sets out the accounting treatment for each measurement category of financial instruments.

Fair value is defined as the amount at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction motivated by normal business considerations. Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3), as outlined below.

Where active markets exist, quoted market prices are used to calculate fair value (Level 1). Bid or ask prices, where available in an active market, are used to determine the fair value of security positions, as appropriate.

Quoted market prices are not available for a significant portion of our on- and off-balance sheet financial instruments because of the lack of traded markets and even where such markets do exist, they may not be considered sufficiently active to be used as a final determinant of fair value.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets do not exist or are not considered sufficiently active, we measure fair value using valuation models.

Valuation models may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). The valuation model and technique we select maximizes the use of observable market inputs to the extent possible and appropriate in order to estimate the price at which an orderly transaction would take place on our reporting date. In an inactive market, we consider all reasonably available information including any available pricing for similar instruments, recent arm's length market transactions, any relevant observable market inputs, indicative dealer or broker quotations, and our own internal model-based estimates. We apply judgment in determining the most appropriate inputs and the weighting we ascribe to each such input as well as in our selection of valuation methodologies. Regardless of the valuation technique we use, we incorporate assumptions that we believe market participants would make for credit, funding, and liquidity considerations. When the fair value of a financial instrument is determined using a valuation technique that incorporates significant non-observable market inputs, no inception profit or loss (the difference between the determined fair value and the transaction price) is recognized at the time the asset or liability is first recorded. Any gains or losses at inception would be recognized only in future periods over the term of the instruments or when market quotes or data become observable.

Valuation adjustments are an integral component of our fair valuation process. To the extent necessary, we make valuation adjustments for market and model risks for derivatives and non-derivatives. For derivatives, we also have credit valuation adjustments (CVA) that factor in counterparty as well as our own credit risk, and a valuation adjustment for administration costs.

Due to the judgment used in applying a wide variety of acceptable valuation techniques and models, as well as the use of estimates inherent in this process, estimates of fair value for the same or similar assets may differ among financial institutions. The calculation of fair value is based on market conditions as at each balance sheet date, and may not be reflective of ultimate realizable value.

We have an ongoing process for evaluating and enhancing our valuation techniques and models. Where enhancements are made, they are applied prospectively, so that fair values reported in prior periods are not recalculated on the new basis.

## Methods and assumptions

### Financial instruments with fair value equal to book value

Where we consider any difference between fair and book values of on-balance sheet financial instruments to be insignificant, the fair values of these on-balance sheet financial instruments are assumed to equal their book values. These categories are: cash and non-interest bearing deposits with banks; short-term interest-bearing deposits with banks; securities borrowed or purchased under resale agreements; customers' liability under acceptances; acceptances; obligations related to securities lent or sold under repurchase agreements; and other liabilities.

### Securities

The fair value of securities and obligations related to securities sold short are based on quoted bid or ask market prices where available in an active market.

Securities for which no active market exists are valued using all reasonably available market information as described below.

Fair value of government issued or guaranteed securities that are not traded in an active market are calculated using implied yields derived from the prices of actively traded government securities and most recently observable spread differentials.

Fair value of corporate debt securities is determined using the most recently executed transaction prices, and where appropriate, adjusted to the price of these securities obtained from independent dealers, brokers, and third-party multi-contributor consensus pricing sources. When observable price quotations are not available, fair value is determined based on discounted cash flow models using discounting curves and spread differentials observed through independent dealers, brokers, and third-party multi-contributor consensus pricing sources.

Asset-backed securities (ABS) and mortgage-backed securities (MBS) not issued or guaranteed by government are valued using cash flow models making maximum use of market observable inputs, such as indicative broker quotes on identical or similar securities and other pricing information obtained from third-party pricing sources adjusted for the characteristics and the performance of the underlying collateral. Other key inputs used include prepayment and liquidation rates, credit spreads, and discount rates commensurate with the risks involved. These assumptions factor information derived from actual transactions, underlying reference asset performance, external market research, and market indices, where appropriate.

Privately issued debt and equity securities are valued using recent market transactions, where available. Otherwise, fair values are derived from valuation models using a market or income approach. These models consider various factors including projected cash flows, earnings, revenue or other third-party evidence as available. Private equity securities for which there is no quoted market price are carried at cost. The fair value of limited partnership investments is based upon net asset values published by third-party fund managers and is adjusted for more recent information, where available and appropriate.

### Loans

The fair value of variable-rate mortgages, which are largely prime rate based, is assumed to equal the book value. The fair value of fixed-rate mortgages is estimated, using a discounted cash flow calculation that uses market interest rates currently charged for mortgages with similar remaining terms. The valuation model used for mortgages takes into account prepayment optionality, including consumer behaviour.

The fair value of variable-rate loans and those that reprice frequently are assumed to be equal to their book value. The fair value for fixed-rate loans is estimated using a discounted cash flow calculation that uses market interest rates currently charged for loans with similar terms and credit risks. The fair value of loans is reduced by specific and general allowances for impaired loans and loans not yet specifically identified as impaired. The fair value of loans is not adjusted for the value of any credit derivatives used to manage the credit risk associated with them. The fair value of these credit derivatives is disclosed separately.

Fair value option loans are valued using observable market inputs, wherever possible. In the absence of such pricing, we consider indicative broker quotes and internal models utilizing observable market inputs to the extent possible.

### Other assets

Other assets mainly comprise accrued interest receivable, brokers' client accounts, equity-accounted investments, and accounts receivable.

Except as noted, the fair value of all other assets is assumed to be cost or amortized cost because we consider any difference not to be significant. For equity-accounted investments, we estimate fair value using quoted market prices or other recent market transactions, where available. Otherwise, fair value is derived from valuation models, except for instances where the benefits of estimating fair value for unquoted equity-accounted investments do not outweigh the related costs, in which case fair value is assumed to equal book value.

### Deposits

The fair value of floating-rate deposits and demand deposits are assumed to be equal to their amortized cost. The fair value of fixed-rate deposits is determined by discounting the contractual cash flows using market interest rates currently offered for deposits of similar terms. The fair value of deposit liabilities with embedded optionality (cashable option) includes the fair value of those options. The fair value of equity- and commodity-linked notes includes the fair value of embedded equity and commodity options.

Certain FVO deposits are structured notes that have coupons or repayment terms linked to the performance of debt or equity securities. Fair value of these structured notes is estimated using internally vetted valuation models for the debt and embedded derivative portions of the notes by incorporating market observable prices of the reference identical or comparable securities, and other inputs such as interest rate yield curves, option volatility, and foreign exchange rates, where appropriate. Where observable prices or inputs are not available, management judgment is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. Appropriate market risk valuation adjustments for such inputs are assessed in all such instances.

### Subordinated indebtedness

The fair value is determined by reference to market prices for the same or similar debt instruments.

### Preferred share liabilities

The fair value of these obligations is determined by reference to market prices for the same or similar financial instruments.

### Derivative instruments

The fair value of exchange-traded derivatives such as options and futures is based on quoted market prices. Over-the-counter (OTC) derivatives primarily consist of interest rate swaps, foreign exchange forwards, equity and commodity derivatives, interest rate and currency options, and credit derivatives. For such instruments, where quoted market prices or third-party consensus pricing information are not available, valuation techniques are employed to estimate fair value on the basis of pricing models. Such vetted models incorporate current market measures for interest rates, currency exchange rates, equity and commodity prices and indices, credit spreads, corresponding market volatility levels, and other market-based pricing factors.

In determining the fair value of complex and customized derivatives, such as equity, credit, and commodity derivatives written in reference to indices or baskets of reference, we consider all reasonably available information including indicative dealer and broker quotations, third-party consensus pricing inputs, any relevant observable market inputs, and our own internal model-based estimates, which are vetted and pre-approved in accordance with our model risk policy and regularly and periodically calibrated. The model calculates fair value based on inputs specific to the type of contract, which may include stock prices, correlation for multiple assets, interest rates, foreign exchange rates, yield curves, and volatility surfaces. Where observable prices or inputs are not available, management judgment is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. Appropriate market risk valuation adjustments for such inputs are assessed in all such instances.

After arriving at these valuations, we consider whether CVA is required to recognize the risk that any given derivative counterparty may not ultimately be able to fulfill its obligations. The CVA is driven off market-observed credit spreads or proxy credit spreads or our assessment of recoverable values for each of the derivative counterparties. We also factor in our own credit risk and take into account credit mitigants such as collateral and netting arrangements.

For credit derivatives purchased from financial guarantors, our CVA is generally driven off market-observed credit spreads, where available. For financial guarantors that do not have observable credit spreads or where observable credit spreads are available but do not reflect an orderly market (i.e. not representative of fair value), a proxy market spread is used. The proxy market credit spread is based on our internal credit rating for the particular financial guarantor. Credit spreads contain information on market (or proxy market) expectations of PD as well as LGD. The credit spreads are applied in relation to the weighted-average life of our exposure to the counterparties. For financial guarantor counterparties where a proxy market spread is used, we also make an adjustment to reflect additional financial guarantor risk over an equivalently rated non-financial guarantor counterparty. The amount of the adjustment is dependent on all available internal and external market information for financial guarantors. The final CVA takes into account the expected correlation between the future performance of the underlying reference assets and that of the counterparties, except for high quality reference assets where we expect no future credit degradation.

Where appropriate on certain financial guarantors, we determine the CVA based on estimated recoverable amounts.

### Mortgage commitments

The fair value of mortgage commitments, included in derivatives held for ALM, is for fixed-rate residential and commercial mortgage commitments and is based on changes in market interest rates between the commitment and the balance sheet dates. The valuation model takes into account the expected probability that outstanding commitments will be exercised.

## Credit commitments

Other commitments to extend credit are primarily variable rate and, consequently, do not expose us to interest rate risk, although they do expose us to credit risk. These commitments generally contain provisions whereby drawn credit commitments are priced based on the credit quality of the obligor at the date funds are drawn. As noted above, the credit exposure on loan commitments is included in our assessment of the specific and general allowances and, hence, no further adjustments are made.

## Fair value of financial instruments

$ millions, as at October 31

| | | Carrying value | | | | | |
|---|---|---|---|---|---|---|---|
| | | Amortized cost | Fair value through statement of operations | Fair value through OCI | Total | Fair value | Fair value over (under) carrying value |
| **2010** | **Financial assets** | | | | | | |
| | Cash and deposits with banks | **$ 12,052** | **$ –** | **$ –** | **$ 12,052** | **$ 12,052** | **$ –** |
| | Securities | **582** | **50,987** | **26,039** | **77,608** | **77,936** | **328** |
| | Securities borrowed or purchased under resale agreements | **37,342** | **–** | **–** | **37,342** | **37,342** | **–** |
| | Loans | | | | | | |
| | Residential mortgages | **93,529** | **–** | **–** | **93,529** | **94,560** | **1,031** |
| | Personal | **33,818** | **–** | **–** | **33,818** | **33,846** | **28** |
| | Credit card | **11,649** | **–** | **–** | **11,649** | **11,649** | **–** |
| | Business and government | **37,875** | **21** | **–** | **37,896** | **37,865** | **(31)** |
| | Derivative instruments | **–** | **24,682** | **–** | **24,682** | **24,682** | **–** |
| | Customers' liability under acceptances | **7,684** | **–** | **–** | **7,684** | **7,684** | **–** |
| | Other assets | **7,768** | **–** | **–** | **7,768** | **7,799** | **31** |
| | **Financial liabilities** | | | | | | |
| | Deposits | | | | | | |
| | Personal | **113,294** | **–** | **–** | **113,294** | **113,685** | **391** |
| | Business and government | **124,229** | **3,530** | **–** | **127,759** | **129,352** | **1,593** |
| | Bank | **5,618** | **–** | **–** | **5,618** | **5,618** | **–** |
| | Derivative instruments | **–** | **26,489** | **–** | **26,489** | **26,489** | **–** |
| | Acceptances | **7,684** | **–** | **–** | **7,684** | **7,684** | **–** |
| | Obligations related to securities sold short | **–** | **9,673** | **–** | **9,673** | **9,673** | **–** |
| | Obligations related to securities lent or sold under repurchase agreements | **28,220** | **–** | **–** | **28,220** | **28,220** | **–** |
| | Other liabilities | **8,848** | **–** | **–** | **8,848** | **8,848** | **–** |
| | Subordinated indebtedness | **4,773** | **–** | **–** | **4,773** | **5,073** | **300** |
| 2009 | **Financial assets** | | | | | | |
| | Cash and deposits with banks | $ 7,007 | $ – | $ – | $ 7,007 | $ 7,007 | $ – |
| | Securities | 823 | 37,416 | 39,337 | 77,576 | 77,849 | 273 |
| | Securities borrowed or purchased under resale agreements | 32,751 | – | – | 32,751 | 32,751 | – |
| | Loans | | | | | | |
| | Residential mortgages | 86,110 | – | – | 86,110 | 86,878 | 768 |
| | Personal | 33,328 | – | – | 33,328 | 33,358 | 30 |
| | Credit card | 11,259 | – | – | 11,259 | 11,259 | – |
| | Business and government | 36,289 | 226 | – | 36,515 | 36,284 | (231) |
| | Derivative instruments | – | 24,696 | – | 24,696 | 24,696 | – |
| | Customers' liability under acceptances | 8,397 | – | – | 8,397 | 8,397 | – |
| | Other assets | 9,182 | – | – | 9,182 | 9,201 | 19 |
| | **Financial liabilities** | | | | | | |
| | Deposits | | | | | | |
| | Personal | 108,324 | – | – | 108,324 | 108,959 | 635 |
| | Business and government | 102,724 | 4,485 | – | 107,209 | 108,626 | 1,417 |
| | Bank | 7,584 | – | – | 7,584 | 7,586 | 2 |
| | Derivative instruments | – | 27,162 | – | 27,162 | 27,162 | – |
| | Acceptances | 8,397 | – | – | 8,397 | 8,397 | – |
| | Obligations related to securities sold short | – | 5,916 | – | 5,916 | 5,916 | – |
| | Obligations related to securities lent or sold under repurchase agreements | 37,453 | – | – | 37,453 | 37,453 | – |
| | Other liabilities | 10,909 | – | – | 10,909 | 10,909 | – |
| | Subordinated indebtedness | 5,157 | – | – | 5,157 | 5,313 | 156 |
| | Preferred share liabilities | 600 | – | – | 600 | 628 | 28 |

## Fair value of derivative instruments

| $ millions, as at October 31 | | | 2010 | | | 2009 |
|---|---|---|---|---|---|---|
| | **Positive** | **Negative** | **Net** | Positive | Negative | Net |
| **Held for trading**[1] | | | | | | |
| Interest rate derivatives | | | | | | |
| Forward rate agreements | **$ 55** | **$ 37** | **$ 18** | $ 42 | $ 8 | $ 34 |
| Swap contracts | **13,522** | **13,759** | **(237)** | 11,574 | 11,520 | 54 |
| Purchased options | **500** | **–** | **500** | 1,257 | – | 1,257 |
| Written options | **–** | **538** | **(538)** | – | 1,276 | (1,276) |
| Total interest rate derivatives | **14,077** | **14,334** | **(257)** | 12,873 | 12,804 | 69 |
| Foreign exchange derivatives | | | | | | |
| Forward contracts | **1,501** | **1,326** | **175** | 1,180 | 1,021 | 159 |
| Swap contracts | **3,662** | **3,664** | **(2)** | 2,999 | 2,939 | 60 |
| Purchased options | **227** | **–** | **227** | 130 | – | 130 |
| Written options | **–** | **290** | **(290)** | – | 183 | (183) |
| Total foreign exchange derivatives | **5,390** | **5,280** | **110** | 4,309 | 4,143 | 166 |
| Credit derivatives | | | | | | |
| Swap contracts | **–** | **156** | **(156)** | 4 | 276 | (272) |
| Purchased options | **1,341** | **14** | **1,327** | 2,275 | 25 | 2,250 |
| Written options | **1** | **1,884** | **(1,883)** | 1 | 4,226 | (4,225) |
| Total credit derivatives | **1,342** | **2,054** | **(712)** | 2,280 | 4,527 | (2,247) |
| Equity derivatives[2] | **671** | **661** | **10** | 1,066 | 1,051 | 15 |
| Precious metal derivatives[2] | **25** | **30** | **(5)** | 17 | 26 | (9) |
| Other commodity derivatives[2] | **529** | **450** | **79** | 755 | 624 | 131 |
| **Total held for trading** | **22,034** | **22,809** | **(775)** | 21,300 | 23,175 | (1,875) |
| **Held for ALM** | | | | | | |
| Interest rate derivatives | | | | | | |
| Swap contracts | **2,299** | **3,535** | **(1,236)** | 3,055 | 3,886 | (831) |
| Purchased options | **27** | **–** | **27** | 17 | – | 17 |
| Written options | **–** | **4** | **(4)** | – | 11 | (11) |
| Total interest rate derivatives | **2,326** | **3,539** | **(1,213)** | 3,072 | 3,897 | (825) |
| Foreign exchange derivatives | | | | | | |
| Forward contracts | **23** | **29** | **(6)** | 6 | 4 | 2 |
| Swap contracts | **256** | **102** | **154** | 292 | 67 | 225 |
| Written options | **–** | **1** | **(1)** | – | 1 | (1) |
| Total foreign exchange derivatives | **279** | **132** | **147** | 298 | 72 | 226 |
| Credit derivatives | | | | | | |
| Purchased options | **3** | **7** | **(4)** | 25 | 4 | 21 |
| Total credit derivatives | **3** | **7** | **(4)** | 25 | 4 | 21 |
| Equity derivatives[2] | **40** | **2** | **38** | 1 | 14 | (13) |
| **Total held for ALM** | **2,648** | **3,680** | **(1,032)** | 3,396 | 3,987 | (591) |
| Total fair value | **24,682** | **26,489** | **(1,807)** | 24,696 | 27,162 | (2,466) |
| Less: effect of master netting agreements | **(16,967)** | **(16,967)** | **–** | (16,030) | (16,030) | – |
| | **$ 7,715** | **$ 9,522** | **$ (1,807)** | $ 8,666 | $ 11,132 | $ (2,466) |
| **Average fair value of derivatives held for trading**[3] | | | | | | |
| Interest rate derivatives | **$ 13,064** | **$ 13,109** | **$ (45)** | $ 15,792 | $ 15,429 | $ 363 |
| Foreign exchange derivatives | **5,185** | **5,035** | **150** | 5,887 | 5,887 | – |
| Credit derivatives | **1,865** | **3,390** | **(1,525)** | 3,398 | 6,479 | (3,081) |
| Equity derivatives | **694** | **760** | **(66)** | 1,372 | 1,468 | (96) |
| Precious metal derivatives | **29** | **24** | **5** | 48 | 63 | (15) |
| Other commodity derivatives | **618** | **547** | **71** | 1,174 | 1,228 | (54) |
| | **$ 21,455** | **$ 22,865** | **$ (1,410)** | $ 27,671 | $ 30,554 | $ (2,883) |

(1) Includes positive and negative fair values of $279 million (2009: $551 million) and $270 million (2009: $675 million), respectively, for exchange-traded options.
(2) Comprises forwards, swaps and options.
(3) Average fair value represents monthly averages.

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 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 | |
| $ millions, as at October 31 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| **Assets** | | | | | | |
| Trading securities | | | | | | |
| Government issued or guaranteed securities | **$ 4,158** | $ 5,710 | **$ 8,463** | $ 1,843 | **$ –** | $ 139 |
| Corporate equity | **11,818** | 4,522 | **1,090** | 553 | **–** | – |
| Corporate debt | **–** | 191 | **1,039** | 762 | **20** | 20 |
| Mortgage- and asset-backed securities | **–** | – | **342** | 169 | **1,627** | 1,201 |
| | **$ 15,976** | $ 10,423 | **$ 10,934** | $ 3,327 | **$ 1,647** | $ 1,360 |
| AFS securities | | | | | | |
| Government issued or guaranteed securities | **$ 7,398** | $ 28,045 | **$ 9,310** | $ 3,357 | **$ –** | $ 10 |
| Corporate debt | **–** | 1,688 | **2,713** | 949 | **23** | 35 |
| Mortgage- and asset-backed securities | **–** | – | **3,656** | 3,906 | **2,826** | 1,237 |
| Corporate public equity | **108** | 40 | **5** | 55 | **–** | 15 |
| | **$ 7,506** | $ 29,773 | **$ 15,684** | $ 8,267 | **$ 2,849** | $ 1,297 |
| FVO securities and loans | **307** | 1,330 | **22,124** | 20,992 | **20** | 210 |
| Derivative instruments | **272** | 531 | **22,949** | 21,712 | **1,461** | 2,453 |
| **Total assets** | **$ 24,061** | $ 42,057 | **$ 71,691** | $ 54,298 | **$ 5,977** | $ 5,320 |
| **Liabilities** | | | | | | |
| Deposits | **$ –** | $ – | **$ (2,397)**[1] | $ (3,796) | **$ (1,428)**[1] | $ (689) |
| Derivative instruments | **(265)** | (664) | **(23,148)** | (21,367) | **(3,076)** | (5,131) |
| Obligations related to securities sold short | **(3,793)** | (4,780) | **(5,880)** | (1,136) | **–** | – |
| **Total liabilities** | **$ (4,058)** | $ (5,444) | **$ (31,425)** | $ (26,299) | **$ (4,504)** | $ (5,820) |

(1) Comprises FVO deposits of $3,530 million and bifurcated embedded derivatives of $295 million.

The following reclassifications between Levels 1, 2, and 3 were made during the year:

- We reclassified certain government issued or guaranteed securities from Level 1 to Level 2 as active market quotes were not available. As a result of the reclassification, the fair values of these securities included in Level 2 that would have been included in Level 1 as at October 31, 2009 in the table above, were $4,710 million of trading securities, $12,607 million of AFS securities, $757 million of FVO securities, and $2,416 million of obligations related to securities sold short;
- We reclassified certain corporate debt securities from Level 1 to Level 2 as active market quotes were not available. As a result of the reclassification, the fair values of these securities included in Level 2 that would previously have been included in Level 1 as at October 31, 2009 in the table above, were $107 million of trading securities and $3,440 million of AFS securities;
- We reclassified $1,535 million of certain asset-backed AFS securities from Level 2 to Level 3, due to a lack of observable market inputs; and
- We reclassified $138 million of certain trading government securities from Level 3 to Level 2, due to availability of market observable inputs.

The table below presents the changes in fair value of Level 3 assets, liabilities, and derivative assets and liabilities net. 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.

The net loss recognized in the consolidated statement of operations, on the financial instruments, for which fair value was estimated using a valuation technique requiring non-observable market parameters, was $732 million (2009: net loss of $419 million).

| $ millions, as at or for the year ended October 31 | | Opening balance | Net gains/(losses) included in income: Realized(1) | Net gains/(losses) included in income: Unrealized(1) | Net unrealized gains/(losses) included in OCI | Transfer in to Level 3 | Transfer out of Level 3 | Purchases and issuances | Sales and settlements | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|
| **2010** | **Trading securities** | **$ 1,360** | **$ 88** | **$ 362** | **$ –** | **$ –** | **$ (138)** | **$ 520** | **$ (545)** | **$ 1,647** |
| | **AFS securities** | **1,297** | **40** | **–** | **–** | **1,537** | **(13)** | **1,541** | **(1,553)** | **2,849** |
| | **FVO securities and loans** | **210** | **(8)** | **1** | **–** | **–** | **–** | **–** | **(183)** | **20** |
| | **Total assets** | **$ 2,867** | **$ 120** | **$ 363** | **$ –** | **$ 1,537** | **$ (151)** | **$ 2,061** | **$ (2,281)** | **$ 4,516** |
| | **Deposits**(2) | **$ (689)** | **$ (59)** | **$ (502)** | **$ –** | **$ (203)**(3) | **$ –** | **$ (126)** | **$ 151** | **$ (1,428)** |
| | **Derivative instruments (net)** | **(2,678)** | **(434)** | **(220)** | **–** | **(68)** | **(10)** | **(15)** | **1,810** | **(1,615)** |
| | **Total liabilities** | **$ (3,367)** | **$ (493)** | **$ (722)** | **$ –** | **$ (271)** | **$ (10)** | **$ (141)** | **$ 1,961** | **$ (3,043)** |
| 2009 | Trading securities | $ 854 | $ 103 | $ (139) | $ – | $ – | $ – | $ 603 | $ (61) | $ 1,360 |
| | AFS securities(4) | 894 | 68 | (133) | 24 | – | – | 1,157 | (713) | 1,297 |
| | FVO securities and loans | 257 | 11 | (5) | – | – | – | – | (53) | 210 |
| | Total assets | $ 2,005 | $ 182 | $ (277) | $ 24 | $ – | $ – | $ 1,760 | $ (827) | $ 2,867 |
| | Deposits | $ (733) | $ 296 | $ – | $ – | $ – | $ – | $ (432) | $ 180 | $ (689) |
| | Derivative instruments (net) | (3,939) | 198 | (818) | – | – | (20) | 268 | 1,633 | (2,678) |
| | Total liabilities | $ (4,672) | $ 494 | $ (818) | $ – | $ – | $ (20) | $ (164) | $ 1,813 | $ (3,367) |

(1) Includes foreign exchange gains and losses.
(2) Comprises FVO deposits of $1,188 million and bifurcated embedded derivatives of $240 million.
(3) Transfer-in pertains to structured deposit notes containing bifurcatable embedded derivatives carried at fair value.
(4) Certain prior year information has been restated to conform to the presentation of the current year.

## Sensitivities of Level 3 financial assets and liabilities

Financial instruments carried at fair value include certain positions that have market values derived from inputs, which we consider to be non-observable ($5,977 million of assets and $4,504 million of liabilities).

Many of these positions are in our structured credit run-off business ($3,016 million of assets and $3,115 million of liabilities) and are valued using inputs such as indicative broker quotations and internal models with estimated market inputs, which we consider to be non-observable.

Interest-only strips from the sale of securitized assets are valued using prepayment rates, which we consider to be a non-observable market input.

Swap arrangements related to the sale of securitized assets are valued using liquidity rates, which we consider to be a non-observable market input.

ABS are sensitive to credit spreads, which we consider to be a non-observable market input.

FVO deposits that are not managed as part of our structured credit run-off business are sensitive to non-observable credit spreads, which are derived using extrapolation and correlation assumptions.

Certain bifurcated embedded derivatives, due to the complexity and unique structure of the instruments, require significant assumptions and judgment to be applied to both the inputs and valuation techniques, which we consider to be non-observable.

The effect of changing one or more of the assumptions to fair value these instruments to reasonably possible alternatives would impact net income or OCI as described below.

Our unhedged structured credit exposures (U.S. residential mortgage market (USRMM) and non-USRMM) are sensitive to changes in mark-to-market (MTM), generally as derived from indicative broker quotes or internal models as described above. A 10% adverse change in MTM of the underlyings would result in losses of approximately $54 million in our unhedged USRMM portfolio and $108 million in our non-USRMM portfolio, excluding unhedged non-USRMM positions classified as loans, which are carried at amortized cost, and before the impact of our transaction with Cerberus Capital Management LP (Cerberus). The fair value of the Cerberus protection against USRMM positions is expected to reasonably offset any changes in the fair value of USRMM positions.

For our hedged positions, there are two categories of sensitivities; the first relates to our hedged loan portfolio and the second relates to our hedged fair valued exposures. Since on-balance sheet hedged loans are carried at amortized cost whereas the related credit derivatives are fair valued, a 10% increase in the MTM of credit derivatives in our hedged structured credit positions would result in a net gain of approximately $35 million, assuming current CVA ratios remain unchanged. A 10% reduction in the MTM of our on-balance sheet fair valued exposures and a 10% increase in the MTM of all credit derivatives in our hedged structured credit positions would result in a net loss of approximately $8 million, assuming current CVA ratios remain unchanged.

The impact of a 10% increase in the MTM of unmatched credit derivatives, where we have purchased protection but do not have exposure to the underlying, would result in a net gain of approximately $1 million, assuming current CVA ratios remain unchanged.

The impact of a 10% reduction in receivable, net of CVA from financial guarantors, would result in a net loss of approximately $75 million.

A 10% increase in prepayment rates pertaining to our retained interests related to the interest-only strip, resulting from the sale of securitized assets, would result in a net loss of approximately $24 million.

A 20 basis point decrease in liquidity rates used to fair value our derivatives related to the sale of securitized assets would result in a loss of approximately $94 million.

A 10% reduction in the MTM of our on-balance sheet ABS that are valued using non-observable credit and liquidity spreads would result in a decrease in OCI of approximately $177 million.

A 10% reduction in the MTM of certain FVO deposits which are not managed as part of our structured credit run-off business and are valued using non-observable inputs, including correlation and extrapolated credit spreads, would result in a gain of approximately $13 million.

A 10% reduction in the MTM of certain bifurcated embedded derivatives, valued using internally vetted valuation techniques, would result in a gain of approximately $24 million.

## Note 3 Significant Acquisitions and Disposition

### Acquisition of Citi Cards Canada Inc.'s Canadian MasterCard portfolio

On September 1, 2010, we completed the acquisition of Citi Cards Canada Inc.'s (Citi) rights and obligations in respect of their Canadian MasterCard (MasterCard) portfolio for cash consideration of approximately $1.2 billion. The total portfolio consists of approximately $2.3 billion of directly owned and securitized credit card receivables to Broadway Trust, as well as certain other related assets. We purchased $811 million of directly owned credit card receivables. We also purchased $201 million of retained interests in securitized assets in the form of subordinated notes, $159 million of cash, and a customer relationship intangible asset of $46 million. We incurred $45 million of other liabilities as part of the purchase.

Broadway Trust had $1.2 billion of sold receivables and approximately $100 million of cash. These assets were funded by $1.1 billion of externally issued senior notes and $0.2 billion of subordinated notes, as mentioned above.

We have retained Citi as the transitional servicer until we transfer these accounts onto our platforms.

The allocation of the purchase price is subject to post closing adjustments and final valuations.

### Acquisition of CIT Business Credit Canada Inc.

On April 30, 2010, CIBC acquired from CIT Financial Ltd. (CIT) the 50% interest in CIT Business Credit Canada Inc. (CITBCC) that we did not already own. Total cash consideration was $306 million. Additional cash consideration of up to $8 million may be payable to CIT depending on certain circumstances. The transaction has been accounted for using the purchase method and as a result, we fully consolidated CITBCC commencing April 30, 2010. Prior to that date, we accounted for our 50% interest using the proportionate consolidation method of accounting.

CITBCC's results continue to be reported within CIBC Retail Markets reporting segment. Subsequent to the acquisition, CITBCC was renamed CIBC Asset-Based Lending Inc.

### Investment in The Bank of N.T. Butterfield & Son Limited

On March 2, 2010, we invested $155 million (US$150 million) for a direct 22.5% common equity interest in The Bank of N.T. Butterfield & Son Limited (Butterfield). Pursuant to a rights offering, which closed on May 11, 2010, our direct investment decreased to $130 million (US$125 million) or 18.8%. We also invested $23 million (US$22 million) or 3.3% on March 2, 2010 indirectly through a private equity fund, which was reduced to $19 million (US$18 million) or 2.7% as a result of the rights offering. Our total ownership in Butterfield may decrease in the future under certain circumstances.

Our direct equity investment is accounted for using the equity method of accounting.

In addition, we provided Butterfield with a senior secured credit facility for up to $306 million (US$300 million) that was reduced from the original $510 million (US$500 million), at Butterfield's request. We also nominated two out of twelve directors on Butterfield's Board of Directors.

### Sale of CIBC Mellon Trust Company's Issuer Services business

On July 28, 2010, CIBC Mellon Trust Company (CMT), a 50/50 joint venture between CIBC and The Bank of New York Mellon, announced it had signed an agreement to sell its Issuer Services business (stock transfer and employee share purchase plan). The transaction closed on November 1, 2010. CMT's Issuer Services business results are reported in CIBC's Corporate and Other reporting segment, and the results of its operations are not considered significant to CIBC's consolidated results.

## Note 4 Securities

| $ millions, as at October 31 | Within 1 year Carrying value | Within 1 year Yield[1] | 1 to 5 years Carrying value | 1 to 5 years Yield[1] | 5 to 10 years Carrying value | 5 to 10 years Yield[1] | Over 10 years Carrying value | Over 10 years Yield[1] | No specific maturity Carrying value | No specific maturity Yield[1] | **2010 Total Carrying value** | **2010 Total Yield[1]** | 2009 Total Carrying value | 2009 Total Yield[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Residual term to contractual maturity | | | | | | | | | | | | | |
| **AFS securities** | | | | | | | | | | | | | | |
| Securities issued or guaranteed by: | | | | | | | | | | | | | | |
| Canadian federal government | $ 3,850 | 1.4% | $ 1,339 | 1.8% | $ 202 | 4.2% | $ – | –% | $ – | –% | **$ 5,391** | **1.6%** | $ 18,112 | 2.1% |
| Other Canadian governments | 1,703 | 1.4 | 684 | 2.6 | 1,803 | 4.4 | 498 | 6.1 | – | – | **4,688** | **3.2** | 2,483 | 3.9 |
| U.S. Treasury | 3,127 | 0.2 | 112 | 2.0 | 109 | 2.6 | – | – | – | – | **3,348** | **0.3** | 7,036 | 0.1 |
| Other foreign governments | 881 | 1.5 | 1,968 | 3.0 | 207 | 6.8 | 225 | 6.4 | – | – | **3,281** | **3.1** | 3,781 | 3.3 |
| Mortgage-backed securities[2] | 64 | 2.4 | 3,918 | 2.7 | 127 | 4.2 | 618 | 1.1 | – | – | **4,727** | **2.6** | 3,184 | 3.8 |
| Asset-backed securities | 134 | 8.1 | 1,604 | 4.5 | 11 | 2.8 | 6 | – | – | – | **1,755** | **4.7** | 1,959 | 4.7 |
| Corporate public debt | 1,829 | 0.5 | 697 | 2.3 | 102 | 7.3 | 48 | 9.2 | – | – | **2,676** | **1.4** | 2,520 | 2.2 |
| Corporate private debt | 16 | 4.3 | 38 | 6.3 | 6 | 10.9 | – | – | – | – | **60** | **6.2** | 152 | 5.0 |
| Total debt securities | 11,604 | | 10,360 | | 2,567 | | 1,395 | | – | | **25,926** | | 39,227 | |
| Corporate public equity | – | – | – | – | – | – | – | – | 113 | 4.5 | **113** | **4.5** | 110 | – |
| Corporate private equity | – | – | 5 | 5.0 | – | – | 5 | 6.0 | 572 | – | **582** | **0.1** | 823 | – |
| Total equity securities | – | | 5 | | – | | 5 | | 685 | | **695** | | 933 | |
| **Total AFS securities** | $ 11,604 | | $10,365 | | $ 2,567 | | $ 1,400 | | $ 685 | | **$ 26,621** | | $ 40,160 | |
| **Trading securities** | | | | | | | | | | | | | | |
| Securities issued or guaranteed by: | | | | | | | | | | | | | | |
| Canadian federal government | $ 2,940 | | $ 4,514 | | $ 873 | | $ 989 | | $ – | | **$ 9,316** | | $ 5,736 | |
| Other Canadian governments | 1,040 | | 625 | | 614 | | 367 | | – | | **2,646** | | 1,470 | |
| U.S. Treasury and agencies | 51 | | 228 | | 85 | | 1 | | – | | **365** | | 213 | |
| Other foreign governments | 102 | | 186 | | 5 | | 1 | | – | | **294** | | 273 | |
| Mortgage-backed securities[3] | 257 | | 18 | | 6 | | 4 | | – | | **285** | | 177 | |
| Asset-backed securities | 124 | | 42 | | 67 | | 1,451 | | – | | **1,684** | | 1,193 | |
| Corporate public debt | 311 | | 469 | | 169 | | 110 | | – | | **1,059** | | 973 | |
| Corporate public equity | – | | – | | – | | – | | 12,908 | | **12,908** | | 5,075 | |
| **Total trading securities** | $ 4,825 | | $ 6,082 | | $ 1,819 | | $ 2,923 | | $ 12,908 | | **$ 28,557** | | $ 15,110 | |
| **FVO securities** | | | | | | | | | | | | | | |
| Securities issued or guaranteed by: | | | | | | | | | | | | | | |
| Canadian federal government | $ 655 | | $ 540 | | $ 307 | | $ – | | $ – | | **$ 1,502** | | $ 1,334 | |
| Other Canadian governments | – | | – | | – | | 46 | | – | | **46** | | – | |
| U.S. Treasury and agencies | – | | 59 | | – | | – | | – | | **59** | | 105 | |
| Mortgage-backed securities[4] | 332 | | 19,795 | | 221 | | 56 | | – | | **20,404** | | 20,602 | |
| Asset-backed securities | – | | – | | 7 | | 198 | | – | | **205** | | 265 | |
| Corporate public debt | – | | – | | 80 | | 134 | | – | | **214** | | – | |
| **Total FVO securities** | $ 987 | | $ 20,394 | | $ 615 | | $ 434 | | $ – | | **$ 22,430** | | $ 22,306 | |
| **Total securities[5]** | $ 17,416 | | $ 36,841 | | $ 5,001 | | $ 4,757 | | $ 13,593 | | **$ 77,608** | | $77,576 | |

(1) Represents the weighted-average yield, which is determined by applying the weighted-average of the yields of individual fixed income securities and the stated dividend rates of corporate and private equity securities.
(2) Includes securities backed by mortgages insured by the Canada Mortgage and Housing Corporation (CMHC) with amortized cost of $3,738 million (2009: $1,862 million) and fair value of $3,830 million (2009: $1,927 million); securities issued by Federal National Mortgage Association (Fannie Mae), having amortized cost of $18 million (2009: $414 million) and fair value of $18 million (2009: $422 million); securities issued by Federal Home Loan Mortgage Corporation (Freddie Mac), having amortized cost of nil (2009: $257 million) and fair value of nil (2009: $262 million); and securities issued by Government National Mortgage Association, a U.S. government corporation (Ginnie Mae), with amortized cost of $711 million (2009: $80 million) and fair value of $714 million (2009: $81 million).
(3) Includes securities backed by mortgages insured by the CMHC of $36 million (2009: $13 million).
(4) Includes securities backed by mortgages insured by the CMHC of $20.3 billion (2009: $20.4 billion); securities issued by Fannie Mae $25 million (2009: $103 million); and securities issued by Ginnie Mae $56 million (2009: $68 million).
(5) Includes securities denominated in U.S. dollars with carrying value of $14.2 billion (2009: $19.1 billion) and securities denominated in other foreign currencies with carrying value of $799 million (2009: $934 million).

## Reclassification of securities

In October 2008, amendments made to the CICA handbook sections 3855 "Financial Instruments – Recognition and Measurement" and 3862 "Financial Instruments – Disclosures" permitted certain trading financial assets to be reclassified to HTM and AFS in rare circumstances. In July 2009, amendments made to section 3855 resulted in the reclassification of these HTM securities to loans effective November 1, 2008. In the current year, we have not reclassified any securities.

