

Consolidated financial statements

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Financial reporting responsibility

The management of Canadian Imperial Bank of Commerce (CIBC) is responsible for the preparation, presentation, accuracy and reliability of the Annual Report, which includes the consolidated financial statements and management's discussion and analysis (MD&A). The consolidated financial statements have been prepared in accordance with Section 308(4) of the *Bank Act* (Canada), which requires that the financial statements be prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The MD&A has been prepared in accordance with the requirements of applicable securities laws.

The consolidated financial statements and MD&A, contain items that reflect the best estimates and judgments of the expected effects of current events and transactions with appropriate consideration to materiality. 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 financial reporting. The results of our work have been subjected to audit by the shareholders' auditors. Management has assessed the effectiveness of CIBC's internal control over financial reporting as at year end using the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based upon this assessment, we have determined that internal control over financial reporting is effective in all material respects and CIBC is in compliance with the requirements set by the U.S. Securities and Exchange Commission (SEC) under the U.S. Sarbanes-Oxley Act (SOX).

CIBC's Chief Executive Officer and Chief Financial Officer have certified CIBC's annual filings with the SEC under SOX and with the Canadian Securities Administrators under Canadian securities laws.

The Internal Audit department reviews and reports on the effectiveness of CIBC's internal control, risk management and governance systems and processes, including accounting and financial controls, in accordance with the audit plan approved by the Audit Committee. Our Chief Auditor has unrestricted access to the Audit Committee.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee, which is composed of independent directors. 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, and reviewing the qualifications, independence and performance of the shareholders' auditors and internal auditors.

Ernst & Young LLP, the external 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. Ernst & Young LLP has unrestricted 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.

Victor G. Dodig
President and Chief Executive Officer

Kevin Glass
Chief Financial Officer

November 30, 2016

Independent auditors' report of registered public accounting firm to shareholders

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Canadian Imperial Bank of Commerce (CIBC), which comprise the consolidated balance sheet as at October 31, 2016 and 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended October 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CIBC as at October 31, 2016 and 2015, and its financial performance and its cash flows for each of the years in the three-year period ended October 31, 2016, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CIBC's internal control over financial reporting as of October 31, 2016, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 30, 2016 expressed an unqualified opinion on CIBC's internal control over financial reporting.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
November 30, 2016

Independent auditors' report of registered public accounting firm 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, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). CIBC's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's annual report on internal control over financial reporting contained in the accompanying management's discussion and analysis. Our responsibility is to express an opinion on 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 a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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 IFRS as issued by the IASB, 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, 2016, 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 sheet of CIBC as at October 31, 2016 and 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended October 31, 2016 of CIBC and our report dated November 30, 2016 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Canada

November 30, 2016

Consolidated balance sheet

\$ millions, as at October 31

	2016	2015
ASSETS		
Cash and non-interest-bearing deposits with banks	\$ 3,500	\$ 3,053
Interest-bearing deposits with banks	10,665	15,584
Securities (Note 4)		
Trading	49,915	46,181
Available-for-sale (AFS)	37,253	28,534
Designated at fair value (FVO)	255	267
	87,423	74,982
Cash collateral on securities borrowed	5,433	3,245
Securities purchased under resale agreements	28,377	30,089
Loans (Note 5)		
Residential mortgages	187,298	169,258
Personal	38,041	36,517
Credit card	12,332	11,804
Business and government	71,437	65,276
Allowance for credit losses	(1,691)	(1,670)
	307,417	281,185
Other		
Derivative instruments (Note 12)	27,762	26,342
Customers' liability under acceptances	12,364	9,796
Land, buildings and equipment (Note 7)	1,898	1,897
Goodwill (Note 8)	1,539	1,526
Software and other intangible assets (Note 8)	1,410	1,197
Investments in equity-accounted associates and joint ventures (Note 26)	766	1,847
Deferred tax assets (Note 20)	771	507
Other assets (Note 9)	12,032	12,059
	58,542	55,171
	\$ 501,357	\$ 463,309
LIABILITIES AND EQUITY		
Deposits (Note 10)		
Personal	\$ 148,081	\$ 137,378
Business and government	190,240	178,850
Bank	17,842	10,785
Secured borrowings	39,484	39,644
	395,647	366,657
Obligations related to securities sold short	10,338	9,806
Cash collateral on securities lent	2,518	1,429
Obligations related to securities sold under repurchase agreements	11,694	8,914
Other		
Derivative instruments (Note 12)	28,807	29,057
Acceptances	12,395	9,796
Deferred tax liabilities (Note 20)	21	28
Other liabilities (Note 11)	12,898	12,195
	54,121	51,076
Subordinated indebtedness (Note 14)	3,366	3,874
Equity		
Preferred shares (Note 15)	1,000	1,000
Common shares (Note 15)	8,026	7,813
Contributed surplus	72	76
Retained earnings	13,584	11,433
Accumulated other comprehensive income (AOCI)	790	1,038
Total shareholders' equity	23,472	21,360
Non-controlling interests	201	193
Total equity	23,673	21,553
	\$ 501,357	\$ 463,309

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

Victor G. Dodig
President and Chief Executive Officer

Jane L. Peverett
Director

Consolidated statement of income

\$ millions, except as noted, for the year ended October 31

	2016	2015	2014
Interest income			
Loans	\$ 9,833	\$ 9,573	\$ 9,504
Securities	1,774	1,524	1,628
Securities borrowed or purchased under resale agreements	329	310	320
Deposits with banks	156	76	25
	12,092	11,483	11,477
Interest expense			
Deposits	3,215	2,990	3,337
Securities sold short	199	230	327
Securities lent or sold under repurchase agreements	127	110	127
Subordinated indebtedness	137	181	178
Other	48	57	49
	3,726	3,568	4,018
Net interest income	8,366	7,915	7,459
Non-interest income			
Underwriting and advisory fees	446	427	444
Deposit and payment fees	832	830	848
Credit fees	638	533	478
Card fees	470	449	414
Investment management and custodial fees	882	814	677
Mutual fund fees	1,462	1,457	1,236
Insurance fees, net of claims	396	361	356
Commissions on securities transactions	342	385	408
Trading income (loss)	(88)	(139)	(176)
AFS securities gains, net (Note 4)	73	138	201
FVO gains (losses), net	17	(3)	(15)
Foreign exchange other than trading (FXOTT)	367	92	43
Income from equity-accounted associates and joint ventures (Note 26)	96	177	226
Other	736	420	764
	6,669	5,941	5,904
Total revenue	15,035	13,856	13,363
Provision for credit losses (Note 5)	1,051	771	937
Non-interest expenses			
Employee compensation and benefits	4,982	5,099	4,636
Occupancy costs	804	782	736
Computer, software and office equipment	1,398	1,292	1,200
Communications	319	326	312
Advertising and business development	269	281	285
Professional fees	201	230	201
Business and capital taxes	68	68	59
Other	930	783	1,083
	8,971	8,861	8,512
Income before income taxes	5,013	4,224	3,914
Income taxes (Note 20)	718	634	699
Net income	\$ 4,295	\$ 3,590	\$ 3,215
Net income (loss) attributable to non-controlling interests	\$ 20	\$ 14	\$ (3)
Preferred shareholders	\$ 38	\$ 45	\$ 87
Common shareholders	4,237	3,531	3,131
Net income attributable to equity shareholders	\$ 4,275	\$ 3,576	\$ 3,218
Earnings per share (EPS) (in dollars) (Note 21)			
Basic	\$ 10.72	\$ 8.89	\$ 7.87
Diluted	10.70	8.87	7.86
Dividends per common share (in dollars) (Note 15)	4.75	4.30	3.94

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

	2016	2015	2014
Net income	\$ 4,295	\$ 3,590	\$ 3,215
Other comprehensive income (OCI), net of income tax, that is subject to subsequent reclassification to net income			
Net foreign currency translation adjustments			
Net gains (losses) on investments in foreign operations	487	1,445	694
Net (gains) losses on investments in foreign operations reclassified to net income	(272)	(21)	–
Net gains (losses) on hedges of investments in foreign operations	(257)	(720)	(425)
Net (gains) losses on hedges of investments in foreign operations reclassified to net income	121	18	–
	79	722	269
Net change in AFS securities			
Net gains (losses) on AFS securities	125	(67)	152
Net (gains) losses on AFS securities reclassified to net income	(58)	(97)	(146)
	67	(164)	6
Net change in cash flow hedges			
Net gains (losses) on derivatives designated as cash flow hedges	13	(7)	94
Net (gains) losses on derivatives designated as cash flow hedges reclassified to net income	(12)	3	(81)
	1	(4)	13
OCI, net of income tax, that is not subject to subsequent reclassification to net income			
Net gains (losses) on post-employment defined benefit plans	(390)	374	(143)
Net fair value change of FVO liabilities attributable to changes in credit risk	(5)	5	–
Total OCI⁽¹⁾	(248)	933	145
Comprehensive income	\$ 4,047	\$ 4,523	\$ 3,360
Comprehensive income (loss) attributable to non-controlling interests	\$ 20	\$ 14	\$ (3)
Preferred shareholders	\$ 38	\$ 45	\$ 87
Common shareholders	3,989	4,464	3,276
Comprehensive income attributable to equity shareholders	\$ 4,027	\$ 4,509	\$ 3,363

(1) Includes \$6 million of gains for 2016 (2015: \$5 million of losses; 2014: \$16 million of gains) relating to our investments in equity-accounted associates and joint ventures.