The following tables show the carrying values, fair values, and income or loss impact of the assets reclassified to date:

| $ millions, as at October 31 | **2010** | | 2009 | | | |
|---|---|---|---|---|---|---|
| | **Reclassified in prior years (2009 and 2008)** | | Reclassified in 2009 | | Reclassified in prior years (2008) | |
| | **Fair value** | **Carrying value** | Fair value | Carrying value | Fair value | Carrying value |
| Trading assets previously reclassified to HTM (currently in loans) | **$ 5,525** | **$ 5,699** | $ – | $ – | $ 5,843 | $ 6,202 |
| Trading assets previously reclassified to AFS | **55** | **55** | 84 | 84 | 786 | 786 |
| Total financial assets reclassified | **$ 5,580** | **$ 5,754** | $ 84 | $ 84 | $ 6,629 | $ 6,988 |

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008[1] |
|---|---|---|---|
| Net income (before taxes) recognized on securities reclassified | | | |
| Gross income recognized in income statement | **$ 158** | $ 284 | $ 389 |
| Impairment write-downs | **–** | (100) | – |
| Funding related interest expense | **(77)** | (149) | (46) |
| | **$ 81** | $ 35 | $ 343 |
| Impact on net income if reclassification had not been made | | | |
| On trading assets previously reclassified to HTM (currently in loans) | **$ (185)** | $ (269) | $ 629 |
| On trading assets previously reclassified to AFS | **(8)** | (25) | 8 |
| Increase (decrease) in income, before taxes | **$ (193)** | $ (294) | $ 637 |

(1) Income or loss impact is for the three months ended October 31, 2008 as certain securities were reclassified at the beginning of August 1, 2008.

There was no reclassification of securities during the year. The effective interest rates on trading securities previously reclassified to AFS ranged from 1% to 12% in 2009 (2008: 3% to 13%) with expected recoverable cash flows of $145 million (2008: $1.2 billion) as of their reclassification date.

## Fair value of AFS securities

| $ millions, as at October 31 | **2010** | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Amortized cost** | **Gross unrealized gains** | **Gross unrealized losses** | **Fair value** | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| **AFS securities** | | | | | | | | |
| Securities issued or guaranteed by: | | | | | | | | |
| Canadian federal government | **$ 5,385** | **$ 8** | **$ (2)** | **$ 5,391** | $ 18,072 | $ 57 | $ (17) | $ 18,112 |
| Other Canadian governments | **4,602** | **86** | **–** | **4,688** | 2,448 | 36 | (1) | 2,483 |
| U.S. Treasury | **3,343** | **5** | **–** | **3,348** | 7,024 | 12 | – | 7,036 |
| Other foreign governments | **3,251** | **47** | **(17)** | **3,281** | 3,732 | 53 | (4) | 3,781 |
| Mortgage-backed securities | **4,627** | **103** | **(3)** | **4,727** | 3,105 | 86 | (7) | 3,184 |
| Asset-backed securities | **1,758** | **34** | **(37)** | **1,755** | 1,998 | 9 | (48) | 1,959 |
| Corporate public debt | **2,659** | **18** | **(1)** | **2,676** | 2,497 | 29 | (6) | 2,520 |
| Corporate public equity | **114** | **8** | **(9)** | **113** | 125 | 25 | (40) | 110 |
| Corporate private debt | **52** | **9** | **(1)** | **60** | 164 | 3 | (15) | 152 |
| Corporate private equity[1] | **582** | **337** | **(9)** | **910** | 823 | 312 | (39) | 1,096 |
| | **$ 26,373** | **$ 655** | **$ (79)** | **$ 26,949** | $ 39,988 | $ 622 | $ (177) | $ 40,433 |

(1) Carried at cost on the consolidated balance sheet as these do not have quoted market values in an active market.

For AFS securities where the fair value is less than the amortized cost, the following table presents current fair value and associated unrealized losses for periods less than 12 months and 12 months or longer:

| $ millions, as at October 31 | 2010 | | | | | | 2009 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Less than 12 months** | | **12 months or longer** | | **Total** | | Less than 12 months | | 12 months or longer | | Total | |
| | **Fair value** | **Gross unrealized losses** | **Fair value** | **Gross unrealized losses** | **Fair value** | **Gross unrealized losses** | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| **AFS securities** | | | | | | | | | | | | |
| Securities issued or guaranteed by: | | | | | | | | | | | | |
| Canadian federal government | **$ 2,483** | **$ (2)** | **$ –** | **$ –** | **$ 2,483** | **$ (2)** | $ 2,446 | $ (17) | $ – | $ – | $ 2,446 | $ (17) |
| Other Canadian governments | **758** | **–** | **–** | **–** | **758** | **–** | 224 | (1) | – | – | 224 | (1) |
| U.S. Treasury | **3,060** | **–** | **–** | **–** | **3,060** | **–** | 2,868 | – | – | – | 2,868 | – |
| Other foreign governments | **948** | **(17)** | **–** | **–** | **948** | **(17)** | 551 | (4) | – | – | 551 | (4) |
| Mortgage-backed securities | **588** | **(3)** | **–** | **–** | **588** | **(3)** | 989 | (7) | – | – | 989 | (7) |
| Asset-backed securities | **123** | **(37)** | **–** | **–** | **123** | **(37)** | 953 | (48) | – | – | 953 | (48) |
| Corporate public debt | **881** | **(1)** | **–** | **–** | **881** | **(1)** | 482 | (6) | – | – | 482 | (6) |
| Corporate public equity | **–** | **–** | **100** | **(9)** | **100** | **(9)** | – | – | 75 | (40) | 75 | (40) |
| Corporate private debt | **–** | **–** | **25** | **(1)** | **25** | **(1)** | 801 | (15) | – | – | 801 | (15) |
| Corporate private equity | **36** | **(6)** | **19** | **(3)** | **55** | **(9)** | 227 | (37) | 9 | (2) | 236 | (39) |
| | **$ 8,877** | **$ (66)** | **$ 144** | **$ (13)** | **$9,021** | **$ (79)** | $ 9,541 | $ (135) | $ 84 | $ (42) | $ 9,625 | $ (177) |

As at October 31, 2010, the amortized cost of 170 AFS securities that are in a gross unrealized loss position (2009: 279 securities) exceeded their fair value by $79 million (2009: $177 million). The securities that have been in a gross unrealized loss position for more than a year include nine AFS securities (2009: five securities), with a gross unrealized loss of $13 million (2009: $42 million). We have determined that the unrealized losses on these AFS securities are temporary in nature.

The table below presents realized gains, losses and impairment write-downs on AFS securities. There were no HTM securities as at October 31, 2010 and 2009. As at October 31, 2008, the amortized cost of 48 HTM securities that were in a gross unrealized loss position exceeded their fair value by $629 million.

| $ millions, for the year ended October 31 | 2010 | 2009 | 2008 |
|---|---|---|---|
| **AFS securities**(1) | | | |
| Realized gains | **$ 510** | $ 1,224 | $ 416 |
| Realized losses | **(45)** | (736) | (112) |
| Impairment write-downs | | | |
| Debt securities | **(22)** | (122) | (202) |
| Equity securities | **(43)** | (91) | (142) |
| | **$ 400** | $ 275 | $ (40) |

(1) Corporate private equity securities amounting to $56 million (2009: $32 million; 2008: $99 million) carried at cost on the consolidated balance sheet were sold during the year, resulting in net realized gains of $52 million (2009: $28 million; 2008: $48 million).

## Note 5 Loans[1][2]

| $ millions, as at October 31 | **2010** | | | | | 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Gross amount** | **Specific allowance** | **General allowance** | **Total allowance** | **Net total** | Gross amount | Specific allowance | General allowance | Total allowance | Net total |
| Amortized cost | | | | | | | | | | |
| Residential mortgages | **$ 93,568**[3] | **$ 30** | **$ 9** | **$ 39** | **$ 93,529** | $ 86,152 | $ 35 | $ 7 | $ 42 | $ 86,110 |
| Personal[4] | **34,335** | **224** | **293** | **517** | **33,818** | 33,869 | 258 | 283 | 541 | 33,328 |
| Credit card | **12,127** | **–** | **478** | **478** | **11,649** | 11,808 | – | 549 | 549 | 11,259 |
| Business and government[5] | **38,561**[3] | **377** | **309** | **686** | **37,875** | 37,117 | 442 | 386 | 828 | 36,289 |
| | **178,591** | **631** | **1,089** | **1,720** | **176,871** | 168,946 | 735 | 1,225 | 1,960 | 166,986 |
| Designated at fair value | | | | | | | | | | |
| Business and government (Note 13) | **21** | **–** | **–** | **–** | **21** | 226 | – | – | – | 226 |
| | **$ 178,612** | **$ 631** | **$ 1,089** | **$ 1,720** | **$ 176,892** | $ 169,172 | $ 735 | $ 1,225 | $ 1,960 | $ 167,212 |

(1) Loans are net of unearned income of $256 million (2009: $226 million).
(2) Includes gross loans of $18.7 billion (2009: $19.4 billion) denominated in U.S. dollars and of $2.7 billion (2009: $3.1 billion) denominated in other foreign currencies.
(3) Includes $10 million of residential mortgages in the Caribbean region and $44 million of business loans pertaining to troubled-debt restructuring undertaken during 2010 and classified as performing as at October 31, 2010.
(4) Includes $210 million (2009: $219 million), including a non-recourse portion of approximately $4 million (2009: $4 million), relating to loans to certain individuals while employed by CIBC to finance a portion of their participation in funds which make private equity investments on a side-by-side basis with CIBC and its affiliates. These loans are secured by the borrowers' interest in the funds. Of the total amount outstanding, $184 million (2009: $190 million) relate to individuals who are no longer employed by CIBC.
(5) Includes HTM securities reclassified to loans during 2009. Refer to Note 4 for additional details.

### Loan maturities

| | Residual term to contractual maturity | | | | |
|---|---|---|---|---|---|
| $ millions, as at October 31 | Within 1 year | 1 to 5 years | 5 to 10 years | Over 10 years | **2010 Total** |
| Residential mortgages | $ 9,787 | $ 74,543 | $ 6,320 | $ 2,918 | **$ 93,568** |
| Personal | 14,342 | 19,276 | 292 | 425 | **34,335** |
| Credit card | 3,116 | 9,011 | – | – | **12,127** |
| Business and government | 16,445 | 10,887 | 4,889 | 6,361 | **38,582** |
| | $ 43,690 | $ 113,717 | $ 11,501 | $ 9,704 | **$ 178,612** |
| Sensitivity of loans due after one year to changes in interest rates | | | | | |
| Fixed interest rates | | $ 51,442 | $ 6,509 | $ 1,027 | **$ 58,978** |
| Floating interest rates | | 62,275 | 4,992 | 8,677 | **75,944** |
| | | $ 113,717 | $ 11,501 | $ 9,704 | **$ 134,922** |

### Allowance for credit losses

Commencing the fourth quarter of 2009, interest income on credit card loans is only accrued where there is an expectation of receipt. Previously, interest income was accrued until the credit card loans were written off upon 180 days in arrears or when notified of customer bankruptcy. This change resulted in a decrease in interest income and a decrease in provision for credit losses of approximately $14 million and $18 million, respectively, in 2009.

### Specific allowance

| | Residential mortgages | | | Personal | | | Credit card | | | Business and government | | | Total specific allowance | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $ millions, as at or for the year ended October 31 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| Balance at beginning of year | **$ 35** | $ 36 | $ 30 | **$ 258** | $ 207 | $ 207 | **$ –** | $ – | $ – | **$ 443** | $ 200 | $ 194 | **$ 736** | $ 443 | $ 431 |
| Provision for credit losses | **10** | 10 | 6 | **309** | 364 | 242 | **624** | 646 | 347 | **258** | 392 | 105 | **1,201** | 1,412 | 700 |
| Write-offs | **(12)** | (9) | (4) | **(372)** | (344) | (286) | **(708)** | (714) | (412) | **(326)**[1] | (156) | (148) | **(1,418)** | (1,223) | (850) |
| Recoveries | **–** | – | – | **27** | 25 | 29 | **84** | 68 | 64 | **12** | 28 | 21 | **123** | 121 | 114 |
| Other | **(3)** | (2) | 4 | **2** | 6 | 15 | **–** | – | 1 | **(10)** | (21) | 28 | **(11)** | (17) | 48 |
| Balance at end of year | **$ 30** | $ 35 | $ 36 | **$ 224** | $ 258 | $ 207 | **$ –** | $ – | $ – | **$ 377** | $ 443 | $ 200 | **$ 631** | $ 736 | $ 443 |
| Comprises: | | | | | | | | | | | | | | | |
| Loans | **$ 30** | $ 35 | $ 36 | **$ 224** | $ 258 | $ 207 | **$ –** | $ – | $ – | **$ 377** | $ 442 | $ 200 | **$ 631** | $ 735 | $ 443 |
| Letters of credit[2] | **–** | – | – | **–** | – | – | **–** | – | – | **–** | 1 | – | **–** | 1 | – |

(1) Includes $56 million (2009: no material write-offs) relating to troubled-debt restructuring for the year.
(2) Included in Other liabilities.

## General allowance

| $ millions, as at or for the year ended October 31 | Residential mortgages 2010 | 2009 | 2008 | Personal 2010 | 2009 | 2008 | Credit card 2010 | 2009 | 2008 | Business and government 2010 | 2009 | 2008 | Total general allowance 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at beginning of year | **$ 7** | $ 10 | $ 11 | **$ 283** | $ 286 | $ 368 | **$ 549** | $ 349 | $ 259 | **$ 468** | $ 435 | $ 374 | **$1,307** | $1,080 | $ 1,012 |
| Provision for (reversal of) credit losses | **2** | (3) | (1) | **14** | 7 | (77) | **(71)** | 200 | 90 | **(100)** | 33 | 61 | **(155)** | 237 | 73 |
| Other | **–** | – | – | **(4)** | (10) | (5) | **–** | – | – | **5** | – | – | **1** | (10) | (5) |
| Balance at end of year | **$ 9** | $ 7 | $ 10 | **$ 293** | $ 283 | $ 286 | **$ 478** | $ 549 | $ 349 | **$ 373** | $ 468 | $ 435 | **$1,153** | $1,307 | $ 1,080 |
| Comprises: | | | | | | | | | | | | | | | |
| Loans | **$ 9** | $ 7 | $ 10 | **$ 293** | $ 283 | $ 286 | **$ 478** | $ 549 | $ 349 | **$ 309** | $ 386 | $ 358 | **$1,089** | $1,225 | $ 1,003 |
| Undrawn credit facilities[1] | **–** | – | – | **–** | – | – | **–** | – | – | **64** | 82 | 77 | **64** | 82 | 77 |

(1) Included in Other liabilities.

## Impaired loans

| $ millions, as at October 31 | 2010 Gross amount | 2010 Specific allowance | 2010 Net total | 2009 Gross amount | 2009 Specific allowance | 2009 Net total |
|---|---|---|---|---|---|---|
| Residential mortgages | **$ 452** | **$ 30** | **$ 422** | $ 402 | $ 35 | $ 367 |
| Personal | **304** | **224** | **80** | 325 | 258 | 67 |
| Business and government | **1,080**[1] | **377** | **703** | 1,184 | 442 | 742 |
| Total impaired loans[2][3] | **$ 1,836** | **$ 631** | **$ 1,205** | $ 1,911 | $ 735 | $ 1,176 |

(1) Includes $157 million relating to troubled-debt restructuring that was classified as impaired loans as at October 31, 2010.
(2) Average balance of gross impaired loans was $1,917 million (2009: $1,345 million).
(3) Foreclosed assets of $63 million (2009: $17 million) were included in Other assets.

## Contractually past due loans but not impaired

Contractually past due loans are 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. Consumer overdraft balances past due less than 31 days have been excluded from the table below as the information is currently indeterminable.

| $ millions, as at October 31 | Less than 31 days | 31 to 90 days | Over 90 days | 2010 Total | 2009 Total |
|---|---|---|---|---|---|
| Residential mortgages | $ 1,574 | $ 587 | $ 214 | **$ 2,375** | $ 2,347 |
| Personal | 437 | 121 | 33 | **591** | 690 |
| Credit card | 724 | 183 | 114 | **1,021** | 947 |
| Business and government | 318 | 217 | 20 | **555** | 598 |
| | $ 3,053 | $ 1,108 | $ 381 | **$ 4,542** | $ 4,582 |

As at October 31, 2010, the interest entitlements on loans classified as impaired totalled $128 million (2009: $103 million; 2008: $76 million), of which $42 million (2009: $40 million; 2008: $39 million) were in Canada and $86 million (2009: $63 million; 2008: $37 million) were outside Canada. During the year, interest recognized on loans before being classified as impaired totalled $66 million (2009: $105 million; 2008: $55 million), of which $49 million (2009: $59 million; 2008: $45 million) was in Canada and $17 million (2009: $46 million; 2008: $10 million) was outside Canada.

## Net interest income after provision for credit losses

| $ millions, for the year ended October 31 | 2010 | 2009 | 2008 |
|---|---|---|---|
| Interest income | **$ 9,095** | $ 9,297 | $14,163 |
| Interest expense | **2,891** | 3,903 | 8,956 |
| Net interest income | **6,204** | 5,394 | 5,207 |
| Provision for credit losses | **1,046** | 1,649 | 773 |
| Net interest income after provision for credit losses | **$ 5,158** | $ 3,745 | $ 4,434 |

# Note 6 Securitizations and Variable Interest Entities

## Securitization

### Residential mortgages

We securitize insured fixed and variable-rate residential mortgages through the creation of MBS under the Canada Mortgage Bond program, sponsored by the CMHC, and the Government of Canada National Housing Act MBS Auction process. Under both programs, the MBS are sold to a trust that issues securities to investors. We act as counterparty in interest rate swap agreements where we pay the trust the interest due to investors and receive the interest on the MBS. We have determined that we are not the primary beneficiary of the trust and, therefore, do not consolidate the trust. We had $936 million (2009: $1,024 million) in interest-only strips relating to the securitized assets and another $25 million (2009: $38 million) in interest-only strips relating to other CMHC MBS programs. Credit losses are not expected as the mortgages are insured.

We also securitize Canadian insured prime mortgages and uninsured Near-Prime/Alt-A mortgages to a QSPE. We provide a first-loss protection to the QSPE as we have a retained interest in the excess spread that is subordinate to the funding obligations applicable to the investors of the ABS. We had $85 million (2009: $91 million) of interest-only strips relating to the excess spread; we also held $187 million (2009: $408 million) in notes issued by the QSPE, of which $139 million (2009: $372 million) were R1 high notes and $48 million (2009: $36 million) were R1 mid notes. A liquidity facility of $959 million ($772 million net of our investments in the QSPE reflecting our remaining exposure) (2009: $851 million ($443 million net of our investments in the QSPE)) was provided to the QSPE which was not drawn as at October 31, 2010 or 2009. In addition, we had $59 million (2009: $25 million) of first recourse protection. We are also the counterparty to interest rate swap agreements where we pay the QSPE the interest due to investors and receive a rate of interest derived off the coupon of the underlying mortgages. Total assets in the QSPE were $1,019 million (2009: $851 million), which includes $352 million (2009: $414 million) of Prime mortgages and $586 million (2009: $431 million) of Near-Prime/Alt-A mortgages. We held another $62 million (2009: $116 million) in inventory that is available for securitization. The Near-Prime/Alt-A mortgages have an average loss rate over the past five years of 37 basis points and an average loan-to-value ratio of 74%.

Upon sale of these assets, a net gain or loss is recognized in Income from securitized assets. We retain responsibility for servicing the mortgages and recognize revenue as these services are provided.

### Commercial mortgages

We securitize commercial mortgages through a pass-through QSPE structure that results in ownership certificates held by various investors. We held ownership certificates of $5 million (2009: $26 million). We continue to service the mortgages. There were no commercial mortgage securitizations during the year.

### Cards

#### *Cards II Trust*

We securitize credit card receivables to Cards II Trust (Cards II), a QSPE established to purchase a proportionate share of designated portfolios with the proceeds received from the securities issued by the QSPE. Our Cards II credit card securitizations are revolving securitizations, with new credit card receivables sold to Cards II each period in order to replenish receivable amounts as credit card clients repay their balances. We are one of several underwriters that distribute the securities issued by Cards II. We maintain the credit card client servicing responsibilities for the securitized receivables and recognize revenue as services are provided.

We had interest-only strips of $15 million (2009: $11 million), subordinated and enhancement notes of Cards II of $250 million (2009: $268 million), and senior notes of $99 million (2009: $96 million).

#### *Broadway Trust*

In connection with the acquisition of the MasterCard portfolio (see Note 3), we also securitize credit card receivables to Broadway Trust. Broadway Trust is a QSPE established to purchase credit card receivables associated with explicitly identified individual accounts with the proceeds received from the securities issued by the QSPE. Our Broadway Trust credit card securitizations are revolving securitizations, with new credit card receivables sold to the QSPE each period in order to replenish receivable amounts as credit card clients repay their balances. While we have assumed Citi's servicing responsibilities to Broadway Trust, we have retained Citi as the transitional servicer until such time that we can transfer these accounts onto our platforms. From the close of the acquisition on September 1, 2010 to the year end, we did not securitize any new credit card receivables to Broadway Trust.

As at October 31, 2010, we held subordinated notes of Broadway Trust of $202 million, and senior notes of $25 million.

The following table summarizes our securitization and sales activity:

| $ millions, for the year ended October 31 | **2010** | | 2009 | | 2008 |
|---|---|---|---|---|---|
| | **Residential mortgages** | **Cards**(1) | Residential mortgages | Cards(1) | Residential mortgages |
| Securitized(2) | **$ 17,529** | **$ 1,799** | $ 25,568 | 54 | $ 24,895 |
| Sold(2) | **12,453** | **1,799** | 20,780 | 54 | 11,381 |
| Net cash proceeds | **12,532** | **1,660** | 20,744 | – | 11,328 |
| Retained interest | **505** | **146** | 1,073 | 54 | 340 |
| Gain (loss) on sale, net of transaction costs | **255** | **4** | 145 | (1) | 105 |
| Retained interest assumptions (%) | | | | | |
| Weighted-average remaining life (in years) | **3.1** | **0.2** | 3.6 | 0.2 | 3.5 |
| Prepayment/payment rate | **15.0 – 18.0** | **37.4 – 37.6** | 12.0 – 24.0 | 37.9 | 11.0 – 36.0 |
| Internal rate of return | **1.6 – 9.3** | **3.6 – 3.7** | 1.5 – 8.8 | 2.8 | 2.4 – 7.0 |
| Expected credit losses | **0.0 – 0.4** | **5.2 – 5.9** | 0.0 – 0.2 | 6.9 | 0.0 – 0.1 |

(1) Reinvestment in revolving securitizations is not included.
(2) Includes $409 million (2009: $247 million; 2008: $160 million) of uninsured fixed-rate mortgages securitized to a QSPE.

The following table summarizes the total assets of the QSPEs involved in the securitization and the classification of assets recorded on our consolidated balance sheet, relating to securitization of our own assets to QSPEs and VIEs:

| $ millions, as at October 31 | | | **2010** | | | 2009 |
|---|---|---|---|---|---|---|
| | **Residential and commercial mortgages** | **Cards**[2] | **Total** | Residential and commercial mortgages | Cards | Total |
| Total assets of QSPEs[1] | **$ 1,019** | **$ 4,066** | **$ 5,085** | $ 851 | $ 2,421 | $ 3,272 |
| **On balance sheet assets of QSPEs and VIEs** | | | | | | |
| Securities | | | | | | |
| Trading | **$ 139** | **$ 25** | **$ 164** | $ 1 | $ – | $ 1 |
| AFS | **1,074** | **217** | **1,291** | 1,586 | 279 | 1,865 |
| Loans | **–** | **349** | **349** | – | 96 | 96 |
| Other assets | **59** | **–** | **59** | 25 | – | 25 |
| | **$ 1,272** | **$ 591** | **$ 1,863** | $ 1,612 | $ 375 | $ 1,987 |

(1) Excludes assets securitized through pass-through QSPE structure.
(2) Includes assets related to the acquisition of the MasterCard portfolio.

We also have a servicing liability of $126 million (2009: $139 million) related to residential mortgages securitization and a servicing liability of $12 million (2009: $10 million) related to cards securitization.

The following table summarizes certain cash flows as a result of securitization activity:

| $ millions, for the year ended October 31 | | **2010** | | 2009 | | 2008 |
|---|---|---|---|---|---|---|
| | **Residential mortgages** | **Cards** | Residential mortgages | Cards | Residential mortgages | Cards |
| Proceeds from new securitizations | **$ 12,532** | **$ 1,799** | $ 20,744 | $ 54 | $ 11,328 | $ – |
| Proceeds reinvested in revolving securitizations | **–** | **12,816** | – | 14,642 | – | 19,324 |
| Servicing fees received | **74** | **49** | 72 | 64 | 61 | 81 |
| Cash flows received on interest-only strips and other | **494** | **305** | 427 | 260 | 147 | 301 |

Key economic assumptions used in measuring the fair value of interest-only strips in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions are set out in the table below.

The sensitivities are hypothetical and should be viewed with caution, as changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the interest-only strips is calculated without changing any other assumptions. Changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

| $ millions, as at October 31 | | **2010** | | 2009 |
|---|---|---|---|---|
| | **Residential mortgages** | **Cards** | Residential mortgages | Cards |
| Amortized cost of interest-only strips | **$ 996** | **$ 15** | $ 1,088 | $ 11 |
| Fair value of interest-only strips[1] | **1,046** | **15** | 1,153 | 11 |
| Weighted-average remaining life (in years) | **2.3** | **0.2** | 2.7 | 0.2 |
| Prepayment/payment rate | **7.0 – 25.0%** | **37.6%**[2] | 7.0 – 25.0% | 37.3%[2] |
| Impact on fair value of a 10% adverse change | **(23)** | **(1)** | (32) | (1) |
| Impact on fair value of a 20% adverse change | **(46)** | **(2)** | (62) | (2) |
| Expected credit losses | **0.0 – 0.4%** | **5.2%** | 0.0 – 0.4% | 6.6% |
| Impact on fair value of a 10% adverse change | **(1)** | **(3)** | (1) | (3) |
| Impact on fair value of a 20% adverse change | **(1)** | **(6)** | (2) | (7) |
| Residual cash flows discount rate (annual rate) | **1.2 – 3.6%** | **3.7%** | 0.4 – 4.3% | 2.8% |
| Impact on fair value of a 10% adverse change | **(2)** | **–** | (2) | – |
| Impact on fair value of a 20% adverse change | **(4)** | **–** | (5) | – |

(1) There were no write-downs of interest-only strips.
(2) Monthly payment rate.

The following table summarizes the loan principal, impaired and other past due loans, and net write-offs for total loans reported on our consolidated balance sheet and loans securitized:

| $ millions, as at or for the year ended October 31 | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| Type of loan | **Total principal amount of loans** | **Impaired and other past due loans**(1) | **Net write-offs**(2) | Total principal amount of loans | Impaired and other past due loans(1) | Net write-offs(2) |
| Residential mortgages | **$ 143,003** | **$ 934** | **$ 15** | $ 135,190 | $ 943 | $ 13 |
| Personal | **34,335** | **337** | **345** | 33,869 | 370 | 319 |
| Credit card | **15,924** | **143** | **756** | 14,047 | 178 | 835 |
| Business and government(3) | **39,019** | **1,100** | **314** | 37,892 | 1,202 | 128 |
| Total loans reported and securitized(4) | **232,281** | **2,514** | **1,430** | 220,998 | 2,693 | 1,295 |
| Less: Loans securitized | | | | | | |
| Residential mortgages | **49,435** | **268** | **3** | 49,038 | 275 | 4 |
| Credit card | **3,797** | **29** | **132** | 2,239 | 29 | 189 |
| Business and government(3) | **437** | **–** | **–** | 549 | – | – |
| Total loans securitized | **53,669** | **297** | **135** | 51,826 | 304 | 193 |
| Total loans reported on the consolidated balance sheet | **$ 178,612** | **$ 2,217** | **$ 1,295** | $ 169,172 | $ 2,389 | $ 1,102 |

(1) Other past due loans are loans where repayment of principal or payment of interest is contractually in arrears between 90 and 180 days.
(2) Represents write-offs in the current year net of recoveries on previously written-off loans.
(3) Includes commercial mortgages and investment-grade loans.
(4) Includes loans outstanding and loans that have been securitized, which we continue to manage.

## Variable interest entities

### VIEs that are consolidated

We consolidate VIEs for which we are considered the primary beneficiary.

The table below provides further details on the assets that support the obligations of the consolidated VIEs.

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Trading securities | **$ 818** | $ 669 |
| AFS securities | **85** | 91 |
| Residential mortgages | **62** | 115 |
| Other assets | **1** | 250 |
| | **$ 966** | $ 1,125 |

Investors in the consolidated VIEs have recourse only to the assets of the VIEs and do not have recourse to our general credit, except where we have provided liquidity facilities, credit enhancements, or are a counterparty to a derivative transaction involving the VIE.

In addition, we were considered the primary beneficiary for certain compensation trusts with assets of approximately $75 million (2009: $139 million), as represented by 1.0 million of our common shares (2009: 2.2 million). The consolidation of these trusts did not have a significant impact as both the assets (our common shares) and the liabilities (the obligation to deliver our common shares to the participants) of the trusts offset each other in Treasury shares on the consolidated balance sheet.

### VIEs that are not consolidated

As at October 31, 2010, we have interests in VIEs involved in the securitization of third-party assets, for which we are not considered the primary beneficiary, and thus, we do not consolidate these VIEs. These VIEs include several CIBC-sponsored conduits and CDOs for which we act as structuring and placement agents.

During 2009, CIBC Capital Trust, a trust wholly owned by CIBC, issued $1.3 billion CIBC Tier 1 Notes – Series A, due June 30, 2108 and $300 million CIBC Tier 1 Notes – Series B, due June 30, 2108, which qualify as Tier 1 regulatory capital. For additional details, see Note 18.

We also have interests in securities issued by entities established by CMHC, Fannie Mae, Freddie Mac, Ginnie Mae, Federal Home Loan Bank, Federal Farm Credit Bank, and Student Loan Marketing Association (Sallie Mae).

#### *CIBC-sponsored conduits*

We sponsor several non-consolidated multi-seller conduits in Canada that purchase pools of financial assets from our clients and finance the purchases by issuing commercial paper to investors. Total assets of these non-consolidated conduits amounted to $2.3 billion (2009: $3.7 billion). Certain of our conduits hold commercial paper issued by our other conduits. The underlying collateral amounts totalled $2.1 billion (2009: $3.6 billion) and are included in the total assets. The sellers to the conduits may continue to service the assets and may be exposed to credit losses realized on these assets, typically through the provision of overcollateralization or another form of retained interest. The conduits may obtain credit enhancement from third-party providers.

We generally provide the conduits with commercial paper backstop liquidity facilities, securities distribution, accounting, cash management, and operations services. The liquidity facilities for our sponsored asset-backed commercial paper (ABCP) programs offered to external investors require us to provide funding, subject to the satisfaction of certain limited conditions with respect to the conduits, to fund non-defaulted assets. We are subject to maintaining certain short-term and/or long-term debt ratings with respect to the liquidity facilities provided to our own sponsored ABCP programs. If we are downgraded below the specified level, and we fail to make alternative arrangements that meet the requirements of the rating agencies that rate the ABCP issued by conduits, we could be required to provide funding into an escrow account in respect of our liquidity commitments.

We may also act as the counterparty to derivative contracts entered into by a conduit in order to convert the yield of the underlying assets to match the needs of the conduit's investors or to mitigate the interest rate risk within the conduit. All fees earned in respect of these activities are on a market basis.

We continue to support our sponsored conduits from time to time through the purchase of commercial paper issued by these conduits. Our direct investment in commercial paper issued by our sponsored conduits was $110 million (2009: $487 million). We also sponsor a single-seller conduit that provides funding to franchises of a major Canadian retailer. Total assets of this conduit amounted to $403 million (2009: $397 million). This conduit is financed through a 364-day syndicated commitment facility totalling $475 million. We participated in the commitment facility for $95 million. As at October 31, 2010 we funded $72 million (2009: $69 million) through the issuance of bankers' acceptances.

### *CIBC structured CDO vehicles*

We have curtailed our business activity in structuring CDO vehicles within our structured credit run-off portfolio. Our exposures to CDO vehicles mainly arose through our previous involvement in acting as structuring and placement agent for the CDO vehicles.

### *Third-party structured vehicles – run-off*

Similar to our structured CDO activities, we also curtailed our business activities in third-party structured vehicles, within our structured credit run-off portfolio. These positions were initially traded as intermediation, correlation and flow trading which earned us a spread on matching positions.

### *Third-party structured vehicles – continuing*

We have investments in third-party structured vehicles through our Treasury and trading activities.

Our on-balance sheet amounts and maximum exposure to loss related to VIEs that are not consolidated are set out in the table below. The maximum exposure comprises the carrying value for investments, the notional amounts for liquidity and credit facilities, and the notional amounts less accumulated fair value losses for written credit derivatives on VIE reference assets less hedged positions excluding the impact of CVA.

| $ millions, as at October 31 | | CIBC-sponsored conduits | CIBC-structured CDO vehicles | Third-party structured vehicles | | Total |
|---|---|---|---|---|---|---|
| | | | | Run-off | Continuing | |
| **2010** | **On-balance sheet assets**[1] | | | | | |
| | **Trading securities** | **$ 110** | **$ –** | **$ 621** | **$ 32** | **$ 763** |
| | **AFS securities** | **–** | **5** | **14** | **1,541** | **1,560** |
| | **FVO** | **–** | **9** | **–** | **205** | **214** |
| | **Loans** | **72** | **434** | **7,061** | **–** | **7,567** |
| | **Derivatives**[2] | **–** | **–** | **–** | **184** | **184** |
| | | **$ 182** | **$ 448** | **$ 7,696** | **$ 1,962** | **$ 10,288** |
| | **On-balance sheet liabilities** | | | | | |
| | **Derivatives**[2] | **$ –** | **$ 36** | **$ 1,084** | **$ 2** | **$ 1,122** |
| | | **$ –** | **$ 36** | **$ 1,084** | **$ 2** | **$ 1,122** |
| 2009 | On-balance sheet assets[1] | | | | | |
| | Trading securities | $ 149 | $ – | $ 463 | $ 6 | $ 618 |
| | AFS securities | 338 | 5 | 15 | 1,424 | 1,782 |
| | FVO | – | 203 | – | 265 | 468 |
| | Loans | 69 | 529 | 6,198 | – | 6,796 |
| | | $ 556 | $ 737 | $ 6,676 | $ 1,695 | $ 9,664 |
| | On-balance sheet liabilites | | | | | |
| | Derivatives[2] | $ – | $ 243 | $ 2,213[3] | $ – | $ 2,456 |
| | | $ – | $ 243 | $ 2,213 | $ – | $ 2,456 |

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| **Maximum exposure to loss, net of hedges** | | |
| Maximum exposure to loss before hedge positions | **$ 17,318** | $ 24,467[3] |
| Less: Notional of protection purchased or hedges relating to written credit derivatives, less gross receivable on those hedges | **(3,824)** | (10,663) |
| Carrying value of hedged securities and loans | **(7,330)** | (9,086) |
| | **$ 6,164** | $ 4,718 |

(1) Excludes securities issued by, retained interest in, and derivatives with, entities established by CMHC, Fannie Mae, Freddie Mac, Ginnie Mae, Federal Home Loan Banks, Federal Farm Credit Bank and Sallie Mae.
(2) Comprises credit derivatives (written options and total return swaps) under which we assume exposures and excludes all other derivatives.
(3) Restated to exclude balances in and exposures to consolidated VIEs.

## Note 7 Land, Buildings and Equipment

| $ millions, as at October 31 | | | 2010 | 2009 |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortization[1]** | **Net book value** | Net book value |
| Land[2] | **$ 238** | **$ –** | **$ 238** | $ 248 |
| Buildings[2] | **965** | **349** | **616** | 651 |
| Computer equipment | **1,067** | **839** | **228** | 219 |
| Office furniture and other equipment[3] | **697** | **357** | **340** | 285 |
| Leasehold improvements | **647** | **409** | **238** | 215 |
| | **$ 3,614** | **$ 1,954** | **$ 1,660** | $ 1,618 |

(1) Amortization of buildings, furniture, equipment, and leasehold improvements for the year amounted to $208 million (2009: $205 million; 2008: $203 million).
(2) Land and buildings include amounts of $165 million (2009: $175 million) and $351 million (2009: $383 million), respectively, for which we are deemed to have ownership for accounting purposes.
(3) Includes $132 million (2009: $69 million) of work-in-progress not subject to amortization.

## Note 8 Goodwill, Software and Other Intangible Assets

We performed our annual impairment test on goodwill and other indefinite-lived intangible assets as at April 30, 2010. Based on our assessment, we determined that no impairment write-downs were required.

The changes in the carrying amount of goodwill are as follows:

| $ millions, for the year ended October 31 | | CIBC Retail Markets | Wholesale Banking | Corporate and Other | CIBC Total |
|---|---|---|---|---|---|
| **2010** | **Balance at beginning of year** | **$ 1,881** | **$ 72** | **$ 44** | **$ 1,997** |
| | **Acquisitions** | **5** | **–** | **–** | **5** |
| | **Dispositions** | **–** | **(31)[1]** | **(1)** | **(32)** |
| | **Adjustments[2]** | **(56)** | **(1)** | **–** | **(57)** |
| | **Balance at end of year** | **$ 1,830** | **$ 40** | **$ 43** | **$ 1,913** |
| 2009 | Balance at beginning of year | $ 1,993 | $ 64 | $ 43 | $ 2,100 |
| | Acquisitions | – | 12 | 1 | 13 |
| | Adjustments[2] | (112) | (4) | – | (116) |
| | Balance at end of year | $ 1,881 | $ 72 | $ 44 | $ 1,997 |

(1) Includes disposition of a consolidated U.S. investment.
(2) Includes foreign currency translation adjustments.

The components of software and other intangible assets are as follows:

| $ millions, as at October 31 | | | 2010 | | | 2009 |
|---|---|---|---|---|---|---|
| | **Gross carrying amount[1]** | **Accumulated amortization[1][2]** | **Net carrying amount** | Gross carrying amount[1] | Accumulated amortization[1][2] | Net carrying amount |
| Finite-lived software and other intangible assets | | | | | | |
| Customer relationships[3] | **$ 161** | **$ 90** | **$ 71** | $ 112 | $ 80 | $ 32 |
| Core deposit intangibles[4] | **249** | **110** | **139** | 264 | 90 | 174 |
| Contract based[5] | **50** | **40** | **10** | 64 | 40 | 24 |
| Software[6] | **1,537** | **1,284** | **253** | 1,544 | 1,242 | 302 |
| | **1,997** | **1,524** | **473** | 1,984 | 1,452 | 532 |
| Indefinite-lived other intangible assets | | | | | | |
| Contract based[5] | **116** | **–** | **116** | 116 | – | 116 |
| Brandname[4] | **20** | **–** | **20** | 21 | – | 21 |
| | **136** | **–** | **136** | 137 | – | 137 |
| Total software and other intangible assets | **$ 2,133** | **$ 1,524** | **$ 609** | $ 2,121 | $ 1,452 | $ 669 |

(1) Includes foreign currency translation adjustments.
(2) Amortization of finite-lived software and other intangible assets for the year amounted to $167 million (2009: $198 million; 2008: $207 million).
(3) Represents customer relationships associated with the custody business and the intangible asset acquired as part of the MasterCard portfolio acquisition.
(4) Acquired as part of the FirstCaribbean International Bank (FirstCaribbean) acquisition in 2007.
(5) Represents a combination of management contracts purchased as part of past acquisitions.
(6) Includes $73 million (2009: $63 million) of work-in-progress not subject to amortization.

The total estimated amortization expense relating to finite-lived software and other intangible assets for each of the next five years is as follows:

| | $ millions |
|---|---|
| 2011 | $ 131 |
| 2012 | 69 |
| 2013 | 39 |
| 2014 | 32 |
| 2015 | 25 |

## Note 9 Other Assets

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Accrued interest receivable | **$ 787** | $ 679 |
| Accrued benefit asset (Note 22) | **1,426** | 1,243 |
| Brokers' client accounts | **406** | 440 |
| Current income tax receivable | **577** | 594 |
| Future income tax asset (Note 23) | **767** | 1,635 |
| Other prepayments and deferred items | **656** | 748 |
| Equity-accounted investments | **298** | 190 |
| Cheques and other items in transit, net | **674** | 702 |
| Derivative collateral receivable | **4,912** | 6,545 |
| Accounts receivable | **687** | 578 |
| Other | **408** | 667 |
| | **$ 11,598** | $ 14,021 |

## Note 10 Deposits[1][2]

| $ millions, as at October 31 | **Payable on demand**[3] | **Payable after notice**[4] | **Payable on a fixed date**[5] | **2010 Total** | 2009 Total |
|---|---|---|---|---|---|
| Personal | **$ 7,935** | **$ 61,079** | **$ 44,280** | **$ 113,294** | $ 108,324 |
| Business and government | **29,490** | **13,050** | **85,219**[6] | **127,759** | 107,209 |
| Bank | **1,020** | **5** | **4,593** | **5,618** | 7,584 |
| | **$ 38,445** | **$ 74,134** | **$ 134,092** | **$ 246,671** | $ 223,117 |
| Comprised of: | | | | | |
| Held at amortized cost | | | | **$ 243,141** | $ 218,632 |
| Designated at fair value (Note 13) | | | | **3,530** | 4,485 |
| Total deposits include: | | | | | |
| Non-interest-bearing deposits | | | | | |
| In domestic offices | | | | **$ 27,675** | $ 25,570 |
| In foreign offices | | | | **2,070** | 2,295 |
| Interest-bearing deposits | | | | | |
| In domestic offices | | | | **177,368** | 155,801 |
| In foreign offices | | | | **39,115** | 37,494 |
| U.S. federal funds purchased | | | | **443** | 1,957 |
| | | | | **$ 246,671** | $ 223,117 |

(1) Includes deposits of $54.1 billion (2009: $47.1 billion) denominated in U.S. dollars and deposits of $5.4 billion (2009: $7.8 billion) denominated in other foreign currencies.
(2) Net of own deposits purchased by CIBC of $648 million (2009: $698 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 covered bond deposits totalling $6.4 billion (2009: $3.2 billion) and $1.6 billion (2009: $1.6 billion) of Notes purchased by CIBC Capital Trust (see Note 18 for additional details).

## Note 11 Other Liabilities

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Accrued interest payable | **$ 1,336** | $ 1,294 |
| Accrued benefit liability (Note 22) | **749** | 760 |
| Gold and silver certificates | **415** | 327 |
| Brokers' client accounts | **898** | 3,048 |
| Derivative collateral payable | **3,062** | 3,010 |
| Other deferred items | **255** | 252 |
| Negotiable instruments | **1,194** | 1,269 |
| Current income tax liability | **29** | 130 |
| Accounts payable and accrued expenses | **1,832** | 1,836 |
| Other[(1)] | **2,802** | 1,767 |
| | **$ 12,572** | $ 13,693 |

(1) Includes $604 million payable in respect of non-cumulative preferred shares (Series 19 and 23) redeemed on October 31, 2010. See Note 17 for additional details.

## Note 12 Trading Activities

Trading income comprises net interest income and non-interest income. Net interest income arises from interest and dividends related to trading assets and liabilities other than derivatives, and is reported net of interest expense and income associated with funding these assets and liabilities. Non-interest income includes unrealized gains and losses on security positions held, and gains and losses that are realized from the purchase and sale of securities.

Non-interest income also includes realized and unrealized gains and losses on trading derivatives.

Trading income excludes underwriting fees and commissions on securities transactions, which are shown separately in the consolidated statement of operations.

The following tables present the assets and liabilities and income related to trading activities.

### Trading assets and liabilities

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Assets | | |
| Debt securities[(1)] | **$ 15,649** | $ 10,035 |
| Equity securities | **12,908** | 5,075 |
| Total securities (Note 4) | **28,557** | 15,110 |
| Derivative instruments (Note 14) | **22,034** | 21,300 |
| | **$ 50,591** | $ 36,410 |
| Liabilities | | |
| Obligations related to securities sold short | **$ 7,304** | $ 4,681 |
| Derivative instruments (Note 14)[(1)] | **22,809** | 23,175 |
| | **$ 30,113** | $ 27,856 |

### Income (loss) from trading activities

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Trading income (loss) consists of: | | | |
| Interest income | **$ 495** | $ 420 | $ 1,826 |
| Interest expense | **277** | 183 | 2,244 |
| Net interest income (expense) | **218** | 237 | (418) |
| Non-interest income | **603** | (531) | (6,821) |
| | **$ 821** | $ (294) | $ (7,239) |
| Trading income (loss) by product line: | | | |
| Interest rates | **$ 162** | $ 145 | $ (168) |
| Foreign exchange | **265** | 291 | 264 |
| Equities | **94** | 216 | (258) |
| Commodities | **33** | 44 | 30 |
| Structured credit and other | **267** | (990) | (7,107) |
| | **$ 821** | $ (294) | $ (7,239) |

(1) Includes USRMM-related securities of $250 million (2009: $133 million) and derivative liabilities with notional of $1,445 million and fair value of $1,155 million (2009: notional of $2,693 million and fair value of $2,436 million), which are used to economically hedge a FVO liability with a fair value of $526 million (2009: $264 million) included in Note 13.

## Note 13 Financial Instruments Designated at Fair Value (FVO)

FVO financial instruments include the following instruments:
- Certain securities and deposit liabilities hedged by derivatives such as interest rate swaps and seller swaps;
- Financial liabilities that have one or more embedded derivatives which significantly modify the cash flows of the host liability; and
- Loans hedged by credit derivatives.

The following tables present the FVO assets and liabilities and their hedges, and the related income from these financial instruments on a portfolio basis. Net interest income arises from interest and dividends related to the FVO assets and liabilities, and is reported net of interest expense and income associated with funding these assets and liabilities. Non-interest income includes unrealized gains and losses on the FVO assets and liabilities, related hedging derivatives and securities sold short.

### FVO assets and liabilities

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| FVO assets | | |
| Debt securities | **$ 22,430** | $ 22,306 |
| Business and government loans[1] (Note 5) | **21** | 226 |
| | **$ 22,451** | $ 22,532 |
| FVO liabilities | | |
| Business and government deposits[2][3] | **$ 3,530** | $ 4,485 |
| | **$ 3,530** | $ 4,485 |

(1) The undrawn credit exposure related to FVO loans was nil as at October 31, 2010 and 2009.
(2) Included in business and government deposits is a limited recourse note of $526 million (2009: $264 million), which is hedged by USRMM-related securities of $250 million (2009: $133 million) that are classified as trading, and by derivative liabilities of $1,155 million (2009: $2,436 million). See Note 12 for additional details.
(3) The carrying amount of FVO deposits was $6 million lower (2009: $269 million lower) than the amount if the deposits were carried on a contractual settlement amount.

### Economic hedging assets and liabilities of FVO financial instruments

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Assets | | |
| Derivative instruments (Note 14) | **$ 492** | $ 773 |
| | **$ 492** | $ 773 |
| Liabilities | | |
| Derivative instruments (Note 14) | **$ 1,569** | $ 1,667 |
| Obligations related to securities sold short | **1,844** | 1,182 |
| | **$ 3,413** | $ 2,849 |

### FVO and related hedges income (loss)

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Interest income | **$ 335** | $ 525 | $ 846 |
| Interest expense[1] | **69** | 276 | 720 |
| Net interest income | **266** | 249 | 126 |
| Non-interest income | | | |
| FVO financial instruments | **(291)** | 168 | (488) |
| Economic hedges[2] | **(332)** | (201) | 239 |
| | **(623)** | (33) | (249) |
| | **$ (357)** | $ 216 | $ (123) |

(1) Includes $15 million (2009: $10 million; 2008: $13 million) on obligations related to securities sold short hedging the FVO financial instruments.
(2) Comprises derivative instruments held to economically hedge FVO financial instruments.

The changes in the fair value of the FVO loans attributable to changes in credit risk are calculated by determining the credit spread implicit in the fair value of comparable bonds issued by the same entity or others with similar characteristics. The change in fair value attributable to changes in CIBC's credit risk is calculated by reference to the change in the credit spread implicit in the fair value of CIBC's deposits.

The following table presents the income (loss) due to changes in the fair value of FVO financial instruments attributable to changes in the credit risk:

| $ millions | For the year ended October 31 | | | Cumulative for the period ended October 31[1] | | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| FVO loans | **$ –** | $ (29) | $ (251) | **$ (1)** | $ (27) | $ (306) |
| FVO loans, net of related hedges[2] | **–** | (8) | 28 | **(1)** | 2 | 10 |
| FVO liabilities | **(1)** | (5) | 30 | **(3)** | (6) | 31 |

(1) Change in the fair value of FVO financial instruments, held by CIBC at the end of the reporting period, since they were designated as FVO.
(2) Notional amounts of the derivatives hedging the credit risk on FVO loans was nil (2009: $242 million; 2008: $1.5 billion).

## Note 14 Derivative Instruments

As explained in Note 1, in the normal course of business, we use various derivative instruments for both trading and ALM purposes. These derivatives limit, modify or give rise to varying degrees and types of risk.

| $ millions, as at October 31 | | 2010 | | 2009 |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| Trading (Note 12) | **$ 22,034** | **$ 22,809** | $ 21,300 | $ 23,175 |
| Designated accounting hedges (Note 15) | **1,278** | **714** | 1,424 | 691 |
| Economic hedges[(1)] | | | | |
| Economic hedges of FVO financial instruments (Note 13) | **492** | **1,569** | 773 | 1,667 |
| Other economic hedges | **878** | **1,397** | 1,199 | 1,629 |
| | **$ 24,682** | **$ 26,489** | $ 24,696 | $ 27,162 |

(1) Comprises derivatives not part of qualifying hedging relationships for accounting purposes under the CICA handbook section 3865.

### Derivatives used by CIBC

The majority of our derivative contracts are OTC transactions that are privately negotiated between CIBC and the counterparty to the contract. The remainder are exchange-traded contracts transacted through organized and regulated exchanges and consist primarily of options and futures.

### Interest rate derivatives

Forward rate agreements are OTC contracts that effectively fix a future interest rate for a period of time. A typical forward rate agreement provides that at a pre-determined future date, a cash settlement will be made between the counterparties based upon the difference between a contracted rate and a market rate to be determined in the future, calculated on a specified notional principal amount. No exchange of principal amount takes place.

Interest rate swaps are OTC contracts in which two counterparties agree to exchange cash flows over a period of time based on rates applied to a specified notional principal amount. A typical interest rate swap would require one counterparty to pay a fixed market interest rate in exchange for a variable market interest rate determined from time to time with both calculated on a specified notional principal amount. No exchange of principal amount takes place.

Interest rate options are contracts in which one party (the purchaser of an option) acquires from another party (the writer of an option), in exchange for a premium, the right, but not the obligation, either to buy or sell, on a specified future date or within a specified time, a specified financial instrument at a contracted price. The underlying financial instrument will have a market price which varies in response to changes in interest rates. In managing our interest rate exposure, we act both as a writer and purchaser of these options. Options are transacted in both OTC and exchange markets.

Interest rate futures are standardized contracts transacted on an exchange. They are based upon an agreement to buy or sell a specified quantity of a financial instrument on a specified future date, at a contracted price. These contracts differ from forward rate agreements in that they are in standard amounts with standard settlement dates and are transacted on an exchange.

### Foreign exchange derivatives

Foreign exchange forwards are OTC contracts in which one counterparty contracts with another to exchange a specified amount of one currency for a specified amount of a second currency, at a future date or range of dates.

Swap contracts comprise foreign exchange swaps and cross-currency interest rate swaps. Foreign exchange swaps are transactions in which a foreign currency is simultaneously purchased in the spot market and sold in the forward market, or vice versa. Cross-currency interest rate swaps are transactions in which counterparties exchange principal and interest flows in different currencies over a period of time. These contracts are used to manage both currency and interest rate exposures.

Foreign exchange futures contracts are similar in mechanics to foreign exchange forward contracts, but differ in that they are in standard currency amounts with standard settlement dates and are transacted on an exchange.

### Credit derivatives

Credit derivatives are OTC contracts designed to transfer the credit risk in an underlying financial instrument (usually termed as a reference asset) from one counterparty to another. The most common credit derivatives are credit default swaps (referred to as option contracts) and total return swaps (referred to as swap contracts).

In option contracts, an option purchaser acquires credit protection on a reference asset or group of assets from an option writer in exchange for a premium. The option purchaser may pay the agreed premium at inception or over a period of time. The credit protection compensates the option purchaser for any deterioration in value of the reference asset upon the occurrence of certain credit events such as bankruptcy or failure to pay. Settlement may be cash-based or physical, requiring the delivery of the reference asset to the option writer.

In swap contracts, one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a reference asset or group of assets, including any returns, such as interest earned on these assets, in exchange for amounts that are based on prevailing market funding rates. These cash settlements are made regardless of whether there is a credit event.

Within our structured credit run-off portfolio, we hold purchased and sold protection on both single-name and index-reference obligations. These reference obligations include corporate debt, CDOs of residential mortgages, commercial mortgages, trust preferred securities, and collateralized loan obligations (CLOs). For both single-name and index credit default swap (CDS) contracts, upon the occurrence of a credit event, under the terms of a CDS contract neither party to the CDS contract has recourse to the

reference obligation. The protection purchaser has recourse to the protection seller for the difference between the face value of the CDS contract and the fair value of the reference obligation at the time of settling the credit derivative contract.

In our structured credit run-off portfolio, we also have total return swaps (TRS) on single-name reference obligations that are primarily CLOs. There is a regular payment calendar for the transfer of net returns. Where the reference asset is a security with a risk of default, the TRS agreement normally sets forth various payments and valuation steps required upon default. The TRS agreement may simply terminate and the parties exchange cash payments according to the value of the defaulted assets. There may be an exchange of cash with physical delivery of the defaulted assets. The total return payer may substitute another security for the defaulted one and continue the TRS arrangement. Collateral treatment is typically "full recourse," meaning the total return receiver must post additional collateral if the asset value drops, or may withdraw collateral if the asset value increases.

### Equity derivatives

Equity swaps are OTC contracts in which one counterparty agrees to pay, or receive from the other, cash amounts based on changes in the value of a stock index, a basket of stocks or a single stock. These contracts sometimes include a payment in respect of dividends.

Equity options give the purchaser of the option, for a premium, the right, but not the obligation, to buy from or sell to the writer of an option, an underlying stock index, basket of stocks, or single stock at a contracted price. Options are transacted in both OTC and exchange markets.

Equity index futures are standardized contracts transacted on an exchange. They are based on an agreement to pay or receive a cash amount based on the difference between the contracted price level of an underlying stock index and its corresponding market price level at a specified future date. There is no actual delivery of stocks that comprise the underlying index. These contracts are in standard amounts with standard settlement dates.

### Precious metal and other commodity derivatives

We also transact in other derivative products, including commodity forwards, futures, swaps and options, such as precious metal and energy-related products in both OTC and exchange markets.

## Notional amounts

The notional amounts are not recorded as assets or liabilities, as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged. In most cases, notional amounts do not represent the potential gain or loss associated with market or credit risk of such instruments.

The following table presents the notional amounts of derivative instruments.

| $ millions, as at October 31 | Residual term to contractual maturity: Less than 1 year | 1 to 5 years | Over 5 years | 2010 Total notional amounts | 2010 Trading | 2010 ALM | 2009 Trading | 2009 ALM |
|---|---|---|---|---|---|---|---|---|
| **Interest rate derivatives** | | | | | | | | |
| OTC | | | | | | | | |
| Forward rate agreements | $ 65,692 | $ 5,803 | $ 330 | **$ 71,825** | **$ 68,354** | **$ 3,471** | $ 67,430 | $ 3,750 |
| Swap contracts | 217,595 | 442,459 | 96,951 | **757,005** | **486,886** | **270,119** | 386,958 | 210,254 |
| Purchased options | 1,215 | 8,092 | 3,492 | **12,799** | **12,452** | **347** | 38,016 | 493 |
| Written options | 6,385 | 8,583 | 3,424 | **18,392** | **16,682** | **1,710** | 38,012 | 2,029 |
| | 290,887 | 464,937 | 104,197 | **860,021** | **584,374** | **275,647** | 530,416 | 216,526 |
| Exchange traded | | | | | | | | |
| Futures contracts | 16,250 | 12,213 | – | **28,463** | **27,427** | **1,036** | 23,728 | 723 |
| Purchased options | 5,352 | 21,628 | – | **26,980** | **26,980** | **–** | 28,456 | – |
| Written options | 6,062 | 27,749 | – | **33,811** | **33,811** | **–** | 54,961 | – |
| | 27,664 | 61,590 | – | **89,254** | **88,218** | **1,036** | 107,145 | 723 |
| Total interest rate derivatives | 318,551 | 526,527 | 104,197 | **949,275** | **672,592** | **276,683** | 637,561 | 217,249 |
| **Foreign exchange derivatives** | | | | | | | | |
| OTC | | | | | | | | |
| Forward contracts | 110,716 | 4,900 | 133 | **115,749** | **107,299** | **8,450** | 75,780 | 2,306 |
| Swap contracts | 21,200 | 50,598 | 21,630 | **93,428** | **85,995** | **7,433** | 61,177 | 5,238 |
| Purchased options | 11,936 | 1,707 | – | **13,643** | **13,566** | **77** | 5,591 | – |
| Written options | 10,634 | 1,233 | 92 | **11,959** | **11,880** | **79** | 5,251 | 154 |
| | 154,486 | 58,438 | 21,855 | **234,779** | **218,740** | **16,039** | 147,799 | 7,698 |
| Exchange traded | | | | | | | | |
| Futures contracts | 33 | – | – | **33** | **33** | **–** | 26 | – |
| Total foreign exchange derivatives | 154,519 | 58,438 | 21,855 | **234,812** | **218,773** | **16,039** | 147,825 | 7,698 |
| **Credit derivatives** | | | | | | | | |
| OTC | | | | | | | | |
| Swap contracts purchased protection | – | – | – | **–** | **–** | **–** | – | 17 |
| Swap contracts written protection | – | – | 2,982 | **2,982** | **2,982** | **–** | 3,657 | – |
| Purchased options | 75 | 6,711 | 16,569 | **23,355** | **22,149** | **1,206** | 35,046 | 2,517 |
| Written options | 76 | 3,922 | 8,082 | **12,080** | **12,080** | **–** | 20,520 | 27 |
| Total credit derivatives | 151 | 10,633 | 27,633 | **38,417** | **37,211** | **1,206** | 59,223 | 2,561 |
| **Equity derivatives**[1] | | | | | | | | |
| OTC | 13,033 | 3,522 | 34 | **16,589** | **16,057** | **532** | 9,126 | 318 |
| Exchange traded | 8,010 | 689 | – | **8,699** | **8,699** | **–** | 13,967 | – |
| Total equity derivatives | 21,043 | 4,211 | 34 | **25,288** | **24,756** | **532** | 23,093 | 318 |
| **Precious metal derivatives**[1] | | | | | | | | |
| OTC | 369 | 144 | – | **513** | **513** | **–** | 1,107 | – |
| Exchange traded | 19 | – | – | **19** | **19** | **–** | 11 | – |
| Total precious metal derivatives | 388 | 144 | – | **532** | **532** | **–** | 1,118 | – |
| **Other commodity derivatives**[1] | | | | | | | | |
| OTC | 3,075 | 3,531 | 272 | **6,878** | **6,878** | **–** | 7,654 | – |
| Exchange traded | 3,353 | 2,949 | 1 | **6,303** | **6,303** | **–** | 3,078 | 1,049 |
| Total other commodity derivatives | 6,428 | 6,480 | 273 | **13,181** | **13,181** | **–** | 10,732 | 1,049 |
| | $ 501,080 | $ 606,433 | $ 153,992 | **$ 1,261,505** | **$ 967,045** | **$ 294,460** | $ 879,552 | $ 228,875 |

(1) Comprises forwards, futures, swaps, and options.

The following table provides the fair value of derivative instruments by term to maturity.

| $ millions, as at October 31 | Less than 1 year | 1 to 5 years | Over 5 years[1] | 2010 Total fair value | 2009 Total fair value |
|---|---|---|---|---|---|
| Derivative assets[2] | $ 3,765 | $ 10,141 | $ 10,776 | **$ 24,682** | $ 24,696 |
| Derivative liabilities[2] | 3,999 | 11,633 | 10,857 | **26,489** | 27,162 |

(1) CVA is included in over 5 years maturity.
(2) Derivative assets and liabilities are stated before the effect of master netting agreements of $16,967 million (2009: $16,030 million). The amount of cash collateral receivable and payable on the contracts subject to master netting agreements were $4,890 million and $3,062 million, respectively (2009: $6,493 million and $3,010 million, respectively). In practice, a majority of the derivative cash flows settle within a year due to collateral requirements.

## Risk

In the following sections, we discuss the risks related to the use of derivatives and how we manage these risks.

## Market risk

Derivative instruments, in the absence of any compensating upfront cash payments, generally have no or small market values at inception. They obtain value, positive or negative, as relevant

interest rates, foreign exchange rates, equity, commodity, credit prices or indices change, such that the previously contracted terms of the derivative transactions have become more or less favourable than what can be negotiated under current market conditions for contracts with the same terms and the same remaining period to expiry. The potential for derivatives to increase or decrease in value as a result of the foregoing factors is generally referred to as market risk.

Market risk arising through trading activities is managed in order to mitigate risk, where appropriate, and with a view to maximizing trading income. To further manage risks, we may enter into contracts with other market makers or may undertake cash market hedges.

## Credit risk

Credit risk arises from the potential for a counterparty to default on its contractual obligations and the risk that prevailing market conditions are such that we would incur a loss in replacing the defaulted transaction. We limit the credit risk of OTC derivatives by actively pursuing risk mitigation opportunities through the use of multi-product derivative master netting agreements, collateral and other credit mitigation techniques.

We negotiate derivative master netting agreements with counterparties with which we have significant credit risk through derivative activities. Such agreements provide for the simultaneous close-out and netting of all transactions with a counterparty in an event of default. A number of these agreements also provide for the exchange of collateral between parties in the event that the MTM value of outstanding transactions between the parties exceeds an agreed threshold. Such agreements are used to help contain the build-up of credit exposure resulting from multiple deals with more active counterparties. Credit risk on exchange-traded futures and options is limited, as these transactions are standardized contracts executed on established exchanges, each of which is associated with a well-capitalized clearing house that assumes the obligations of both counterparties and guarantees their performance. All exchange-traded contracts are subject to initial margins and generally to daily settlement of variation margins. Written options generally have no credit risk for the writer if the counterparty has already performed in accordance with the terms of the contract through payment of the premium at inception. Written options will however, have some credit risk to the extent of any unpaid premiums.

The following table summarizes our credit exposure arising from derivative instruments, except for those that are traded on an exchange and subject to daily margining requirements. The calculation of the risk-weighted amount is prescribed by OSFI. The current replacement cost is the estimated cost to replace all contracts which have a positive market value, representing an unrealized gain to CIBC. The replacement cost of an instrument is dependent upon its terms relative to prevailing market prices, and will fluctuate as market prices change and as the derivative approaches its scheduled maturity.

The credit equivalent amount is the sum of the current replacement cost and the potential credit exposure. The potential credit exposure is an estimate of the amount by which the current replacement cost could increase over the remaining term of each transaction, based on a formula prescribed by OSFI. The credit equivalent amount is then multiplied by counterparty risk variables that are adjusted for the impact of collateral and guarantees to arrive at the risk-weighted amount. The risk-weighted amount is used in determining the regulatory capital requirements for derivatives.

| $ millions, as at October 31 | | | **2010** | | | | | 2009 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Current replacement cost**(1) | | | **Credit equivalent amount**(2) | **Risk-weighted amount** | Current replacement cost(1) | | | Credit equivalent amount(2) | Risk-weighted amount |
| | **Trading** | **ALM** | **Total** | | | Trading | ALM | Total | | |
| Interest rate derivatives | | | | | | | | | | |
| Forward contracts | **$ 55** | **$ –** | **$ 55** | **$ 49** | **$ 9** | $ 42 | $ – | $ 42 | $ 52 | $ 10 |
| Swap contracts | **13,522** | **2,299** | **15,821** | **4,154** | **1,120** | 11,574 | 3,055 | 14,629 | 4,040 | 1,500 |
| Purchased options | **494** | **27** | **521** | **91** | **26** | 1,237 | 17 | 1,254 | 263 | 133 |
| | **14,071** | **2,326** | **16,397** | **4,294** | **1,155** | 12,853 | 3,072 | 15,925 | 4,355 | 1,643 |
| Foreign exchange derivatives | | | | | | | | | | |
| Forward contracts | **1,501** | **23** | **1,524** | **1,291** | **235** | 1,180 | 6 | 1,186 | 906 | 228 |
| Swap contracts | **3,662** | **256** | **3,918** | **2,985** | **626** | 2,999 | 292 | 3,291 | 2,509 | 673 |
| Purchased options | **227** | **–** | **227** | **113** | **36** | 130 | – | 130 | 75 | 28 |
| | **5,390** | **279** | **5,669** | **4,389** | **897** | 4,309 | 298 | 4,607 | 3,490 | 929 |
| Credit derivatives(1) | | | | | | | | | | |
| Swap contracts | **–** | **–** | **–** | **73** | **49** | 4 | – | 4 | 110 | 79 |
| Purchased options | **1,341** | **–** | **1,341** | **2,215** | **2,016** | 2,275 | – | 2,275 | 4,024 | 7,703 |
| Written options(3) | **–** | **–** | **–** | **10** | **4** | 1 | – | 1 | 34 | 18 |
| | **1,341** | **–** | **1,341** | **2,298** | **2,069** | 2,280 | – | 2,280 | 4,168 | 7,800 |
| Equity derivatives(4) | **468** | **40** | **508** | **648** | **250** | 613 | 1 | 614 | 345 | 146 |
| Precious metal derivatives(4) | **25** | **–** | **25** | **13** | **6** | 17 | – | 17 | 13 | 6 |
| Other commodity derivatives(4) | **460** | **–** | **460** | **703** | **219** | 677 | – | 677 | 828 | 297 |
| | **21,755** | **2,645** | **24,400** | **12,345** | **4,596** | 20,749 | 3,371 | 24,120 | 13,199 | 10,821 |
| Less: effect of master netting agreements | **(16,967)** | **–** | **(16,967)** | **–** | **–** | (16,030) | – | (16,030) | – | – |
| | **$ 4,788** | **$ 2,645** | **$ 7,433** | **$ 12,345** | **$ 4,596** | $ 4,719 | $ 3,371 | $ 8,090 | $ 13,199 | $ 10,821 |

(1) Exchange-traded instruments with a replacement cost of $279 million (2009: $551 million) are excluded in accordance with the guidelines of OSFI. Written ALM credit derivatives are treated as guarantee commitments; bought ALM credit derivatives meeting the hedge effectiveness criteria under Basel II are treated as credit risk mitigation with no counterparty credit risk charge; and bought ALM credit derivatives not meeting the hedge effectiveness criteria under Basel II receive a counterparty credit risk charge.
(2) Sum of current replacement cost and potential credit exposure, adjusted for the impact of collateral amounting to $2,261 million (2009: $2,129 million). The collateral comprises cash $2,136 million (2009: $2,063 million) and government securities $125 million (2009: $66 million).
(3) Comprises credit protection sold. The amount represents the fair value of contracts for which fees are received over the life of the contracts.
(4) Comprises forwards, swaps and options.

### CVA

A CVA is determined using the fair value based exposure we have on derivative contracts. We believe that we have made appropriate fair value adjustments to date. The establishment of fair value adjustments involves estimates that are based on accounting processes and judgments by management. We evaluate the adequacy of the fair value adjustments on an ongoing basis. Market and economic conditions relating to derivative counterparties may change in the future, which could result in significant future losses.

### Financial guarantors

Contracts we have with financial guarantors are primarily credit derivatives. Fair value based exposure for credit derivatives is determined using the market value of the underlying reference assets. Our counterparty credit charge is a function of the fair value based exposure and our assessment of the counterparty credit risk. Counterparty credit risk is calculated using market-observed credit spreads, where available and appropriate, or through the use of equivalent credit proxies, or through an assessment of net recoverable value. During the year, we recorded a gain of $703 million (2009: loss of $1.1 billion) against our receivables from financial guarantors. Separately, we recorded a net loss of $341 million on terminations and maturity of contracts with financial guarantors during the year. The fair value of derivative contracts with financial guarantors, net of CVA, was $734 million (2009: $1.5 billion).

### Non-financial guarantors

Our methodology in establishing CVA against other derivative counterparties is also calculated using a fair value based exposure measure. We use market-observed credit spreads or proxies, as appropriate. During the year, we recorded a gain of $27 million on our receivables from non-financial guarantors derivative counterparties.

## Note 15 Designated Accounting Hedges

The following table presents the hedge ineffectiveness gains (losses) recognized in the consolidated statement of operations:

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Fair value hedges[1] | **$ 20** | $ 85 | $ 23 |
| Cash flow hedges[2][3] | **(11)** | (5) | 2 |

(1) Recognized in Net interest income.
(2) Recognized in Non-interest income – Other and Non-interest expenses – Other.
(3) Includes NIFO hedges.

Portions of derivative gains (losses) that by designation were excluded from the assessment of hedge effectiveness for fair value, cash flow, and foreign exchange hedging activities are included in the consolidated statement of operations, and are not significant for the years ended October 31, 2010, 2009, and 2008.

The following table presents the notional amounts and carrying value of our hedging-related derivative instruments:

| $ millions, as at October 31 | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **Derivatives notional amount** | **Carrying value** | | Derivatives notional amount | Carrying value | |
| | | **Positive** | **Negative** | | Positive | Negative |
| Fair value hedges | **$ 84,298** | **$ 1,240** | **$ 696** | $ 60,022 | $ 1,414 | $ 672 |
| Cash flow hedges | **8,018** | **33** | **18** | 518 | 10 | 13 |
| NIFO hedges | **1,235** | **5** | **–** | 58 | – | 6 |
| | **$ 93,551** | **$ 1,278** | **$ 714** | $ 60,598 | $ 1,424 | $ 691 |

In addition, foreign currency denominated deposit liabilities of $62 million (2009: $131 million) and $659 million (2009: $1,913 million) have been designated as fair value hedges of foreign exchange risk and NIFO hedges, respectively.

## Note 16 Subordinated Indebtedness

The debt issues included in the table below are unsecured obligations of CIBC and its subsidiaries and are subordinated to the claims of depositors and other creditors as set out in their terms. Foreign currency denominated indebtedness either funds foreign currency denominated assets (including our net investment in foreign operations) or is combined with cross-currency swaps to provide funding on a cost-effective basis and to manage currency risk. All redemptions are subject to regulatory approval.

### Terms of subordinated indebtedness

| $ millions, as at October 31 | | | | | **2010** | | 2009 | |
|---|---|---|---|---|---|---|---|---|
| | | Earliest date redeemable | | | | | | |
| Interest rate % | Contractual Maturity date | At greater of Canada Yield Price[1] and par | At par | Denominated in foreign currency | **Par value** | **Carrying value[2]** | Par value | Carrying value[2] |
| 9.65 | October 31, 2014 | November 1, 1999 | | | **$ 250** | **$ 325** | $ 250 | $ 331 |
| Floating[3] | March 10, 2015 | | March 10, 2010 | | **–** | **–** | 101 | 101 |
| 3.75[4] | September 9, 2015 | September 9, 2005 | September 9, 2010[5] | | **–** | **–** | 1,300 | 1,300 |
| 4.55[4] | March 28, 2016 | March 28, 2006 | March 28, 2011 | | **1,080** | **1,093** | 1,080 | 1,131 |
| Fixed[6] | March 23, 2017 | | September 23, 2012 | TT$195 million | **32** | **32** | 33 | 33 |
| Floating[7] | June 22, 2017 | | June 22, 2012 | €200 million | **284** | **284** | 319 | 319 |
| 5.15[4] | June 6, 2018 | June 6, 2008 | June 6, 2013 | | **550** | **557** | 550 | 560 |
| 4.11[4] | April 30, 2020 | April 30, 2010 | April 30, 2015[8] | | **1,100** | **1,100** | – | – |
| 6.00[4] | June 6, 2023 | June 6, 2008 | June 6, 2018 | | **600** | **600** | 600 | 600 |
| 8.70 | May 25, 2029[9] | | | | **25** | **42** | 25 | 40 |
| 11.60 | January 7, 2031 | January 7, 1996 | | | **200** | **200** | 200 | 200 |
| 10.80 | May 15, 2031 | May 15, 2021 | | | **150** | **150** | 150 | 150 |
| 8.70 | May 25, 2032[9] | | | | **25** | **43** | 25 | 40 |
| 8.70 | May 25, 2033[9] | | | | **25** | **43** | 25 | 40 |
| 8.70 | May 25, 2035[9] | | | | **25** | **44** | 25 | 40 |
| Floating[10] | July 31, 2084 | | July 27, 1990 | US$198 million | **202** | **202** | 214 | 214 |
| Floating[11] | August 31, 2085 | | August 20, 1991 | US$67 million[12] | **68** | **68** | 72 | 72 |
| | | | | | **4,616** | **4,783** | 4,969 | 5,171 |
| Subordinated debt held for trading purposes | | | | | **(10)** | **(10)** | (14) | (14) |
| | | | | | **$ 4,606** | **$ 4,773** | $ 4,955 | $ 5,157 |

(1) Canada Yield Price: a price calculated at the time of redemption to provide a yield to maturity equal to the yield of a Government of Canada bond of appropriate maturity plus a pre-determined spread.
(2) Carrying values of fixed-rate subordinated indebtedness notes reflect the impact of interest rate hedges in an effective hedge relationship.
(3) Issued by FirstCaribbean. Interest rate is based on the three-month US$ LIBOR plus 0.70% until March 10, 2010, thereafter, at the three-month US$ LIBOR plus 1.95%. From February 2009 through to December 2009, a portion of this issue was repurchased and cancelled. The remaining principal amount was redeemed in 2010.
(4) Interest rate is fixed at the indicated rate until the earliest date redeemable at par by CIBC and, thereafter, at the three-month Canadian dollar banker's acceptance rate plus a pre-determined spread.
(5) During the year, we redeemed the outstanding principal amount plus interest accrued to the redemption date.
(6) Guaranteed Subordinated Term Notes in Trinidad and Tobago dollars issued by FirstCaribbean International Bank (Trinidad & Tobago) Limited, a subsidiary of FirstCaribbean, and guaranteed on a subordinated basis by FirstCaribbean. FirstCaribbean International Bank (Trinidad & Tobago) Limited may redeem all or a portion of the notes on, but not after September 23, 2012 by repaying the principal amount plus a penalty of 0.50% of the principal amount of the notes being redeemed.
(7) Issued by CIBC World Markets plc and guaranteed by CIBC on a subordinated basis. Interest rate is based on the three-month Euribor plus 0.20% until the earliest date redeemable by CIBC World Markets plc and, thereafter, on the three-month Euribor plus 0.70%.
(8) CIBC's ability to redeem prior to this date is subject to our receipt of notice or advice from OSFI that the Debentures no longer qualify as Tier 2 capital.
(9) Not redeemable prior to maturity date.
(10) Interest rate is based on the six-month US$ LIBOR plus 0.25%.
(11) Interest rate is based on the six-month US$ LIBOR plus 0.125%.
(12) A portion of this issue was repurchased and cancelled during 2009.

Subsequent to the year-end, on November 2, 2010, we issued $1,500 million principal amount of 3.15% Debentures (subordinated indebtedness) due November 2, 2020. The Debentures qualify as Tier 2 capital.

### Repayment schedule

The aggregate contractual maturities of our subordinated indebtedness are outlined in the following table:

| $ millions, as at October 31 | **2010** |
|---|---|
| Within 1 year | **$ –** |
| 1 to 2 years | **–** |
| 2 to 3 years | **–** |
| 3 to 4 years | **250** |
| 4 to 5 years | **–** |
| Over 5 years | **4,366** |
| | **$4,616** |

## Note 17 Common and Preferred Share Capital and Preferred Share Liabilities

### Common shares

CIBC is authorized to issue an unlimited number of common shares without nominal or par value, provided that the maximum aggregate consideration for all outstanding common shares at any time does not exceed $15 billion.

### Preferred shares

CIBC is authorized to issue an unlimited number of Class A Preferred Shares and Class B Preferred Shares without nominal or par value issuable in series, provided that, for each class of preferred shares, the maximum aggregate consideration for all outstanding shares, at any time does not exceed $10 billion. There are no Class B Preferred Shares currently outstanding.

### Outstanding shares and dividends and interest paid

| $ millions, except per share amounts, as at or for the year ended October 31 | | | | **2010** | | | | 2009 | | | | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Shares outstanding** | | **Dividends paid** | | Shares outstanding | | Dividends paid | | Shares outstanding | | Dividends paid | |
| | **No. of shares** | **Amount** | **Amount** | **$ per share** | No. of shares | Amount | Amount | $ per share | No. of shares | Amount | Amount | $ per share |
| **Common shares**[1] | **392,738,700** | **$ 6,804** | **$ 1,350** | **$ 3.48** | 383,981,867 | $ 6,241 | $ 1,328 | $ 3.48 | 380,804,829 | $ 6,063 | $ 1,285 | $ 3.48 |
| **Class A Preferred Shares** | | | | | | | | | | | | |
| Classified as equity | | | | | | | | | | | | |
| Series 18 | **12,000,000** | **$ 300** | **$ 16** | **$ 1.38** | 12,000,000 | $ 300 | $ 16 | $ 1.38 | 12,000,000 | $ 300 | $ 16 | $ 1.38 |
| Series 26 | **10,000,000** | **250** | **14** | **1.44** | 10,000,000 | 250 | 14 | 1.44 | 10,000,000 | 250 | 14 | 1.44 |
| Series 27 | **12,000,000** | **300** | **17** | **1.40** | 12,000,000 | 300 | 17 | 1.40 | 12,000,000 | 300 | 17 | 1.40 |
| Series 28[2] | **2,000** | **–**[3] | **–**[3] | **0.08** | 2,000 | –[3] | –[3] | 0.08 | 2,000 | –[3] | –[3] | 0.08 |
| Series 29 | **13,232,342** | **331** | **18** | **1.35** | 13,232,342 | 331 | 18 | 1.35 | 13,232,342 | 331 | 18 | 1.35 |
| Series 30 | **16,000,000** | **400** | **19** | **1.20** | 16,000,000 | 400 | 19 | 1.20 | 16,000,000 | 400 | 19 | 1.20 |
| Series 31 | **18,000,000** | **450** | **21** | **1.18** | 18,000,000 | 450 | 21 | 1.18 | 18,000,000 | 450 | 21 | 1.18 |
| Series 32 | **12,000,000** | **300** | **14** | **1.13** | 12,000,000 | 300 | 14 | 1.13 | 12,000,000 | 300 | 14 | 1.13 |
| Series 33 | **12,000,000** | **300** | **16** | **1.34** | 12,000,000 | 300 | 18 | 1.53 | 12,000,000 | 300 | – | – |
| Series 35 | **13,000,000** | **325** | **21** | **1.63** | 13,000,000 | 325 | 16 | 1.19 | – | – | – | – |
| Series 37 | **8,000,000** | **200** | **13** | **1.63** | 8,000,000 | 200 | 9 | 1.06 | – | – | – | – |
| | | **$ 3,156** | **$ 169** | | | $ 3,156 | $ 162 | | | $ 2,631 | $ 119 | |
| | **Shares outstanding** | | **Interest paid** | | Shares outstanding | | Interest paid | | Shares outstanding | | Interest paid | |
| | **No. of shares** | **Amount** | **Amount** | **$ per share** | No. of shares | Amount | Amount | $ per share | No. of shares | Amount | Amount | $ per share |
| **Class A Preferred Shares** | | | | | | | | | | | | |
| Classified as liabilities | | | | | | | | | | | | |
| Series 19[4] | **–** | **$ –** | **$ 10** | **$ 1.24** | 8,000,000 | $ 200 | $ 10 | $ 1.24 | 8,000,000 | $ 200 | $ 10 | $ 1.24 |
| Series 23[4] | **–** | **–** | **21** | **1.33** | 16,000,000 | 400 | 21 | 1.33 | 16,000,000 | 400 | 21 | 1.33 |
| | | **$ –** | **$ 31** | | | $ 600 | $ 31 | | | $ 600 | $ 31 | |
| **Total preferred shares** | | **$ 3,156** | **$ 200** | | | $ 3,756 | $ 193 | | | $ 3,231 | $ 150 | |

(1) Includes treasury shares.
(2) On June 17, 2009, CIBC's offer to repurchase for cancellation all outstanding non-cumulative Class A Preferred Shares Series 28 at a price of $10.00 per share expired. We did not repurchase any shares under this offer in 2009 (2008: 500 shares repurchased).
(3) Due to rounding.
(4) On October 31, 2010, we redeemed and legally extinguished these non-cumulative preferred shares. Other liabilities (Note 11) include $604 million in respect of principal and premium amounts payable to holders. The payment was made subsequent to the year end on November 1, 2010.