\$ millions, for the year ended October 31

	2016	2015	2014
Income tax (expense) benefit			
Subject to subsequent reclassification to net income			
Net foreign currency translation adjustments			
Net gains (losses) on investments in foreign operations	\$ (17)	\$ (118)	\$ (52)
Net (gains) losses on investments in foreign operations reclassified to net income	37	3	–
Net gains (losses) on hedges of investments in foreign operations	128	91	67
Net (gains) losses on hedges of investments in foreign operations reclassified to net income	(26)	(6)	–
	122	(30)	15
Net change in AFS securities			
Net gains (losses) on AFS securities	(24)	42	(71)
Net (gains) losses on AFS securities reclassified to net income	15	48	59
	(9)	90	(12)
Net change in cash flow hedges			
Net gains (losses) on derivatives designated as cash flow hedges	(5)	2	(34)
Net (gains) losses on derivatives designated as cash flow hedges reclassified to net income	5	(2)	29
	–	–	(5)
Not subject to subsequent reclassification to net income			
Net gains (losses) on post-employment defined benefit plans	149	(129)	54
Net fair value change of FVO liabilities attributable to changes in credit risk	1	(1)	–
	\$ 263	\$ (70)	\$ 52

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 equity

\$ millions, for the year ended October 31

	2016	2015	2014
Preferred shares (Note 15)			
Balance at beginning of year	\$ 1,000	\$ 1,031	\$ 1,706
Issue of preferred shares	–	600	400
Redemption of preferred shares	–	(631)	(1,075)
Balance at end of year	\$ 1,000	\$ 1,000	\$ 1,031
Common shares (Note 15)			
Balance at beginning of year	\$ 7,813	\$ 7,782	\$ 7,753
Issue of common shares	273	30	96
Purchase of common shares for cancellation	(61)	(2)	(65)
Treasury shares	1	3	(2)
Balance at end of year	\$ 8,026	\$ 7,813	\$ 7,782
Contributed surplus			
Balance at beginning of year	\$ 76	\$ 75	\$ 82
Stock option expense	5	5	7
Stock options exercised	(9)	(4)	(14)
Other	–	–	–
Balance at end of year	\$ 72	\$ 76	\$ 75
Retained earnings			
Balance at beginning of year	\$ 11,433	\$ 9,626	\$ 8,318
Net income attributable to equity shareholders	4,275	3,576	3,218
Dividends (Note 15)			
Preferred	(38)	(45)	(87)
Common	(1,879)	(1,708)	(1,567)
Premium on purchase of common shares for cancellation	(209)	(9)	(250)
Other	2	(7)	(6)
Balance at end of year	\$ 13,584	\$ 11,433	\$ 9,626
AOI, net of income tax			
AOI, net of income tax, that is subject to subsequent reclassification to net income			
Net foreign currency translation adjustments			
Balance at beginning of year	\$ 1,035	\$ 313	\$ 44
Net change in foreign currency translation adjustments	79	722	269
Balance at end of year	\$ 1,114	\$ 1,035	\$ 313
Net gains (losses) on AFS securities			
Balance at beginning of year	\$ 94	\$ 258	\$ 252
Net change in AFS securities	67	(164)	6
Balance at end of year ⁽¹⁾	\$ 161	\$ 94	\$ 258
Net gains (losses) on cash flow hedges			
Balance at beginning of year	\$ 22	\$ 26	\$ 13
Net change in cash flow hedges	1	(4)	13
Balance at end of year	\$ 23	\$ 22	\$ 26
AOI, net of income tax, that is not subject to subsequent reclassification to net income			
Net gains (losses) on post-employment defined benefit plans			
Balance at beginning of year	\$ (118)	\$ (492)	\$ (349)
Net change in post-employment defined benefit plans	(390)	374	(143)
Balance at end of year	\$ (508)	\$ (118)	\$ (492)
Net fair value change of FVO liabilities attributable to changes in credit risk			
Balance at beginning of year	\$ 5	\$ –	\$ –
Net change attributable to changes in credit risk	(5)	5	–
Balance at end of year	\$ –	\$ 5	\$ –
Total AOCI, net of income tax	\$ 790	\$ 1,038	\$ 105
Non-controlling interests			
Balance at beginning of year	\$ 193	\$ 164	\$ 175
Net income (loss) attributable to non-controlling interests	20	14	(3)
Dividends	(19)	(5)	(4)
Other	7	20	(4)
Balance at end of year	\$ 201	\$ 193	\$ 164
Equity at end of year	\$ 23,673	\$ 21,553	\$ 18,783

(1) Includes \$43 million (2015: \$71 million; 2014: \$20 million) of cumulative loss related to AFS securities measured at fair value.

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

	2016	2015	2014
Cash flows provided by (used in) operating activities			
Net income	\$ 4,295	\$ 3,590	\$ 3,215
Adjustments to reconcile net income to cash flows provided by (used in) operating activities:			
Provision for credit losses	1,051	771	937
Amortization and impairment ⁽¹⁾	462	435	813
Stock option expense	5	5	7
Deferred income taxes	(20)	(61)	57
AFS securities gains, net	(73)	(138)	(201)
Net losses (gains) on disposal of land, buildings and equipment	(72)	(2)	1
Other non-cash items, net	(692)	(257)	(637)
Net changes in operating assets and liabilities			
Interest-bearing deposits with banks	4,919	(4,731)	(6,685)
Loans, net of repayments	(27,464)	(22,610)	(16,529)
Deposits, net of withdrawals	28,440	40,510	10,213
Obligations related to securities sold short	532	(3,193)	(328)
Accrued interest receivable	(98)	(112)	79
Accrued interest payable	(72)	(77)	(32)
Derivative assets	(1,425)	(5,655)	(688)
Derivative liabilities	(232)	7,204	2,032
Trading securities	(3,734)	880	(2,991)
FVO securities	12	(14)	34
Other FVO assets and liabilities	807	327	(14)
Current income taxes	8	140	(27)
Cash collateral on securities lent	1,089	526	(1,196)
Obligations related to securities sold under repurchase agreements	2,780	(948)	4,975
Cash collateral on securities borrowed	(2,188)	144	28
Securities purchased under resale agreements	1,712	3,318	(8,096)
Other, net	169	(569)	(1,538)
	10,211	19,483	(16,571)
Cash flows provided by (used in) financing activities			
Issue of subordinated indebtedness	1,000	–	1,000
Redemption/repurchase/maturity of subordinated indebtedness	(1,514)	(1,130)	(264)
Issue of preferred shares	–	600	400
Redemption of preferred shares	–	(631)	(1,075)
Issue of common shares for cash	264	26	82
Purchase of common shares for cancellation	(270)	(11)	(315)
Net proceeds from treasury shares	1	3	(2)
Dividends paid	(1,917)	(1,753)	(1,654)
Share issuance costs	–	(7)	(5)
	(2,436)	(2,903)	(1,833)
Cash flows provided by (used in) investing activities			
Purchase of AFS securities	(31,625)	(41,145)	(27,974)
Proceeds from sale of AFS securities	10,750	9,264	29,014
Proceeds from maturity of AFS securities	12,299	15,451	14,578
Net cash used in acquisitions	–	–	(190)
Net cash provided by dispositions	1,363	185	3,611
Net purchase of land, buildings and equipment	(170)	(256)	(251)
	(7,383)	(16,501)	18,788
Effect of exchange rate changes on cash and non-interest-bearing deposits with banks	55	280	99
Net increase (decrease) in cash and non-interest-bearing deposits with banks during year	447	359	483
Cash and non-interest-bearing deposits with banks at beginning of year	3,053	2,694	2,211
Cash and non-interest-bearing deposits with banks at end of year ⁽²⁾	\$ 3,500	\$ 3,053	\$ 2,694
Cash interest paid	\$ 3,798	\$ 3,646	\$ 4,050
Cash income taxes paid	730	555	669
Cash interest and dividends received	11,994	11,371	11,556

(1) Comprises amortization and impairment of buildings, furniture, equipment, leasehold improvements, and software and other intangible assets. In addition, 2014 includes the goodwill impairment charge.

(2) Includes restricted balance of \$422 million (2015: \$406 million; 2014: \$324 million).

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

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. Through our three main business units – Retail and Business Banking, Wealth Management and Capital Markets – CIBC provides a full range of financial services and products to 11 million individual, small business, commercial, corporate and institutional clients in Canada and around the world. Refer to Note 28 for further details on our business units. CIBC is incorporated and domiciled in Canada with our registered and principal business offices located at Commerce Court, Toronto, Ontario.

Note 1 | Basis of preparation and summary of significant accounting policies

Basis of preparation

The consolidated financial statements of CIBC have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These consolidated financial statements also comply with Section 308(4) of the *Bank Act* (Canada) and the requirements of the Office of the Superintendent of Financial Institutions (OSFI).

CIBC has consistently applied the same accounting policies throughout all periods presented, unless otherwise indicated.

These consolidated financial statements are presented in millions of Canadian dollars, unless otherwise indicated.

These consolidated financial statements were authorized for issue by the Board of Directors (the Board) on November 30, 2016.

Summary of significant accounting policies

The following paragraphs describe our significant accounting policies.

Use of estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the recognized and measured amounts of assets, liabilities, net income, comprehensive income and related disclosures. Significant estimates and assumptions are made in the areas of the valuation of financial instruments, impairment of AFS securities, allowance for credit losses, the evaluation of whether to consolidate structured entities (SEs), asset impairment, income taxes, provisions and contingent liabilities and post-employment and other long-term benefit plan assumptions. Actual results could differ from these estimates and assumptions.

Basis of consolidation

We consolidate entities over which we have control. We have control over another entity when we have: (i) power to direct relevant activities of the entity, (ii) exposure, or rights, to variable returns from our involvement with the entity, and (iii) the ability to affect those returns through our power over the entity.

Subsidiaries

Subsidiaries are entities over which CIBC has control. Generally, CIBC has power over its subsidiaries through a shareholding of more than 50% of the voting rights in its subsidiaries, and has significant exposure to the subsidiaries based on its ownership interests of more than 50%. The effects of potential voting rights that CIBC has the practical ability to exercise are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is obtained by CIBC, and are deconsolidated from the date control is lost. Consistent accounting policies are applied throughout CIBC for the purposes of consolidation. Details of our significant subsidiaries are provided in Note 27.

Structured entities

A SE is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the significant relevant activities are directed by contractual arrangements. SEs often have some or all of the following features or attributes: (i) restricted activities; (ii) a narrow and well-defined objective, such as to securitize our own financial assets or third-party financial assets to provide sources of funding or to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the SE to investors; (iii) insufficient equity to permit the SE to finance its activities without subordinated financial support; or (iv) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks. Examples of SEs include securitization vehicles, asset-backed financings, and investment funds.

When voting rights are not relevant in deciding whether CIBC has power over an entity, particularly for complex SEs, the assessment of control considers all facts and circumstances, including the purpose and design of the investee, its relationship with other parties and each party's ability to make decisions over significant activities, and whether CIBC is acting as a principal or as an agent.

Consolidation conclusions are reassessed whenever there is a change in the specific facts and circumstances relevant to one or more of the three elements of control. Factors that trigger the reassessment include, but are not limited to, significant changes in ownership structure of the entities, changes in contractual or governance arrangements, provision of a liquidity facility beyond the original terms, transactions with the entities that were not contemplated originally and changes in the financing structure of the entities.

Transactions eliminated on consolidation

All intercompany transactions, balances and unrealized gains and losses on transactions are eliminated on consolidation.

Non-controlling interests

Non-controlling interests are presented on the consolidated balance sheet as a separate component of equity that is distinct from CIBC's shareholders' equity. The net income attributable to non-controlling interests is presented separately in the consolidated statement of income.

Associates and joint ventures

We classify investments in entities over which we have significant influence, and that are neither subsidiaries nor joint ventures, as associates. Significant influence is presumed to exist where we hold, either directly or indirectly, between 20% and 50% of the voting rights of an entity, or, in the case of a limited partnership (LP), where CIBC is a co-general partner. Significant influence also may exist where we hold less than 20% of the voting rights of an entity, for example if we have influence over the policy-making processes through representation on the entity's Board of Directors, or by other means. Where we are a party to a contractual arrangement whereby together with one or more parties, we undertake an economic activity that is subject to joint control, we classify our interest in the venture as a joint venture.

Investments in associates and interests in joint ventures are accounted for using the equity method. Under the equity method, such investments are initially measured at cost, including attributable goodwill and intangible assets, and are adjusted thereafter for the post-acquisition change in our share of the net assets of the investment.

For purposes of applying the equity method for an investment that has a different reporting period from that of CIBC, adjustments are made for the effects of any significant events or transactions that occur between the reporting date of the investment and CIBC's reporting date.

Foreign currency translation

Monetary assets and liabilities and non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated into the functional currencies of operations at prevailing exchange rates at the date of the consolidated balance sheet. 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 income, with the exception of unrealized foreign exchange gains and losses on AFS equity securities, which are included in AOCI.

Assets and liabilities of foreign operations with a functional currency other than the Canadian dollar, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates prevailing as at the consolidated balance sheet date, 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 included in Net foreign currency translation adjustments, which is included in AOCI.

Any accumulated exchange gains and losses, including the impact of hedging, and any applicable taxes in AOCI are reclassified into the consolidated statement of income when there is a disposal of a foreign operation. On partial disposal of a foreign operation, the proportionate share of the accumulated exchange gains and losses, including the impact of hedging, and any applicable taxes previously recognized in AOCI are reclassified into the consolidated statement of income.

Classification and measurement of financial assets and liabilities

CIBC recognizes financial instruments on its consolidated balance sheet when it becomes a party to the contractual provisions of the instrument.

All financial assets must be classified at initial recognition as trading, AFS, designated at fair value (fair value option — FVO), held-to-maturity (HTM), or loans and receivables, based on the purpose for which the instrument was acquired and its characteristics. All financial assets and derivatives are required to be measured at fair value with the exception of loans and receivables, debt securities classified as HTM, and AFS equity instruments whose fair value cannot be reliably measured. Reclassification of non-derivative financial assets out of trading to loans and receivables is allowed when they are no longer held for trading, and if they meet the definition of loans and receivables and we have the intention and ability to hold the financial assets for the foreseeable future or until maturity. Reclassification of non-derivative financial assets out of trading to AFS is also allowed under rare circumstances. Non-derivative financial assets may be reclassified out of AFS to loans and receivables if they meet the definition of loans and receivables and we have the intention and ability to hold the financial assets for the foreseeable future or until maturity or reclassified out of AFS to HTM if we have the intention to hold the financial assets until maturity.

Financial liabilities, other than derivatives, obligations related to securities sold short and FVO liabilities, are measured at amortized cost. Derivatives, obligations related to securities sold short and FVO liabilities are measured at fair value. Interest expense is recognized on an accrual basis using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that do not have a quoted market price in an active market and that we do not intend to sell immediately or in the near term at the time of inception. Loans and receivables are recognized initially at fair value, which represents the cash advanced to the borrower plus direct and incremental transaction costs. Subsequently, they are measured at amortized cost, using the effective interest rate method, net of an allowance for credit losses. Interest income is recognized on an accrual basis using the effective interest rate method. Certain loans and receivables may be designated at fair value (see below).

Trading financial instruments

Trading financial instruments are assets and liabilities held for trading activities or that are part of a managed portfolio with a pattern of short-term profit taking. These are measured initially at fair value. Loans and receivables that we intend to sell immediately or in the near term are classified as trading financial instruments.

Trading financial instruments are remeasured at fair value as at the consolidated balance sheet date. Gains and losses realized on disposition and unrealized gains and losses from changes in fair value are included in Non-interest income as Trading income (loss), except to the extent they are economically hedging an FVO asset or liability, in which case the gains and losses are included in FVO gains (losses), net. Dividends and interest income earned on trading securities and dividends and interest expense incurred on securities sold short are included in Interest income and Interest expense, respectively.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are not classified as trading, FVO or loans and receivables, and are measured initially at fair value, plus direct and incremental transaction costs. Only equity instruments whose fair value cannot be reliably measured are measured at cost. We have determined that all of our equity securities have reliable fair values. As a result, all AFS financial assets are remeasured at fair value through OCI (FV-OCI) subsequent to initial recognition, except that foreign exchange gains or losses on AFS debt instruments are recognized in the consolidated statement of income. Unrealized foreign exchange gains or losses on AFS equity securities, along with all other fair value changes, are recognized in OCI until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in OCI are transferred from AOCI to the consolidated statement of income. Realized gains and losses on sale, determined on an average cost basis, and write-downs to reflect impairment, are included in AFS securities gains (losses), net. Dividends and interest income from AFS financial assets are included in Interest income.

Designated at fair value financial instruments

FVO financial instruments are those that we designate on initial recognition as instruments that we will measure at fair value through the consolidated statement of income. This designation, once made, is irrevocable. In addition to the requirement that reliable fair values are available, there are restrictions imposed by IFRS and by OSFI on the use of this designation. The criteria for applying the FVO at inception is met when: (i) the application of the FVO eliminates or significantly reduces the measurement inconsistency that otherwise would arise from measuring assets or liabilities 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 are reported internally on that basis. FVO may also be applied to financial instruments that have one or more embedded derivatives that would otherwise require bifurcation as they significantly modify the cash flows of the contract.

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, trading securities and obligations related to securities sold short that are managed as economic hedges of the FVO financial instruments, are included in FVO gains (losses), net. Dividends and interest earned and interest expense incurred on FVO assets and liabilities are included in Interest income and Interest expense, respectively. Changes in the fair value of FVO liabilities that are attributable to changes in own credit risk are recognized in OCI.

Determination of fair value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., the exit price). Fair value measurements are categorized into three levels within a fair value hierarchy (Level 1, 2 or 3) based upon the market observability of the valuation inputs used in measuring the fair value. See Note 2 for more details about fair value measurement subsequent to initial recognition by type of financial instrument.

Transaction costs

Transaction costs relating to 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 amortized over the expected life of the instrument using the effective interest rate method. For equity instruments, transaction costs are included in the carrying value.

Date of recognition of securities

We account for all securities on the consolidated balance sheet using settlement date accounting.

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 value of the financial asset or liability upon initial recognition. When calculating the effective interest rate, we estimate future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Securities purchased under resale agreements and obligations related to securities sold under repurchase agreements

Securities purchased under resale agreements are treated as collateralized lending transactions and are measured at amortized cost as they represent the purchase of securities affected with a simultaneous agreement to sell them back at a future date at a fixed price, which is generally near term. Interest income is accrued using the effective interest rate method and is included in Interest income – Securities borrowed or purchased under resale agreements in the consolidated statement of income.