## Preferred share rights and privileges

### Class A Preferred Shares

Each series of Class A Preferred Shares bears quarterly non-cumulative dividends. Class A Preferred Shares Series 18, and 26 through 32, are redeemable, subject to regulatory approval if required, for cash by CIBC on or after the specified redemption dates at the cash redemption prices indicated in the following table.

Class A Preferred Shares Series 26, 27 and 29 provide CIBC with the right to convert the shares to common shares on or after the specified conversion date indicated in the footnote to the following table. Each such share is convertible into a number of common shares, determined by dividing the then applicable cash redemption price by 95% of the average common share price (as defined in the relevant short form prospectus or prospectus supplement), subject to a minimum price of $2.00 per share. All other Class A Preferred Shares are not convertible into common shares.

Non-cumulative Rate Reset Class A Preferred Shares Series 33 (Series 33 shares) may be converted on a one-for-one basis into non-cumulative Floating Rate Class A Preferred Shares Series 34 (Series 34 shares) at the holder's option on July 31, 2014. Thereafter, Series 33 shares and Series 34 shares are convertible, one to the other, at every fifth anniversary of July 31, 2014.

Series 33 shares pay an initial dividend yield of 5.35% per annum, payable quarterly, as and when declared by the Board of Directors, until July 31, 2014. At such time and every five years thereafter, the dividend rate will reset to the then current five-year Government of Canada bond yield plus 2.18%.

Series 34 shares will pay a floating rate dividend, determined and paid quarterly, as and when declared by the Board of Directors, to yield a rate per annum equal to the three-month Government of Canada Treasury Bill yield at the beginning of the relevant quarterly period plus 2.18%.

Series 33 shares may be redeemed on July 31, 2014 and every five years thereafter. Series 34 shares may be redeemed on or after July 31, 2019. All redemptions are subject to regulatory approval as required.

Non-cumulative Rate Reset Class A Preferred Shares Series 35 (Series 35 shares) may be converted on a one-for-one basis into non-cumulative Floating Rate Class A Preferred Shares Series 36 (Series 36 shares) at the holder's option on April 30, 2014. Thereafter, Series 35 shares and Series 36 shares are convertible, one to the other, at every fifth anniversary of April 30, 2014.

Series 35 shares pay an initial dividend yield of 6.5% per annum, payable quarterly, as and when declared by the Board of Directors, until April 30, 2014. At such time and every five years thereafter, the dividend rate will reset to the then current five-year Government of Canada bond yield plus 4.47%.

Series 36 shares will pay a floating rate dividend, determined and paid quarterly, as and when declared by the Board of Directors, to yield a rate per annum equal to the three-month Government of Canada Treasury Bill yield at the beginning of the relevant quarterly period plus 4.47%.

Series 35 shares may be redeemed on April 30, 2014 and every five years thereafter. Series 36 shares may be redeemed on or after April 30, 2019. All redemptions are subject to regulatory approval as required.

Non-cumulative Rate Reset Class A Preferred Shares Series 37 (Series 37 shares) may be converted on a one-for-one basis into non-cumulative Floating Rate Class A Preferred Shares Series 38 (Series 38 shares) at the holder's option on July 31, 2014. Thereafter, Series 37 shares and Series 38 shares are convertible, one to the other, at every fifth anniversary of July 31, 2014.

Series 37 shares pay an initial dividend yield of 6.5% per annum, payable quarterly, as and when declared by the Board of Directors, until July 31, 2014. At such time and every five years thereafter, the dividend rate will reset to the then current five-year Government of Canada bond yield plus 4.33%.

Series 38 shares will pay a floating rate dividend, determined and paid quarterly, as and when declared by the Board of Directors, to yield a rate per annum equal to the three-month Government of Canada Treasury Bill yield at the beginning of the relevant quarterly period plus 4.33%.

Series 37 shares may be redeemed on July 31, 2014 and every five years thereafter. Series 38 shares may be redeemed on or after July 31, 2014. All redemptions are subject to regulatory approval as required.

## Terms of Class A Preferred Shares

| | Quarterly dividends per share[(1)] | Specified redemption date | Cash redemption price per share |
|---|---|---|---|
| Series 18 | $ 0.343750 | October 29, 2012 | $ 25.00 |
| Series 26[(2)] | $ 0.359375 | April 30, 2008<br>April 30, 2009<br>April 30, 2010<br>April 30, 2011<br>April 30, 2012 | $ 26.00<br>25.75<br>25.50<br>25.25<br>25.00 |
| Series 27[(2)] | $ 0.350000 | October 31, 2008<br>October 31, 2009<br>October 31, 2010<br>October 31, 2011<br>October 31, 2012 | $ 26.00<br>25.75<br>25.50<br>25.25<br>25.00 |
| Series 28 | $ 0.020000 | June 17, 2009 | $ 10.00 |
| Series 29[(2)] | $ 0.337500 | May 1, 2010<br>May 1, 2011<br>May 1, 2012<br>May 1, 2013<br>May 1, 2014 | $ 26.00<br>25.75<br>25.50<br>25.25<br>25.00 |
| Series 30 | $ 0.300000 | April 30, 2010<br>April 30, 2011<br>April 30, 2012<br>April 30, 2013<br>April 30, 2014 | $ 26.00<br>25.75<br>25.50<br>25.25<br>25.00 |
| Series 31 | $ 0.293750 | January 31, 2012<br>January 31, 2013<br>January 31, 2014<br>January 31, 2015<br>January 31, 2016 | $ 26.00<br>25.75<br>25.50<br>25.25<br>25.00 |
| Series 32 | $ 0.281250 | April 30, 2012<br>April 30, 2013<br>April 30, 2014<br>April 30, 2015<br>April 30, 2016 | $ 26.00<br>25.75<br>25.50<br>25.25<br>25.00 |
| Series 33 | $ 0.334375 | July 31, 2014 | $ 25.00 |
| Series 35 | $ 0.406250 | April 30, 2014 | $ 25.00 |
| Series 37 | $ 0.406250 | July 31, 2014 | $ 25.00 |

(1) Quarterly dividends are adjusted for the number of days during the quarter that the share is outstanding at the time of issuance and redemption.
(2) CIBC's earliest conversion dates for common shares were: Series 26: April 30, 2008; Series 27: October 31, 2008; and Series 29: May 1, 2010.

## Common shares issued

During the year, we issued 1.9 million (2009: 1.0 million) new common shares for a total consideration of $88 million (2009: $41 million), pursuant to stock option plans.

Effective July 2009, participants in the Shareholder Investment Plan (Plan) receive a 3% discount from the average market price on the reinvested dividends in additional common shares. The discount applies to common shares received under the "Dividend Reinvestment Option" or "Stock Dividend Option" portions of the Plan. During the year, we issued 6.0 million (2009: 2.2 million) new common shares for a total consideration of $419 million (2009: $137 million), pursuant to the Plan.

Effective February 2010, employee contributions to our Canadian ESPP have been used to purchase common shares issued from Treasury. We issued 0.8 million new common shares for a total consideration of $56 million, pursuant to the ESPP.

## Common shares reserved for issue

As at October 31, 2010, 11,934,131 common shares (2009: 13,877,708) were reserved for future issue pursuant to stock option plans.

## Restrictions on the payment of dividends

Under Section 79 of the Bank Act (Canada), a bank, including CIBC, is prohibited from declaring or paying any dividends on its preferred or common shares if there are reasonable grounds for believing that the bank is, or the payment would cause it to be, in contravention of any capital adequacy or liquidity regulation or any direction to the bank made by OSFI.

In addition, our ability to pay common share dividends is also restricted by the terms of the outstanding preferred shares. These terms provide that we may not pay dividends on our common shares at any time without the approval of holders of the outstanding preferred shares, unless all dividends to preferred shareholders that are then payable have been declared and paid or set apart for payment.

We have agreed that if CIBC Capital Trust fails to pay any interest payments on its $1,300 million of CIBC Tier 1 Notes – Series A, due June 30, 2108 or its $300 million of CIBC Tier 1 Notes – Series B, due June 30, 2108, we will not declare dividends of any kind on any of our preferred or common shares for a specified period of time. For additional details see Note 18.

Currently, these limitations do not restrict the payment of dividends on our preferred or common shares.

## Capital

### Objectives, policies, and procedures

Our objective is to employ a strong and efficient capital base. We manage capital in accordance with policies established by the Board of Directors. These policies relate to capital strength, capital mix, dividends, return on capital, and the unconsolidated capital adequacy of regulated entities. Each policy has associated guidelines, and capital is monitored continuously for compliance.

Each year, a capital plan and three-year outlook are established, which encompass all the associated elements of capital: forecasts of sources and uses, maturities, redemptions, new issuance, corporate initiatives, and business growth. The capital plan is stress-tested in various ways to ensure that it is sufficiently robust under all reasonable scenarios. All of the elements of capital are monitored throughout the year, and the capital plan is adjusted as appropriate.

There were no significant changes made in the objectives, policies, and procedures during the year.

### Regulatory requirements

Our minimum regulatory capital requirements are determined in accordance with guidelines issued by OSFI. The OSFI guidelines evolved from the framework of risk-based capital standards developed by the Bank for International Settlements (BIS).

Current BIS standards require that banks maintain minimum Tier 1 and Total capital ratios of 4% and 8%, respectively. OSFI has established that Canadian deposit-taking financial institutions maintain Tier 1 and Total capital ratios of at least 7% and 10%, respectively. During the year, we have complied in full with all of our regulatory capital requirements.

### Regulatory capital and ratios

Regulatory capital consists of Tier 1 and Tier 2 capital.

Tier 1 capital comprises common shares excluding short trading positions in our own shares, retained earnings, preferred shares, innovative capital instruments, non-controlling interests, contributed surplus, and foreign currency translation adjustments. Goodwill and gains on sale of applicable securitized assets are deducted from Tier 1 capital. Tier 2 capital comprises subordinated debt and eligible general allowance. Both Tier 1 and Tier 2 capital are subject to certain deductions on a 50/50 basis, including substantial investments. Investment in insurance activities continues to be deducted 100% from Tier 2 capital in accordance with OSFI's transition rules.

Our capital ratios and assets-to-capital multiple are as follows:

*Regulatory capital, risk-weighted assets, and capital ratios*

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| **Capital** | | |
| Tier 1 capital | **$ 14,851** | $ 14,154 |
| Total regulatory capital | **18,966** | 18,827 |
| **Risk-weighted assets** | | |
| Credit risk | **$ 86,782** | $ 97,190 |
| Market risk | **1,625** | 1,321 |
| Operational risk | **18,256** | 18,787 |
| Total risk-weighted assets | **$106,663** | $ 117,298 |
| **Capital ratios** | | |
| Tier 1 capital ratio | **13.9%** | 12.1% |
| Total capital ratio | **17.8%** | 16.1% |
| Assets-to-capital multiple | **17.0x** | 16.3x |

The risk-based capital framework will be revised in the coming years. Effective the first quarter of fiscal 2012, banks are required to implement the series of guidelines issued by the Basel Committee on Banking Supervision (BCBS) in July 2009. The guidelines proposed enhancements to the market risk and credit risk framework. Starting January 1, 2013, banks will commence implementing the significant capital reforms proposed by BCBS since December 2009. The reforms will increase the quality, quantity, and consistency of capital to strengthen the resilience of the banking sector.

## Note 18 Capital Trust Securities

On March 13, 2009, CIBC Capital Trust (the Trust), a trust wholly owned by CIBC and established under the laws of the Province of Ontario, issued $1,300 million of CIBC Tier 1 Notes – Series A, due June 30, 2108, and $300 million of CIBC Tier 1 Notes – Series B, due June 30, 2108 (collectively, the Notes). The proceeds were used by the Trust to purchase senior deposit notes from CIBC. The Trust is a VIE not consolidated by CIBC; the Notes issued by the Trust are therefore not reported on the consolidated balance sheet. The senior deposit notes issued to the Trust are reported as Deposits – business and government on the consolidated balance sheet.

The Notes are structured to achieve Tier 1 regulatory capital treatment and, as such, have features of equity capital, including the deferral of cash interest under certain circumstances (Deferral Events). In the case of a Deferral Event, holders of the Notes will be required to invest interest paid on the Notes in our perpetual preferred shares. Should the Trust fail to pay the semi-annual interest payments on the Notes in full, we will not declare dividends of any kind on any of our preferred or common shares for a specified period of time.

In addition, the Notes will be automatically exchanged for our perpetual preferred shares upon the occurrence of any one of the following events: (i) proceedings are commenced for our winding-up; (ii) OSFI takes control of us or our assets; (iii) we or OSFI are of the opinion that our Tier 1 capital ratio is less than 5% or our Total capital ratio is less than 8%; or (iv) OSFI directs us pursuant to the Bank Act to increase our capital or provide additional liquidity and we elect such automatic exchange or we fail to comply with such direction. Upon such automatic exchange, holders of the Notes will cease to have any claim or entitlement to interest or principal against the Trust.

CIBC Tier 1 Notes – Series A will pay interest, at a rate of 9.976%, semi-annually until June 30, 2019. On June 30, 2019, and on each five-year anniversary thereafter, the interest rate on the CIBC Tier 1 Notes – Series A will reset to the five-year Government of Canada bond yield at such time plus 10.425%. CIBC Tier 1 Notes – Series B will pay interest, at a rate of 10.25%, semi-annually until June 30, 2039. On June 30, 2039, and on each five-year anniversary thereafter, the interest rate on the CIBC Tier 1 Notes – Series B will reset to the five-year Government of Canada bond yield at such time plus 9.878%.

According to OSFI guidelines, innovative capital instruments can comprise up to 15% of net Tier 1 capital with an additional 5% eligible for Tier 2 capital. As at October 31, 2010, we held $1 million (2009: $1 million) of Tier 1 Notes – Series B for trading purposes.

The table below presents the significant terms and conditions of the Notes:

$ millions, as at October 31

| Issue | Issue date | Interest payment dates | Yield | Earliest redemption dates: At greater of Canada Yield Price[1] and par | Earliest redemption dates: At par | Principal amount: **2010** | Principal amount: 2009 |
|---|---|---|---|---|---|---|---|
| CIBC Capital Trust – Tier 1 Notes | | | | | | | |
| Series A | March 13, 2009 | June 30, December 31 | 9.976% | June 30, 2014 | June 30, 2019 | **$ 1,300** | $ 1,300 |
| Series B | March 13, 2009 | June 30, December 31 | 10.25% | June 30, 2014 | June 30, 2039 | **300** | 300 |

(1) Canada Yield Price: a price calculated at the time of redemption (other than an interest rate reset date applicable to the series) to provide a yield to maturity equal to the yield on a Government of Canada bond of appropriate maturity plus (i) for the CIBC Tier 1 Notes – Series A, (a) 1.735% if the redemption date is any time prior to June 30, 2019, or (b) 3.475% if the redemption date is any time on or after June 30, 2019, and (ii) for the CIBC Tier 1 Notes – Series B, (a) 1.645% if the redemption date is any time prior to June 30, 2039, or (b) 3.29% if the redemption date is any time on or after June 30, 2039.

Subject to the approval of OSFI, the Trust may, in whole or in part, on the redemption dates specified above, and on any date thereafter, redeem the CIBC Tier 1 Notes Series A or Series B without the consent of the holders. Also, subject to the approval of OSFI, the Trust may redeem all, but not part of, the CIBC Tier 1 Notes – Series A or Series B prior to the earliest redemption date specified above without the consent of the holders, upon the occurrence of certain specified tax or regulatory events.

## Note 19 Accumulated Other Comprehensive Income (AOCI)

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Net foreign currency translation adjustments | **$ (575)** | $ (495) |
| Net unrealized gains on AFS securities[1] | **197** | 124 |
| Net gains on cash flow hedges[2] | **17** | 1 |
| | **$ (361)** | $ (370) |

(1) Includes $53 million (2009: $101 million) of cumulative loss related to AFS securities measured at fair value.
(2) A net gain of $8 million (2009: $3 million) deferred in AOCI is expected to be reclassified to net income during the next 12 months. Remaining amounts will be reclassified to net income over periods up to eight years (2009: four years) thereafter.

## Note 20 Interest Rate Sensitivity

The table below details our exposure to interest rate risk resulting from the mismatch, or gap, between financial assets, liabilities, and off-balance sheet instruments. On- and off-balance sheet financial instruments have been reported on the earlier of their contractual repricing date or maturity date. Certain contractual repricing dates have been adjusted according to management's estimates for prepayments and early redemptions. Weighted-average effective yields are based on the earlier of contractual repricing date or maturity date of the underlying instrument.

We manage interest rate gap by imputing a duration to certain assets and liabilities based on historical and forecasted trends in core balances. The repricing profile of these assets and liabilities has been incorporated in the table below under structural assumptions.

| | | Based on earlier of maturity or repricing date of interest rate sensitive instruments | | | | | | |
|---|---|---|---|---|---|---|---|---|
| $ millions, as at October 31 | | Immediately rate sensitive | Within 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Not interest rate sensitive | **Total** |
| **2010** | **Assets** | | | | | | | |
| | Cash and deposits with banks | $ 233 | $ 9,887 | $ 238 | $ – | $ – | $ 1,694 | **$ 12,052** |
| | Effective yield | | 0.96% | 1.37% | | | | |
| | Trading securities | – | 2,066 | 3,583 | 6,082 | 3,918 | 12,908 | **28,557** |
| | Effective yield | | 1.56% | 2.10% | 2.86% | 4.59% | | |
| | AFS securities | – | 8,721 | 5,992 | 8,417 | 2,796 | 695 | **26,621** |
| | Effective yield | | 1.10% | 2.03% | 3.50% | 4.80% | | |
| | FVO securities | – | 9,148 | 2,778 | 9,703 | 801 | – | **22,430** |
| | Effective yield | | 1.10% | 1.19% | 2.51% | 4.43% | | |
| | Securities borrowed or purchased under resale agreements | – | 36,197 | 1,145 | – | – | – | **37,342** |
| | Effective yield | | 0.89% | 1.15% | | | | |
| | Loans | 94,764 | 16,228 | 17,465 | 42,359 | 2,784 | 3,292 | **176,892** |
| | Effective yield | | 3.19% | 4.62% | 4.44% | 5.15% | | |
| | Other | – | 29,739 | – | – | – | 18,407 | **48,146** |
| | Structural assumptions | (8,729) | 1,306 | 3,678 | 6,143 | – | (2,398) | **–** |
| | Total assets | $ 86,268 | $ 113,292 | $ 34,879 | $ 72,704 | $ 10,299 | $ 34,598 | **$ 352,040** |
| | **Liabilities and shareholders' equity** | | | | | | | |
| | Deposits | $ 87,067 | $ 58,046 | $ 28,987 | $ 38,530 | $ 4,205 | $ 29,836 | **$ 246,671** |
| | Effective yield | | 1.04% | 1.79% | 3.01% | 5.50% | | |
| | Obligations related to securities sold short | – | 100 | 1,364 | 3,930 | 2,886 | 1,393 | **9,673** |
| | Effective yield | | 0.96% | 1.09% | 1.47% | 2.59% | | |
| | Obligations related to securities lent or sold under repurchase agreements | – | 28,220 | – | – | – | – | **28,220** |
| | Effective yield | | 0.77% | – | | | | |
| | Subordinated indebtedness | – | 284 | 1,393 | 1,974 | 1,122 | – | **4,773** |
| | Effective yield | | 1.08% | 3.75% | 5.31% | 8.05% | | |
| | Other | – | 29,908 | – | 954 | 1,996 | 29,845 | **62,703** |
| | Structural assumptions[(1)] | (17,445) | 5,292 | 17,212 | 20,835 | – | (25,894) | **–** |
| | Total liabilities and shareholders' equity | $ 69,622 | $ 121,850 | $ 48,956 | $ 66,223 | $ 10,209 | $ 35,180 | **$ 352,040** |
| | On-balance sheet gap | $ 16,646 | $ (8,558) | $ (14,077) | $ 6,481 | $ 90 | $ (582) | **$ –** |
| | Off-balance sheet gap[(2)] | – | (9,812) | 12,468 | (2,342) | (314) | – | **–** |
| | Total gap | $ 16,646 | $ (18,370) | $ (1,609) | $ 4,139 | $ (224) | $ (582) | **$ –** |
| | Total cumulative gap | $ 16,646 | $ (1,724) | $ (3,333) | $ 806 | $ 582 | $ – | **$ –** |
| | **Gap by currency** | | | | | | | |
| | On-balance sheet gap | | | | | | | |
| | Canadian currency | $ 19,030 | $ (15,413) | $ (13,657) | $ 10,991 | $ (101) | $ (850) | **$ –** |
| | Foreign currencies | (2,384) | 6,855 | (420) | (4,510) | 191 | 268 | **–** |
| | Total on-balance sheet gap | $ 16,646 | $ (8,558) | $ (14,077) | $ 6,481 | $ 90 | $ (582) | **$ –** |
| | Off-balance sheet gap[(2)] | | | | | | | |
| | Canadian currency | $ – | $ (4,842) | $ 12,584 | $ (7,253) | $ (489) | $ – | **$ –** |
| | Foreign currencies | – | (4,970) | (116) | 4,911 | 175 | – | **–** |
| | Total off-balance sheet gap | $ – | $ (9,812) | $ 12,468 | $ (2,342) | $ (314) | $ – | **$ –** |
| | Total gap | $ 16,646 | $ (18,370) | $ (1,609) | $ 4,139 | $ (224) | $ (582) | **$ –** |
| 2009 | Gap by currency | | | | | | | |
| | On-balance sheet gap | | | | | | | |
| | Canadian currency | $ 13,707 | $ (9,709) | $ (27,002) | $ 23,502 | $ (2,505) | $ 2,007 | $ – |
| | Foreign currencies | (1,179) | 1,759 | (7,714) | 3,468 | 1,112 | 2,554 | – |
| | Total on-balance sheet gap | $ 12,528 | $ (7,950) | $ (34,716) | $ 26,970 | $ (1,393) | $ 4,561 | $ – |
| | Off-balance sheet gap[(2)] | | | | | | | |
| | Canadian currency | $ – | $ 2,615 | $ 18,831 | $ (22,062) | $ 616 | $ – | $ – |
| | Foreign currencies | – | (6,035) | 8,106 | (1,279) | (792) | – | – |
| | Total off-balance sheet gap | $ – | $ (3,420) | $ 26,937 | $ (23,341) | $ (176) | $ – | $ – |
| | Total gap | $ 12,528 | $ (11,370) | $ (7,779) | $ 3,629 | $ (1,569) | $ 4,561 | $ – |
| | Total cumulative gap | $ 12,528 | $ 1,158 | $ (6,621) | $ (2,992) | $ (4,561) | $ – | $ – |

(1) Commencing 2010, amounts reported exclude the impact of structural assumptions relating to shareholders' equity.
(2) Includes derivative instruments which are reported on the consolidated balance sheet at fair value.

## Note 21 Stock-based Compensation

### Restricted share award plan
Under our RSA plan, which began in 2000, certain key employees are granted annual awards to receive either common shares or an equivalent cash value in accordance with the terms of the grant. Additionally, RSAs may be awarded as special grants. RSAs generally vest at the end of three years or one-third annually. All awards are generally distributed or settled within a three-year period, beginning one year after the year of the grant.

Prior to December 2008, grants were made in the form of share-settled awards. The funding for these awards was paid into a trust which purchased common shares in the open market. Grant date fair value of each share-settled RSA was calculated based on the weighted-average purchase price of the corresponding common shares that were purchased by the trust.

Beginning December 2008, RSA grants are made in the form of cash-settled awards which are funded at the time of payment. Dividend equivalent payments in respect of cash-settled awards are recognized in compensation expense as incurred. Grant date fair value of each cash-settled RSA is calculated based on the average closing price per common share on the TSX for the 10 trading days prior to a fixed date. Fair value for cash-settled RSAs is remeasured each period for subsequent changes in the market value of common shares.

Compensation expense in respect of RSAs, before the impact of hedging, totalled $290 million in 2010 (2009: $217 million; 2008: $135 million). Liabilities in respect of cash-settled RSAs totalled $521 million (2009: $298 million; 2008: $117 million).

### Special incentive program
Special Incentive Program (SIP) award units were granted only once in 2000.

Certain key employees were granted awards to receive common shares. The funding for these awards was paid into a trust which purchased common shares in the open market.

SIP awards relating to some of the key employees vested and were distributed as at October 31, 2003, the date the plan expired. For other key employees, the value of awards was converted into Retirement Special Incentive Program Deferred Share Units (RSIP DSUs). Each RSIP DSU represents the right to receive one common share and additional RSIP DSUs in respect of dividends earned by the common shares held by the trust. RSIP DSUs met time- and performance-based vesting conditions on October 31, 2003, and will be distributed in the form of common shares upon the participant's retirement or termination of employment.

### Performance share unit plan
Under the PSU plan, which was introduced in 2005, certain key executives are granted awards to receive common shares or an equivalent cash value. Beginning December 2008, PSU grants are made only in the form of cash-settled awards, which are funded at the time of payment. PSUs vest at the end of three years. The final number of PSUs that vest will range from 75% to 125% of the initial number awarded based on CIBC's return on equity performance relative to the average of the other major Canadian banks.

Recognition of compensation expense is based on management's best estimate of the number of PSUs expected to vest. PSUs are remeasured for changes in management's best estimate of the number of PSUs to vest and changes in the market value of common shares. Dividend equivalent amounts are recognized in compensation expense as incurred and in accordance with management's best estimate of the number of PSUs expected to vest.

Grant date fair value of PSUs is deemed to be the same as the grant date fair value of RSAs awarded at the same time.

Compensation expense in respect of PSUs, before the impact of hedging, totalled $9 million in 2010 (2009: expense of $2 million; 2008: recovery of $13 million). Liabilities in respect of PSUs totalled $14 million (2009: $8 million; 2008: $11 million).

### Book value unit plan (BVU)
Under the BVU plan, which was introduced in 2010, certain key executives are granted awards denominated in BVUs. Each unit represents the right to receive a cash payment equal to the vesting price per unit, the value of which is related to the book value of CIBC on a per common share basis. BVUs vest at the end of three years. The final number of BVUs that vest will be adjusted for new issues of, re-purchases of, or dividends paid on common shares.

Grant date fair value of BVUs is calculated based on the book value per share of common shares on the last day of the previous fiscal quarter.

Compensation expense in respect of BVUs totalled $2 million in 2010. Liabilities in respect of BVUs totalled $2 million.

### Directors' plans
Under the Director Deferred Share Unit/Common Share Election Plan, each director who is not an officer or employee of CIBC may elect to receive the annual amount payable by CIBC as either Deferred Share Units (DSUs) or common shares. For purposes of this plan, the annual amount payable is the non-cash component of the director retainer.

Under the Non-Officer Director Share Plan, each non-officer director may elect to receive all or a portion of their cash-eligible remuneration in the form of cash, common shares, or DSUs. For purposes of this plan, cash-eligible remuneration includes the cash component of the director retainer and the Chair of the Board retainer, meeting attendance fees, non-resident attendance fees, committee chair retainers, and committee member retainers.

The value of DSUs credited to a director is payable when he or she is no longer a director or employee of CIBC and, in addition, for directors subject to section 409A of the U.S. Internal Revenue Code of 1986, as amended, the director is not providing any services to CIBC or any member of its controlled group as an independent contractor. In addition, under the Director Deferred Share Unit/Common Share Election Plan, the value of DSUs is payable when the director is no longer related to, or affiliated with, CIBC as defined in the Income Tax Act (Canada).

Compensation expense in respect of the DSU components of these plans, before the impact of hedging, totalled $3 million (2009: $2 million; 2008: nil). Liabilities in respect of DSUs totalled $8 million (2009: $5 million; 2008: $5 million).

## Stock option plans

We have two stock option plans: ESOP and Non-Officer Director Stock Option Plan (DSOP). A maximum of 42,834,500 common shares may be issued under these plans.

Under the ESOP, stock options are periodically granted to selected employees. Options provide the employee with the right to purchase common shares from CIBC at a fixed price not less than the closing price of the shares on the trading day immediately preceding the grant date. In general, the options vest evenly over a four-year period and expire 10 years from the grant date. Certain options vest on the attainment of specified performance conditions.

Under the DSOP, each director who was not an officer or employee of CIBC or any of our subsidiaries was provided with the right to purchase common shares from CIBC at a fixed price equal to the five-day average of the closing price per share on the TSX for the five trading days preceding the date of the grant. The options vested immediately and expire on the earlier of (i) 60 months after the date the director ceases to be a member of the Board of Directors, or (ii) 10 years from the grant date. In January 2003, the Board of Directors determined that no further options would be granted under the DSOP.

Fair value of stock options is measured at the grant date using the Black-Scholes option pricing model. Model assumptions are based on observable market data for the risk-free interest rate and dividend yield; contractual terms for the exercise price and performance conditions; and historical experience for expected life. Volatility assumptions are best estimates of market implied volatility matching the exercise price and expected life of the options.

The weighted-average grant date fair value of options granted during 2010 has been estimated at $11.13 (2009: $13.60; 2008: $14.19). The following weighted-average assumptions were used to determine the fair value of options on the date of grant:

| For the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Weighted-average assumptions | | | |
| Risk-free interest rate | **2.88%** | 2.85% | 4.33% |
| Expected dividend yield | **6.57%** | 7.00% | 6.23% |
| Expected share price volatility | **32.20%** | 45.00% | 32.35% |
| Expected life | **6 years** | 6 years | 6 years |
| Share price/exercise price | **$ 70.71** | $ 49.75 | $ 75.60 |

Up to 50% of options relating to the ESOP granted prior to 2000 were eligible to be exercised as SARs. During 2009, all remaining SARs either expired or were exercised.

Compensation expense in respect of stock options and SARs, before the impact of hedging, totalled $11 million in 2010 (2009: expense of $9 million; 2008: recovery of $21 million). Liabilities in respect of SARs totalled nil (2009: nil; 2008: $6 million).

## Stock option plans

| As at or for the year ended October 31 | **2010** Number of stock options | **2010** Weighted-average exercise price | 2009 Number of stock options | 2009 Weighted-average exercise price | 2008 Number of stock options | 2008 Weighted-average exercise price |
|---|---|---|---|---|---|---|
| Outstanding at beginning of year | **7,023,502** | **$ 56.53** | 7,270,168 | $ 55.38 | 7,236,483 | $ 51.63 |
| Granted | **708,434** | **70.71** | 1,077,608 | 49.75 | 876,342 | 75.60 |
| Exercised[1] | **(1,943,577)** | **43.28** | (983,705) | 39.10 | (495,134) | 41.83 |
| Forfeited | **–** | **–** | (5,035) | 72.06 | (21,644) | 74.69 |
| Cancelled/Expired | **(147,138)** | **56.47** | (214,629) | 73.09 | (49,479) | 79.69 |
| Exercised as SARs | **–** | **–** | (120,905) | 38.44 | (276,400) | 39.69 |
| Outstanding at end of year | **5,641,221** | **$ 62.88** | 7,023,502 | $ 56.53 | 7,270,168 | $ 55.38 |
| Exercisable at end of year | **3,560,238** | **$ 61.79** | 4,942,948 | $ 53.47 | 5,654,145 | $ 48.69 |
| Available for grant | **6,292,910** | | 6,854,206 | | 7,712,150 | |

(1) The weighted-average share price at the date of exercise was $69.69 (2009: $52.20; 2008: $70.15).

## Stock options outstanding and vested

| As at October 31, 2010<br>Range of exercise prices | Stock options outstanding<br>Number outstanding | Stock options outstanding<br>Weighted-average contractual life remaining | Stock options outstanding<br>Weighted-average exercise price | Stock options vested<br>Number outstanding | Stock options vested<br>Weighted-average exercise price |
|---|---|---|---|---|---|
| $40.00 – $ 49.00 | **800,111** | **1.67** | **43.63** | **800,111** | **43.63** |
| $49.01 – $ 55.00 | **1,295,142** | **6.38** | **50.28** | **518,726** | **51.06** |
| $55.01 – $ 65.00 | **762,586** | **1.57** | **55.65** | **730,818** | **55.34** |
| $65.01 – $ 75.00 | **1,604,866** | **6.73** | **70.82** | **695,978** | **71.71** |
| $75.01 – $ 85.00 | **836,508** | **6.32** | **78.50** | **558,024** | **77.98** |
| $85.01 – $105.00 | **342,008** | **6.04** | **96.33** | **256,581** | **96.33** |
| | **5,641,221** | **5.13** | **$ 62.88** | **3,560,238** | **$ 61.79** |

## Employee share purchase plan

Under our Canadian ESPP, qualifying employees can choose each year to have up to 10% of their eligible earnings withheld to purchase common shares. We match 50% of the employee contribution amount, up to a maximum contribution of 3% of eligible earnings, depending upon length of service and job level, subject to a ceiling of $2,250 annually. CIBC contributions vest after employees have two years of continuous participation in the plan, and all subsequent contributions vest immediately. Similar ESPPs exist in other regions globally, where each year qualifying employees can choose to have a portion of their eligible earnings withheld to purchase common shares and receive a matching employer

contribution subject to each plan's provisions. All contributions are paid into a trust and used by the plan trustees to purchase common shares. All employer contributions are used by the trustee to purchase shares on the open market. Effective February 2010, for our Canadian plan, shares purchased by the trustee using employee contributions are issued as treasury shares. FirstCaribbean operates its own ESPP, in which contributions are used by the plan trustee to purchase FirstCaribbean common shares in the open market.

Our contributions are expensed as incurred and totalled $30 million in 2010 (2009: $30 million; 2008: $30 million).

## Hedging

The impact due to changes in CIBC's share price in respect of cash-settled share-based compensation under the RSA, PSU, DSU, and SAR plans is hedged through the use of derivatives. Effective November 1, 2008, the gains and losses on these derivatives are recognized in compensation expense. In prior years, the gains and losses on these derivatives were recognized in other income. During the year, we recorded gains of $105 million (2009: gain of $60 million; 2008: loss of $49 million) in the consolidated statements of operations. Additionally, we recorded gains of $10 million (2009: $14 million; 2008: nil) in AOCI in respect of hedges of awards that are being expensed over vesting periods.

# Note 22 Employee Future Benefits

We sponsor pension and other post-employment benefit plans for eligible employees. Our pension plans include registered funded defined benefit pension plans, supplemental arrangements, which provide pension benefits in excess of statutory limits, and defined contribution plans. The pension plans are predominantly non-contributory, but some participants contribute to their respective plans so as to receive higher pension benefits. These benefits are, in general, based on years of service and compensation near retirement. We also provide certain health-care, life insurance, and other benefits to eligible employees and pensioners. In addition, we continue to sponsor a long-term disability plan which provides benefits to disabled employees who became disabled prior to June 1, 2004.

Effective November 1, 2008, we elected to change our measurement date for accrued benefit obligations and the fair value of plan assets from September 30 to October 31. The change was applied retroactively without restatement and resulted in an after-tax charge to opening retained earnings of $6 million ($9 million pre-tax) as at November 1, 2008.

As a result, plan assets and accrued benefit obligations related to our employee defined benefit plan are measured for accounting purposes as at October 31, 2010 and 2009.

The following tables present the financial positions of the employee defined benefit pension and other post-employment benefit plans for Canada, the U.S., the U.K., and the Caribbean subsidiaries. Other minor plans operated by some of our subsidiaries are not considered material and are not included in these disclosures.

| | Pension benefit plans | | | Other benefit plans | | |
|---|---|---|---|---|---|---|
| $ millions, as at or for the year ended October 31 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| **Accrued benefit obligation** | | | | | | |
| Balance at beginning of year | **$ 3,942** | $ 3,641 | $ 4,043 | **$ 720** | $ 694 | $ 767 |
| Adjustment for change in measurement date | **–** | 12 | – | **–** | 1 | – |
| Current service cost | **120** | 108 | 139 | **13** | 13 | 15 |
| Employee contributions | **6** | 6 | 7 | **–** | – | – |
| Interest cost on accrued benefit obligation | **257** | 248 | 229 | **43** | 43 | 41 |
| Benefits paid | **(212)** | (216) | (198) | **(51)** | (52) | (50) |
| Foreign exchange rate changes | **(27)** | (6) | 11 | **(3)** | – | 2 |
| Actuarial losses (gains) | **528** | 144 | (576) | **55** | 21 | (81) |
| Net transfer out | **–** | – | (2) | **–** | – | – |
| Plan amendments | **1** | 5 | – | **(8)** | – | – |
| Curtailments gains | **–** | – | – | **–** | – | (1) |
| Settlement gains | **–** | – | (13) | **–** | – | – |
| Special termination benefits | **–** | – | 1 | **–** | – | 1 |
| Balance at end of year | **$ 4,615** | $ 3,942 | $ 3,641 | **$ 769** | $ 720 | $ 694 |
| **Plan assets** | | | | | | |
| Fair value at beginning of year | **$ 4,003** | $ 3,794 | $ 4,121 | **$ 27** | $ 40 | $ 59 |
| Adjustment for change in measurement date | **–** | (15) | – | **–** | (4) | – |
| Actual positive (negative) return on plan assets | **471** | 154 | (411) | **1** | 3 | 2 |
| Employer contributions | **369** | 288 | 278 | **48** | 40 | 29 |
| Employee contributions | **6** | 6 | 7 | **–** | – | – |
| Benefits paid | **(212)** | (216) | (198) | **(51)** | (52) | (50) |
| Settlement payments | **–** | – | (13) | **–** | – | – |
| Foreign exchange rate changes | **(29)** | (8) | 12 | **–** | – | – |
| Net transfer out | **–** | – | (2) | **–** | – | – |
| Fair value at end of year | **$ 4,608** | $ 4,003 | $ 3,794 | **$ 25** | $ 27 | $ 40 |
| Funded status (deficit) surplus | **$ (7)** | $ 61 | $ 153 | **$ (744)** | $ (693) | $ (654) |
| Employer contributions after measurement date | **–** | – | 55 | **–** | – | 3 |
| Unamortized net actuarial losses | **1,423** | 1,171 | 877 | **151** | 100 | 82 |
| Unamortized past service costs (gains) | **8** | 9 | 7 | **(135)** | (148) | (170) |
| Unamortized transitional asset | **–** | – | – | **–** | 1 | 1 |
| Accrued benefit asset (liability) | **$ 1,424** | $ 1,241 | $ 1,092 | **$ (728)** | $ (740) | $ (738) |
| Valuation allowance | **(19)** | (18) | (19) | **–** | – | – |
| Accrued benefit asset (liability), net of valuation allowance | **$ 1,405** | $ 1,223 | $ 1,073 | **$ (728)** | $ (740) | $ (738) |

The accrued benefit asset (liability), net of valuation allowance, included in other assets and liabilities is as follows:

| | Pension benefit plans | | | Other benefit plans | | |
|---|---|---|---|---|---|---|
| $ millions, as at October 31 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| Accrued benefit asset (liability), net of valuation allowance, recorded in: | | | | | | |
| Other assets (Note 9) | **$ 1,426** | $ 1,243 | $ 1,094 | **$ –** | $ – | $ – |
| Other liabilities (Note 11) | **(21)** | (20) | (21) | **(728)** | (740) | (738) |
| | **$ 1,405** | $ 1,223 | $ 1,073 | **$ (728)** | $ (740) | $ (738) |

Included in the accrued benefit obligation and fair value of the plan assets at year-end are the following amounts in respect of plans with accrued benefit obligations in excess of fair value of assets:

| | Pension benefit plans | | | Other benefit plans | | |
|---|---|---|---|---|---|---|
| $ millions, as at October 31 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| Accrued benefit obligation | | | | | | |
| Unfunded plans | **$ 43** | $ 38 | $ 31 | **$ 638** | $ 582 | $ 559 |
| Funded plans | **4,149** | 217 | 132 | **131** | 138 | 135 |
| | **4,192** | 255 | 163 | **769** | 720 | 694 |
| Fair value of plan assets | **4,094** | 202 | 123 | **25** | 27 | 40 |
| Funded status deficit | **$ (98)** | $ (53) | $ (40) | **$ (744)** | $ (693) | $ (654) |

The net defined benefit plan expense is as follows:

| | Pension benefit plans | | | Other benefit plans | | |
|---|---|---|---|---|---|---|
| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| Current service cost | **$ 120** | $ 108 | $ 139 | **$ 13** | $ 13 | $ 15 |
| Interest cost on accrued benefit obligation | **257** | 248 | 229 | **43** | 43 | 41 |
| Actual negative (positive) return on plan assets | **(471)** | (154) | 411 | **(1)** | (3) | (2) |
| Plan amendments | **1** | 5 | – | **(8)** | – | – |
| Actuarial losses (gains) | **528** | 144 | (576) | **55** | 21 | (81) |
| Curtailment losses | **–** | – | 1 | **–** | – | – |
| Settlement losses | **–** | – | 2 | **–** | – | – |
| Special termination benefits | **–** | – | 1 | **–** | – | 1 |
| Benefit plan expense, before adjustments to recognize the long-term nature of employee future benefit costs | **$ 435** | $ 351 | $ 207 | **$ 102** | $ 74 | $ (26) |
| Adjustments to recognize the long-term nature of employee future benefit costs | | | | | | |
| Difference between actual and expected return on plan assets | **$ 204**(1) | $ (141)(1) | $ (683)(1) | **$ –**(2) | $ 1(2) | $ 1(2) |
| Difference between actuarial (gains) losses arising and actuarial (gains) losses amortized | **(462)**(3) | (133)(3) | 629(3) | **(51)**(4) | (20)(4) | 88(4) |
| Difference between plan amendment costs arising and plan amendment costs amortized | **1**(5) | (3)(5) | 2(5) | **(13)**(6) | (20)(6) | (21)(6) |
| | **(257)** | (277) | (52) | **(64)** | (39) | 68 |
| Change in valuation allowance | **1** | (1) | – | **–** | – | – |
| Defined benefit plan expense recognized | **$ 179** | $ 73 | $ 155 | **$ 38** | $ 35 | $ 42 |

(1) Expected return on plan assets of $267 million (2009: $295 million; 2008: $272 million), subtracted from actual positive (negative) return on plan assets of $471 million (2009: $154 million; 2008: $(411) million).
(2) Expected return on plan assets of $1 million (2009: $2 million; 2008: $1 million), subtracted from actual return on plan assets of $1 million (2009: $3 million; 2008: $2 million).
(3) Actuarial losses amortized of $66 million (2009: $11 million; 2008: $53 million), less actual actuarial losses (gains) incurred of $528 million (2009: $144 million; 2008: $(576) million).
(4) Actuarial losses amortized of $4 million (2009: $1 million; 2008: $7 million), less actual actuarial losses (gains) incurred of $55 million (2009: $21 million; 2008: $(81) million).
(5) Amortization of plan amendments of $2 million (2009: $2 million; 2008: $2 million), less actual plan amendments of $1 million (2009: $5 million; 2008: nil).
(6) Amortization of plan amendments of $(21) million (2009: $(20) million; 2008: $(21) million), less actual plan amendments of $(8) million (2009: nil; 2008: nil).

## Benefit and plan changes

### 2010 and 2009

There were no material changes to the terms of our defined benefit pension plans or other benefit plans in 2010 or 2009.

### 2008

During 2008, the supplemental pension arrangements for Canadian employees became funded plans. The initial funding contribution was $167 million.

## Investment policy

The investment policy for benefit plan assets is to optimize the risk-return relationship using a global portfolio of various asset classes diversified by market segment, economic sector, and issuer. The goal is to secure the plan obligations of our funded plans, maximizing the investment returns while not compromising the security of the respective plans, and managing the level of funding contributions. Plan assets are managed by external investment managers and CIBC Global Asset Management Inc., a wholly owned subsidiary of CIBC, within established ranges and are rebalanced as required to the target asset mix.

## Benefit plan assets

The weighted-average asset allocation and target allocation by asset category of our defined benefit pension plans and other funded benefit plans are as follows:

| | Pension benefit plans | | | | Other benefit plans | | | |
|---|---|---|---|---|---|---|---|---|
| Asset category[1] | **Target allocation 2010** | **Actual allocation 2010** | Target allocation 2009 | Actual allocation 2009 | **Target allocation 2010** | **Actual allocation 2010** | Target allocation 2009 | Actual allocation 2009 |
| Equity[2] | **49%** | **49%** | 49% | 48% | **–%** | **–%** | –% | –% |
| Debt[2] | **42** | **45** | 43 | 45 | **100** | **100** | 100 | 100 |
| Real estate | **5** | **4** | 4 | 4 | **–** | **–** | – | – |
| Other[3] | **4** | **2** | 4 | 3 | **–** | **–** | – | – |
| | **100%** | **100%** | 100% | 100% | **100%** | **100%** | 100% | 100% |

(1) Commencing 2010, categories are based upon risk classification. Prior year actual allocations have been restated.
(2) Pension benefit plans include CIBC or FirstCaribbean securities and deposits of $39 million (2009: $9 million), representing 0.8% of total plan assets (2009: 0.3%). Other benefit plans do not include any CIBC or FirstCaribbean securities or deposits.
(3) Includes foreign currency derivatives that hedge currency exposures and investments in essential public assets, including transportation, communication, energy, education, and health-care projects.

## Plan assumptions

The discount rate assumption used in determining pension and other post-employment benefit obligations and net benefit expense reflects the market yields, as of the measurement date, on high-quality debt instruments with cash flows that match expected benefit payments.

For the Canadian plans, the expected rate of return on plan assets assumption is reviewed annually by management, in conjunction with our actuaries. The assumption is based on expected returns for the various asset classes, weighted by the portfolio allocation. Anticipated future long-term performance of individual asset categories is considered, reflecting expected future inflation and real yields on fixed income securities and equities.

In the U.S., U.K., and Caribbean regions, procedures similar to those in Canada are used to develop the expected long-term rate of return on plan assets, taking into consideration local market conditions and the specific allocation of plan assets.

The weighted-average assumptions used to determine the accrued benefit obligation and the benefit plan expenses are as follows:

| | Pension benefit plans | | | Other benefit plans | | |
|---|---|---|---|---|---|---|
| For the year ended October 31 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| Accrued benefit obligation as at October 31 | | | | | | |
| Discount rate at end of the period | **5.6%** | 6.5% | 6.8% | **5.3%** | 6.0% | 6.6% |
| Rate of compensation increase | **3.6%** | 3.7% | 3.7% | **3.5%** | 3.5% | 3.5% |
| Net benefit plan expense for the year ended October 31 | | | | | | |
| Discount rate at beginning of the period | **6.5%** | 6.8% | 5.6% | **6.0%** | 6.6% | 5.5% |
| Expected long-term rate of return on plan assets | **6.4%** | 6.9% | 6.8% | **4.0%** | 5.0% | 5.8% |
| Rate of compensation increase | **3.7%** | 3.7% | 3.6% | **3.5%** | 3.5% | 3.5% |

The assumed health-care cost trend rates of the principal Canadian plan providing medical, dental, and life insurance benefits are as follows:

| For the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Health-care cost trend rates assumed for next year | **7.0%** | 7.1% | 6.7% |
| Rate to which the cost trend rate is assumed to decline | **4.5%** | 4.5% | 4.5% |
| Year that the rate reaches the ultimate trend rate | **2029** | 2029 | 2018 |

A one percentage-point change in assumed health-care cost trend rates would have the following effects:

| | One percentage-point increase | | | One percentage-point decrease | | |
|---|---|---|---|---|---|---|
| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| Effect on aggregate of service and interest costs | **$ 4** | $ 4 | $ 4 | **$ (3)** | $ (3) | $ (4) |
| Effect on accrued benefit obligation | **54** | 49 | 53 | **(45)** | (40) | (44) |

## Defined contribution and other plans

We also maintain defined contribution plans for certain employees. The expense recognized for these benefit plans is as follows:

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Defined contribution pension plans | **$ 11** | $ 13 | $ 14 |
| Government pension plans[1] | **75** | 73 | 76 |
| | **$ 86** | $ 86 | $ 90 |

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

## Expenses if recognized as they arose

The total expense arising for the defined benefit pension plans, defined contribution pension plans, government pension plans, and other post-employment benefit plans if we had recognized all costs and expenses as they arose is as follows:

| | Pension benefit plans | | | Other benefit plans | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| Defined benefit plans | **$ 435** | $ 351 | $ 207 | **$ 102** | $ 74 | $ (26) | **$ 537** | $ 425 | $ 181 |
| Defined contribution and other plans | **86** | 86 | 90 | **–** | – | – | **86** | 86 | 90 |
| | **$ 521** | $ 437 | $ 297 | **$ 102** | $ 74 | $ (26) | **$ 623** | $ 511 | $ 271 |

## Cash flows

### Cash contributions

The most recently completed actuarial valuation of the principal defined benefit pension plan for funding purposes was as at October 31, 2009. The next required actuarial valuation of this plan for funding purposes will be effective as of October 31, 2010. For the long-term disability plan, the most recent actuarial valuation was performed as of October 31, 2009. Total cash contributions for employee future benefit plans consist of:

| | Pension benefit plans | | | Other benefit plans | | |
|---|---|---|---|---|---|---|
| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| Funded plans | **$ 366** | $ 230 | $ 330 | **$ 15** | $ – | $ – |
| Beneficiaries of unfunded plans | **3** | 3 | 3 | **33** | 37 | 32 |
| Defined contribution pension plans | **11** | 13 | 14 | **–** | – | – |
| | **$ 380** | $ 246 | $ 347 | **$ 48** | $ 37 | $ 32 |

The minimum contributions for 2011 are anticipated to be $164 million for defined benefit pension plans and $52 million for other benefit plans. These estimates are subject to change since contributions are affected by various factors, such as market performance, regulatory requirements, and management's ability to change funding policy.

### Benefit payments

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid either by CIBC or from the trust funds:

| $ millions, as at October 31, 2010 | Pension benefit plans | Other benefit plans |
|---|---|---|
| 2011 | $ 212 | $ 52 |
| 2012 | 217 | 52 |
| 2013 | 223 | 52 |
| 2014 | 229 | 53 |
| 2015 | 236 | 53 |
| 2016 – 2020 | 1,307 | 272 |

# Note 23 Income Taxes

## Total income taxes

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Consolidated statement of operations | | | |
| Income tax expense (benefit) – current | **$ 733** | $ 386 | $ (671) |
| – future | **800** | 38 | (1,547) |
| | **1,533** | 424 | (2,218) |
| Consolidated statement of changes in shareholders' equity | | | |
| OCI | **(485)** | 18 | (930) |
| Accounting policy changes | **–** | (3)[1] | (50)[2] |
| Other | **(7)** | (6) | (20) |
| | **(492)** | 9 | (1,000) |
| | **$ 1,041** | $ 433 | $ (3,218) |

(1) Represents the impact of changing the measurement date for employee future benefits. See Note 22 for additional details.
(2) Represents the impact of adopting the amended CICA EIC Abstract 46, "Leveraged leases". See Note 1 for additional details..

## Components of income tax

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Current income taxes | | | |
| Federal | **$ 80** | $ 133 | $ (1,326) |
| Provincial | **63** | 84 | (612) |
| Foreign | **44** | 65 | 263 |
| | **187** | 282 | (1,675) |
| Future income taxes | | | |
| Federal | **491** | 172 | (788) |
| Provincial | **292** | 94 | (451) |
| Foreign | **71** | (115) | (304) |
| | **854** | 151 | (1,543) |
| | **$ 1,041** | $ 433 | $ (3,218) |

Future income tax balances are included in other assets (Note 9) and result from temporary differences between the tax basis of assets and liabilities and their carrying amounts on the consolidated balance sheet.

The combined Canadian federal and provincial income tax rate varies each year according to changes in the statutory rates imposed by each of these jurisdictions, and according to changes in the proportion of our business carried out in each province. We are also subject to Canadian taxation on income of foreign branches.

Earnings of foreign subsidiaries would generally only be subject to Canadian tax when distributed to Canada. Additional Canadian taxes that would be payable if all foreign subsidiaries' retained earnings were distributed to the Canadian parent as dividends are estimated at $231 million (2009: $500 million; 2008: $379 million).

The effective rates of income tax in the consolidated statement of operations are different from the combined Canadian federal and provincial income tax rate of 30.6% (2009: 31.8%; 2008: 32.7%) as set out in the following table:

## Reconciliation of income taxes

| $ millions, for the year ended October 31 | **2010** | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|
| Combined Canadian federal and provincial income tax rate applied to income (loss) before income taxes | **$ 1,228** | **30.6%** | $ 515 | 31.8% | $(1,393) | 32.7% |
| Income taxes adjusted for the effect of: | | | | | | |
| Earnings of foreign subsidiaries | **(96)** | **(2.4)** | (118) | (7.3) | (309) | 7.3 |
| Tax-exempt income | **(36)** | **(0.9)** | (29) | (1.8) | (126) | 3.0 |
| Tax-exempt gains | **–** | **–** | (4) | (0.2) | – | – |
| Enron-related increased tax benefit | **–** | **–** | – | – | (486) | 11.4 |
| Net realized foreign exchange gains on investments in foreign operations | **409** | **10.2** | 69 | 4.3 | 144 | (3.4) |
| Future tax rate decrease | **27** | **0.7** | – | – | – | – |
| Other | **1** | **–** | (9) | (0.6) | (48) | 1.1 |
| Income taxes in the consolidated statement of operations | **$ 1,533** | **38.2%** | $ 424 | 26.2% | $(2,218) | 52.1% |

During the year, capital repatriation activities resulted in a $536 million (2009: $104 million; 2008: $160 million) increase in income tax expense in the consolidated statement of operations, arising from the transfer of related accumulated balances in the foreign currency translation adjustments component of AOCI.

## Future income tax asset

At October 31, 2010, our future income tax asset was $767 million, net of a $66 million (US$65 million) valuation allowance. Included in the future income tax asset were $385 million related to Canadian non-capital loss carryforwards that expire in 18 years, $54 million related to Canadian capital loss carryforwards that have no expiry date, and $267 million related to our U.S. operations. Accounting standards require a valuation allowance when it is more likely than not that all or a portion of a future income tax asset will not be realized prior to its expiration. Although realization is not assured, we believe that, based on all available evidence, it is more likely than not that all of the future income tax asset, net of the valuation allowance, will be realized.

The following table presents sources of the future income tax assets and liabilities, net of the valuation allowance:

### Sources of future income tax balances

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Future income tax assets | | |
| Tax loss carryforwards | **$ 665** | $ 1,249 |
| Provisions | **37** | 76 |
| Allowance for credit losses | **346** | 466 |
| Unearned income | **88** | 70 |
| Buildings and equipment | **62** | 55 |
| Pension and employee benefits | **90** | 73 |
| Securities revaluation | **35** | 150 |
| Other | **106** | 70 |
| | **1,429** | 2,209 |
| Valuation allowance | **(66)** | (95) |
| | **1,363** | 2,114 |
| Future income tax liabilities | | |
| Lease receivables | **87** | 64 |
| Pension and employee benefits | **152** | 82 |
| Buildings and equipment | **80** | 80 |
| Goodwill | **69** | 72 |
| Securities revaluation | **91** | 40 |
| Foreign currency | **62** | 62 |
| Other | **55** | 79 |
| | **596** | 479 |
| Net future income tax asset, net of the valuation allowance (Note 9) | **$ 767** | $ 1,635 |

## Enron

On October 2, 2009 and March 17, 2010, the Canada Revenue Agency (CRA) issued reassessments disallowing the deduction of approximately $3.0 billion of the 2005 Enron settlement payments and related legal expenses. Also during the year, the CRA proposed to disallow legal expenses related to 2006.

On April 30, May 19, and September 9, 2010, we filed Notices of Appeal with the Tax Court of Canada. On September 30 and November 12, 2010, we received Replies from the Department of Justice which confirmed CRA's reassessments. The matter is now proceeding to litigation. We believe that we will be successful in sustaining at least the amount of the accounting tax benefit recognized to date. Should we successfully defend our tax filing position in its entirety, we would be able to recognize an additional accounting tax benefit of $214 million and taxable refund interest of approximately $167 million. Should we fail to defend our position in its entirety, additional tax expense of approximately $865 million and non-deductible interest of approximately $128 million would be incurred.

## Leveraged leases

Final closing agreements for leveraged leases were executed with the Internal Revenue Service (IRS) in 2009. During the year, final taxable amounts and interest charges thereon were agreed with the IRS and payments applied to the various affected taxation years.

## Ontario tax rate reductions

The Ontario Government will reduce Ontario corporate tax rates to 10% by 2013. The rate reductions were substantively enacted as at November 16, 2009. As a result, we wrote down our future tax assets by approximately $25 million.

The following table presents a reconciliation of the beginning and ending amount of unrecognized tax benefits.

### Unrecognized tax benefits

| $ millions, for the year ended October 31 | **2010** | 2009 |
|---|---|---|
| Balance at beginning of year | **$ 456** | $ 460 |
| Increases based on tax positions related to the current year | **39** | 42 |
| Decreases based on tax positions related to prior years | **(21)** | (39) |
| Decreases related to a lapse of applicable statute of limitations | **–** | (7) |
| Balance at the end of year | **$ 474** | $ 456 |

The entire amount of remaining unrecognized tax benefits of $474 million (2009: $456 million), if recognized, would affect the effective tax rate.

We do not expect any other significant changes in the total amount of unrecognized benefits to occur within the next 12 months.

CIBC operates in Canada, the U.S., the U.K., and other tax jurisdictions. The earliest tax years subject to investigation (for federal purposes) are as follows:

| Jurisdiction: | |
|---|---|
| Canada | 2005 |
| U.S. | 2008 |
| U.K. | 2008 |

CIBC accounts for interest arrears and penalties in Income tax expense, except where the interest is deductible for income tax purposes, in which case it is recognized as Interest expense in the consolidated statement of operations. The total amount of interest and penalties payable on the consolidated balance sheet as at October 31, 2010 was nil (2009: $94 million). Substantially all of the accrued interest and penalties in 2009 related to our U.S. leveraged leases transactions.

## Note 24 Earnings per Share (EPS)

| $ millions, except per share amounts, for the year ended October 31 | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Basic EPS** | | | |
| Net income (loss) | **$ 2,452** | $ 1,174 | $ (2,060) |
| Preferred share dividends and premiums | **(169)** | (162) | (119) |
| Net income (loss) applicable to common shares | **$ 2,283** | $ 1,012 | $ (2,179) |
| Weighted-average common shares outstanding (thousands) | **387,802** | 381,677 | 370,229 |
| Basic EPS | **$ 5.89** | $ 2.65 | $ (5.89) |
| **Diluted EPS** | | | |
| Net income (loss) applicable to common shares | **$ 2,283** | $ 1,012 | $ (2,179) |
| Weighted-average common shares outstanding (thousands) | **387,802** | 381,677 | 370,229 |
| Add: stock options potentially exercisable[(1)] (thousands) | **1,005** | 765 | 1,534 |
| Weighted-average diluted common shares outstanding[(2)] (thousands) | **388,807** | 382,442 | 371,763 |
| Diluted EPS[(3)] | **$ 5.87** | $ 2.65 | $ (5.89) |

(1) Excludes average options outstanding of 1,954,098 with a weighted-average exercise price of $78.99; average options outstanding of 3,444,668 with a weighted-average exercise price of $69.37; and average options outstanding of 1,911,347 with a weighted-average exercise price of $79.13 for the years ended October 31, 2010, 2009, and 2008, respectively, as the options' exercise prices were greater than the average market price of common shares.
(2) Convertible preferred shares and preferred share liabilities have not been included in the calculation because either we have settled preferred shares for cash in the past or we have not exercised our conversion right in the past.
(3) In case of a loss, the effect of stock options potentially exercisable on diluted EPS is anti-dilutive; therefore, basic and diluted EPS are the same.

## Note 25 Commitments, Guarantees, Pledged Assets and Contingent Liabilities

### Commitments

### Credit-related arrangements

Credit-related arrangements are generally off-balance sheet instruments and are typically entered into to meet the financing needs of clients. In addition, there are certain exposures for which we could be obligated to extend credit that are not recorded on the consolidated balance sheet. Our policy of requiring collateral or other security to support credit-related arrangements and the types of security held is generally the same as for loans. The contract amounts shown below for credit-related arrangements represent the maximum amount of additional credit that we could be obligated to extend. The contract amounts also represent the credit risk amounts should the contracts be fully drawn, the counterparties default and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts are not necessarily indicative of future cash requirements or actual risk of loss.

| | Contract amounts | |
|---|---|---|
| $ millions, as at October 31 | 2010 | 2009 |
| Securities lending[(1)(2)] | **$ 57,325** | $ 43,907 |
| Unutilized credit commitments[(3)] | **44,530** | 39,747 |
| Backstop liquidity facilities | **4,403** | 4,869 |
| Standby and performance letters of credit | **5,721** | 5,123 |
| ALM credit derivatives written options | **–** | 27 |
| Documentary and commercial letters of credit | **290** | 234 |
| Other | **381** | 371 |
| | **$ 112,650** | $ 94,278 |

(1) Includes the full contract amount of custodial client securities totalling $45.0 billion (2009: $33.3 billion) lent by CIBC Mellon Global Securities Services Company.
(2) Excludes securities lending of $4.3 billion (2009: $5.3 billion) for cash because it is reported on the consolidated balance sheet as obligations related to securities lent or sold under repurchase agreements.
(3) Includes irrevocable lines of credit totalling $34.9 billion (2009: $30.7 billion), of which $14.3 billion (2009: $18.7 billion) will expire in one year or less. Excludes personal lines of credit, home equity lines of credit, and credit card lines.

#### *Securities lending*

Securities lending represents our credit exposure when we lend our own or our clients' securities to a borrower and the borrower defaults on the redelivery obligation. The borrower must fully collateralize the security lent at all times.

#### *Unutilized credit commitments*

Unutilized credit commitments are the undrawn portion of lending facilities that we have approved to meet the requirements of clients. These lines may include various conditions that must be satisfied prior to drawdown and include facilities extended in connection with contingent acquisition financing. The credit risk associated with these lines arises from the possibility that a commitment will be drawn down as a loan at some point in the future, prior to the expiry of the commitment. The amount of collateral obtained, if deemed necessary, is based on our credit evaluation of the borrower and may include a charge over the present and future assets of the borrower.

#### *Backstop liquidity facilities*

We provide irrevocable backstop liquidity facilities primarily to ABCP conduits. We are the financial services agent for some of these conduits, while other conduits are administered by third parties. The liquidity facilities for our sponsored ABCP programs for Crisp Trust, Macro Trust, Safe Trust, Smart Trust and Sound Trust require us to provide funding, subject to the satisfaction of certain limited conditions with respect to the conduits, to fund non-defaulted assets.

#### *Standby and performance letters of credit*

These represent an irrevocable obligation to make payments to third parties in the event that clients are unable to meet their contractual financial or performance obligations. The credit risk associated with these instruments is essentially the same as that involved in extending irrevocable loan commitments to clients. The amount of collateral obtained, if deemed necessary, is based on our credit evaluation of the borrower and may include a charge over present and future assets of the borrower.

### *ALM credit derivatives written options*

Credit default swaps for ALM purposes are written to create synthetic loan exposures to a reference borrower, to manage credit portfolio diversification. The notional amount of these contracts is included in the table above. The notional amount represents the maximum amount at risk in the event of a default of the reference borrower.

### *Documentary and commercial letters of credit*

Documentary and commercial letters of credit are short-term instruments issued on behalf of a client, authorizing a third-party, such as an exporter, to draw drafts on CIBC up to a specified amount, subject to specific terms and conditions. We are at risk for any drafts drawn that are not ultimately settled by the client; however, the amounts drawn are collateralized by the related goods.

### Lease commitments[1][2][3][4]

CIBC has obligations under non-cancellable leases for buildings and equipment.

Future minimum lease payments for all lease commitments for each of the five succeeding years and thereafter are as follows:

| $ millions, as at October 31, 2010 | |
|---|---|
| 2011 | $ 332 |
| 2012 | 310 |
| 2013 | 286 |
| 2014 | 248 |
| 2015 | 247 |
| 2016 and thereafter | 1,482 |

(1) Total rental expense (excluding servicing agreements) in respect of buildings and equipment charged to the consolidated statement of operations was $373 million (2009: $334 million; 2008: $366 million).
(2) Includes future minimum lease commitments under sale-leaseback amounting to $46 million in 2011, $45 million in 2012, $47 million in 2013, $48 million in 2014, $47 million in 2015, and $382 million in 2016 and thereafter.
(3) We have sublet some of our premises and expect to receive $26 million (2009: $43 million) from third-party tenants on the sub-leases. Our lease commitments in the table above are gross of the sub-lease income.
(4) Includes $16 million (2009: $21 million) of assigned lease commitments in connection with our sale of the U.S. private client and asset management division to Oppenheimer in 2003. We remain contingently liable under the terms of the leases that have been assigned to Oppenheimer in the event of an Oppenheimer default.

### Other commitments

As an investor in merchant banking activities, we enter into commitments to fund external private equity funds and investments in equity and debt securities at market value at the time the commitments are drawn. In connection with these activities, we had commitments to invest up to $294 million (2009: $372 million).

In addition, we act as underwriter for certain new issuances under which we alone or together with a syndicate of financial institutions purchase the new issue for resale to investors. As at October 31, 2010, the related underwriting commitments were $183 million (2009: $358 million).

## Guarantees

Guarantees include contracts that contingently require the guarantor to make payments to a guaranteed party based on (i) changes in an underlying economic characteristic that is related to an asset, liability, or an equity security of the guaranteed party; (ii) failure of another party to perform under an obligating agreement; or (iii) failure of a third party to pay its indebtedness when due.

The following table summarizes significant guarantees issued and outstanding:

| $ millions, as at October 31 | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Maximum potential future payment[1]** | **Carrying amount** | Maximum potential future payment[1] | Carrying amount |
| Securities lending with indemnification[2] | **$ 42,527** | **$ –** | $ 30,797 | $ – |
| Standby and performance letters of credit | **5,721** | **25** | 5,123 | 20 |
| Credit derivatives | | | | |
| Written options | **12,080** | **1,884** | 20,547 | 4,226 |
| Swap contracts written protection | **2,982** | **156** | 3,657 | 276 |
| Other derivative written options | **See narrative** | **1,593** | See narrative | 2,849 |
| Other indemnification agreements | **See narrative** | **–** | See narrative | – |

(1) The total collateral available relating to these guarantees was $45.5 billion (2009: $33.1 billion).
(2) Securities lending with indemnification is the full contract amount of custodial client securities lent by CIBC Mellon Global Securities Services Company, which is a 50/50 joint venture between CIBC and The Bank of New York Mellon.

As many of these guarantees will expire or terminate without being drawn upon, and do not take into consideration the possibility of recovery by means of recourse provisions or from collateral held or pledged, the maximum potential future payment amounts are not indicative of future cash requirements or credit risk, and bear no relationship to our expected losses from these arrangements.

### Securities lending with indemnification
As part of our custodial business, indemnifications may be provided to security lending clients to ensure that the fair value of securities lent will be returned in the event that the borrower fails to return the indemnified securities and collateral held is insufficient to cover the fair value of those securities. The term of these indemnifications varies, as the securities lent are recallable on demand.

### Standby and performance letters of credit
Standby and performance letters of credit represent written undertakings that back financial and performance obligations of the client. These guarantees convey similar credit risk characteristics as loans. We may collateralize standby and performance letters of credit by various forms, including cash, securities, and other assets pledged. The term of these guarantees may vary with the majority of them expiring within one year.

### Credit derivatives written options
Credit derivatives written options represent an indirect guarantee of indebtedness of another party or the market value of a reference asset as they require us to transfer funds to a counterparty upon the occurrence of specified events related to the creditworthiness of a reference obligor or the market value of a reference asset. For these types of derivatives, determination of our counterparties' underlying exposure related to the obligor or reference asset (outside of the derivative contract) is not required in order to classify the derivative as a guarantee. The term of these contracts may vary, with the majority of them expiring over five years.

### Other derivative written options
Derivative contracts include written options on interest rate, foreign exchange, equity, commodity, and other underlyings, which provide the holder the right to purchase or sell the underlying item for a pre-determined price. The derivative would be considered a guarantee if the counterparty held an asset, liability, or equity security related to the underlying in the derivative contract. We do not track the intention or holdings of a given counterparty when writing an option, and as a result, the maximum potential liability for derivative contracts that may meet the definition of a guarantee is unavailable. We generally hedge our exposure to these contracts by entering into a variety of offsetting derivative contracts and security positions. The term of these contracts is generally within one to five years.

### Other indemnification agreements
In the ordinary course of operations, we enter into contractual arrangements under which we may agree to indemnify the counterparty to such arrangement from any losses relating to a breach of representations and warranties, a failure to perform certain covenants, or for claims or losses arising from certain external events as outlined within the particular contract. This may include, for example, losses arising from changes in tax legislation, litigation, or claims relating to past performance. In addition, we have entered into indemnification agreements with each of our directors and officers to indemnify those individuals, to the extent permitted by law, against any and all claims or losses (including any amounts paid in settlement of any such claims) incurred as a result of their service to CIBC. In most indemnities, maximum loss clauses are generally not provided for, and as a result, no defined limit of the maximum potential liability exists. We believe that the likelihood of the conditions arising to trigger obligations under these contract arrangements is remote. Historically, any payments made in respect of these contracts have not been significant. No amounts related to these indemnifications, representations, and warranties are reflected within the consolidated financial statements as at October 31, 2010 and 2009.

## Pledged assets
In the ordinary course of business, we pledge our own or may sell or re-pledge third-party assets against liabilities, or to facilitate certain activities. The following table presents the sources and uses of pledged assets and collateral:

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| **Sources of pledged assets and collateral** | | |
| CIBC assets | | |
| Deposits with banks | **$ 41** | $ 32 |
| Securities | **22,187** | 26,365 |
| Mortgages | **6,409** | 3,697 |
| Other assets | **4,912** | 6,603 |
| | **33,549** | 36,697 |
| Client assets | | |
| Collateral received and available for sale or re-pledged[1] | **97,707** | 79,028 |
| Less: not sold or re-pledged | **22,106** | 15,960 |
| | **75,601** | 63,068 |
| | **$ 109,150** | $ 99,765 |
| **Uses of pledged assets and collateral** | | |
| Securities lent[2] | **$ 57,325** | $ 43,907 |
| Obligations related to securities lent or sold under repurchase agreements[3] | **28,220** | 37,453 |
| Obligations related to securities sold short[3] | **9,673** | 5,916 |
| Covered bonds[3] | **6,409** | 3,182 |
| Margins for exchange-traded futures and options, and collateralized derivative transactions | **6,204** | 8,175 |
| Foreign governments and central banks[4] | **419** | 332 |
| Clearing systems, payment systems and depositories[4] | **900** | 800 |
| | **$ 109,150** | $ 99,765 |

(1) Includes the full contract amount totalling $47.8 billion (2009: $35.3 billion) of collateral received for custodial client securities lent by CIBC Mellon Global Securities Services Company.
(2) Includes the full contract amount of custodial client securities totalling $45.0 billion (2009: $33.3 billion) lent by CIBC Mellon Global Securities Services Company.
(3) Does not include over-collateralization of assets pledged.
(4) Includes assets pledged in order to participate in clearing and payment systems and depositories, or to have access to the facilities of central banks in foreign jurisdictions. Excludes intraday pledges to the Bank of Canada related to the Large Value Transfer System.

## Securities collateral

Client securities collateral available for sale or re-pledge is received in connection with securities lending, securities borrowed or purchased under resale agreements, margin loans, and to collateralize derivative contracts. Client securities collateral may be sold or re-pledged by CIBC in connection with securities borrowed, lent or sold under repurchase agreements, for margin loans, as collateral for derivative transactions, or delivered to cover securities sold short.

## Contingent liabilities

CIBC is a party to a number of legal proceedings, including regulatory investigations, in the ordinary course of its business. While it is inherently difficult to predict the outcome of such matters, based on current knowledge and consultation with legal counsel, we do not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on our consolidated financial position. However, the outcome of any such matters, individually or in aggregate, may be material to our operating results for a particular period.

In the fourth quarter of 2008, we recognized a gain of $895 million (US$841 million), resulting from the reduction to zero of our unfunded commitment on a variable funding note (VFN) issued by a CDO. This reduction followed certain actions of the indenture trustee for the CDO following the September 15, 2008 bankruptcy filing of Lehman Brothers Holdings, Inc. (Lehman), the guarantor of a related credit default swap agreement with the CDO.

In September 2010, just prior to the expiration of a statute of limitations, the Lehman Estate instituted an adversary proceeding against numerous financial institutions, indenture trustees and note holders, including CIBC, related to this and more than 40 other CDOs. The Lehman Estate seeks a declaration that the indenture trustee's actions were improper and that CIBC remains obligated to fund the VFN. In October 2010, the bankruptcy court issued an order, at the request of the Lehman Estate, staying all proceedings in the action for a period of nine months.

Of note, in September 2010, the U.S. District Court for the Southern District of New York agreed to hear Bank of New York's appeal of the U.S. bankruptcy court ruling in the first quarter of 2010, in *Lehman Brothers Special Financing, Inc. v. BNY Corporate Trustee Services, Ltd.*, finding unenforceable a customary provision in a CDO transaction that reversed the priority of the payment waterfall upon the bankruptcy of Lehman, the credit support provider under a related swap agreement. On November 17, 2010, the Lehman Estate advised the U.S. District Court that it has settled this dispute in principle with the sole note holder. At the request of the Lehman Estate, the Court granted a 90-day stay of Bank of New York's appeal to allow time for the settlement documents to be finalized.

Although there can be no certainty regarding any eventual outcome, we continue to believe that the CDO indenture trustee's actions in reducing the unfunded commitment on our VFN to zero, were fully supported by the terms of the governing contracts and the relevant legal standards and CIBC intends to vigorously contest the adversary proceeding.

## Note 26 Concentration of Credit Risk

Concentrations of credit exposure may arise with a group of counterparties that have similar economic characteristics or are located in the same geographic region. The ability of such counterparties to meet contractual obligations would be similarly affected by changing economic, political, or other conditions.

The amounts of credit exposure associated with our on- and off-balance sheet financial instruments are summarized in the following table:

### Credit exposure by country of ultimate risk

| $ millions, as at October 31 | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | Canada | U.S. | Other countries | Total | Canada | U.S. | Other countries | Total |
| **On-balance sheet** | | | | | | | | |
| Major assets[1][2][3] | $ 262,043 | $ 29,283 | $ 44,934 | $ 336,260 | $ 242,487 | $ 32,225 | $ 42,927 | $ 317,639 |
| **Off-balance sheet** | | | | | | | | |
| Credit-related arrangements | | | | | | | | |
| Lines of credit | | | | | | | | |
| Financial institutions | $ 6,692 | $ 1,136 | $ 655 | $ 8,483 | $ 7,983 | $ 1,136 | $ 507 | $ 9,626 |
| Governments | 4,281 | 3 | – | 4,284 | 3,899 | 10 | 8 | 3,917 |
| Other | 30,101 | 3,026 | 3,038 | 36,165 | 28,150 | 1,948 | 975 | 31,073 |
| | 41,074 | 4,165 | 3,693 | 48,932 | 40,032 | 3,094 | 1,490 | 44,616 |
| Other credit-related arrangements[4] | | | | | | | | |
| Financial institutions | 57,350 | 1,249 | 154 | 58,753 | 42,683 | 1,797 | 160 | 44,640 |
| Governments | 125 | – | 5 | 130 | 82 | 6 | – | 88 |
| Other | 4,155 | 215 | 465 | 4,835 | 4,033 | 286 | 615 | 4,934 |
| | 61,630 | 1,464 | 624 | 63,718 | 46,798 | 2,089 | 775 | 49,662 |
| | $ 102,704 | $ 5,629 | $ 4,317 | $ 112,650 | $ 86,830 | $ 5,183 | $ 2,265 | $ 94,278 |
| **Derivative instruments** | | | | | | | | |
| By counterparty type | | | | | | | | |
| Financial institutions[5] | $ 5,858 | $ 5,523 | $ 9,000 | $ 20,381 | $ 6,063 | $ 6,000 | $ 8,372 | $ 20,435 |
| Governments | 2,662 | – | – | 2,662 | 1,918 | – | – | 1,918 |
| Other | 1,116 | 197 | 44 | 1,357 | 1,353 | 281 | 133 | 1,767 |
| | 9,636 | 5,720 | 9,044 | 24,400 | 9,334 | 6,281 | 8,505 | 24,120 |
| Less: effect of master netting agreements | (7,008) | (4,066) | (5,893) | (16,967) | (6,544) | (3,676) | (5,810) | (16,030) |
| Total derivative instruments | $ 2,628 | $ 1,654 | $ 3,151 | $ 7,433 | $ 2,790 | $ 2,605 | $ 2,695 | $ 8,090 |

(1) Major assets consist of cash and deposits with banks, loans and acceptances net of allowance for credit losses, securities, securities borrowed or purchased under resale agreements, and derivative instruments.
(2) Includes Canadian currency of $272.7 billion (2009: $250.7 billion) and foreign currencies of $63.6 billion (2009: $66.9 billion).
(3) Includes loans and acceptances, net of allowance for credit losses, totalling $184.6 billion (2009: $175.6 billion). No industry or foreign jurisdiction accounts for more than 10% of this amount, either in 2010 or 2009.
(4) Includes the full contract amount of custodial client securities totalling $45.0 billion (2009: $33.3 billion) lent by CIBC Mellon Global Securities Services Company.
(5) Includes positive fair value (net of CVA) of $732 million (2009: $1,519 million) on notional amounts of $13.4 billion (2009: $25.7 billion) with U.S. financial guarantors.

## Note 27 Related-party Transactions

In the ordinary course of business, we provide banking services and enter into transactions with related parties on terms similar to those offered to non-related parties. Related parties include directors, senior officers and their affiliates[1], joint ventures, and investments accounted for under the equity method. Loans to these related parties are based on market terms and conditions. We offer a subsidy on annual fees and preferential interest on credit card balances to senior officers which is the same offer to all employees of the bank.