Similarly, securities sold under agreements to repurchase are treated as collateralized borrowing transactions with interest expense accrued using the effective interest rate method and are included in Interest expense – Securities lent or sold under repurchase agreements in the consolidated statement of income.

Cash collateral on securities borrowed and securities lent

The right to receive back cash collateral paid and the obligation to return cash collateral received on borrowing and lending of securities, which is generally near term, is recognized as cash collateral on securities borrowed and securities lent, respectively. Interest income on cash collateral paid and interest expense on cash collateral received is included in Interest income – Securities borrowed or purchased under resale agreements and Interest expense – Securities lent or sold under repurchase agreements, respectively. For securities borrowing and lending transactions where securities are pledged or received as collateral, securities pledged by CIBC remain on the consolidated balance sheet and securities received by CIBC are not recognized on the consolidated balance sheet. Security borrowing fees and security lending income are included in Non-interest income in the consolidated statement of income.

Impairment of financial assets

Impaired loans and interest income on impaired loans

We classify a loan as impaired when, in our opinion, there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition of the loans with a negative impact on the estimated future cash flows of a loan or a portfolio of loans.

Objective 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 at the earlier of the notice of bankruptcy, settlement proposal, enlistment of credit counselling services, or when payments are contractually 180 days in arrears.
- Loans guaranteed or insured by a Canadian government (federal or provincial) or a Canadian government agency are classified as impaired only when payments are contractually 365 days in arrears.

In certain circumstances, we may modify a loan for economic or legal reasons related to a borrower's financial difficulties. Once a loan is modified, if management still does not expect full collection of payments under the modified loan terms, the loan is classified as impaired. An impaired loan is measured at its estimated realizable value determined by discounting the expected future cash flows at the loan's original effective interest rate. When a loan or a group of loans has been classified as impaired, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. For credit card loans, interest is accrued only to the extent that there is an expectation of receipt.

A loan is no longer considered impaired when all past due amounts, including interest, have been recovered, and it is determined that the principal and interest are fully collectable in accordance with the original contractual terms or revised market terms of the loan with all criteria for the impaired classification having been remedied. Once a loan is modified and management expects full collection of payments under the modified loan terms, the loan is not considered impaired. No portion of cash received on an impaired loan is recognized in the consolidated statement of income until the loan is returned to unimpaired status.

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

Allowance for credit losses

Allowance for credit losses consists of individual and collective components:

Individual allowance

We conduct ongoing credit assessments of the majority of the business and government loan portfolios on an account-by-account basis at each reporting date and we establish an allowance for credit losses when there is objective evidence that a loan is impaired.

Collective allowance

Loans are grouped in portfolios of similar credit risk characteristics and impairment is assessed on a collective basis in two circumstances:

- (i) Incurred but not yet identified credit losses — for groups of individually assessed loans for which no objective evidence of impairment has been identified on an individual basis:
 - A collective allowance is provided for losses which we estimate are inherent in the business and government portfolio as at the reporting date, but which have not yet been specifically identified from an individual assessment of the loan.
 - The collective 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. We also consider estimates of the time periods over which losses that are present would be identified and a provision taken, our view of current and ongoing economic and portfolio trends, and evidence of credit quality improvements or deterioration. The period between a loss occurring and its identification is estimated by management for each identified portfolio. The parameters that affect the collective allowance calculation are updated regularly, based on our experience and that of the market in general.
 - Expected loss rates 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 loss experience and are supplemented by data derived from defaults in the public debt markets. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions. LGD estimates are based on our experience over past years.
- (ii) For groups of loans where each loan is not considered to be individually significant:
 - Residential mortgages, credit card loans, personal loans, and certain small business loan portfolios consist of large numbers of homogeneous balances of relatively small amounts, for which collective allowances are established by reference to historical ratios of write-offs to current accounts and balances in arrears.
 - For residential mortgages, personal loans and certain small business loans, this historical loss experience enables CIBC to determine appropriate PD and LGD parameters, which are used in the calculation of the collective allowance. For credit card loans, the historical loss experience enables CIBC to calculate roll-rate models in order to determine an allowance amount driven by flows to write-off.
 - We also consider estimates of the time periods over which losses that are present would be identified and a provision taken, our view of current and ongoing economic and portfolio trends, and evidence of credit quality improvements or deterioration. The parameters that affect the collective allowance calculation are updated regularly, based on our experience and that of the market in general.

Individual and collective allowances are provided for off-balance sheet credit exposures that are not measured at fair value. These allowances are included in Other liabilities.

AFS debt instruments

An AFS debt instrument is identified as impaired when there is objective observable evidence about our inability to collect the contractual principal or interest.

When an AFS debt instrument is determined to be impaired, an impairment loss is recognized by reclassifying the cumulative unrealized losses in AOCI to the consolidated statement of income. Impairment losses previously recognized in the consolidated statement of income are reversed in the consolidated statement of income if the fair value subsequently increases and the increase can be objectively determined to relate 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 information about significant adverse changes in the technological, market, economic, or legal environment in which the issuer operates, or if the issuer is experiencing significant financial difficulty.

When an AFS equity instrument is determined to be impaired, an impairment loss is recognized by reclassifying the cumulative unrealized losses in AOCI to the consolidated statement of income. Impairment losses previously recognized in the consolidated statement of income cannot be subsequently reversed. Further decreases in fair value subsequent to the recognition of an impairment loss are recognized directly in the consolidated statement of income, and subsequent increases in fair value are recognized in OCI.

Derivatives

We use derivative instruments for both asset/liability management (ALM) and trading purposes. The derivatives used for ALM purposes allow us to manage financial risks, such as movements in interest and foreign exchange rates, while our derivative trading activities are primarily driven by client trading activities. We may also take proprietary trading positions with the objective of earning income.

All derivative instruments are recognized initially, and are measured subsequently, 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. Any realized and unrealized gains or losses on derivatives used for trading purposes are recognized immediately in Trading income (loss). The accounting for derivatives used for ALM purposes depends on whether they qualify for hedge accounting as discussed below.

Fair values of exchange-traded derivatives are based on quoted market prices. Fair values of over-the-counter (OTC) derivatives, including OTC derivatives that are centrally cleared, are obtained using valuation techniques, including discounted cash flow models and option pricing models. See Note 12 for further information on the valuation of derivatives.

Derivatives used for ALM purposes that qualify for hedge accounting

We apply hedge accounting for derivatives held for ALM purposes that meet specified criteria. There are three types of hedges: fair value, cash flow and hedges of net investments in foreign operations (NIFOs). When hedge accounting is not applied, the change in the fair value of the derivative is recognized in the consolidated statement of income (see “Derivatives used for ALM purposes that are not designated for hedge accounting” below).

In order for derivatives to qualify for hedge accounting, the hedge relationship must be designated and formally documented at its inception in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. The particular risk management objective and strategy, the specific asset, liability or cash flow being hedged, as well as how hedge effectiveness is assessed, are 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 change in the fair value of the hedging derivative differs from the change 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 recognized immediately in the consolidated statement of income.

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 included in Net interest income. Changes in fair value from the hedging derivatives are also included in Net interest income. Any differences between the two represent hedge ineffectiveness that is included in Net interest income.

Similarly, for hedges of foreign exchange risk, changes in the fair value from the hedging derivatives and non-derivatives are included in FXOTT. Changes in the fair value of the hedged item from the hedged foreign exchange risk are accounted for as basis adjustments and are also included 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 amortized over the remaining term of the hedged item. If the hedged item is derecognized, the unamortized basis adjustment is recognized immediately in the consolidated statement of income.

Cash flow hedges

We designate cash flow hedges as part of interest rate risk management strategies that use derivatives to mitigate our risk from variable cash flows by effectively converting certain variable-rate financial instruments to fixed-rate financial instruments, and as part of foreign exchange rate risk management strategies to hedge forecasted foreign currency denominated cash flows. We also designate cash flow hedges to hedge changes in CIBC’s share price in respect of certain cash-settled share-based payment awards.

The effective portion of the change in fair value of the derivative instrument is recognized in OCI until the variability in cash flows being hedged is recognized in the consolidated statement of income in future accounting periods, at which time an appropriate portion of the amount that was in AOCI is reclassified into the consolidated statement of income. The ineffective portion of the change in fair value of the hedging derivative is included 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. Upon termination of the hedge relationship, any remaining amount in AOCI remains therein until it is recognized in the consolidated statement of income when the variability in cash flows hedged or the hedged forecast transaction is ultimately recognized in the consolidated statement of income. When the forecasted transaction is no longer expected to occur, the related cumulative gain or loss in AOCI is recognized immediately in the consolidated statement of income.

Hedges of NIFOs with a functional currency other than the Canadian dollar

We may designate NIFO hedges to mitigate the foreign exchange risk on our net investments in foreign operations with a functional currency other than the Canadian dollar.

These hedges are accounted for in a similar manner to cash flow hedges. The change in fair value of the hedging instrument relating to the effective portion is recognized in OCI. The change in fair value of the hedging instrument attributable to the forward points and relating to the ineffective portion are recognized immediately in FXOTT. Gains and losses in AOCI are reclassified to the consolidated statement of income upon the disposal or partial disposal of the investment in the foreign operation, as explained in the “Foreign currency translation” policy above.

Derivatives used for ALM purposes that are not designated 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 gains (losses), net. 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 in the case of economic hedges of cash-settled share-based payment obligations, in compensation expense, as appropriate.