### Directors, senior officers and their affiliates[1]

As at October 31, 2010, loans[2] to directors and their affiliates totalled $23 million (2009: $157 million), letters of credit and guarantees totalled $8 million (2009: $10 million), and the undrawn credit commitments[3] totalled $392 million (2009: $314 million).

As at October 31, 2010, loans to senior officers and their affiliates totalled $10 million (2009: $10 million), letters of credit and guarantees totalled $75 million (2009: $75 million), and the undrawn credit commitments totalled $69 million (2009: $69 million).

We offer various stock-based compensation plans to senior officers and directors. See Note 21 for details.

### Joint ventures

CIBC is a 50/50 joint venture partner with The Bank of New York Mellon in two joint ventures: CMT, which provides trust services; and CIBC Mellon Global Securities Services Company, which provides asset servicing, both in Canada. As at October 31, 2010, our common share investments in the joint ventures totalled $99 million (2009: $99 million), which are eliminated upon proportionate

(1) Affiliates include spouses, children under 18, and supported family members (dependants) of directors and senior officers. The term also includes entities over which directors, senior officers, and their dependants have significant influence. Significant influence can be exerted by one or more of these factors: greater than 10% voting interest; entities in which they have a management contract; entities in which they have positions of management authority/senior positions; entities in which they are a general partner; trusts in which they are trustees or substantial beneficiaries.
(2) Includes $22 million (2009: $156 million) to entities over which directors and their dependants have significant influence.
(3) Includes $391 million (2009: $313 million) to entities over which directors and their dependants have significant influence.

consolidation. We also provided the two entities with undrawn credit commitments of $100 million (2009: $81 million). CIBC, The Bank of New York Mellon and CIBC Mellon have, jointly and severally, provided indemnity to CIBC Mellon customers in respect of securities lending transactions.

CIBC was a 50/50 joint venture partner with CIT in CITBCC, which is engaged in asset-based lending in Canada. On April 30, 2010, we obtained 100% control of CITBCC (see Note 3 for details). As at October 31, 2009, our loans to, and common share investment in, the joint venture totalled $413 million and $1 million, respectively, which were eliminated upon proportionate consolidation. In addition, as at October 31, 2009, we had letters of credit and guarantees of $129 million and undrawn credit commitments of $189 million to the joint venture. The loans were made to the joint venture under a Master Funding agreement, under which the joint venture borrowed money equally from both of its joint investors. Interest was charged at prime rate on Canadian dollar loans and at Base Rate (Canada) for U.S. dollar loans.

### Equity-accounted entities

As at October 31, 2010, investments in and loans to equity-accounted entities totalled $457 million (2009: $386 million), the undrawn investment commitments totalled $8 million (2009: $10 million), and credit commitments totalled $332 million (2009: $5 million).

## Note 28 Segmented and Geographic Information

We have two strategic business units (SBUs): CIBC Retail Markets, which services retail customers, and Wholesale Banking, which services wholesale customers. These SBUs are supported by Corporate and Other.

CIBC Retail Markets provides a full range of financial products, services, and advice to individual and business banking clients in Canada, as well as investment management services globally to retail and institutional clients in Hong Kong, Singapore, and the Caribbean. In addition, CIBC Retail Markets offers a full range of financial services to clients in over 17 regional markets in the Caribbean through FirstCaribbean.

Wholesale Banking is the corporate and investment banking arm of CIBC. To deliver on its mandate as a premier client-focused and Canadian-based investment bank, Wholesale Banking provides a wide range of capital markets, credit, investment banking, merchant banking, and research products and services to government, institutional, corporate and retail clients in Canada and in key markets around the world. Wholesale Banking provides capital solutions and advisory expertise across a wide range of industries, as well as research for our corporate, government, and institutional clients. Wholesale Banking also conducts treasury execution activities.

These SBUs are supported by five functional groups: Technology and Operations; Corporate Development; Finance (including Treasury); Administration; and Risk Management. The activities of these functional groups are included within Corporate and Other, with their revenue, expenses, and balance sheet resources generally being allocated to the SBUs. Corporate and Other also includes CIBC Mellon joint ventures, and other income statement and balance sheet items, not directly attributable to the SBUs.

### Business unit allocations

Results for the SBUs are based on our internal financial reporting systems. The assets and liabilities of the segments are transfer priced, using a funding methodology that best reflects their nature and term, at wholesale market rates. Non-interest expenses are attributed to the SBUs to which they relate based on appropriate criteria.

Treasury activities impact the reported financial results of our SBUs. Each line of business within our SBUs is charged or credited with a market-based cost of funds on assets and liabilities, respectively, and this impacts the revenue performance of the SBUs. Once the interest and liquidity risk inherent in our customer-driven assets and liabilities is transfer priced into Treasury, it is managed within our risk framework and limits.

Treasury also allocates capital to the SBUs in a manner that is intended to consistently measure and align economic costs with the underlying benefits and risks associated with SBU activities. Earnings on unallocated capital and the impact of securitization activities remain in Corporate and Other.

We review our transfer pricing and treasury allocations methodologies on an ongoing basis to ensure they reflect changing market environments and industry practices. The nature of transfer pricing and treasury allocation methodologies is such that the presentation of certain line items in segmented results is different compared to consolidated CIBC results.

### Changes made to our business segments

#### 2010

The global repurchase agreement (repo) business that was previously part of Treasury in Corporate and Other was retroactively transferred to capital markets within Wholesale Banking. The results of this repo business were previously allocated substantially to other within CIBC Retail Markets. Also during the year, large corporate cash management revenue previously reported in business banking within CIBC Retail Markets, was retroactively transferred to corporate and investment banking within Wholesale Banking. Prior period amounts were restated.

### 2009

We moved the impact of securitization for CIBC Retail Markets to Corporate and Other. In addition, the provision for credit losses related to general allowance (excluding FirstCaribbean) was moved to Corporate and Other. We also reclassified the specific allowance related to credit card loans to general allowance. As a consequence, all changes in credit allowance related to credit card loans are reflected in Corporate and Other. Prior period information was restated to reflect these changes.

In the first quarter, we moved sublease income and related operating costs of our New York premises from Wholesale Banking to Corporate and Other. In the third quarter, we made certain modifications to our transfer pricing and treasury allocations methodologies to more appropriately reflect funding costs and observed client behaviour in our SBUs in the current environment. The modifications resulted in an increase in the revenue of CIBC Retail Markets with a corresponding decrease in the revenue of Wholesale Banking and Corporate and Other. These changes and modifications were applied prospectively and prior period information was not restated.

### 2008

We separated "Administration and Technology and Operations" into two functional groups, "Administration" and "Technology and Operations". We also moved the Legal and Regulatory Compliance function into Administration.

## Results by business segments and geographic distribution

| | $ millions, for the year ended October 31 | CIBC Retail Markets | Wholesale Banking | Corporate and Other | CIBC Total | Canada[1] | U.S.[1] | Caribbean[1] | Other countries[1] |
|---|---|---|---|---|---|---|---|---|---|
| **2010** | **Net interest income** | **$ 6,058** | **$ 651** | **$ (505)** | **$ 6,204** | **$ 5,285** | **$ 364** | **$ 475** | **$ 80** |
| | **Non-interest income** | **3,630** | **1,063** | **1,188** | **5,881** | **5,073** | **224** | **516** | **68** |
| | **Total revenue** | **9,688** | **1,714** | **683** | **12,085** | **10,358** | **588** | **991** | **148** |
| | **Provision for (reversal of) credit losses** | **1,252** | **88** | **(294)** | **1,046** | **890** | **81** | **65** | **10** |
| | **Amortization[2]** | **121** | **3** | **251** | **375** | **306** | **16** | **47** | **6** |
| | **Other non-interest expenses** | **5,300** | **1,144** | **208** | **6,652** | **5,922** | **266** | **347** | **117** |
| | **Income before income taxes and non-controlling interests** | **3,015** | **479** | **518** | **4,012** | **3,240** | **225** | **532** | **15** |
| | **Income tax expense** | **809** | **125** | **599** | **1,533** | **1,386** | **95** | **50** | **2** |
| | **Non-controlling interests** | **15** | **12** | **–** | **27** | **–** | **11** | **16** | **–** |
| | **Net income (loss)** | **$ 2,191** | **$ 342** | **$ (81)** | **$ 2,452** | **$ 1,854** | **$ 119** | **$ 466** | **$ 13** |
| | **Average assets[3]** | **$ 268,148** | **$ 105,142** | **$ (27,347)** | **$ 345,943** | **$ 276,930** | **$ 18,820** | **$ 24,052** | **$ 26,141** |
| 2009[4] | Net interest income | $ 5,404 | $ 430 | $ (440) | $ 5,394 | $ 4,321 | $ 300 | $ 581 | $ 192 |
| | Non-interest income | 3,866 | 82 | 586 | 4,534 | 5,228 | 99 | 441 | (1,234) |
| | Intersegment revenue | 2 | – | (2) | – | n/a | n/a | n/a | n/a |
| | Total revenue | 9,272 | 512 | 144 | 9,928 | 9,549 | 399 | 1,022 | (1,042) |
| | Provision for credit losses | 1,382 | 218 | 49 | 1,649 | 1,365 | 155 | 51 | 78 |
| | Amortization[2] | 122 | 7 | 274 | 403 | 322 | 21 | 54 | 6 |
| | Other non-interest expenses | 5,106 | 1,053 | 98 | 6,257 | 5,450 | 293 | 385 | 129 |
| | Income (loss) before income taxes and non-controlling interests | 2,662 | (766) | (277) | 1,619 | 2,412 | (70) | 532 | (1,255) |
| | Income tax expense (benefit) | 746 | (294) | (28) | 424 | 813 | (51) | 66 | (404) |
| | Non-controlling interests | 21 | – | – | 21 | – | – | 21 | – |
| | Net income (loss) | $ 1,895 | $ (472) | $ (249) | $ 1,174 | $ 1,599 | $ (19) | $ 445 | $ (851) |
| | Average assets[3] | $ 265,043 | $ 110,832 | $ (25,169) | $ 350,706 | $ 265,670 | $ 19,828 | $ 27,373 | $ 37,835 |
| 2008[4] | Net interest income | $ 5,475 | $ (183) | $ (85) | $ 5,207 | $ 3,886 | $ 187 | $ 1,010 | $ 124 |
| | Non-interest income | 3,857 | (5,774) | 424 | (1,493) | 5,108 | (102) | 459 | (6,958) |
| | Intersegment revenue | 5 | – | (5) | – | n/a | n/a | n/a | n/a |
| | Total revenue | 9,337 | (5,957) | 334 | 3,714 | 8,994 | 85 | 1,469 | (6,834) |
| | Provision for (reversal of) credit losses | 833 | 12 | (72) | 773 | 723 | 10 | 33 | 7 |
| | Amortization[2] | 112 | 16 | 117 | 245 | 175 | 20 | 45 | 5 |
| | Other non-interest expenses[2] | 5,306 | 1,302 | 348 | 6,956 | 5,995 | 362 | 342 | 257 |
| | Income (loss) before income taxes and non-controlling interests | 3,086 | (7,287) | (59) | (4,260) | 2,101 | (307) | 1,049 | (7,103) |
| | Income tax expense (benefit) | 763 | (3,104) | 123 | (2,218) | 656 | (626) | 62 | (2,310) |
| | Non-controlling interests | 19 | (1) | – | 18 | – | (1) | 19 | – |
| | Net income (loss) | $ 2,304 | $ (4,182) | $ (182) | $ (2,060) | $ 1,445 | $ 320 | $ 968 | $ (4,793) |
| | Average assets[3] | $ 238,549 | $ 123,801 | $ (17,485) | $ 344,865 | $ 252,235 | $ 25,727 | $ 30,434 | $ 36,469 |

(1) Net income (loss) and average assets are allocated based on the geographic location where they are recorded.
(2) Includes amortization of buildings, furniture, equipment, leasehold improvements, and software and other intangible assets. Prior to 2009, amortization of software of $165 million was included in Other non-interest expenses.
(3) Assets are disclosed on an average basis as this measure is most relevant to a financial institution and is the measure reviewed by management.
(4) Certain prior year information has been restated to conform to the presentation in the current year.
n/a Not applicable.

## Note 29 Financial Instruments – Disclosures

Certain disclosures required by the CICA handbook section 3862 are provided in the shaded sections of the "MD&A – Management of risk", as permitted by the handbook section. The following table provides a cross referencing of those disclosures to the MD&A.

| Description | Section |
|---|---|
| For each type of risk arising from financial instruments, an entity shall disclose: the exposure to risks and how they arise; objectives, policies and processes used for managing the risks; methods used to measure the risk; and description of collateral. | Risk overview<br>Credit risk<br>Market risk<br>Liquidity risk<br>Operational risk<br>Reputation and legal risk<br>Regulatory risk |
| Credit risk – gross exposure to credit risk, credit quality and concentration of exposures. | Credit risk |
| Market risk – trading portfolios – Value-at-Risk (VaR); non-trading portfolios – interest rate risk, foreign exchange risk and equity risk. | Market risk |
| Liquidity risk – liquid assets, maturity of financial liabilities, and credit and liquidity commitments. | Liquidity risk |

We have provided quantitative disclosures related to credit risk consistent with Basel II guidelines, 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 drawn exposure to credit risk under Advanced Internal Ratings Based (AIRB) and standardized approaches, displayed in both accounting categories and Basel II portfolios.

$ millions, as at October 31

| | Accounting categories | Basel II portfolios | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Corporate | Sovereign | Bank | Real estate secured personal lending | Qualifying revolving retail | Other retail | Securitization |
| **2010** | **Non-interest-bearing deposits with banks** | **$ –** | **$ 231** | **$ 632** | **$ –** | **$ –** | **$ –** | **$ –** |
| | **Interest-bearing deposits with banks** | **10** | **2,688** | **6,833** | **–** | **–** | **–** | **–** |
| | **Securities** | | | | | | | |
| | **Trading** | **2** | **260** | **–** | **–** | **–** | **–** | **760** |
| | **AFS** | **1,354** | **18,047** | **3,692** | **–** | **–** | **–** | **2,413** |
| | **FVO** | **105** | **22,191** | **133** | **–** | **–** | **–** | **–** |
| | **Loans** | | | | | | | |
| | **Residential mortgages** | **543** | **1,382** | **–** | **90,732** | **–** | **–** | **–** |
| | **Personal loans** | **210** | **–** | **6** | **20,292** | **6,757** | **7,036** | **–** |
| | **Credit card loans**[(1)] | **–** | **–** | **–** | **–** | **13,948** | **1,969** | **–** |
| | **Business and government loans** | **26,391** | **765** | **669** | **–** | **–** | **1,961** | **7,428** |
| | **Customers' liability under acceptances** | **7,132** | **1,441** | **138** | **–** | **–** | **–** | **–** |
| | **Other assets** | **270** | **568** | **5,233** | **10** | **38** | **26** | **71** |
| | **Total credit exposure** | **$ 36,017** | **$ 47,573** | **$ 17,336** | **$ 111,034** | **$ 20,743** | **$ 10,992** | **$ 10,672** |
| 2009 | Non-interest-bearing deposits with banks | $ – | $ – | $ 582 | $ – | $ – | $ – | $ – |
| | Interest-bearing deposits with banks | – | 386 | 4,718 | – | – | – | – |
| | Securities | | | | | | | |
| | Trading | 2 | 810 | – | – | – | – | 410 |
| | AFS | 1,940 | 30,104 | 3,825 | – | – | – | 2,982 |
| | FVO | 107 | 22,199 | – | – | – | – | – |
| | Loans | | | | | | | |
| | Residential mortgages | 507 | 1,194 | – | 83,624 | – | – | – |
| | Personal loans | 196 | – | – | 19,614 | 6,908 | 7,137 | – |
| | Credit card loans[(1)] | – | – | – | – | 14,032 | 111 | – |
| | Business and government loans | 27,443 | 732 | 201 | – | – | 1,997 | 6,554 |
| | Customers' liability under acceptances | 6,908 | 1,329 | 160 | – | – | – | – |
| | Other assets | 218 | 722 | 7,013 | 8 | – | 10 | 286 |
| | Total credit exposure | $ 37,321 | $ 57,476 | $ 16,499 | $ 103,246 | $ 20,940 | $ 9,255 | $ 10,232 |

(1) Credit card loans included for Basel II purposes is higher than the amount recorded on the consolidated balance sheet due to the different treatments of securitized credit card receivables related to the Cards II Trust and Broadway Trust (see Note 6 for details) for accounting and capital purposes.

## Note 30 Reconciliation of Canadian and U.S. Generally Accepted Accounting Principles

CIBC's consolidated financial statements have been prepared in accordance with Canadian GAAP. The following table summarizes the more significant differences that would result if U.S. GAAP were applied in the preparation of the consolidated financial statements.

We have not included a consolidated statement of cash flows prepared under U.S. GAAP because the differences from the consolidated statement of cash flows prepared under Canadian GAAP are not material.

### Condensed consolidated balance sheet

| $ millions, as at October 31 | | | **2010** | | | 2009[1] |
|---|---|---|---|---|---|---|
| | **Canadian GAAP** | **Adjustments** | **U.S. GAAP** | Canadian GAAP | Adjustments | U.S. GAAP |
| **ASSETS** | | | | | | |
| **Cash and non-interest-bearing deposits with banks** | **$ 2,190** | **$ –** | **$ 2,190** | $ 1,812 | $ – | $ 1,812 |
| **Interest-bearing deposits with banks** | **9,862** | **(956)** | **8,906** | 5,195 | (561) | 4,634 |
| **Securities** | | | | | | |
| Trading | **28,557** | **(414)** | **28,143** | 15,110 | 1,451 | 16,561 |
| AFS | **26,621** | **5,906** | **32,527** | 40,160 | 4,518 | 44,678 |
| FVO | **22,430** | **–** | **22,430** | 22,306 | – | 22,306 |
| **Securities borrowed or purchased under resale agreements** | **37,342** | **(219)** | **37,123** | 32,751 | (148) | 32,603 |
| **Loans** | **176,892** | **(8,820)** | **168,072** | 167,212 | (7,658) | 159,554 |
| **Other** | | | | | | |
| Derivative instruments | **24,682** | **–** | **24,682**[2] | 24,696 | – | 24,696[2] |
| Customers' liability under acceptances | **7,684** | **–** | **7,684** | 8,397 | – | 8,397 |
| Land, buildings and equipment | **1,660** | **(4)** | **1,656** | 1,618 | (5) | 1,613 |
| Goodwill | **1,913** | **3** | **1,916** | 1,997 | – | 1,997 |
| Software and other intangible assets | **609** | **–** | **609** | 669 | – | 669 |
| Other assets | **11,598** | **255** | **11,853** | 14,021 | 1,076 | 15,097 |
| | **$ 352,040** | **$ (4,249)** | **$ 347,791** | $ 335,944 | $ (1,327) | $ 334,617 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |
| **Deposits** | **$ 246,671** | **$ (4,896)** | **$ 241,775** | $ 223,117 | $ (5,880) | $ 217,237 |
| **Other** | | | | | | |
| Derivative instruments | **26,489** | **(4)** | **26,485**[2] | 27,162 | (10) | 27,152[2] |
| Acceptances | **7,684** | **–** | **7,684** | 8,397 | – | 8,397 |
| Obligations related to securities sold short | **9,673** | **(522)** | **9,151** | 5,916 | 974 | 6,890 |
| Obligations related to securities lent or sold under repurchase agreements | **28,220** | **–** | **28,220** | 37,453 | – | 37,453 |
| Other liabilities | **12,572** | **2,517** | **15,089** | 13,693 | 4,556 | 18,249 |
| **Subordinated indebtedness** | **4,773** | **–** | **4,773** | 5,157 | – | 5,157 |
| **Preferred share liabilities** | **–** | **–** | **–** | 600 | (600) | – |
| **Shareholders' equity** | | | | | | |
| Preferred shares | **3,156** | **–** | **3,156** | 3,156 | 600 | 3,756 |
| Common shares | **6,803** | **(86)** | **6,717** | 6,240 | (119) | 6,121 |
| Treasury shares | **1** | **–** | **1** | 1 | – | 1 |
| Non-controlling interests | **168** | **–** | **168** | 174 | – | 174 |
| Contributed surplus | **96** | **3** | **99** | 92 | – | 92 |
| Retained earnings | **6,095** | **208** | **6,303** | 5,156 | (72) | 5,084 |
| AOCI | | | | | | |
| Foreign currency translation adjustments | **(575)** | **(326)** | **(901)** | (495) | (211) | (706) |
| Unrealized losses on AFS securities | **197** | **(176)** | **21** | 124 | 149 | 273 |
| Net gains on cash flow hedges | **17** | **(17)** | **–** | 1 | (10) | (9) |
| Unrecognized post-retirement obligations | **–** | **(950)** | **(950)** | – | (704) | (704) |
| | **$ 352,040** | **$ (4,249)** | **$ 347,791** | $ 335,944 | $ (1,327) | $ 334,617 |

(1) Certain prior year balances have been restated to conform to the current year presentation.
(2) The positive and negative fair values of the derivative contracts are stated before the effect of master netting agreements of $16,967 million as at October 31, 2010. The amounts of cash collateral receivable and payable on the contracts subject to master netting agreements were $4,890 million and $3,062 million, respectively. If we had adopted the offsetting provisions of FASB Staff Position ASC 815-10-45 (FIN 39-1), Amendment of FASB Interpretation 39, the net derivative fair value assets and liabilities would be $10,777 million and $14,408 million, respectively.

## Condensed consolidated statement of operations

| $ millions, except share and per share amounts, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Net income (loss) as reported | **$ 2,452** | $ 1,174 | $ (2,060) |
| Net interest income | | | |
| Reclassification of certain financial assets | **$ 81** | $ 127 | $ (25) |
| Joint ventures | **(31)** | (39) | (63) |
| Preferred share liabilities | **35** | 31 | 31 |
| Non-interest income | | | |
| Leverage loans held for sale | **36** | 124 | (260) |
| Joint ventures | **(93)** | (100) | (95) |
| Trading income (loss) | **–** | – | (850) |
| Reclassification of certain financial assets | **563** | (30) | – |
| FVO income (loss) | **–** | – | 249 |
| Capital repatriation | **(411)** | 49 | (47) |
| Derivative instruments and hedging activities | **(422)** | 25 | (7) |
| Day 1 P&L reversal | **(1)** | (4) | – |
| Business combination | **(2)** | – | – |
| OTTI | **(1)** | (2) | – |
| Equity accounting | **(4)** | 3 | (15) |
| Valuation adjustments | **–** | – | (16) |
| Insurance reserves and deferred acquisition costs | **(8)** | (13) | (15) |
| Non-interest expense | | | |
| Joint ventures | **98** | 111 | 115 |
| Employee future benefits | **16** | (18) | 5 |
| Stock-based compensation | **–** | (29) | (141) |
| Net change in income taxes due to the above noted items | **465** | (65) | 529 |
| | **321** | 170 | (605) |
| Net income (loss) based on U.S. GAAP | **2,773** | 1,344 | (2,665) |
| Preferred share dividends and premiums | **(205)** | (193) | (150) |
| Net income (loss) applicable to common shareholders | **$ 2,568** | $ 1,151 | $ (2,815) |
| Weighted-average basic shares outstanding (thousands) | **387,802** | 381,677 | 370,229 |
| Add: stock options potentially exercisable | **1,005** | 777 | 1,594 |
| Weighted-average diluted shares outstanding (thousands) | **388,807** | 382,454 | 371,823 |
| Basic EPS | **$ 6.62** | $ 3.02 | $ (7.60) |
| Diluted EPS | **$ 6.60** | $ 3.01 | $ (7.60) |

## Consolidated statement of comprehensive income (loss)

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Net income (loss) based on U.S. GAAP | **$ 2,773** | $ 1,344 | $ (2,665) |
| OCI, net of tax | | | |
| Foreign currency translation adjustments | **(195)** | (138) | 619 |
| Net change in AFS securities(1) | **(252)** | 372 | (28) |
| Net change in cash flow hedges | **9** | (26) | (44) |
| Change in unrecognized pension and post-retirement obligations | **(246)** | (236) | (24) |
| Total OCI | **(684)** | (28) | 523 |
| Comprehensive income (loss) | **$ 2,089** | $ 1,316 | $ (2,142) |

(1) Net of reclassification adjustments for net realized gains (losses) (including OTTI) included in net income of $230 million (2009: $236 million; 2008: $(5) million).

The income tax (expense) benefit allocated to each component of OCI is presented in the table below:

| $ millions, for the year ended October 31 | **2010** | 2009 | 2008 |
|---|---|---|---|
| Foreign currency translation adjustments | **$ (11)** | $ (35) | $ 810 |
| Net change in AFS securities | **98** | (99) | (68) |
| Net change in cash flow hedges | **–** | 4 | 23 |
| Change in unrecognized pension and post-retirement obligations | **85** | 85 | (39) |
| | **$ 172** | $ (45) | $ 726 |

## Financial Accounting Standards Board (FASB) Codification

FASB ASC 105 (SFAS 168), "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (The FASB Codification)" identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles in the U.S. The FASB codification was effective for CIBC beginning May 1, 2009.

## Equity accounting adjustments

Both Canadian and U.S. GAAP require the use of the equity method to account for such investments when the investor exerts significant influence. Under Canadian GAAP, certain of our investments in limited partnerships are accounted for on a cost basis. Canadian GAAP requires the use of the equity method of accounting when we exert significant influence over the investee, whereas U.S. GAAP requires the use of the equity method to account for such limited partnership investments when the equity interest is more than minor.

## Employee future benefits

As a result of the difference in the timing and the method of adoption of the accounting requirements for employee future benefits under Canadian and U.S. GAAP, there will continue to be an adjustment to U.S. GAAP earnings until the respective transition date unamortized balances are fully amortized under both Canadian and U.S. GAAP.

In addition, actuarial gains and losses relating to post-employment benefits are not permitted to be deferred under U.S. GAAP.

Furthermore, under Canadian GAAP, an entity's accrued benefit asset is limited to the amount it can realize in the future by applying any surplus to reduce an entity's contributions. The valuation allowance is not included under U.S. GAAP, resulting in an adjustment to U.S. GAAP income.

FASB ASC 715 (SFAS 158), "Employers' Accounting for Defined Benefit Pension Plan and Other Post-Retirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)" also requires the recognition of the full funded status of a defined benefit post-retirement plan as an asset or liability in its consolidated balance sheet. As a result, the unamortized balances are reported as a component of AOCI. The net periodic benefit expense expected to be reclassified to income from other comprehensive income for fiscal 2011 is $104 million.

Effective November 1, 2008, we adopted the remaining provision of FASB ASC 715 (SFAS 158), which requires that the date at which the benefit obligation and plan assets are measured should be the fiscal year end date. As a result, we changed our measurement date for accrued benefit obligations and the fair value of plan assets related to our employee defined benefit plans from September 30 to October 31. The impact of the adoption of this provision of the standard was a decrease to the opening fiscal 2009 U.S. GAAP retained earnings of $6 million net of taxes.

## Stock-based compensation

FASB ASC 718 (SFAS 123-R) "Share-based Payment" requires companies to measure and record compensation expense for stock options and other equity settled share-based payments based on the instruments' fair value on the grant date. The standard requires the cost of awards to be recognized in the consolidated statement of operations over the vesting period. Under Canadian GAAP we recognize compensation expense in the year of grant for past service awards regardless of the vesting provisions. However, FASB ASC 718 (SFAS 123-R) requires the costs to be recognized over the vesting period of the award for awards granted in respect of periods commencing on or after November 1, 2005. In addition, forfeitures are required to be estimated upfront whereas under Canadian GAAP forfeitures are recognized as incurred. A compensation expense difference for estimated forfeitures exists for all new awards granted subsequent to the adoption of FASB ASC 718 (SFAS 123-R).

Under Canadian GAAP, the cost of SARs is measured assuming that all options eligible for SARs are exercised for cash. Under U.S. GAAP, for SARs granted prior to the date of adoption of FASB ASC 718 (SFAS 123-R), FASB Interpretation No. (FIN) 28, "Accounting for SARs and Other Variable Stock Option or Award Plans" continues to apply, under which the accrual is determined as an estimate (based on past experience) of the proportion of stock options expected to be exercised for cash.

## Liabilities and equity

Under Canadian GAAP, preferred shares that are convertible into a variable number of common shares at the option of the holder are presented as liabilities rather than as equity, and dividend payments and premiums on redemption arising from such preferred shares are treated as interest expense within the consolidated statement of operations rather than as dividends within the consolidated statement of changes in shareholders' equity.

As described in Note 17 to the consolidated financial statements, CIBC redeemed all of its outstanding preferred share liabilities (non-cumulative Class A Preferred Shares Series 19 and Series 23) on October 31, 2010. As a result, the balance sheet reclassification from liabilities to shareholders' equity under U.S. GAAP is no longer required. The related dividend payments and redemption loss of these preferred shares have no impact on U.S. GAAP earnings.

## Capital repatriation

Certain of our self-sustaining foreign subsidiaries have repatriated capital by returning capital and distributing dividends to the domestic parent entity. Canadian GAAP requires that a proportionate amount of gains and losses accumulated in the foreign currency translation adjustments component within AOCI be recognized in earnings when there has been a reduction in the net investment of a self-sustaining foreign operation. U.S. GAAP prohibits such recognition except where the foreign operation has either been sold or has been completely or substantially completely liquidated. Accordingly we adjusted the Canadian GAAP results by decreasing non-interest income by $411 million (2009: increased non-interest income by $49 million), and decreasing tax expense by $528 million this year (2009: increased tax expense by $53 million). This also increased the foreign currency translation adjustment component within AOCI by $117 million (2009: reduced by $4 million).

## Income taxes

Under Canadian GAAP, tax rate changes are reflected in the measurement of the future income tax balances when they are considered substantively enacted. Under U.S. GAAP, only enacted tax rates under current legislation are required to be used.

## Accounting for uncertainty in income taxes

FASB ASC 740 (FIN-48) "Accounting for Uncertainty in Income Taxes" clarifies the accounting for income taxes by prescribing a "more

likely than not" recognition threshold that a tax position is required to meet before being recognized in the financial statements. FASB ASC 740 (FIN-48) also provides guidance on measurement of uncertain tax positions, classification of interest and penalties, and requires additional disclosures on tax reserves. We have assessed that the application of FASB ASC 740 (FIN-48) does not result in any adjustment to our Canadian GAAP financial statements.

## Credit derivatives and standby and performance letters of credit

### Credit derivatives

Credit derivatives are over-the-counter contracts designed to transfer the credit risk in an underlying financial instrument (usually termed a reference asset) from one counterparty to another.

The following table presents a summary of the notional and fair value amounts of credit derivatives that we sold and the purchased credit derivatives with identical underlyings, as at October 31, 2010:

| | | Protection sold | | Protection purchased with identical underlyings | | |
|---|---|---|---|---|---|---|
| $ millions, as at October 31 | | Maximum payout/ notional | Fair value | Maximum payout/ notional | Fair value (net of CVA) | Net protection sold |
| **2010** | **Credit derivatives** | | | | | |
| | **Credit default swaps** | **$ 12,080** | **$ (1,883)** | **$ 9,981** | **$ 651** | **$ 2,099** |
| | **Total return swaps** | **2,982** | **(156)** | **2,982** | **107** | **–** |
| | | **$ 15,062** | **$ (2,039)** | **$ 12,963** | **$ 758** | **$ 2,099** |
| 2009 | Credit derivatives | | | | | |
| | Credit default swaps | $ 20,547 | $ (4,225) | $ 17,457 | $ 1,270 | $ 3,090 |
| | Total return swaps | 3,657 | (276) | 3,564 | 176 | 93 |
| | | $ 24,204 | $ (4,501) | $ 21,021 | $ 1,446 | $ 3,183 |

The following table summarizes the maturity and ratings profile of credit protection sold as at October 31, 2010. The maturity profile is based on the remaining contractual maturity of the credit derivative contracts. The ratings profile is based on the external rating of the assets underlying the tranches referenced by the contracts. A tranche is a portion of a security offered as part of the same transaction where the underlying may be an asset, pool of assets, index or another tranche. The value of the tranche depends on the value of the assets, subordination (i.e. the attachment point) and deal-specific structures such as tests/triggers.

| | | Notional amount | | | | |
|---|---|---|---|---|---|---|
| $ millions, as at October 31 | | < 1 year | 1 to 5 years | > 5 years | Total | Fair value |
| **2010** | **Risk rating of underlying assets** | | | | | |
| | **Investment grade** | **$ 67** | **$ 2,512** | **$ 4,027** | **$ 6,606** | **$ (204)** |
| | **Non-investment grade** | **5** | **728** | **5,694** | **6,427** | **(1,733)** |
| | **Not rated** | **4** | **682** | **1,343** | **2,029** | **(102)** |
| | | **$ 76** | **$ 3,922** | **$ 11,064** | **$ 15,062** | **$ (2,039)** |
| 2009 | Risk rating of underlying assets | | | | | |
| | Investment grade | $ 173 | $ 3,916 | $ 4,378 | $ 8,467 | $ (408) |
| | Non-investment grade | 34 | 1,260 | 11,374 | 12,668 | (3,645) |
| | Not rated | 30 | 918 | 2,121 | 3,069 | (448) |
| | | $ 237 | $ 6,094 | $ 17,873 | $ 24,204 | $ (4,501) |

### Standby and performance letters of credit

The following table summarizes the maximum possible future payout on standby and performance letters of credit, based on notional amounts, by the ratings profiles of our customers as of October 31, 2010. The ratings scale is representative of the payment or performance risk to CIBC under the guarantee and is based on our internal risk ratings, which generally correspond to ratings defined by Standard & Poor's (S&P) and Moody's Investors Service (Moody's).

| $ millions, as at October 31 | **2010** | 2009 |
|---|---|---|
| Risk rating of customers | | |
| Investment grade | **$ 3,954** | $ 3,338 |
| Non-investment grade | **1,572** | 1,557 |
| Not rated | **195** | 228 |
| | **$ 5,721** | $ 5,123 |

## Derivative instruments and hedging activities

Canadian GAAP derivative and hedge accounting is substantially harmonized with U.S. GAAP. However, U.S. GAAP reported earnings may exhibit significant volatility in any given period relative to Canadian GAAP because:

- We elect not to designate certain derivatives as hedges for U.S. GAAP accounting purposes;
- Canadian GAAP permits the use of cash instruments for certain foreign currency hedges, which is disallowed under U.S. GAAP; and
- Our residential mortgage commitments are treated as derivatives carried at fair value only under Canadian GAAP.

FASB ASC 815 (SFAS 161), "Disclosures about Derivative Instruments and Hedging Activities", an amendment of FASB ASC 815 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities", enhances disclosures for derivative instruments and hedging activities and their effects on an entity's financial position, financial performance and cash flows. Under FASB ASC 815 (SFAS 161), an entity is required to disclose the objectives for using derivative instruments in terms of underlying risk and accounting designation; the fair values, gains and losses on derivatives; as well as credit-risk-related contingent features in derivative agreements. Much of this disclosure is presented in Note 14 to the consolidated financial statements with the incremental requirements under FASB ASC 815 (SFAS 161) presented below.

The following tables provide the derivatives-related gains (losses), before taxes, recognized in the U.S. GAAP consolidated statement of operations and OCI. Net gains of $44 million on items hedged under fair value hedges are included in net interest income for the year ended October 31, 2010 (2009: $20 million).

| | Gains/(losses) recognized in consolidated statement of operations | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net interest income | | | Non-interest income | | | |
| $ millions, for the year ended October 31 | Directly recognized | Recognized as hedge ineffectiveness | Recognized on transfer from AOCI | Directly recognized | Recognized as hedge ineffectiveness | Recognized on transfer from AOCI | Gains/(losses) recognized in OCI |
| **2010 Derivatives held for ALM** | | | | | | | |
| **Interest rate derivatives** | | | | | | | |
| **Cash flow hedges** | **$ –** | **$ –** | **$ 18** | **$ –** | **$ –** | **$ –** | **$ –** |
| **Fair value hedges** | **(35)** | **8** | **n/a** | **–** | **–** | **n/a** | **n/a** |
| **Economic hedges**[1] | **–** | **n/a** | **n/a** | **(854)** | **n/a** | **n/a** | **n/a** |
| **Foreign exchange derivatives** | | | | | | | |
| **Cash flow hedges** | **–** | **–** | **–** | **–** | **(11)** | **(27)** | **(5)** |
| **NIFO hedges** | **n/a** | **n/a** | **n/a** | **1** | **–** | **25** | **41** |
| **Credit and equity derivatives** | | | | | | | |
| **Economic hedges** | **–** | **n/a** | **n/a** | **(25)** | **n/a** | **n/a** | **n/a** |
| | **$ (35)** | **$ 8** | **$ 18** | **$ (878)** | **$ (11)** | **$ (2)** | **$ 36** |
| 2009[2] Derivatives held for ALM | | | | | | | |
| Interest rate derivatives | | | | | | | |
| Cash flow hedges | $ – | $ – | $ 27 | $ – | $ – | $ – | $ – |
| Fair value hedges | 28 | 8 | n/a | – | – | n/a | n/a |
| Economic hedges[1] | – | n/a | n/a | (282) | n/a | n/a | n/a |
| Foreign exchange derivatives | | | | | | | |
| Cash flow hedges | – | – | – | – | (5) | (20) | (22) |
| NIFO hedges | n/a | n/a | n/a | 6 | – | 404 | 130 |
| Credit and equity derivatives | | | | | | | |
| Economic hedges | – | n/a | n/a | (274) | n/a | n/a | n/a |
| | $ 28 | $ 8 | $ 27 | $ (550) | $ (5) | $ 384 | $ 108 |

| $ millions, for the year ended October 31 | **2010** | 2009[2] |
|---|---|---|
| **Derivatives held for trading** | | |
| Interest rate | **$ 26** | $ (357) |
| Foreign exchange | **301** | 331 |
| Equity | **(90)** | (316) |
| Commodities | **85** | (3) |
| Structured credit and others | **100** | 320 |
| | **$ 422** | $ (25) |

(1) Includes derivative instruments held to economically hedge FVO financial instruments.
(2) Certain prior year amounts have been restated.
n/a Not applicable.

### Contingent features

Certain derivative instruments contain provisions that require CIBC's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If CIBC's debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payments or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on October 31, 2010, is $5,963 million (2009: $7,471 million) for which we have posted collateral of $5,531 million (2009: $7,076 million) in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on October 31, 2010, we would be required to post an additional $95 million (2009: $106 million) of collateral to our counterparties.

## Insurance accounting

### Policy benefit liabilities and policy acquisition costs

Under U.S. GAAP, the liabilities for traditional term and accidental death insurance contracts are determined using the net level premium method, which includes assumptions for mortality, morbidity, policy lapses, surrenders, investment yields, policy dividends and direct operating expenses. These assumptions are not revised unless it is determined that existing deferred acquisition costs cannot be recovered. Under Canadian GAAP, the liabilities for insurance contracts are determined using the Canadian asset liability method, which incorporates assumptions for mortality, morbidity, policy lapses and surrenders, investment yields, policy dividends, operating and policy maintenance expenses. To recognize the uncertainty in the assumptions underlying the calculation of the liabilities, a margin (provision for adverse deviations) is added to each assumption. These assumptions are reviewed at least annually and updated in response to actual experience and market conditions.

Under U.S. GAAP, the policy acquisition costs, which vary with and are primarily related to the production of new business, are deferred and amortized in proportion to the premium revenue. Under Canadian GAAP, the costs of acquiring new life insurance and annuity business are implicitly recognized as a reduction in insurance claims and policy benefit liabilities.