Embedded derivatives

All derivatives embedded in other financial instruments are accounted for as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument and the terms of the embedded derivative represent those of a freestanding derivative in situations where the combined instrument is not classified as trading or designated as FVO. These embedded derivatives, which are classified together with the host

instrument on the consolidated balance sheet, are measured at fair value, with changes therein included in Non-interest income – Other. The residual amount of the host instrument asset or liability is accreted to its maturity value through Interest income and Interest expense, respectively, using the effective interest rate method.

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

Securizations and derecognition of financial assets

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

Securizations to non-consolidated SEs are accounted for as sales, with the related assets being derecognized, only where:

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

Derecognition of financial liabilities

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

Treasury shares

Where we repurchase our own equity instruments, these instruments are treated as treasury shares and are deducted from equity at their cost with any gain or loss recognized in Contributed surplus or Retained earnings as appropriate. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of our own equity instruments. Any difference between the carrying value and the consideration, if reissued, is also included in Contributed surplus.

Mortgage commitments

Mortgage interest rate commitments are extended to our retail clients 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 120 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 the funding date. We use financial instruments, such as interest rate derivatives, to economically hedge our exposure to an increase in interest rates. Based on our estimate of the commitments expected to be exercised, a financial liability would be recognized on our consolidated balance sheet, to which we apply the FVO. We also carry the associated economic hedges at fair value on the consolidated balance sheet. Changes in the fair value of the FVO commitment liability and the associated economic hedges are included in FVO gains (losses), net. In addition, since the fair value of the commitments is priced into the mortgage, the difference between the mortgage amount and its fair value at funding is recognized in the consolidated statement of income to offset the carrying value of the mortgage commitment that is released upon its expiry.

Financial guarantees

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

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

Accumulated other comprehensive income

AOCI is included on the consolidated balance sheet as a separate component of total equity, net of income tax. 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, unrealized foreign currency translation gains and losses on foreign operations with a functional currency other than the Canadian dollar net of gains or losses on related hedges, net gains (losses) related to fair value changes of FVO liabilities attributable to changes in own credit risk, and net gains (losses) on post-employment defined benefit plans.

Liabilities and equity

We classify financial instruments as a liability or equity based on the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities at potentially unfavourable terms. A contract is also classified as a liability if it is a non-derivative and could obligate us to deliver a variable number of our own shares or it is a derivative other than one that can be settled by the delivery of a fixed amount of cash or another financial asset for a fixed number of our own equity instruments. An instrument is classified as equity if it evidences a residual interest in our assets after deducting all liabilities. The components of a compound financial instrument are classified and accounted for separately as assets, liabilities, or equity as appropriate. Incremental costs directly attributable to the issuance of equity instruments are shown in equity, net of income tax.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the amount 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 recognized initially at cost and is subsequently measured at cost less any accumulated impairment losses. Buildings, furniture, equipment and leasehold improvements are recognized initially at cost and are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation commences when the assets are available for use and is recognized on a straight-line basis to depreciate the cost of these assets to their estimated residual value over their estimated useful lives. The estimated useful lives are as follows:

- Buildings – 40 years
- Computer equipment – 3 to 7 years
- Office furniture and other equipment – 4 to 15 years
- Leasehold improvements – over the estimated useful life

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and are adjusted if appropriate.

Gains and losses on disposal are included in Non-interest income – Other.

We consider a portion of land and a building underlying a finance lease arrangement as investment property since we sub-lease this portion to third parties. Our investment property is recognized initially at cost and is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Our investment property is depreciated on a straight-line basis over its estimated useful life, being the term of the lease.

Rental income is included in Non-interest income – Other.

Goodwill, software and other intangible assets

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets, liabilities and contingent liabilities acquired in business combinations. Identifiable intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights, and have fair values that can be reliably measured.

Goodwill is not amortized, but is subject to impairment review at least annually or more frequently if there are indicators that the goodwill may be impaired. Refer to the "Impairment of non-financial assets" policy below.

Intangible assets represent software and customer relationships, core deposit intangibles, investment management contracts, and brand names recognized as part of past acquisitions. Intangible assets with definite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Each intangible asset is assessed for legal, regulatory, contractual, competitive or other factors to determine if the useful life is definite. Intangible assets with definite useful lives are amortized over their estimated useful lives, which are as follows:

- Software – 5 to 10 years
- Contract-based intangibles – 8 to 15 years
- Core deposit and customer relationship intangibles – on a declining balance over the expected life of the relationship, ranging from 10% to 12% per annum

Intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses. Indefinite life intangible assets are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Refer to the "Impairment of non-financial assets" policy below.

Impairment of non-financial assets

The carrying values of non-financial assets with definite useful lives, including buildings and equipment, investment property, and intangible assets with definite useful lives are reviewed to determine whether there is any indication of impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

For the purpose of reviewing non-financial assets with definite useful lives for impairment, asset groups are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a cash-generating unit (CGU).

Corporate assets do not generate separate cash inflows. Corporate assets are tested for impairment at the minimum collection of CGUs to which the corporate asset can be allocated reasonably and consistently.

The recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or CGU. When the carrying value exceeds its recoverable amount, an impairment loss equal to the difference between the two amounts is recognized in the consolidated statement of income. If an impairment subsequently reverses, the carrying value of the asset is increased to the extent that the carrying value of the underlying assets does not exceed the carrying value that would have been determined, net of depreciation or amortization, if no impairment had been recognized. Any impairment reversal is recognized in the consolidated statement of income in the period in which it occurs.

Goodwill is assessed for impairment based on the group of CGUs expected to benefit from the synergies of the business combination, and the lowest level at which management monitors the goodwill. Any potential goodwill impairment is identified by comparing the recoverable amount of the CGU grouping to which the goodwill is allocated to its carrying value including the allocated goodwill. If the recoverable amount is less than its carrying value, an impairment loss is recognized in the consolidated statement of income in the period in which it occurs. Impairment losses on goodwill are not subsequently reversed if conditions change.

Income taxes

Income tax comprises current tax and deferred tax. Income tax is recognized in the consolidated statement of income, except to the extent that it relates to items recognized in OCI or directly in equity, in which case it is recognized accordingly.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted as at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when CIBC intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognized on temporary differences between the carrying value of assets and liabilities on the consolidated balance sheet and the corresponding amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences unless the temporary differences relate to our NIFOs and will not reverse in the foreseeable future. Deferred tax assets, other than those arising from our NIFOs, are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax assets arising from our NIFOs are recognized for deductible temporary differences which are expected to reverse in the foreseeable future to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, or for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity or tax reporting group.

Pension and other post-employment 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-employment benefit plans including post-retirement medical and dental benefits.

Defined benefit plans

The cost of pensions and other post-employment benefits earned by employees is actuarially determined separately for each plan using the projected unit credit method and our best estimate of salary escalation, retirement ages of employees, mortality and expected health-care costs. This represents CIBC's defined benefit obligation, which is measured as at the reporting date. The discount rate used to measure the defined benefit obligation is based on the yield of a portfolio of high-quality corporate bonds denominated in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligation.

Plan assets are measured at fair value as at the reporting date.

The net defined benefit asset (liability) represents the present value of the defined benefit obligation less the fair value of plan assets. The net defined benefit asset (liability) is included in Other assets and Other liabilities, respectively.

Current service cost reflects the cost of providing post-employment benefits earned by employees in the current period. Current service cost is calculated as the present value of the benefits attributed to the current year of service and is recognized in the consolidated statement of income. Commencing in 2016, the current service cost is calculated using a separate discount rate to reflect the longer duration of future benefit payments associated with the additional year of service to be earned by the plan's active participants. Previously the current service cost was calculated using the same discount rate used to measure the defined benefit obligation for both active and retired participants.

Past service costs arising from plan amendments or curtailments are recognized in net income in the period in which they arise.

Net interest income or expense comprises interest income on plan assets and interest expense on the defined benefit obligation. Interest income is calculated by applying the discount rate to the plan assets, and interest expense is calculated by applying the discount rate to the defined benefit obligation. Net interest income or expense is recognized in the consolidated statement of income.

Actuarial gains and losses represent changes in the present value of the defined benefit obligation which result from changes in actuarial assumptions and differences between previous actuarial assumptions and actual experience, and from differences between the actual return on plan assets and assumed interest income on plan assets. Net actuarial gains and losses are recognized in OCI in the period in which they arise and are not subject to subsequent reclassification to net income. Cumulative net actuarial gains and losses are included in AOCI.

When the calculation results in a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan (the asset ceiling). For plans where we do not have an unconditional right to a refund of surplus, we determine the asset ceiling by reference to future economic benefits available in the form of reductions in future contributions to the plan, in which case the present value of economic benefits is calculated giving consideration to minimum funding requirements for future service that apply to the plan. Where a reduction in future contributions to the plan is not currently realizable at the reporting date, we estimate whether we will have the ability to reduce contributions for future service at some point during the life of the plan by taking into account, among other things, expected future returns on plan assets. If it is anticipated that we will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future service, the net defined benefit asset is reduced to the amount of the asset ceiling.

When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus, or an increase in a net defined benefit surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions. Any funded status surplus is limited to the present value of future economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined contribution plans

Costs for defined contribution plans are recognized during the year in which the service is provided.

Other long-term employee benefits

CIBC sponsors a closed long-term disability plan that is classified as a long-term defined benefit arrangement. As the amount of the long-term disability benefit does not depend on the length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. CIBC also offers other medical and dental benefits to employees while on long-term disability.

The amount of other long-term employee benefits is actuarially calculated using the projected unit credit method. Under this method, the benefit is discounted to determine its present value. The methodology used to determine the discount rate used to value the long-term employee benefit obligation is consistent with that for pension and other post-employment benefit plans. Actuarial gains and losses and past service costs are recognized in the consolidated statement of income in the period in which they arise.

Share-based payments

We provide compensation to certain employees and directors in the form of share-based awards.

Compensation expense for share-based awards is recognized from the service commencement date to the earlier of the contractual vesting date or the employee's retirement eligible date. For grants regularly awarded in the annual incentive compensation cycle (annual incentive grant), the service commencement date is considered to be the start of the fiscal year that precedes the fiscal year in which the grant is made. The service commencement date in respect of special awards granted outside of the annual cycle is the grant date. The amount of compensation expense recognized is based on management's best estimate of the number of share-based awards expected to vest, including estimates of expected forfeitures, which are revised periodically as appropriate. For the annual incentive grant, compensation expense is recognized from the service commencement date based on the estimated fair value of the forthcoming grant with the estimated fair value adjusted to the actual fair value at the grant date.

Under our Restricted Share Award (RSA) plans, 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, net of related hedges, are recognized in the consolidated statement of income as compensation expense in proportion to the award recognized.

Under the Performance Share Unit (PSU) 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, and revised estimates of the performance factor, net of related hedges, are recognized in the consolidated statement of income as compensation expense in proportion to the award recognized. The performance factor ranges from 75% to 125% of the initial number of units awarded based on CIBC's performance relative to the other major Canadian banks.

The Book Value Unit (BVU) plan provides compensation related to the book value of CIBC on a per common share basis. The amount recognized is based on management's best estimate of the number of BVUs expected to vest, adjusted for new issues of, repurchase of, or dividends paid on, common shares.

Compensation expense in respect of the Employee Stock Option Plan (ESOP) is based on the grant date fair value. Where the service commencement date precedes the grant date, compensation expense is recognized from the service commencement date based on the estimated fair value of the award at the grant date, with the estimated fair value adjusted to the actual fair value at the grant date. Compensation expense results in a corresponding increase to contributed surplus. If the ESOP award is exercised, the proceeds we receive, together with the amount recognized in Contributed surplus, are credited to common share capital. If the ESOP award expires unexercised, the compensation expense remains in Contributed surplus.

Compensation in the form of Deferred Share Units (DSUs) entitles the holder to receive the cash equivalent of a CIBC common share. We recognize compensation expense for each DSU granted equal to the market value of a CIBC common share at the grant date on which DSUs are awarded. Changes in the obligation which arise from fluctuations in the market price of common shares, net of related hedges, are recognized in the consolidated statement of income as Non-interest expense – Other.

Our contributions under the Employee Share Purchase Plan (ESPP) are expensed as incurred.

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. We designate these derivatives within cash flow hedge accounting relationships. The effective portion of the change in fair value of these derivatives is recognized in OCI and is reclassified into compensation expense, within the consolidated statement of income, over the period that the hedged awards impact the consolidated statement of income. The ineffective portion of the change in fair value of the hedging derivatives is recognized in the consolidated statement of income immediately as it arises.

Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount. A provision is recognized when we have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provision is recognized as the best estimate of the amount required to settle the obligation at the reporting date, taking into account the risk and uncertainties related to the obligation. Where material, provisions are discounted to reflect the time value of money and the increase in the obligation due to the passage of time is presented as interest expense in the consolidated statement of income.

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of CIBC, or are present obligations that have arisen from past events but are not recognized because it is not probable that settlement will require the outflow of economic benefits.

Provisions and contingent liabilities are disclosed in the consolidated financial statements.

Fee and commission income

The recognition of fee and commission income is determined by the purpose of the fee or commission and the basis of accounting for any associated financial instrument. Income earned on completion of a significant act is recognized when the act is completed. Income earned from the provision of services is recognized as revenue as the services are provided. Income which forms an integral part of the effective interest rate of a financial instrument is recognized as an adjustment to the effective interest rate.

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 the 12-month period to which they relate.

Investment management fees are primarily based on the respective value of the assets under management (AUM) or assets under administration (AUA) and are recognized over the period that the related services are provided. Investment management fees relating to our asset management and private wealth management business are generally calculated based on point in time AUM balances, whereas investment management fees relating to our retail brokerage business are generally calculated based on point in time AUA balances. Custodial fees are recognized as revenue over the applicable service period, which is generally the contract term.

Mutual fund fees are recognized over the period that the mutual funds are managed and are based upon the daily net asset values of the respective mutual funds.

Earnings per share

We present basic and diluted EPS for our common shares.

Basic EPS is computed by dividing net income for the period attributable to CIBC common shareholders by the weighted-average number of common shares outstanding during the period.

Diluted EPS is computed by dividing net income for the period attributable to CIBC common shareholders 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 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 attributable to CIBC common shareholders, diluted EPS equals basic EPS.

Changes in accounting policies

There are no new or amended accounting standards that are effective for CIBC this fiscal year.

Note 2 | Fair value measurement

This note presents the fair values of financial instruments and explains how we determine those values. Note 1, “Basis of preparation and summary of significant accounting policies” sets out the accounting treatment for each measurement category of financial instruments.

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., the exit price). The determination of fair value requires judgment and is based on market information, where available and appropriate. Fair value measurements are categorized into three levels within a fair value hierarchy (Level 1, 2 or 3) based on the valuation inputs used in measuring the fair value, as outlined below.

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities we can access at the measurement date. Bid prices, ask prices or prices within the bid and ask, which are the most representative of the fair value, are used as appropriate to measure fair value. 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 transactions are occurring with sufficient frequency and volume to provide quoted prices on an ongoing basis.
- Level 2 – Quoted prices for identical assets or liabilities in markets that are inactive or observable market quotes for similar instruments, or use of valuation techniques where all significant inputs are observable. 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 instances where traded markets do not exist or are not considered sufficiently active, we measure fair value using valuation models.
- Level 3 – Non-observable or indicative prices or use of valuation techniques where one or more significant inputs are non-observable.

For a significant portion of our financial instruments, quoted market prices are not available 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. When quoted market prices in active markets are not available, we would consider using valuation models. 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 at the measurement 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.

Valuation adjustments are an integral component of our fair valuation process. 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 and credit risk.

Generally, the unit of account for a financial instrument is the individual instrument, and valuation adjustments are applied at an individual instrument level, consistent with that unit of account. In cases where we manage a group of financial assets and liabilities that consist of substantially similar and offsetting risk exposures, the fair value of the group of financial assets and liabilities are measured on the basis of the net open risks.

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 at inception 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 are deferred and recognized only in future periods over the term of the instruments or when market quotes or data become observable.

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. Valuation models used, including analytics for the construction of yield curves and volatility surfaces, are vetted and approved, consistent with our model risk policy.

To ensure that valuations are appropriate, we have established internal guidance on fair value measurement, which is reviewed periodically in recognition of the dynamic nature of markets and the constantly evolving pricing practices in the market. A number of policies and controls are put in place to ensure that the internal guidance on fair value measurement is being applied consistently and appropriately. Fair value of publicly issued securities and derivatives is independently validated at least once a month. 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. The results from the independent price validation and any valuation adjustments are reviewed by the Independent Price Verification Committee on a monthly basis. This includes, but is not limited to, reviewing fair value adjustments and methodologies, independent price verification results, limits and valuation uncertainty. Fair value of privately issued securities is reviewed on a quarterly basis.

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.

Methods and assumptions

Financial instruments with fair value equal to carrying value

For financial instruments that are not carried on the consolidated balance sheet at fair value and where we consider the carrying value to be a reasonable approximation of fair value due to their short-term nature and generally negligible credit risk, the fair values disclosed for these financial instruments are assumed to equal their carrying values. These financial instruments are: cash and non-interest-bearing deposits with banks; short-term interest-bearing deposits with banks; cash collateral on securities borrowed; securities purchased under resale agreements; customers’ liability under acceptances; cash collateral on securities lent; obligations related to securities sold under repurchase agreements; acceptances; deposits with demand features; and certain other financial assets and liabilities.

Securities

The fair value of debt or equity 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 quotes in an active market are not available 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 by applying valuation techniques such as discounted cash flow models 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 observable discounting curves such as benchmark and government yield 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 a government are valued using discounted cash flow models making maximum use of market observable inputs, such as 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 that is 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. The fair value of LP 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 carrying value. The fair value of fixed-rate mortgages is estimated using a discounted cash flow calculation that uses current market interest rates 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 loans for which interest rates are repriced or reset frequently are assumed to be equal to their carrying value. The fair value for fixed-rate loans is estimated using a discounted cash flow calculation that uses market interest rates. Changes in credit and liquidity spreads since the loan inception date are not observable and are not factored into our determination of fair value.

The ultimate fair value of loans disclosed is net of the individual and collective allowances for impaired loans and loans not yet specifically identified as impaired, respectively. 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.

In determining the fair value of collateralized loan obligations (CLOs) and collateralized debt obligations (CDOs) in our structured credit run-off business that are classified as loans and receivables, we apply valuation techniques using non-observable market inputs, including 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.

Other assets and other liabilities

Other assets and other liabilities mainly comprise accrued interest receivable or payable, brokers' client accounts receivable or payable, and accounts receivable or payable.