## Trade date accounting

For securities transactions, the trade date basis of accounting is used under U.S. GAAP. Under Canadian GAAP, the settlement date basis of accounting is used.

## Joint ventures

Our investments in joint ventures other than VIEs are accounted for using proportionate consolidation under Canadian GAAP and accounted for using the equity method under U.S. GAAP.

## Leveraged loans held for sale

Leveraged loans held for sale are accounted for at lower of cost or market value under U.S. GAAP while under Canadian GAAP, they are carried at amortized cost subject to OTTI.

## Reclassification of certain financial assets

On August 1, 2008, certain trading financial assets, for which no active trading market existed and which management intended to hold to maturity or for the foreseeable future, were reclassified as HTM and AFS under Canadian GAAP. Subsequently as a result of amendments to section 3855 "Financial Instrument – Recognition and Measurement", with effect from November 1, 2008, we were required to reclassify all of our HTM securities to loans and receivables. The loans and receivables category does not contain a requirement to hold these securities to maturity.

Under U.S. GAAP, we also reclassified certain trading financial assets to HTM and AFS, but did so on October 31, 2008. On October 31, 2009, we evaluated the appropriateness of the classification of HTM securities. Due to the change in the requirements of our primary GAAP, we could no longer demonstrate the positive intent to hold these securities to maturity. Therefore we reclassified these securities to AFS effective October 31, 2009. Since the reclassification does not qualify under the exemption provisions for the sale or transfer of HTM securities under FASB ASC 320 (SFAS 115), the reclassification decision is deemed to have "tainted" the HTM category and, accordingly, we are not permitted to prospectively classify any securities as HTM for a period of two years from the time of tainting.

Due to the difference in the timing of the reclassification under U.S. GAAP, additional unrealized pre-tax MTM losses on the reclassified trading assets of $612 million were included in the U.S. GAAP net loss for 2008. Additional pre-tax interest income of $81 million (2009: $127 million) is included in U.S. GAAP earnings in the current year. The securities that were originally reclassified from HTM to AFS had a carrying value of $5,486 million and a fair value of $5,674 million as at October 31, 2010 (2009: $5,942 million and $6,151 million, respectively). The realized and unrealized gain (loss) related to these securities was $293 million and $(371) million, respectively for 2010 (2009: $394 million and $(321) million).

## Fair value measurement

FASB ASC 820 (SFAS 157) "Fair Value Measurements and Disclosures", and related pronouncements, became effective as of November 1, 2008, except for certain non-financial assets and non-financial liabilities which became effective for the fiscal year beginning November 1, 2009. This standard establishes a framework for measuring fair value and prescribes a three-level fair value hierarchy for disclosure purposes based on the transparency of the inputs used to measure the fair value of assets and liabilities. Note 2 of the consolidated financial statements provides additional disclosure as to the classification of financial instruments into Levels 1, 2 and 3 of the fair value hierarchy.

FASB ASC 820 (SFAS 157) defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. It requires an entity to maximize the use of observable inputs and requires consideration of the entity's own credit risk when measuring the fair value of liabilities.

While FASB ASC 820 (SFAS 157) is largely consistent with the fair value measurement guidance contained in CICA handbook section 3855 and section 3862, the following key differences do exist:

- Under FASB ASC 820 (SFAS 157), the transaction to sell the asset or transfer the liability takes place in the principal market, whereas Canadian GAAP assumes the transaction to take place in the most advantageous market. In practice, the most advantageous market is generally the principal market.
- Under FASB ASC 820 (SFAS 157), recognition of inception gains/losses for derivatives is permitted if the determination of fair value includes the use of non-observable market inputs whereas Canadian GAAP requires deferral of inception gains/losses in such cases.

With the adoption of FASB ASC 820 (SFAS 157), we recorded an after-tax cumulative-effect adjustment of $4 million net of taxes as an increase to the U.S. GAAP opening retained earnings as of November 1, 2008 relating to the unamortized deferred profit previously not recognized.

### Additional guidance and disclosures on fair value measurement and other-than-temporary impairment of securities

The following FASB Staff Positions (FSPs) provide additional application guidance and require enhancements to disclosures regarding fair value measurements and OTTI of securities.

- FASB ASC 820-10-65 (FSP FAS 157-4), "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly", provides additional factors to consider when measuring the fair value of an asset or liability when there has been a significant decrease in the level of market activity for the instrument and quoted prices are associated with transactions that are not considered to be orderly. It also expands the disclosure requirements for the fair value of financial instruments.
- FASB ASC 320-10-65-1 (FSP FAS 115-2 and FAS 124-2), "Recognition and Presentation of Other-than-Temporary Impairments", amends the impairment assessment guidance and recognition principles of OTTI for debt securities and enhances the presentation and disclosure requirements for debt and equity securities. The FSP requires an entity to recognize an OTTI when the entity intends to sell the security, it is more likely than not that it will be required to sell the security before recovery, or when the entire amortized cost basis of the security will not be recovered. When an entity intends to sell the security, or more likely than not will be required to sell the security, before recovery of its amortized cost basis less any current-period credit loss, the OTTI is recognized in earnings equal to the difference between fair value and amortized cost at the balance sheet date. In all other situations, the impairment is separated into an amount representing credit loss and amount relating to all other factors. The impairment related to credit loss is recognized in earnings and impairment related to other factors is recognized in OCI.

### Fair value option

FASB ASC 825 (SFAS 159) "The Fair Value Option for Financial Assets and Liabilities" allows certain eligible financial instruments to be measured at fair value using the fair value option with the change in fair value being recognized in income. As Canadian GAAP permits the use of the fair value option, we had previously recorded certain securities and loans at fair value using this option. The impact of adopting this standard has resulted in the elimination of a Canadian/U.S. GAAP difference relating to financial instruments that are designated as trading under the fair value option.

### Securitizations and variable interest entities (VIEs)

FASB ASC 860 (FSP FAS 140-4) and FASB ASC 810 (FIN 46(R)-8), Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities, amends SFAS 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". The FSP requires public entities to provide additional disclosures related to their continuing involvement with transferred financial assets and the related risks retained as well as any contractual or non-contractual support provided and any future financial support to special purpose entities. The FSP also amends FIN 46 revised December 2003, "Consolidation of Variable Interest Entities", to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs.

These additional disclosures are presented in Note 6 of the consolidated financial statements. As a result of the reclassification of financial instruments noted above, loans in third-party structured vehicles under Canadian GAAP with a fair value of $6,779 million (2009: $5,667 million) have been reclassified to AFS securities while loans in CIBC structured CDO vehicles under Canadian GAAP with a fair value of $411 million (2009: $484 million) have been reclassified to AFS securities.

### Offsetting of amounts related to certain contracts

FASB ASC 815-10-45 (FSP FIN 39-1), Amendment of FASB FIN 39, permits an entity to offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. We elected not to apply the offsetting provisions.

### Changes in significant accounting policies affecting Canadian and U.S. GAAP differences

#### Business combinations

Effective November 1, 2009, we adopted FASB ASC 805 (SFAS 141 (R)), which replaces SFAS 141, "Business Combinations". This standard improves the relevance, representational faithfulness, and comparability of the information that an entity provides in its financial reports about a business combination and its effects. FASB ASC 805 (SFAS 141 (R)) retains the fundamental concepts of SFAS 141 and requires the acquisition method of accounting and the identification of an acquirer for all business combinations.

Upon the adoption of FASB ASC 805 the following differences exist:

- An acquirer should recognize the identifiable assets, liabilities, and non-controlling interests in the acquiree at the full amounts of their fair value in a step acquisition;
- An acquirer should measure assets or liabilities arising from a contingency at their acquisition date fair value. Subsequently, the acquirer should evaluate new information and measure a liability at the higher of its acquisition date fair value or the amount that would be recognized if applying FASB ASC 450 (SFAS 5), "Accounting for Contingencies", and measure an asset at the lower of its acquisition date fair value or the best estimate of its future settlement amount;
- An acquirer must expense acquisition-related and restructuring costs; and
- Non-controlling interests in subsidiaries are initially measured at fair value and classified as a separate component of equity.

Note 3 of the consolidated financial statements provides disclosure of the acquisitions made during the year. With the adoption of FASB ASC 805, we recognized a contingent consideration agreement with a fair value of $5 million on the acquisition date related to the CIT transaction. We also expensed acquisition-related costs of $2 million relating to the acquisitions made during the year.

## Accounting for non-controlling interests

Effective November 1, 2009, we adopted FASB ASC 810 (SFAS 160), "Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51". This standard requires the following retroactive changes in presentation:

- Non-controlling interests will be separately presented in equity, rather than in the mezzanine section of the balance sheet; and
- Consolidated net income will no longer be adjusted for the non-controlling interests, although the amount of consolidated net income attributable to the parent and to non-controlling interests must be clearly identified and presented on the statement of operations and the consolidated net income will be required to be adjusted by the portion attributable to the non-controlling interests for the purposes of calculating EPS.

In addition, this standard requires the following prospective changes in measurement:

- A loss of control of an entity that results in a deconsolidation will require a remeasurement of the fair value of the retained ownership interest in the entity with the offset recognized in the statement of operations; and
- A change in the ownership interest in an entity that is controlled both before and after the change will be treated as an equity transaction.

The adoption of this standard resulted in $168 million of non-controlling interests as at October 31, 2010 (2009: $174 million) being reclassified from liabilities to shareholders' equity.

## Accounting for transfers of financial assets and repurchase financing transactions

Effective November 1, 2009, we adopted FASB ASC 860-10-40 (FSP FAS 140-3), "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions". This FSP requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction under FASB 860 (SFAS FASB 140), unless certain criteria are met. The adoption of this standard did not have a material impact on our financial position or earnings.

## Fair value measurement – financial assets and liabilities

Effective November 1, 2009, we adopted Update 2009-05 "Fair Value Measurements and Disclosure (FASB ASC 820) – Measuring Liabilities at Fair Value". This update provides clarification as to how to value a liability where a quoted price in an active market for an identical liability is not available. The update also specifies that the fair value of the liability can be measured in relation to the quoted price of the identical or similar liability when it is traded as an asset in an active market. In addition, it clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of a liability.

In January 2010, the FASB issued FASB Accounting Standards Update ASU 2010-06 Fair Value Measurement and Disclosure (FASB ASC 820): Improving Disclosures about Fair Value Measurements. This update requires new disclosure of transfers in and out of Level 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 financial instruments. It also clarifies existing fair value disclosures about the level of desegregation and about inputs and valuation techniques used to measure fair value. The update is effective for us for reporting on October 31, 2010 except that separate disclosures about purchases, sales, issuances and settlements relating to Level 3 financial instruments will be effective for us for our fiscal year beginning on November 1, 2010. Note 2 of the financial statements provides the disclosure of inputs and valuation techniques used to measure fair value.

## Fair value measurement for financial assets and liabilities measured at fair value on a non-recurring basis

In addition to the fair value measurement disclosures for financial instruments that are carried at fair value, FASB ASC 820 (SFAS 157) also requires disclosure for financial instruments measured at fair value on a non-recurring basis. For the year ended October 31, 2010, we have certain equity securities and leveraged loans that are measured at fair value on a non-recurring basis using non-observable market inputs (Level 3). The equity securities have been written down to their fair value of $79 million (2009: $77 million) to reflect OTTI of $48 million (2009: $83 million). The carrying value of the leveraged loans held for sale has been reduced by $112 million (2009: $195 million) to reflect the current market value of $550 million (2009: $608 million).

## Fair value measurement – non-financial assets and liabilities

Non-financial assets and liabilities are normally carried at cost and fair value measurements would only be applicable on a non-recurring basis that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances.

Effective November 1, 2009, we adopted the remaining provision of FASB ASC 820 (SFAS 157). The remaining provision primarily impacts us by requiring additional disclosures about our fair value measurements related to non-financial assets and liabilities.

For the year ended October 31, 2010, certain foreclosed assets were classified as held for sale. The carrying value for these assets is the lower of cost or fair value less cost to sell. Fair value for these assets is determined using valuation techniques. As at October 31, 2010 the fair value of these assets was approximately $63 million and they were classified as Level 3 in the fair value hierarchy.

## Investments in certain entities that calculate net asset value per share

Effective November 1, 2009, we adopted FASB Accounting Standards Update ASU 2009 –12 (FASB ASC 820) "Fair Value Measurements and Disclosure – Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)". This Update provides guidance on measuring the fair value of an investment in an investment company that does not have a readily determinable fair value. It permits entities to use net asset value as a practical expedient to measure the fair value of the investments. Additional disclosures are also required regarding the nature and risk of the investments. Our investments include certain limited partnerships held in our Merchant Banking portfolio where we are a limited partner. Fair value of these investments is based on the net asset

value provided by third-party fund managers and is adjusted for more recent information where available and appropriate. As at October 31, 2010, the fair value of these investments in limited partnerships was $475 million and our unfunded commitment was $152 million. These limited partnerships typically have a 10-year commitment period with varying extension terms.

## Disclosure about post-retirement benefit plan assets

In December 2008, the FASB issued FASB ASC 715-20 (FAS 132 (R) -1), "Employer's Disclosures about Postretirement Benefit Plan Assets". This guidance requires an employer to disclose the following:

- How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies;
- The major categories of plan assets;
- The inputs and valuation techniques used to measure the fair value of plan assets;
- The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period;
- Significant concentration of risk within plan assets; and
- A description of the basis used to determine the overall expected long-term rate of return on assets assumption.

The majority of this disclosure is presented in Note 22 to the consolidated financial statements.

The incremental disclosure is presented in the table below that presents the level in the fair value hierarchy into which the defined benefit pension plans and other funded benefit plan assets and liabilities are categorized:

| | Pension benefit plans | | | Other benefit plans | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| $ millions, as at October 31, 2010 | Quoted market price | Valuation technique-observable market inputs | Valuation technique-non-observable market inputs | Quoted market price | Valuation technique-observable market inputs | Valuation technique-non-observable market inputs |
| **Assets**[1] | | | | | | |
| Equity securities | | | | | | |
| Canadian equity | $ 582 | $ 32 | $ – | $ – | $ – | $ – |
| Non-Canadian equity | 755 | 638 | 12 | – | – | – |
| Debt securities | | | | | | |
| Short-term investments | 310 | 168 | – | – | – | – |
| Canadian bonds | 251 | 1,402 | – | – | 26 | – |
| Non-Canadian bonds | – | 213 | – | – | – | – |
| Real estate investments | – | – | 172 | – | – | – |
| Derivative instruments | 15 | – | – | – | – | – |
| Other | – | – | 114 | – | – | – |
| Total assets | $ 1,913 | $ 2,453 | $ 298 | $ – | $ 26 | $ – |
| **Liabilities**[1] | | | | | | |
| Derivative instruments | $ – | $ (4) | $ – | $ – | $ – | $ – |
| Total liabilities | $ – | $ (4) | $ – | $ – | $ – | $ – |

(1) Excludes assets and liabilities of these plans not measured at fair value.

There were no transfers between levels during the year.

The changes in fair value of Level 3 assets are summarized as follows:

| | | Net gains/(losses) included in income | | | |
|---|---|---|---|---|---|
| $ millions, as at or for the year ended October 31, 2010 | Opening balance | Realized | Unrealized | Purchases, (sales) and (settlements) | Closing balance |
| Equity securities | $ 17 | $ – | $ 1 | $ (6) | $ 12 |
| Real estate investment | 152 | 11 | 14 | (5) | 172 |
| Infrastructure | 120 | – | (2) | (4) | 114 |
| | $ 289 | $ 11 | $ 13 | $ (15) | $ 298 |

## Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation adopted in 2010.

## Future accounting changes

We are currently evaluating the impact of adopting the standards listed below:

### Accounting for Transfers of Financial Assets and Repurchase Financing Transactions

In June 2009, the FASB issued FASB ASC 860 (SFAS 166), "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140", which will be effective for us on November 1, 2010. FASB ASC 860 (SFAS 166) must be applied prospectively to transfers of financial assets occurring on or after its effective date. FASB ASC 860 (SFAS 166) eliminates the ability to reclassify mortgage loans to securities when a transfer to a Guaranteed Mortgage Securitization does not meet the sale accounting requirements. It also eliminates the concept of a QSPE for accounting purposes. Therefore, former QSPEs (as defined under previous accounting standards) would be evaluated for consolidation on and after the effective date in accordance with the applicable consolidation guidance. Furthermore, the disclosure provisions of FASB ASC 805 (SFAS 166) will be applied to transfers that occurred both before and after the effective date.

In June 2009, the FASB also issued FASB ASC 805 (SFAS 167), "Amendments to FASB Interpretation 46(R)", which will also be effective for us on November 1, 2010. It amends FIN 46(R) "Consolidation of Variable Interest Entities" to require an enterprise to perform an analysis to determine whether the enterprise's VIEs give it a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance. In contrast to FIN 46(R), FASB ASC 805 (SFAS 167) requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. It also amends the events that trigger a reassessment of whether an entity is a VIE and requires enhanced disclosures with more transparent information about an enterprise's involvement in a VIE.

### Disclosures about the credit quality of financing receivables and the allowance for credit losses

In July 2010, the FASB issued FASB Accounting Standards Update ASU 2010-20 (FASB ASC 310). The objective of the amendments in this Update is for an entity to provide disclosures that facilitate financial statement users' evaluation of the following:

- The nature of credit risk inherent in the entity's portfolio of financing receivables;
- How that risk is analyzed and assessed in arriving at the allowance for credit losses; and
- The changes and reasons for those changes in the allowance for credit losses.

An entity is required to provide disclosures on a disaggregated basis. The amendments in this Update define two levels of disaggregation – portfolio segment and class of financing receivable. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Classes of financing receivables generally are a disaggregation of portfolio segment.

The amendments in this Update require an entity to provide the following disclosures about its financing receivables on a disaggregated basis:

- A roll forward schedule of the allowance for credit losses from the beginning of the reporting period to the end of the reporting period on a portfolio segment basis, with the ending balance further disaggregated on the basis of the impairment method;
- For each disaggregated ending balance above, the related recorded investment in financing receivables;
- The non-accrual status of financing receivables by class of financing receivables; and
- Impaired financing receivables by class of financial receivables.

The amendments in this Update require an entity to provide the following additional disclosures about its financing receivables:

- Credit quality indicators of financing receivables at the end of the reporting period by class of financing receivables;
- The aging of past due financing receivables at the end of the reporting period by class of financing receivables;
- The nature and extent of troubled debt restructurings that occurred during the period by class of financing receivables and their effect on the allowance for credit losses;
- The nature and extent of financing receivables modified as troubled debt restructurings within the previous 12 months that defaulted during the reporting period by class of financing receivables and their effect on the allowance for credit losses; and
- Significant purchases and sales of financing receivables during the reporting period disaggregated by portfolio segment.

This Update will be effective for us on November 1, 2010.

## Note 31 Future Accounting Policy Changes

### Business combinations, consolidated financial statements, and non-controlling interests
In January 2009, the CICA issued three new handbook sections: 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests".

CICA handbook section 1582 provides guidance on the application of the purchase method of accounting for business combinations. In particular, this section addresses the determination of the carrying amount of the assets and liabilities of a subsidiary company, goodwill, and accounting for a non-controlling interest at the time of the business combination. Under this standard, most acquisition-related costs must now be accounted for as expenses in the periods they are incurred. This new section is applicable for acquisitions completed on or after November 1, 2011, although early adoption is permitted to facilitate the transition to IFRS in 2011.

CICA handbook section 1601 establishes standards for the preparation of consolidated financial statements after the acquisition date. CICA handbook section 1602 addresses the accounting and presentation of non-controlling interests in the consolidated financial statements subsequent to a business combination. CICA handbook sections 1601 and 1602 must be adopted concurrently with CICA handbook section 1582.

### Transition to International Financial Reporting Standards (IFRS)
Canadian publicly accountable enterprises must transition to IFRS for fiscal years beginning on or after January 1, 2011. As a result, we will adopt IFRS commencing November 1, 2011, and will publish our first consolidated financial statements, prepared in accordance with IFRS, for the quarter ending January 31, 2012. Upon adoption, we will provide fiscal 2011 comparative financial information also prepared in accordance with IFRS.

The transition to IFRS represents a significant initiative for us and is supported by a formal governance structure with an enterprise-wide view and a dedicated project team.

The requirements concerning the transition to IFRS are set out in IFRS 1, "First-Time Adoption of International Financial Reporting Standards", which generally requires that changes from Canadian GAAP be applied retroactively and reflected in our opening November 1, 2010 comparative IFRS consolidated balance sheet. However, there are a number of transitional elections, some of which entail an exemption from retroactive application, available under the transitional rules that we continue to evaluate.

IFRS is expected to result in accounting policy differences in many areas. Based on existing IFRS and the assessment of our transitional elections to date, the areas that have the potential for the most significant impact to our financial and capital reporting include derecognition of financial instruments and the accounting for post-employment benefits.

### Financial impacts
*Derecognition of financial instruments*
There are differences between Canadian GAAP and existing IFRS concerning the determination of whether financial instruments should be derecognized from the consolidated balance sheet. Under IFRS, the determination of whether a financial asset should be derecognized is based to a greater extent on the transfer of risks and rewards, rather than on whether the assets have been legally isolated from the transferor.

As a result, securitization transactions are much more likely to be accounted for as secured borrowings rather than as sales, which will result in an increase to total assets recorded on our consolidated balance sheet, and a charge to retained earnings at transition in respect of gains previously recorded from off-balance sheet accounting, particularly in respect of residential mortgages securitized through the creation of MBS under the CMB program and Government of Canada National Housing Act MBS Auction process. The on-balance sheet treatment for securitized mortgages may also impact our hedging strategies.

The proposed change to IFRS 1 permitting transfers that occured before November 1, 2010 to be exempted from these requirements could reduce the initial impact of these accounting rules, although we may elect to still apply the rules retroactively, which would result in a gross-up to our opening IFRS balance sheet of approximately $29 billion in respect to the securitized residential mortgages.

*Post-employment benefits*
The IFRS 1 accounting election for post-employment benefits may also negatively impact our capital ratios through charging unamortized actuarial losses to retained earnings at transition, however this "fresh start" election would also reduce post-transition compensation expense through the elimination of amortization expense that would otherwise occur. Based on our October 31, 2010 actuarial valuation, the net impact of the "fresh-start" election combined with a number of other less significant IFRS differences relating to post-employment benefits, would be a reduction of Tier 1 capital of approximately $1.1 billion after-tax.

Other elections related to the accounting for actuarial gains and losses that may arise after transition also have the potential to impact our capital and earnings in subsequent years. Regardless of the alternative we choose, we will record in expense the cost of benefits incurred during the year, plus the interest cost on the obligation net of the expected returns on plan assets.

*Cumulative foreign currency translation differences*
IFRS 1 allows entities to elect to charge the cumulative translation account for all foreign operations to retained earnings at transition. Based on the balance in the foreign currency translation account as at October 31, 2010, this "fresh-start" election would result in a reclassification of $575 million from AOCI to retained earnings. This adjustment would not impact our Tier 1 capital.

### Future changes
Proposed changes to the IFRS accounting standards may introduce additional significant accounting differences, although we expect that most of the changes arising from the proposed standards will not be effective for us until the years following our initial IFRS transition in fiscal 2012.

The impact of IFRS to us at transition will ultimately depend on the IFRS standards and capital reporting rules in effect at the time, transition elections that have not yet been finalized, and the prevailing business and economic facts and circumstances.

## Principal Subsidiaries

Unaudited, $ millions, as at October 31, 2010

| Subsidiary name[1][2] | Address of head or principal office | Book value[3] of shares owned by CIBC and other subsidiaries of CIBC |
|---|---|---|
| CIBC Asset-Based Lending Inc. | Toronto, Ontario, Canada | 1 |
| CIBC Asset Management Holdings Inc. | Toronto, Ontario, Canada | 286 |
| CIBC Asset Management Inc. | Toronto, Ontario, Canada | |
| CIBC BA Limited | Toronto, Ontario, Canada | [4] |
| CIBC Global Asset Management Inc. | Montreal, Quebec, Canada | 301 |
| CIBC Global Asset Management (USA) Ltd. | Montreal, Quebec, Canada | |
| CIBC Private Investment Counsel Inc. | Toronto, Ontario, Canada | |
| CIBC Investor Services Inc. | Toronto, Ontario, Canada | 25 |
| CIBC Life Insurance Company Limited | Mississauga, Ontario, Canada | 24 |
| CIBC Mortgages Inc. | Toronto, Ontario, Canada | 230 |
| 3877337 Canada Inc. (Home Loans Canada) | Toronto, Ontario, Canada | |
| CIBC Securities Inc. | Toronto, Ontario, Canada | 2 |
| CIBC Trust Corporation | Toronto, Ontario, Canada | 411 |
| CIBC World Markets Inc. | Toronto, Ontario, Canada | 343 |
| CIBC WM Real Estate Ltd. | Toronto, Ontario, Canada | |
| CIBC WM Real Estate (Quebec) Ltd. | Montreal, Quebec, Canada | |
| CIBC Wood Gundy Financial Services Inc. | Toronto, Ontario, Canada | |
| CIBC Wood Gundy Financial Services (Quebec) Inc. | Montreal, Quebec, Canada | |
| CIBC Delaware Holdings Inc. | New York, NY, U.S.A. | |
| Canadian Imperial Holdings Inc. | New York, NY, U.S.A. | |
| CIBC Inc. | New York, NY, U.S.A. | |
| CIBC Capital Corporation | New York, NY, U.S.A. | |
| CIBC World Markets Corp. | New York, NY, U.S.A. | |
| INTRIA Items Inc. | Mississauga, Ontario, Canada | 100 |
| CIBC Capital Funding IV, L.P. | New York, NY, U.S.A. | 51 |
| CIBC Holdings (Cayman) Limited | George Town, Grand Cayman, Cayman Islands | 8,775 |
| CIBC Bank and Trust Company (Cayman) Limited | George Town, Grand Cayman, Cayman Islands | |
| CIBC Investments (Cayman) Limited | George Town, Grand Cayman, Cayman Islands | |
| FirstCaribbean International Bank Limited (91.4%) | Warrens, St. Michael, Barbados | |
| FirstCaribbean International Bank (Bahamas) Limited (87.0%) | Nassau, The Bahamas | |
| FirstCaribbean International Bank (Barbados) Limited (91.4%) | Warrens, St. Michael, Barbados | |
| FirstCaribbean International Bank (Cayman) Limited (91.4%) | George Town, Grand Cayman, Cayman Islands | |
| FirstCaribbean International Bank (Jamaica) Limited (88.0%) | Kingston, Jamaica | |
| FirstCaribbean International Bank (Trinidad and Tobago) Limited (91.4%) | Maraval, Port of Spain, Trinidad & Tobago | |
| FirstCaribbean International Wealth Management Bank (Barbados) Limited (91.4%) | Warrens, St. Michael, Barbados | |
| CIBC International (Barbados) Inc. | Warrens, St. Michael, Barbados | |
| CIBC Offshore Banking Services Corporation | Warrens, St. Michael, Barbados | |
| CIBC Reinsurance Company Limited | Warrens, St. Michael, Barbados | |
| CIBC Trust Company (Bahamas) Limited | Nassau, The Bahamas | |
| CIBC World Markets Securities Ireland Limited | Co. Meath, Ireland | |
| CIBC World Markets plc | London, England, U.K. | 387 |
| CIBC Asia Limited | Singapore City, Singapore | 8 |
| CIBC World Markets (Japan) Inc. | Tokyo, Japan | 51 |
| CIBC Australia Limited | Sydney, New South Wales, Australia | 22 |

(1) CIBC and other subsidiaries of CIBC own 100% of the voting shares of each subsidiary, except as otherwise noted.
(2) Each subsidiary is incorporated or organized under the laws of the state or country in which the principal office is situated, except for CIBC World Markets (Japan) Inc., which was incorporated in Barbados; CIBC Capital Funding IV, L.P., CIBC Delaware Holdings Inc., CIBC World Markets Corp., Canadian Imperial Holdings Inc., CIBC Inc. and CIBC Capital Corporation, which were incorporated or organized under the laws of the State of Delaware, U.S.A.
(3) The book value of shares of subsidiaries is shown at cost and may include non-voting common and preferred shares.
(4) The book value of shares owned by CIBC is less than $1 million.

# Quarterly Review

## Condensed consolidated statement of operations

| | | | | 2010 | | | | 2009 |
|---|---|---|---|---|---|---|---|---|
| Unaudited, $ millions, for the quarter | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net interest income | **$ 1,645** | **$ 1,548** | **$ 1,497** | **$ 1,514** | $ 1,419 | $ 1,369 | $ 1,273 | $ 1,333 |
| Non-interest income | **1,609** | **1,301** | **1,424** | **1,547** | 1,469 | 1,488 | 888 | 689 |
| Total revenue | **3,254** | **2,849** | **2,921** | **3,061** | 2,888 | 2,857 | 2,161 | 2,022 |
| Provision for credit losses | **150** | **221** | **316** | **359** | 424 | 547 | 394 | 284 |
| Non-interest expenses | **1,860** | **1,741** | **1,678** | **1,748** | 1,669 | 1,699 | 1,639 | 1,653 |
| Income before income taxes and non-controlling interests | **1,244** | **887** | **927** | **954** | 795 | 611 | 128 | 85 |
| Income tax expense (benefit) | **742** | **244** | **261** | **286** | 145 | 172 | 174 | (67) |
| Non-controlling interests | **2** | **3** | **6** | **16** | 6 | 5 | 5 | 5 |
| Net income (loss) | **500** | **640** | **660** | **652** | 644 | 434 | (51) | 147 |
| Dividend on preferred shares | **42** | **42** | **43** | **42** | 43 | 44 | 39 | 36 |
| Net income (loss) applicable to common shares | **$ 458** | **$ 598** | **$ 617** | **$ 610** | $ 601 | $ 390 | $ (90) | $ 111 |

## Condensed consolidated balance sheet

| | | | | 2010 | | | | 2009 |
|---|---|---|---|---|---|---|---|---|
| Unaudited, $ millions, as at quarter end | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Assets** | | | | | | | | |
| Cash and deposits with banks | **$ 12,052** | **$ 14,413** | **$ 7,936** | **$ 8,290** | $ 7,007 | $ 6,895 | $ 8,301 | $ 9,642 |
| Securities | **77,608** | **77,636** | **66,994** | **76,044** | 77,576 | 77,572 | 79,275 | 74,162 |
| Securities borrowed or purchased under resale agreements | **37,342** | **32,084** | **39,466** | **32,497** | 32,751 | 31,029 | 32,674 | 33,253 |
| Loans — Residential mortgages | **93,568** | **96,049** | **93,942** | **89,605** | 86,152 | 83,550 | 75,926 | 85,658 |
| Personal and credit card | **46,462** | **45,601** | **46,556** | **46,181** | 45,677 | 44,605 | 43,829 | 42,954 |
| Business and government | **38,582** | **38,001** | **38,239** | **39,296** | 37,343 | 37,260 | 42,397 | 44,881 |
| Allowance for credit losses | **(1,720)** | **(1,973)** | **(2,002)** | **(1,964)** | (1,960) | (1,899) | (1,693) | (1,551) |
| Derivative instruments | **24,682** | **23,886** | **21,830** | **23,563** | 24,696 | 28,357 | 34,048 | 34,144 |
| Customers' liability under acceptances | **7,684** | **7,309** | **7,001** | **6,997** | 8,397 | 8,929 | 9,450 | 9,342 |
| Other assets | **15,780** | **16,594** | **16,039** | **16,730** | 18,305 | 19,619 | 23,156 | 21,330 |
| | **$ 352,040** | **$ 349,600** | **$ 336,001** | **$ 337,239** | $ 335,944 | $ 335,917 | $ 347,363 | $ 353,815 |
| **Liabilities and shareholders' equity** | | | | | | | | |
| Deposits — Personal | **$ 113,294** | **$ 113,059** | **$ 111,865** | **$ 111,237** | $ 108,324 | $ 106,274 | $ 103,788 | $ 101,179 |
| Business and government | **127,759** | **118,207** | **108,469** | **105,920** | 107,209 | 101,254 | 109,080 | 113,534 |
| Bank | **5,618** | **6,836** | **6,459** | **7,112** | 7,584 | 6,699 | 9,044 | 11,670 |
| Derivative instruments | **26,489** | **26,287** | **24,060** | **25,686** | 27,162 | 31,455 | 38,094 | 38,851 |
| Acceptances | **7,684** | **7,309** | **7,001** | **6,997** | 8,397 | 8,930 | 9,529 | 9,345 |
| Obligations related to securities lent or sold short or under repurchase agreements | **37,893** | **43,646** | **45,899** | **49,242** | 43,369 | 47,190 | 42,057 | 44,606 |
| Other liabilities | **12,572** | **12,012** | **10,607** | **10,441** | 13,693 | 13,834 | 14,567 | 13,441 |
| Subordinated indebtedness | **4,773** | **6,067** | **6,063** | **5,119** | 5,157 | 5,691 | 6,612 | 6,728 |
| Preferred share liabilities | **–** | **600** | **600** | **600** | 600 | 600 | 600 | 600 |
| Non-controlling interests | **168** | **165** | **168** | **171** | 174 | 170 | 175 | 189 |
| Shareholders' equity | **15,790** | **15,412** | **14,810** | **14,714** | 14,275 | 13,820 | 13,817 | 13,672 |
| | **$ 352,040** | **$ 349,600** | **$ 336,001** | **$ 337,239** | $ 335,944 | $ 335,917 | $ 347,363 | $ 353,815 |

## Select financial measures

| | | | | 2010 | | | | 2009 |
|---|---|---|---|---|---|---|---|---|
| Unaudited, as at or for the quarter | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Return on equity | **14.6%** | **19.8%** | **22.2%** | **21.5%** | 22.2% | 14.6% | (3.5)% | 4.0% |
| Return on average assets | **0.56%** | **0.72%** | **0.81%** | **0.76%** | 0.75% | 0.51% | (0.06)% | 0.16% |
| Average common shareholders' equity ($ millions) | **$ 12,400** | **$ 11,994** | **$ 11,415** | **$ 11,269** | $ 10,718 | $ 10,601 | $ 10,644 | $ 10,960 |
| Average assets ($ millions) | **$ 355,868** | **$ 353,092** | **$ 333,589** | **$ 340,822** | $ 339,197 | $ 340,661 | $ 353,819 | $ 369,249 |
| Average assets to average common equity | **28.7** | **29.4** | **29.2** | **30.2** | 31.6 | 32.1 | 33.2 | 33.7 |
| Tier 1 capital ratio | **13.9%** | **14.2%** | **13.7%** | **13.0%** | 12.1% | 12.0% | 11.5% | 9.8% |
| Total capital ratio | **17.8%** | **18.1%** | **18.8%** | **17.1%** | 16.1% | 16.5% | 15.9% | 14.8% |
| Net interest margin | **1.83%** | **1.74%** | **1.84%** | **1.76%** | 1.66% | 1.59% | 1.48% | 1.43% |
| Efficiency ratio | **57.2%** | **61.1%** | **57.5%** | **57.1%** | 57.8% | 59.4% | 75.9% | 81.8% |

## Common share information

| | | | | 2010 | | | | 2009 |
|---|---|---|---|---|---|---|---|---|
| Unaudited, as at or for the quarter | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Average shares outstanding (thousands) | **391,055** | **388,815** | **386,865** | **384,442** | 382,793 | 381,584 | 381,410 | 380,911 |
| Per share – basic earnings (loss) | **$ 1.17** | **$ 1.54** | **$ 1.60** | **$ 1.59** | $ 1.57 | $ 1.02 | $ (0.24) | $ 0.29 |
| – diluted earnings (loss)[3] | **1.17** | **1.53** | **1.59** | **1.58** | 1.56 | 1.02 | (0.24) | 0.29 |
| – dividends | **0.87** | **0.87** | **0.87** | **0.87** | 0.87 | 0.87 | 0.87 | 0.87 |
| – book value[1] | **32.17** | **31.36** | **30.00** | **29.91** | 28.96 | 27.87 | 27.95 | 28.98 |
| Share price[2] – high | **79.50** | **75.40** | **77.19** | **70.66** | 69.30 | 67.20 | 54.90 | 57.43 |
| – low | **66.81** | **65.91** | **63.16** | **61.96** | 60.22 | 53.02 | 37.10 | 41.65 |
| – close | **78.23** | **70.60** | **74.56** | **63.90** | 62.00 | 66.31 | 53.57 | 46.63 |
| Dividend payout ratio | **74.3%** | **56.7%** | **54.5%** | **54.8%** | 55.4% | 85.0% | n/m | n/m |

(1) Common shareholders' equity divided by the number of common shares issued and outstanding at end of quarter.
(2) The high and low price during the period, and closing price on the last trading day of the period, on the TSX.
(3) In case of a loss, the effect of stock options potentially exercisable on diluted earnings (loss) per share is anti-dilutive; therefore, basic and diluted earnings (loss) per share will be the same.
n/m Not meaningful.

# Ten-year Statistical Review

## Condensed consolidated statement of operations

| Unaudited, $ millions, for the year ended October 31 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | **$ 6,204** | $ 5,394 | $ 5,207 | $ 4,558 | $ 4,435 | $ 4,937 | $ 5,258 | $ 5,517 | $ 5,389 | $ 4,445 |
| Non-interest income | **5,881** | 4,534 | (1,493) | 7,508 | 6,916 | 7,561 | 6,573 | 5,924 | 5,541 | 6,613 |
| Total revenue | **12,085** | 9,928 | 3,714 | 12,066 | 11,351 | 12,498 | 11,831 | 11,441 | 10,930 | 11,058 |
| Provision for credit losses | **1,046** | 1,649 | 773 | 603 | 548 | 706 | 628 | 1,143 | 1,500 | 1,100 |
| Non-interest expenses | **7,027** | 6,660 | 7,201 | 7,612 | 7,488 | 10,865 | 8,307 | 8,106 | 9,129 | 8,226 |
| Income (loss) before income taxes and non-controlling interests | **4,012** | 1,619 | (4,260) | 3,851 | 3,315 | 927 | 2,896 | 2,192 | 301 | 1,732 |
| Income tax expense (benefit) | **1,533** | 424 | (2,218) | 524 | 640 | 789 | 790 | 239 | (279) | 92 |
| Non-controlling interests | **27** | 21 | 18 | 31 | 29 | 170 | 15 | 3 | 38 | 58 |
| Net income (loss) | **$ 2,452** | $ 1,174 | $ (2,060) | $ 3,296 | $ 2,646 | $ (32) | $ 2,091 | $ 1,950 | $ 542 | $ 1,582 |
| Dividends on preferred shares | **169** | 162 | 119 | 139 | 132 | 125 | 100 | 75 | 50 | 17 |
| Premium on redemption of preferred shares classified as equity | **–** | – | – | 32 | – | – | – | – | – | – |
| Net income (loss) applicable to common shares | **$ 2,283** | $ 1,012 | $ (2,179) | $ 3,125 | $ 2,514 | $ (157) | $ 1,991 | $ 1,875 | $ 492 | $ 1,565 |

## Condensed consolidated balance sheet

| Unaudited, $ millions, as at October 31 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and deposits with banks | **$ 12,052** | $ 7,007 | $ 8,959 | $ 13,747 | $ 11,853 | $ 11,852 | $ 12,203 | $ 10,454 | $ 9,512 | $ 11,350 |
| Securities | **77,608** | 77,576 | 79,171 | 86,500 | 83,498 | 67,764 | 67,316 | 69,628 | 64,273 | 74,794 |
| Securities borrowed or purchased under resale agreements | **37,342** | 32,751 | 35,596 | 34,020 | 25,432 | 18,514 | 18,165 | 19,829 | 16,020 | 24,079 |
| Loans | | | | | | | | | | |
| Residential mortgages | **93,568** | 86,152 | 90,695 | 91,664 | 81,358 | 77,216 | 72,592 | 70,014 | 66,612 | 58,751 |
| Personal and credit card | **46,462** | 45,677 | 42,953 | 38,334 | 35,305 | 34,853 | 35,000 | 32,695 | 30,784 | 28,411 |
| Business and government | **38,582** | 37,343 | 39,273 | 34,099 | 30,404 | 31,350 | 31,737 | 33,177 | 41,961 | 46,693 |
| Allowance for credit losses | **(1,720)** | (1,960) | (1,446) | (1,443) | (1,442) | (1,636) | (1,825) | (1,952) | (2,288) | (2,294) |
| Derivative instruments | **24,682** | 24,696 | 28,644 | 24,075 | 17,122 | 20,309 | 23,710 | 22,796 | 24,717 | 25,723 |
| Customers' liability under acceptances | **7,684** | 8,397 | 8,848 | 8,024 | 6,291 | 5,119 | 4,778 | 5,139 | 6,848 | 8,100 |
| Other assets | **15,780** | 18,305 | 21,237 | 13,158 | 14,163 | 15,029 | 15,088 | 15,367 | 14,854 | 11,867 |
| | **$ 352,040** | $ 335,944 | $ 353,930 | $ 342,178 | $ 303,984 | $ 280,370 | $ 278,764 | $ 277,147 | $ 273,293 | $ 287,474 |
| **Liabilities and shareholders' equity** | | | | | | | | | | |
| Deposits | | | | | | | | | | |
| Personal | **$ 113,294** | $ 108,324 | $ 99,477 | $ 91,772 | $ 81,829 | $ 75,973 | $ 73,392 | $ 70,085 | $ 68,297 | $ 66,826 |
| Business and government | **127,759** | 107,209 | 117,772 | 125,878 | 107,468 | 106,226 | 105,362 | 105,885 | 117,664 | 114,270 |
| Bank | **5,618** | 7,584 | 15,703 | 14,022 | 13,594 | 10,535 | 11,823 | 12,160 | 10,669 | 13,256 |
| Derivative instruments | **26,489** | 27,162 | 32,742 | 26,688 | 17,330 | 20,128 | 23,990 | 21,945 | 24,794 | 26,395 |
| Acceptances | **7,684** | 8,397 | 8,848 | 8,249 | 6,297 | 5,119 | 4,778 | 5,147 | 6,878 | 8,100 |
| Obligations related to securities lent or sold short or under repurchase agreements | **37,893** | 43,369 | 44,947 | 42,081 | 44,221 | 29,208 | 29,010 | 30,952 | 18,051 | 32,616 |
| Other liabilities | **12,572** | 13,693 | 13,167 | 13,728 | 14,716 | 16,002 | 13,258 | 13,976 | 10,869 | 9,863 |
| Subordinated indebtedness | **4,773** | 5,157 | 6,658 | 5,526 | 5,595 | 5,102 | 3,889 | 3,197 | 3,627 | 3,999 |
| Preferred share liabilities | **–** | 600 | 600 | 600 | 600 | 600 | 1,043 | 1,707 | 1,988 | 1,999 |
| Non-controlling interests | **168** | 174 | 185 | 145 | 12 | 746 | 39 | 22 | 111 | 249 |
| Shareholders' equity | **15,790** | 14,275 | 13,831 | 13,489 | 12,322 | 10,731 | 12,180 | 12,071 | 10,345 | 9,901 |
| | **$ 352,040** | $ 335,944 | $ 353,930 | $ 342,178 | $ 303,984 | $ 280,370 | $ 278,764 | $ 277,147 | $ 273,293 | $ 287,474 |

## Select financial measures

| Unaudited, as at or for the year ended October 31 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on equity | **19.4%** | 9.4% | (19.4)% | 28.7% | 27.9% | (1.6)% | 18.7% | 19.2% | 5.1% | 16.1% |
| Return on average assets | **0.71%** | 0.33% | (0.60)% | 1.00% | 0.91% | (0.01)% | 0.74% | 0.68% | 0.19% | 0.57% |
| Average common shareholders' equity ($ millions) | **$ 11,772** | $ 10,731 | $ 11,261 | $ 10,905 | $ 9,016 | $ 9,804 | $ 10,633 | $ 9,764 | $ 9,566 | $ 9,739 |
| Average assets ($ millions) | **$345,943** | $350,706 | $344,865 | $328,520 | $291,277 | $288,845 | $280,810 | $284,739 | $292,510 | $278,798 |
| Average assets to average common equity | **29.4** | 32.7 | 30.6 | 30.1 | 32.3 | 29.5 | 26.4 | 29.2 | 30.6 | 28.6 |
| Tier 1 capital ratio | **13.9%** | 12.1% | 10.5% | 9.7% | 10.4% | 8.5% | 10.5% | 10.8% | 8.7% | 9.0% |
| Total capital ratio | **17.8%** | 16.1% | 15.4% | 13.9% | 14.5% | 12.7% | 12.8% | 13.0% | 11.3% | 12.0% |
| Net interest margin | **1.79%** | 1.54% | 1.51% | 1.39% | 1.52% | 1.71% | 1.87% | 1.94% | 1.84% | 1.59% |
| Efficiency ratio | **58.1%** | 67.1% | n/m | 63.1% | 66.0% | 86.9% | 70.2% | 70.9% | 83.5% | 74.4% |

n/m Not meaningful.

## Condensed consolidated statement of changes in shareholders' equity

| Unaudited, $ millions, for the year ended October 31 | | **2010** | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at beginning of year | | **$ 14,275** | $ 13,831 | $ 13,489 | $ 12,322 | $ 10,731 | $ 12,180 | $ 12,071 | $ 10,345 | $ 9,901 | $ 9,793 |
| Adjustment for change in accounting policy | | **–** | (6)[1] | (66)[2] | (50)[3] | – | 10[4] | 6[5] | – | (42)[6] | (140)[7] |
| Premium on repurchase of common shares | | **–** | – | – | (277) | – | (1,035) | (1,084) | – | (269) | (736) |
| Premium on redemption of preferred shares | | **–** | – | – | (32) | – | – | – | – | – | – |
| Changes in share capital | Preferred | **–** | 525 | 300 | (50) | – | 598 | 133 | 550 | 800 | – |
| | Common | **563** | 178 | 2,926 | 92 | 93 | (17) | 19 | 108 | 15 | (41) |
| Changes in contributed surplus | | **4** | (4) | – | 26 | 12 | (1) | 9 | 24 | 26 | – |
| Changes in OCI | | **9** | 72 | 650 | (650) | (115) | 49 | (196) | (222) | 2 | 38 |
| Net income (loss) | | **2,452** | 1,174 | (2,060) | 3,296 | 2,646 | (32) | 2,091 | 1,950 | 542 | 1,582 |
| Dividends | Preferred | **(169)** | (162) | (119) | (139) | (132) | (125) | (100) | (75) | (50) | (17) |
| | Common | **(1,350)** | (1,328) | (1,285) | (1,044) | (924) | (902) | (781) | (591) | (577) | (536) |
| Other | | **6** | (5) | (4) | (5) | 11 | 6 | 12 | (18) | (3) | (42) |
| Balance at end of year | | **$ 15,790** | $ 14,275 | $ 13,831 | $ 13,489 | $ 12,322 | $ 10,731 | $ 12,180 | $ 12,071 | $ 10,345 | $ 9,901 |

(1) Represents the impact of changing the measurement date for employee future benefits. See Note 22 to the consolidated financial statements for additional details.
(2) Represents the impact of adopting the amended CICA Emerging Issues Committee Abstract 46, "Leveraged Leases". See Note 1 to the consolidated financial statements for additional details.
(3) Represents the effect of implementing the CICA financial instruments standards, which provides guidance on recognition and measurement of financial instruments.
(4) Represents the effect of implementing the CICA AcG-15, "Consolidation of Variable Interest Entities", which provides a framework for identifying a VIE and requires a primary beneficiary to consolidate a VIE.
(5) Represents the effect of implementing the CICA AcG-17, "Equity-Linked Deposit Contracts", which introduced the requirements to bifurcate the equity-linked contracts and measure the derivative at fair value.
(6) Represents the effect of implementing the CICA handbook section 3870, "Stock-based Compensation and Other Stock-based Payments", which introduced the requirement to account for SARs based on quoted market price on an ongoing basis. Additionally, CIBC adopted the fair value-based method to account for stock transactions with employees and non-officer directors, as encouraged by section 3870.
(7) Represents the effect of implementing the CICA handbook section 3461, "Employee Future Benefits", which introduced the requirement to accrue the cost of post-retirement and post-employment benefits.

## Common share information

| Unaudited, as at or for the year ended October 31 | | **2010** | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Average number outstanding (thousands) | | **387,802** | 381,677 | 370,229 | 336,092 | 335,135 | 339,263 | 355,735 | 360,048 | 360,553 | 372,305 |
| Per share | – basic earnings (loss) | **$ 5.89** | $ 2.65 | $ (5.89) | $ 9.30 | $ 7.50 | $ (0.46) | $ 5.60 | $ 5.21 | $ 1.37 | $ 4.19 |
| | – diluted earnings (loss)[1] | **5.87** | 2.65 | (5.89) | 9.21 | 7.43 | (0.46) | 5.53 | 5.18 | 1.35 | 4.13 |
| | – dividends | **3.48** | 3.48 | 3.48 | 3.11 | 2.76 | 2.66 | 2.20 | 1.64 | 1.60 | 1.44 |
| | – book value[2] | **32.17** | 28.96 | 29.40 | 33.31 | 29.59 | 25.00 | 29.92 | 28.78 | 25.75 | 26.44 |
| Share price[3] | – high | **79.50** | 69.30 | 99.81 | 106.75 | 87.87 | 80.80 | 73.90 | 60.95 | 57.70 | 57.00 |
| | – low | **61.96** | 37.10 | 49.00 | 87.00 | 72.90 | 67.95 | 59.35 | 39.50 | 34.26 | 43.20 |
| | – close | **78.23** | 62.00 | 54.66 | 102.00 | 87.60 | 72.20 | 73.90 | 59.21 | 38.75 | 48.82 |
| Dividend payout ratio | | **59.1%** | >100% | n/m | 33.4% | 36.8% | n/m | 39.2% | 31.5% | >100% | 34.2% |

(1) In case of a loss, the effect of stock options potentially exercisable on diluted earnings (loss) per share will be anti-dilutive; therefore, basic and diluted earnings (loss) per share will be the same.
(2) Common shareholders' equity divided by the number of common shares issued and outstanding at end of year.
(3) The high and low price during the year, and closing price on the last trading day of the year, on the TSX.
n/m Not meaningful.

## Dividends on preferred shares[1]

| Unaudited, for the year ended October 31 | | **2010** | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Class A | Series 14 | **$ –** | $ – | $ – | $ – | $ – | $ – | $ – | $ 1.1156 | $ 1.4875 | $ 1.4875 |
| | Series 15 | **–** | – | – | – | – | – | 1.0709 | 1.4125 | 1.4125 | 1.4125 |
| | Series 16 | **–** | – | – | – | – | – | 1.8456 | 2.0025 | 2.2244 | 2.1724 |
| | Series 17 | **–** | – | – | – | – | – | 1.3551 | 1.3625 | 1.3625 | 1.3625 |
| | Series 18 | **1.3750** | 1.3750 | 1.3750 | 1.3750 | 1.3750 | 1.3750 | 1.3750 | 1.3750 | 1.3750 | 1.3750 |
| | Series 19 | **1.2375** | 1.2375 | 1.2375 | 1.2375 | 1.2375 | 1.2375 | 1.2375 | 1.2375 | 1.2375 | 1.2375 |
| | Series 20 | **–** | – | – | – | – | 1.5780 | 1.6908 | 1.8253 | 2.0276 | 1.9801 |
| | Series 21 | **–** | – | – | – | – | 1.5095 | 1.5000 | 1.5000 | 1.5000 | 1.5000 |
| | Series 22 | **–** | – | – | – | – | 1.9518 | 2.0520 | 2.2152 | 2.4606 | 2.4031 |
| | Series 23 | **1.3250** | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 1.3250 | 0.9938 |
| | Series 24 | **–** | – | – | 0.3750 | 1.5000 | 1.5000 | 1.5000 | 1.5000 | 1.2962 | – |
| | Series 25 | **–** | – | – | 1.1250 | 1.5000 | 1.5000 | 1.5000 | 1.5000 | 0.8048 | – |
| | Series 26 | **1.4375** | 1.4375 | 1.4375 | 1.4375 | 1.4375 | 1.4375 | 1.4375 | 1.0859 | – | – |
| | Series 27 | **1.4000** | 1.4000 | 1.4000 | 1.4000 | 1.4000 | 1.4000 | 1.5484 | – | – | – |
| | Series 28 | **0.0800** | 0.0800 | 0.0800 | 0.0800 | 0.0800 | 0.0799 | 0.1996 | – | – | – |
| | Series 29 | **1.3500** | 1.3500 | 1.3500 | 1.3500 | 1.3500 | 1.3500 | – | – | – | – |
| | Series 30 | **1.2000** | 1.2000 | 1.2000 | 1.2000 | 1.2000 | 1.1938 | – | – | – | – |
| | Series 31 | **1.1750** | 1.1750 | 1.1750 | 1.1298 | – | – | – | – | – | – |
| | Series 32 | **1.1250** | 1.1250 | 1.1250 | 0.7995 | – | – | – | – | – | – |
| | Series 33 | **1.3375** | 1.5271 | – | – | – | – | – | – | – | – |
| | Series 35 | **1.6250** | 1.1909 | – | – | – | – | – | – | – | – |
| | Series 37 | **1.6250** | 1.0607 | – | – | – | – | – | – | – | – |

(1) The dividends are adjusted for the number of days during the year that the share is outstanding at the time of issuance and redemption.

# Glossary

**Advanced internal rating based (AIRB) approach for credit risk**
Internal models based on historical experience of key risk assumptions are used to compute the capital requirements.

**Advanced measurement approach (AMA) for operational risk**
The capital charge for operational risk is calculated based on internal risk measurement models, using a combination of quantitative and qualitative risk measurement techniques.

**Allowance for credit losses**
An allowance set up in the financial statements sufficient to absorb both specifically identified and inherent credit-related losses in CIBC's portfolio of loans, acceptances, letters of credit and guarantees. It can be either specific or general.

**Amortized cost**
The amount at which a financial asset or financial liability is measured at initial recognition minus repayments, minus the cumulative recognition of interest using the effective interest method, plus or minus any basis adjustments resulting from a fair value hedge, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability. The amount of a financial asset or liability measured at initial recognition is the cost of the financial asset or liability including capitalized transaction costs and deferred fees.

**Asset/liability management (ALM)**
This is essentially the management of risks in the non-trading areas of the bank. Risk management techniques are used to manage the relative duration of CIBC's assets (such as loans) and liabilities (such as deposits), in order to minimize the adverse impact of changes in interest rates.

**Assets-to-capital multiple**
Total assets plus specified off-balance sheet items divided by total regulatory capital.

**Assets under administration (AUA)**
Assets administered by CIBC that are beneficially owned by clients and are, therefore, not reported on the consolidated balance sheet. Services provided by CIBC are of an administrative nature, such as safekeeping of securities, collection of investment income, and the settlement of purchase and sale transactions.

**Assets under management (AUM)**
Assets managed by CIBC that are beneficially owned by clients and are, therefore, not reported on the consolidated balance sheet. The service provided in respect of these assets is discretionary portfolio management on behalf of the clients. AUM amounts are included in the amounts reported under AUA.

**Bank exposures**
In Basel II credit risk exposure reporting, all direct credit risk exposures to deposit-taking institutions and regulated securities firms, and exposures guaranteed by those entities.

**Basis point**
One hundredth of a percentage point.

**Business and government portfolio**
In Basel II credit risk exposure reporting, a category of exposures that includes lending to businesses and governments, where the primary basis of adjudication relies on the determination and assignment of an appropriate risk rating, that reflects the credit risk of the exposure.

**Collateral**
Assets pledged as security for a loan or other obligation. Collateral is generally cash or a highly rated security.

**Collateralized debt obligation (CDO)**
Securitization of any combination of corporate debt, asset-backed securities, mortgage-backed securities or tranches of other collateralized debt obligations to form a pool of diverse assets that are tranched into securities that offer varying degrees of risk and return so as to meet investor demand.

**Collateralized loan obligation (CLO)**
Securitizations of any combination of secured or unsecured corporate loans made to commercial and industrial clients of one or more lending banks to form a pool of diverse assets that are tranched into securities that offer varying degrees of risk and return so as to meet investor demand.

**Corporate exposures**
In Basel II credit risk exposure reporting, all direct credit risk exposures to corporations, partnerships and proprietorships, and exposures guaranteed by those entities.

**Credit derivatives**
A category of derivatives that allow one party (the beneficiary) to transfer the credit risk of a referenced asset, which the beneficiary may or may not own, to another party (the guarantor) without actually selling the asset. CIBC commonly uses credit derivatives to manage its overall credit risk exposure.

**Credit risk**
Risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with agreed terms.

**Credit valuation adjustment (CVA)**
Derivative contracts are initially marked to generic risk-free price curves without reference to credit quality of either counterparty to the contract. The CVA is the adjustment, positive or negative, required to this initial mark to reflect the market value of the credit risk due to any failure by either party to perform its obligations under the derivative contract. The calculation of the CVA generally reflects the netting and collateral arrangements in place between the counterparties.

**Current replacement cost**
The estimated cost of replacing derivative instruments that have a positive market value, representing an unrealized gain to CIBC.

**Derivatives**
Contracts which require little or no initial investment and whose value is derived from changes in interest rates, foreign exchange rates, equity or commodity prices, or credit spreads applied to a notional underlying amount. The use of derivatives permits the management of risk due to changes in these risk factors.

**Dividend payout ratio**
Common dividends paid as a percentage of net income after preferred share dividends and premium on redemptions.

**Dividend yield**
Dividends per common share divided by the closing common share price.

**Drawn exposure**
In Basel II credit risk exposure reporting, the amount of credit risk exposure resulting from loans already advanced to the customer.

**Economic capital**
Economic capital is a non-GAAP measure based upon an estimate of equity capital required by the businesses to absorb losses consistent with our targeted risk rating over a one-year horizon. Economic capital comprises credit, market, operational and strategic risk capital.

**Economic profit**
Economic profit is a non-GAAP risk-adjusted performance measure used for measuring economic value added. It is calculated as earnings of each business less a charge for the cost of capital.

**Effective interest rate method**
A method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

**Efficiency ratio**
Non-interest expenses as a percentage of total revenue (net interest income and non-interest income). Efficiency ratio is used as a measure of productivity.

**Exposure at default (EAD)**
In Basel II credit risk exposure reporting, an estimate of the amount of exposure to a customer at the event of, and at the time of, default.

**Fair value**
The amount of consideration that would be exchanged in an arm's length transaction between knowledgeable and willing parties, under no compulsion to act.

**Forward contracts**
A contractual commitment to buy or sell a specified commodity, currency or financial instrument at a specific price and date in the future. Forward contracts are customized contracts traded in over-the-counter markets. Forward contracts are derivatives.

**Forward rate agreement**
An over-the-counter contract determining an interest rate to be paid or received commencing on a particular date in the future for a specified period of time. Forward rate agreements are derivatives.

**Full-time equivalent employees**
Full-time equivalent employees is a measure that normalizes the number of full-time and part-time employees, base plus commissioned employees, and 100% commissioned employees into equivalent full-time units based on actual hours of paid work during a given period.

**Futures**
A contractual commitment to buy or sell a specified commodity, currency or financial instrument at a specific price and date in the future. Futures contracts are standardized and are traded on an exchange. Futures contracts are derivatives.

**Guarantees and standby letters of credit**
Primarily represent CIBC's obligation, subject to certain conditions, to make payments to third parties on behalf of clients, if these clients cannot make that payment, or are unable to meet other specified contractual obligations.

**Hedge**
A risk reduction technique whereby a derivative or other financial instrument is used to reduce or offset exposure to changes in interest rates, foreign exchange rates, equity, commodity prices or credit risk.

**Interest-only strip**
A financial instrument based solely on all or a portion of the interest payments from a pool of loans or other similar interest-bearing assets. As the principal on the underlying interest-bearing assets is repaid or defaults, the interest payments decline and the value of the interest-only strip falls accordingly.

**Internal models approach (IMA) for market risk**
Internal models are used to calculate the regulatory capital requirement CIBC must meet for debt/equity specific risks and general market risks.

**Internal ratings based approach for securitization exposures**
The computation of capital charge is based on risk weights that are mapped from internal ratings.

**Liquidity risk**
Risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavourable rates or selling assets on a forced basis.

**Loss given default (LGD)**
An estimate of the amount of exposure to a customer that will not be recovered following a default by that customer, expressed as a percentage of the exposure at default.

**Mark-to-market**
The market value at which two parties are willing to exchange an asset, liability or other derivative contract. Valuation is at market rates/prices, as at the balance sheet date. Market observable prices are generally available for most publicly traded securities and some derivatives. Mark-to-market for some complex derivatives is model based using market observable price factors.

**Market risk**
The potential for financial loss from adverse changes in underlying market factors, including interest and foreign exchange rates, credit spreads, and equity and commodity prices.

**Master netting agreement**
An industry standard agreement designed to reduce the credit risk of multiple derivative transactions with a counterparty through the creation of a legal right of offset of exposures in the event of a default by that counterparty.

**Net interest income**
The difference between interest earned on assets (such as loans and securities) and interest incurred on liabilities (such as deposits and subordinated indebtedness).

**Net interest margin**
Net interest income as a percentage of average assets.

**Normal course issuer bid**
Involves a listed company buying its own shares through a stock exchange, from time to time, and is subject to the various rules of the exchanges and securities commissions.

**Notional amount**
Principal amount or reference amount used for the calculation of payments under assets/liabilities or derivative contracts. In most instances, these amounts are not paid, received or exchanged under the terms of the derivative contract.

**Off-balance sheet financial instruments**
Assets or liabilities that are not recorded or not fully recorded on the balance sheet at notional or stated amounts, but may produce positive or negative cash flows. Such instruments include credit related arrangements.

**Office of the Superintendent of Financial Institutions (OSFI)**
OSFI supervises and regulates all banks, all federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations, fraternal benefit societies and pension plans in Canada.

**Operational risk**
The risk of loss resulting from inadequate or failed internal processes, systems, or from human error or external events.

**Options**
A contractual obligation under which the writer confers the right, but not the obligation, on the purchaser to either buy (call option) or sell (put option) a specific amount of a commodity, currency or financial instrument at a fixed price either at or by a set date.

**Other off-balance sheet exposure**
In Basel II credit risk exposure reporting, the amount of credit risk exposure resulting from the issuance of guarantees and letters of credit.

**Other retail**
In Basel II credit risk exposure reporting, this exposure class includes all other loans that are extended to individuals and small businesses.

**Over-the-counter derivatives (OTC) exposure**
In Basel II credit risk exposure reporting, the amount of credit risk exposure resulting from derivatives that trade directly between two counterparties, rather than through exchanges.

**Price-to-earnings multiple**
Closing common share price divided by diluted earnings per common share.

**Probability of default (PD)**
An estimate of the likelihood of default for any particular customer which occurs when that customer is not able to repay its obligations as they become contractually due.

**Provision for credit losses**
An amount charged or credited to income so as to bring the allowance for credit losses to a level that is sufficient to cover specifically identified and inherent credit-related losses in CIBC's portfolio of loans, acceptances, letters of credit, and guarantees.

**Qualifying revolving retail**
In Basel II credit risk exposure reporting, this exposure class includes credit cards, unsecured lines of credit and overdraft protection products extended to individuals. Under the standardized approach, these exposures would be included under "other retail".

**Real estate secured personal lending**
In Basel II credit risk exposure reporting, this exposure class includes residential mortgages and home equity lines of credit extended to individuals.

**Regulatory capital**
Basel II regulatory capital comprises Tier 1 and Tier 2 capital as defined by OSFI's Capital Adequacy Regulations. Tier 1 capital comprises common shares excluding short trading positions in our own shares, retained earnings, preferred shares, innovative Tier 1 notes, non-controlling interests, contributed surplus, and foreign currency translation adjustments. Goodwill and gain on sale of applicable securitized assets is deducted from Tier 1 capital. Tier 2 capital comprises subordinated debt and eligible general allowance. Both Tier 1 and Tier 2 capital are subject to certain other deductions on a 50/50 basis with the exception of investment in insurance activities which are deducted 100% from Tier 2 capital in accordance with OSFI's transition rules.

**Repo-style transactions (Repos) exposure**
In Basel II credit risk exposure reporting, the amount of credit risk exposure resulting from our securities bought or sold under resale agreements, as well as securities borrowing and lending activities.

**Retail portfolios**
In Basel II credit risk exposure reporting, a category of exposures that includes primarily personal but also small business lending, where the primary basis of adjudication relies on credit scoring models.

**Return on equity (ROE)**
Net income, less preferred share dividends and premium on redemptions, expressed as a percentage of average common shareholders' equity.

**Risk-weighted assets (RWAs)**
Under Basel II rules, RWAs consists of three components: (i) RWAs for credit risk are calculated using the AIRB approach and Standardized Approach. The AIRB RWAs are calculated utilizing PDs, LGDs, EADs, and in some cases maturity adjustment, and the Standardized Approach applies risk weighting factors specified in the OSFI guidelines to on- and off-balance sheet exposures; (ii) RWAs for market risk in the trading portfolio are statically estimated based on models approved by OSFI; and (iii) RWAs for operational risk relating to the risk of losses from inadequate or failed processes, people and systems are calculated under the AMA approach.

**Securities borrowed**
Securities are typically borrowed to cover short positions. Borrowing requires the pledging of collateral by the borrower to the lender. The collateral may be cash or a highly rated security.

**Securities lent**
Securities are typically lent to a borrower to cover their short positions. Borrowing requires the pledging of collateral by the borrower to the lender. The collateral provided may be cash or a highly rated security.

**Securities purchased under resale agreements**
A transaction where a security is purchased by the buyer and, at the same time, the buyer commits to resell the security to the original seller at a specific price and date in the future.

**Securities sold short**
A transaction in which the seller sells securities it does not own. The seller borrows the securities in order to deliver them to the purchaser. At a later date, the seller buys identical securities in the market to replace the borrowed securities.

**Securities sold under repurchase agreements**
A transaction where a security is sold by the seller and, at the same time, the seller commits to repurchase the security from the original purchaser at a specific price and date in the future.

**Securitization**
The process of selling assets (normally financial assets such as loans, leases, trade receivables, credit card receivables or mortgages) to trusts or other special purpose entities (SPEs). An SPE normally issues securities or other form of interests to investors and/or the asset transferor, and the SPE uses the proceeds of the issue of securities to purchase the transferred assets. The SPE will generally use the cash flows generated by the assets to meet the obligations under the securities or other interests issued by the SPE, which may carry a number of different risk profiles.

**Seller swaps**
Seller swaps are derivatives used in securitization transactions whereby the asset seller receives ongoing cash flows related to the assets sold and pays the funding costs of the securitization vehicle.

**Sovereign exposures**
In Basel II credit risk exposure reporting, all direct credit risk exposures to governments, central banks and certain public sector entities, and exposures guaranteed by those entities.

**Standardized approach for credit risk**
In Basel II, applied to exposures where sufficient information to allow for the AIRB approach for credit risk is not available. Credit risk capital requirements are calculated based on a standardized set of risk weights as prescribed by the regulator. The standardized risk-weights are based on external credit assessments, where available, and other risk related factors, including exposure asset class, collateral, etc.

**Stock appreciation rights (SARs)**
SARs issued by CIBC were rights attached to stock options. SARs could have been exchanged for a cash amount equal to the excess of the weighted-average price of CIBC common shares on the TSX or the trading day, immediately preceding the day the SARs were exercised, over the option strike price established at the time of the grant.

**Swap contracts**
Agreements between two parties to exchange a series of cash flows, based on a specific notional amount over a specified period. The typical swap contracts are interest rate swaps and cross currency swaps. Swap contracts are derivatives.

**Taxable equivalent basis (TEB)**
A non-GAAP measure that increases tax-exempt income to make it directly comparable to taxable income sources when comparing either total revenue or net interest income. There is an offsetting adjustment to the tax provision, thus generating the same after tax income as reported under GAAP.

**Tier 1 and total capital ratios**
Tier 1 and total regulatory capital, divided by risk-weighted assets, based on guidelines set by OSFI, based on Bank for International Settlements standards.

**Total shareholder return**
The total return earned on an investment in CIBC's common shares. The return measures the change in shareholder value, assuming dividends are reinvested in additional shares.

**Undrawn exposures**
In Basel II credit risk exposure reporting, the amount of credit risk exposure resulting from loans that have not been advanced to a customer, but which a customer may be entitled to draw in the future.

**Value-at-Risk (VaR)**
Generally accepted risk measurement concept that uses statistical models to estimate the distribution of possible returns on a portfolio at a given level of confidence.

**Variable interest entity (VIE)**
An entity that does not have sufficient equity at risk to permit it to finance its activities without additional subordinated financial support, or in which equity investors do not have the characteristics of a controlling financial interest. SPEs are a type of VIE that are created for a single, well-defined and narrow purpose.

# Shareholder Information

## Dividends

### Common shares

| Ex-dividend date | Record date | Payment date | Dividends per share | Number of common shares on record date |
|---|---|---|---|---|
| Sep 24/10 | Sep 28/10 | Oct 28/10 | $0.87 | 391,066,315 |
| Jun 24/10 | Jun 28/10 | Jul 28/10 | $0.87 | 388,843,943 |
| Mar 25/10 | Mar 29/10 | Apr 28/10 | $0.87 | 386,950,813 |
| Dec 23/09 | Dec 29/09 | Jan 28/10 | $0.87 | 384,365,376 |

Common shares of the Bank are listed for trading on the Toronto Stock Exchange and the New York Stock Exchange (ticker symbol – CM).

### Preferred shares

| | Series 18 | Series 19[(1)] | Series 23[(1)] | Series 26 | Series 27 | Series 28 | Series 29 | Series 30 | Series 31 | Series 32 | Series 33 | Series 35 | Series 37 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quarterly Dividend | $0.343750 | $0.309375 | $0.331250 | $0.359375 | $0.350000 | $0.020000 | $0.337500 | $0.300000 | $0.293750 | $0.281250 | $0.334375 | $0.406250 | $0.406250 |
| Ticker symbol | CM.PR.P | CM.PR.R | CM.PR.A | CM.PR.D | CM.PR.E | – | CM.PR.G | CM.PR.H | CM.PR.I | CM.PR.J | CM.PR.K | CM.PR.L | CM.PR.M |

(1) Series 19 and 23 were redeemed on October 31, 2010.
All preferred shares are listed on the Toronto Stock Exchange, with the exception of Series 28, which was de-listed on May 1, 2005.

### Eligible dividends

CIBC designates any and all dividends paid or deemed for Canadian federal, provincial or territorial income tax purposes to be paid on or after January 1, 2006 to be "eligible dividends," unless otherwise indicated in respect of dividends paid subsequent to this notification, and hereby notifies all recipients of such dividends of this designation.

### Anticipated 2011 record and dividend payment dates for common and preferred shares[(1)]

| Record dates | Payment dates |
|---|---|
| December 29[(2)] | January 28 |
| March 28 | April 28 |
| June 28 | July 28 |
| September 28 | October 28 |

(1) Payment of dividend for common and preferred shares is subject to approval by the Board of Directors.
(2) 2010.

### Credit ratings (as at October 31, 2010)

| | Short-term debt | Senior debt | Subordinated debt | Preferred shares |
|---|---|---|---|---|
| DBRS | R-1 (high) | AA | AA (low) | Pfd-1 (low) |
| Fitch Ratings | F1+ | AA- | A+ | A |
| Moody's Investors Service | P-1 | Aa2 | Aa3 | Baa1 |
| Standard & Poor's | A-1 | A+ | A | A-<br>P-1 (low) |

### Shareholder investment plan

All Canadian and U.S. resident registered holders of CIBC common shares and designated Class A preferred shares may participate in one or more of the following options, and pay no brokerage commissions or service charges:

**Dividend reinvestment option:** Canadian residents may have dividends reinvested in additional CIBC common shares.

**Share purchase option:** Canadian residents may purchase up to $50,000 of additional CIBC common shares during the fiscal year.

**Stock dividend option:** U.S. residents may elect to receive stock dividends on CIBC common shares.

Further information is available through CIBC Mellon Trust Company.

### Transfer agent and registrar

For information relating to shareholdings, shareholder investment plan, dividends, direct dividend deposit, dividend reinvestment accounts and lost certificates, or to eliminate duplicate mailings of shareholder material, please contact:

CIBC Mellon Trust Company
P.O. Box 7010, Adelaide Street Postal Station
Toronto, Ontario
M5C 2W9
416 643-5500 or fax 416 643-5501
1 800 387-0825 (toll-free in Canada and the U.S.)
E-mail: inquiries@cibcmellon.com
Website: www.cibcmellon.com

Common and preferred shares are transferable in Canada at the offices of our agent, CIBC Mellon Trust Company, in Toronto, Montreal, Halifax, Calgary and Vancouver.

In the United States, common shares are transferable at:
BNY Mellon Shareowner Services
480 Washington Blvd, 27th Floor
Jersey City, NJ 07310
1 800 589-9836
E-mail: shrrelations@bnymellon.com
Website: www.bnymellon-investor.com

## Further information

**CIBC HEAD OFFICE**

Commerce Court, Toronto, Ontario,
Canada M5L 1A2
Telephone number: 416 980-2211
SWIFT code: CIBCCATT
Website: www.cibc.com

**CONTACT INFORMATION**

Investor Relations:
Call: 416 980-6433
Fax: 416 980-5028
E-mail: investorrelations@cibc.com

Communications and Public Affairs:
Call: 416 980-4523
Fax: 416 363-5347
Email: corpcommmailbox@cibc.com

CIBC Telephone Banking:
Toll-free across Canada: 1 800 465-2422

Office of the CIBC Ombudsman:
Toll-free across Canada: 1 800 308-6859
Toronto: 416 861-3313
Fax: 1 800 308-6861
Toronto: 416 980-3754

CIBC Annual Report 2010
Additional print copies of the Annual Report may be obtained by calling 416 980-6433 or e-mailing investorrelations@cibc.com.
The Annual Report is also available online at www.cibc.com.

La version française: Sur simple demande, nous nous ferons un plaisir de vous faire parvenir la version française du présent rapport. Veuillez composer le 416 980-6433 ou nous faire parvenir un courriel à relationsinvestisseurs@cibc.com.
La Reddition de comptes annuelle est aussi disponible en ligne à www.cibc.com.

**KEY DATES IN 2011**

Quarterly results:
Q1 – February 24
Q2 – May 26
Q3 – August 31
Q4 – December 1

Annual Meeting of Shareholders:
Thursday, April 28 at
10:00 a.m. (Central Daylight Time) in Winnipeg, Manitoba at The Fairmont Winnipeg, the Winnipeg Ballroom,
2 Lombard Street,
Winnipeg, Manitoba, R3B 0Y3

## Incorporation

Canadian Imperial Bank of Commerce (CIBC) is a diversified financial institution governed by the Bank Act (Canada). CIBC was formed through the amalgamation of The Canadian Bank of Commerce and Imperial Bank of Canada in 1961. The Canadian Bank of Commerce was originally incorporated as Bank of Canada by special act of the legislature of the Province of Canada in 1858. Subsequently, the name was changed to The Canadian Bank of Commerce and it opened for business under that name in 1867. Imperial Bank of Canada was incorporated in 1875 by special act of the Parliament of Canada and commenced operations in that year.

*The following are trademarks of CIBC or its subsidiaries:*
Achieve what matters; Axiom Portfolios; CIBC 60 Plus Advantage; CIBC Advantage Card; CIBC CreditSmart; CIBC Everyday; CIBC EverydayPlus; CIBC Financial HealthCheck; CIBC For what matters.; CIBC Logo; CIBC Private Wealth Management; CIBC Unlimited Business Operating Account; CIBC Youthvision Scholarship; FirstCaribbean International Bank; Imperial Service; Investor's Edge; Miracle Day; SmartStart; The CIBC Switch; Wood Gundy.

*The following are trademarks of other parties:*
Aerogold is a registered trademark of Aeroplan Canada Inc. CIBC is an authorized licensee of the mark.; Blackberry and related trademarks, names and logos are the property of Research in Motion Limited and are registered and/or used in EMEA and countries around the world. Used under license from Research in Motion Limited; Canada's Most Powerful Women: Top 100 is a registered trademark of The Jeffery Group Ltd.; Canadian Breast Cancer Foundation and Run for the Cure are registered trademarks of Canadian Breast Cancer Foundation; Carbon Disclosure Project is a trademark of Carbon Disclosure Project Limited; CIBC is a licensee of the mark; Computers for Schools is a trademark of Her Majesty The Queen In Right Of Canada, as represented by the Minister of Industry; Encana is a registered trademark of Encana Corporation; Enerplus is a registered trademark of Enermark Inc.; FIFA World Cup is a registered trademark of Fédération Internationale de Football Association; Forest Stewardship Council is a registered trademark of Forest Stewardship Council, A.C.; Go Paperless is a registered trademark of Go Paperless Corporation; iPhone is a trademark or service mark of Apple Inc. registered in the U.S. and other countries. Apple Inc. is not a sponsor of or participant in CIBC Mobile Banking; Jantzi Social Index is a registered trademark of Michael Jantzi Research Associates Inc.; MasterCard is a registered trademark of MasterCard Worldwide; Movember is a registered trademark of Forideas Pty Limited; New York Stock Exchange is a registered trademark of NYSE Group, Inc.; Penn West Energy Trust; President's Choice Financial is a registered trademark of Loblaws Inc.; Prostate Cancer Canada is a trademark of Prostate Cancer Canada; Soccer Nation is a trademark of Canadian Broadcasting Corporation/Société Radio-Canada; The Globe and Mail is a registered trademark of CTVglobemedia Publishing Inc.; Toronto Stock Exchange is a registered trademark of The Toronto Stock Exchange; TSX is a registered trademark of TSX Inc.; Visa is a registered trademark of Visa International Inc./CIBC Licensed User.

*Only those trademarks that are pending or registered before the Canadian Trademarks office are identified.*

Design: LiQuid

# Our Vision

To be the leader in client relationships

# Our Mission

To fulfill the commitments we have made to each of our stakeholders

- Help our clients achieve what matters to them
- Create an environment where all employees can excel
- Make a real difference in our communities
- Generate strong total returns for our shareholders

# Our Values

Our vision and mission are driven by an organizational culture based on core values of Trust, Teamwork and Accountability

# Our Strategic Imperative

To deliver consistent and sustainable performance over the long term

# Our Priorities

- Market leadership in core businesses
  - Achieve and maintain no less than a #3 position, and target #1 or #2, in our core Canadian-based retail and wholesale businesses
- Balanced and actively-managed business mix
  - Grow in certain areas where we have competitive capabilities and market opportunities that can generate sustainable earnings
- Industry-leading fundamentals
  - Underpin our core businesses with strong capital funding, competitive productivity measures and sound risk management

All paper used in the production of the CIBC 2010 Annual Report has been certified by the Forest Stewardship Council (FSC). FSC fibre used in the manufacture of the paper stock comes from well-managed forests independently certified by SmartWood according to Forest Stewardship Council rules. Paper fibre used for the cover of the report has 55% recycled content, including 30% post-consumer waste and is acid free and elemental chlorine free. The text paper fibre of this report has 30% post-consumer waste and is also acid free and elemental chlorine free. Only vegetable-based, low-VOC inks have been used.