The fair values of other assets and other liabilities are primarily assumed to be at cost or amortized cost as we consider the carrying value to be a reasonable approximation of fair value.

Deposits

The fair values 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 current market interest rates with similar remaining terms. The fair value of deposit notes issued to CIBC Capital Trust is determined by reference to the quoted market prices of CIBC Tier 1 Notes issued by CIBC Capital Trust. The fair value of deposit liabilities with embedded optionality 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 derivatives.

Certain FVO deposits are structured notes that have coupons or repayment terms linked to the performance of commodities, 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 referenced securities or comparable securities, and other inputs such as interest rate yield curves, market volatility levels, foreign exchange rates and changes in our own credit risk, 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.

The fair value of secured borrowings, which comprises liabilities issued by or as a result of activities associated with the securitization of residential mortgages, the Covered Bond Programme, and consolidated securitization vehicles, is based on identical or proxy market observable quoted bond prices or determined by discounting the contractual cash flows using maximum market observable inputs, such as market interest rates, or credit spreads implied by debt instruments of similar credit quality, as appropriate.

Subordinated indebtedness

The fair value of subordinated indebtedness is determined by reference to market prices for the same or similar debt instruments.

Derivative instruments

The fair value of exchange-traded derivatives such as options and futures is based on quoted market prices. OTC derivatives primarily consist of interest rate swaps, foreign exchange forwards, equity and commodity derivatives, interest rate and currency derivatives, 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 pricing models incorporate current market measures for interest rates, foreign exchange rates, equity and commodity prices and indices, credit spreads, corresponding market volatility levels, and other market-based pricing factors.

In order to reflect the observed market practice of pricing collateralized and uncollateralized derivatives, our valuation approach uses OIS curves as the discount rate for valuing collateralized derivatives and uses an estimated market cost of funds curve as the discount rate for valuing uncollateralized derivatives. The impact of valuing uncollateralized derivatives based on an estimated market cost of funds curve reduces the fair value of uncollateralized derivative assets incremental to the reduction in fair value for credit risk already reflected through the credit valuation adjustment (CVA). In contrast, the use of a market cost of funds curve reduces the fair value of uncollateralized derivative liabilities in a manner that generally includes adjustments for our own credit. As market practices continue to evolve in regard to derivative valuation, further adjustments may be required in the future.

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 any relevant observable market inputs, third-party consensus pricing inputs, indicative dealer and broker quotations, and our own internal model-based estimates, which are vetted and pre-approved in accordance with our model risk policy, and are 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 parameter uncertainty and market risk valuation adjustments for such inputs and other model risk valuation adjustments are assessed in all such instances.

In addition to reflecting estimated market funding costs in our valuation of uncollateralized derivative receivables, we also consider whether a 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 and our assessment of the net counterparty credit risk exposure. In assessing this exposure, we also take into account credit mitigants such as collateral, master netting arrangements, and settlements through clearing houses. As noted above, the fair value of uncollateralized derivative liabilities based on market cost of funding generally includes adjustments for our own credit.

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 FVO mortgage commitments is for fixed-rate residential mortgage commitments and is based on changes in market interest rates for the loans between the commitment and the balance sheet dates. The valuation model takes into account the expected probability that outstanding commitments will be exercised as well as the length of time the commitment is offered.

Fair value of financial instruments

		Carrying value					
		Amortized cost	Fair value through net income	Fair value through OCI	Total	Fair value	Fair value over (under) carrying value
\$ millions, as at October 31							
2016	Financial assets						
	Cash and deposits with banks	\$ 13,818	\$ 347	\$ –	\$ 14,165	\$ 14,165	\$ –
	Securities	–	50,170	37,253	87,423	87,423	–
	Cash collateral on securities borrowed	5,433	–	–	5,433	5,433	–
	Securities purchased under resale agreements	28,377	–	–	28,377	28,377	–
	Loans						
	Residential mortgages	187,077	–	–	187,077	187,583	506
	Personal	37,544	–	–	37,544	37,556	12
	Credit card	11,946	–	–	11,946	11,946	–
	Business and government	64,210	6,640	–	70,850	70,911	61
	Derivative instruments	–	27,762	–	27,762	27,762	–
	Customers' liability under acceptances	12,364	–	–	12,364	12,364	–
	Other assets	8,356	–	–	8,356	8,356	–
	Financial liabilities						
	Deposits						
	Personal	\$ 147,878	\$ 203	\$ –	\$ 148,081	\$ 148,088	\$ 7
	Business and government	187,050	3,190	–	190,240	190,812	572
	Bank	17,842	–	–	17,842	17,842	–
	Secured borrowings	39,393	91	–	39,484	39,881	397
	Derivative instruments	–	28,807	–	28,807	28,807	–
	Acceptances	12,395	–	–	12,395	12,395	–
	Obligations related to securities sold short	–	10,338	–	10,338	10,338	–
	Cash collateral on securities lent	2,518	–	–	2,518	2,518	–
	Obligations related to securities sold under repurchase agreements	11,694	–	–	11,694	11,694	–
	Other liabilities	8,219	146	–	8,365	8,365	–
	Subordinated indebtedness	3,366	–	–	3,366	3,633	267
2015	Financial assets						
	Cash and deposits with banks	\$ 18,136	\$ 501	\$ –	\$ 18,637	\$ 18,637	\$ –
	Securities	–	46,448	28,534	74,982	74,982	–
	Cash collateral on securities borrowed	3,245	–	–	3,245	3,245	–
	Securities purchased under resale agreements	30,089	–	–	30,089	30,089	–
	Loans						
	Residential mortgages	169,022	–	–	169,022	169,937	915
	Personal	36,049	–	–	36,049	36,064	15
	Credit card	11,466	–	–	11,466	11,466	–
	Business and government	58,657	5,991	–	64,648	64,736	88
	Derivative instruments	–	26,342	–	26,342	26,342	–
	Customers' liability under acceptances	9,796	–	–	9,796	9,796	–
	Other assets	8,185	–	–	8,185	8,185	–
	Financial liabilities						
	Deposits						
	Personal	\$ 137,287	\$ 91	\$ –	\$ 137,378	\$ 137,394	\$ 16
	Business and government	176,475	2,375 ⁽¹⁾	–	178,850	179,293	443
	Bank	10,785	–	–	10,785	10,785	–
	Secured borrowings	39,644	–	–	39,644	39,882	238
	Derivative instruments	–	29,057	–	29,057	29,057	–
	Acceptances	9,796	–	–	9,796	9,796	–
	Obligations related to securities sold short	–	9,806	–	9,806	9,806	–
	Cash collateral on securities lent	1,429	–	–	1,429	1,429	–
	Obligations related to securities sold under repurchase agreements	8,914	–	–	8,914	8,914	–
	Other liabilities	7,769	197	–	7,966	7,966	–
	Subordinated indebtedness	3,874	–	–	3,874	4,131	257

(1) Represents deposit liabilities to which we have elected the FVO. Changes in fair value of these liabilities that are attributable to changes in our own credit risk are presented in OCI.

Fair value of derivative instruments

\$ millions, as at October 31

		2016			2015		
		Positive	Negative	Net	Positive	Negative	Net
Held for trading							
Interest rate derivatives							
Over-the-counter	– Forward rate agreements	\$ 13	\$ 44	\$ (31)	\$ 65	\$ 26	\$ 39
	– Swap contracts	11,501	10,941	560	11,742	11,445	297
	– Purchased options	181	–	181	161	–	161
	– Written options	–	189	(189)	–	199	(199)
		11,695	11,174	521	11,968	11,670	298
Exchange-traded	– Futures contracts	–	–	–	–	–	–
	– Purchased options	–	–	–	–	–	–
	– Written options	–	–	–	–	–	–
		–	–	–	–	–	–
Total interest rate derivatives		11,695	11,174	521	11,968	11,670	298
Foreign exchange derivatives							
Over-the-counter	– Forward contracts	3,693	3,545	148	2,527	2,892	(365)
	– Swap contracts	5,914	6,612	(698)	5,290	5,803	(513)
	– Purchased options	310	–	310	329	–	329
	– Written options	–	281	(281)	–	326	(326)
		9,917	10,438	(521)	8,146	9,021	(875)
Total foreign exchange derivatives		9,917	10,438	(521)	8,146	9,021	(875)
Credit derivatives							
Over-the-counter	– Total return swap contracts – protection sold	–	–	–	–	4	(4)
	– Credit default swap contracts – protection purchased	141	14	127	171	31	140
	– Credit default contracts – protection sold	–	201	(201)	9	240	(231)
Total credit derivatives		141	215	(74)	180	275	(95)
Equity derivatives							
Over-the-counter		385	1,473	(1,088)	547	1,030	(483)
Exchange-traded		742	493	249	398	410	(12)
Total equity derivatives		1,127	1,966	(839)	945	1,440	(495)
Precious metal derivatives							
Over-the-counter		32	10	22	31	25	6
Exchange-traded		38	24	14	14	127	(113)
Total precious metal derivatives		70	34	36	45	152	(107)
Other commodity derivatives							
Over-the-counter		1,365	825	540	1,102	2,300	(1,198)
Exchange-traded		123	192	(69)	374	201	173
Total other commodity derivatives		1,488	1,017	471	1,476	2,501	(1,025)
Total held for trading		24,438	24,844	(406)	22,760	25,059	(2,299)
Held for ALM							
Interest rate derivatives							
Over-the-counter	– Forward rate agreements	–	–	–	–	–	–
	– Swap contracts	737	789	(52)	928	1,034	(106)
	– Purchased options	8	–	8	8	–	8
	– Written options	–	–	–	–	–	–
		745	789	(44)	936	1,034	(98)
Exchange-traded	– Futures contracts	–	–	–	–	–	–
	– Purchased options	–	–	–	–	–	–
	– Written options	–	–	–	–	–	–
Total interest rate derivatives		745	789	(44)	936	1,034	(98)
Foreign exchange derivatives							
Over-the-counter	– Forward contracts	228	33	195	53	11	42
	– Swap contracts	2,347	3,128	(781)	2,540	2,944	(404)
	– Written options	–	–	–	–	–	–
		2,575	3,161	(586)	2,593	2,955	(362)
Exchange-traded	– Futures contracts	–	–	–	–	–	–
Total foreign exchange derivatives		2,575	3,161	(586)	2,593	2,955	(362)
Credit derivatives							
Over-the-counter	– Total return swap contracts – protection sold	–	–	–	–	–	–
	– Credit default swap contracts – protection purchased	1	–	1	3	–	3
	– Credit default contracts – protection sold	–	–	–	–	–	–
Total credit derivatives		1	–	1	3	–	3
Equity derivatives							
Over-the-counter		3	13	(10)	50	9	41
Exchange-traded		–	–	–	–	–	–
Total equity derivatives		3	13	(10)	50	9	41
Precious metal derivatives							
Over-the-counter		–	–	–	–	–	–
Exchange-traded		–	–	–	–	–	–
Total precious metal derivatives		–	–	–	–	–	–
Other commodity derivatives							
Over-the-counter		–	–	–	–	–	–
Exchange-traded		–	–	–	–	–	–
Total other commodity derivatives		–	–	–	–	–	–
Total held for ALM		3,324	3,963	(639)	3,582	3,998	(416)
Total fair value		27,762	28,807	(1,045)	26,342	29,057	(2,715)
Less: effect of netting		(17,965)	(17,965)	–	(17,060)	(17,060)	–
		\$ 9,797	\$ 10,842	\$ (1,045)	\$ 9,282	\$ 11,997	\$ (2,715)
Average fair value of derivatives held for trading⁽¹⁾							
	– Interest rate derivatives	\$ 12,412	\$ 11,949	\$ 463	\$ 12,099	\$ 11,816	\$ 283
	– Foreign exchange derivatives	10,223	11,089	(866)	9,537	10,382	(845)
	– Credit derivatives	159	240	(81)	393	497	(104)
	– Equity derivatives	1,050	1,690	(640)	860	1,272	(412)
	– Precious metal derivatives	103	116	(13)	121	180	(59)
	– Other commodity derivatives	1,496	2,005	(509)	1,346	2,457	(1,111)
		\$ 25,443	\$ 27,089	\$ (1,646)	\$ 24,356	\$ 26,604	\$ (2,248)

(1) Average fair value represents monthly averages.

Assets and liabilities not carried on the consolidated balance sheet at fair value

The table below presents the fair values by level within the fair value hierarchy for those assets and liabilities in which fair value is not assumed to equal the carrying value:

\$ millions, as at October 31	Level 1		Level 2		Level 3		Total 2016	Total 2015
	Quoted market price		Valuation technique – observable market inputs		Valuation technique – non-observable market inputs			
	2016	2015	2016	2015	2016	2015		
Financial assets								
Loans								
Residential mortgages	\$ –	\$ –	\$ –	\$ –	\$ 187,583	\$ 169,937	\$ 187,583	\$ 169,937
Personal	–	–	–	–	37,556	36,064	37,556	36,064
Credit card	–	–	–	–	11,946	11,466	11,946	11,466
Business and government	–	–	–	–	64,271	58,745	64,271	58,745
Investment in equity-accounted associates ⁽¹⁾	223	166	–	–	198	1,649	421	1,815
Financial liabilities								
Deposits								
Personal	\$ –	\$ –	\$ 43,419	\$ 41,197	\$ –	\$ –	\$ 43,419	\$ 41,197
Business and government	–	–	111,091	107,053	–	–	111,091	107,053
Bank	–	–	13,171	8,328	–	–	13,171	8,328
Secured borrowings	–	–	35,535	35,089	4,255	4,793	39,790	39,882
Subordinated indebtedness	–	–	3,633	4,131	–	–	3,633	4,131

(1) See Note 26 for details of our equity-accounted associates.

Financial instruments carried on the consolidated balance sheet at fair value

The table below presents the fair values of financial instruments by level within the fair value hierarchy:

\$ millions, as at October 31	Level 1		Level 2		Level 3		Total 2016	Total 2015								
	Quoted market price		Valuation technique – observable market inputs		Valuation technique – non-observable market inputs											
	2016	2015	2016	2015	2016	2015										
Financial assets																
Deposits with banks	\$	–	\$	–	\$	347	\$	–	\$	–	\$	347	\$	501		
Trading securities																
Government issued or guaranteed		1,474		2,566		9,307		7,780		–		–		10,781		10,346
Corporate equity		35,023		31,728		554		712		40		46		35,617		32,486
Corporate debt		–		–		1,853		2,083		–		–		1,853		2,083
Mortgage- and asset-backed		–		–		1,168		701		496		565		1,664		1,266
		36,497		34,294		12,882		11,276		536		611		49,915		46,181
Trading loans																
Business and government		–		–		6,640		5,991		–		–		6,640		5,991
AFS securities																
Government issued or guaranteed		1,429		841		22,445		15,824		–		–		23,874		16,665
Corporate equity		30		15		–		–		344		431		374		446
Corporate debt		–		–		5,838		4,070		5		6		5,843		4,076
Mortgage- and asset-backed		–		–		5,215		5,743		1,947		1,604		7,162		7,347
		1,459		856		33,498		25,637		2,296		2,041		37,253		28,534
FVO securities																
Government issued or guaranteed		–		–		59		57		–		–		59		57
Corporate debt		–		–		102		99		–		–		102		99
Asset-backed		–		–		–		–		94		111		94		111
		–		–		161		156		94		111		255		267
Derivative instruments																
Interest rate		–		–		12,409		12,878		31		26		12,440		12,904
Foreign exchange		–		–		12,492		10,739		–		–		12,492		10,739
Credit		–		–		2		18		140		165		142		183
Equity		742		398		364		596		24		1		1,130		995
Precious metal		–		14		70		31		–		–		70		45
Other commodity		161		374		1,327		1,102		–		–		1,488		1,476
		903		786		26,664		25,364		195		192		27,762		26,342
Total financial assets	\$	38,859	\$	35,936	\$	80,192	\$	68,925	\$	3,121	\$	2,955	\$	122,172	\$	107,816
Financial liabilities																
Deposits and other liabilities ⁽¹⁾	\$	–	\$	–	\$	(3,124)	\$	(2,189)	\$	(506)	\$	(474)	\$	(3,630)	\$	(2,663)
Obligations related to securities sold short		(4,684)		(3,795)		(5,654)		(6,011)		–		–		(10,338)		(9,806)
		(4,684)		(3,795)		(8,778)		(8,200)		(506)		(474)		(13,968)		(12,469)
Derivative instruments																
Interest rate		(2)		–		(11,926)		(12,678)		(35)		(26)		(11,963)		(12,704)
Foreign exchange		–		–		(13,599)		(11,976)		–		–		(13,599)		(11,976)
Credit		–		–		(18)		(31)		(197)		(244)		(215)		(275)
Equity		(491)		(410)		(1,446)		(1,012)		(42)		(27)		(1,979)		(1,449)
Precious metal		–		(127)		(34)		(25)		–		–		(34)		(152)
Other commodity		(216)		(201)		(801)		(2,300)		–		–		(1,017)		(2,501)
		(709)		(738)		(27,824)		(28,022)		(274)		(297)		(28,807)		(29,057)
Total financial liabilities	\$	(5,393)	\$	(4,533)	\$	(36,602)	\$	(36,222)	\$	(780)	\$	(771)	\$	(42,775)	\$	(41,526)

(1) Comprises FVO deposits of \$3,281 million (2015: \$2,375 million), bifurcated embedded derivative liabilities of \$203 million (2015: \$91 million), FVO other liabilities of \$11 million (2015: \$11 million), and other financial liabilities measured at fair value of \$135 million (2015: \$186 million).

Transfers between levels in the fair value hierarchy are deemed to have occurred at the beginning of the quarter in which the transfer occurred. Transfers between levels can occur as a result of additional or new information regarding valuation inputs and changes in their observability. During the year, we transferred \$548 million of trading securities (2015: \$11 million) and \$599 million of securities sold short (2015: \$481 million) from Level 1 to Level 2 due to reduced observability in the inputs used to value these securities. In addition, insignificant transfers between Level 2 and Level 3 were made during 2016 and 2015 as there were changes in the extent to which non-observable inputs have a significant impact on the fair value of these instruments or there were changes in the observability of one or more inputs that significantly impact their fair value.

The net gain recognized in the consolidated statement of income on the financial instruments, for which fair value was estimated using valuation techniques requiring non-observable market inputs, for the year was \$33 million (2015: \$122 million; 2014: \$88 million).

The following table presents the changes in fair value of financial assets and liabilities in Level 3. These instruments are measured at fair value utilizing non-observable market inputs. We often hedge positions with offsetting positions that may be classified in a different level. As a result, the gains and losses for assets and liabilities in the Level 3 category presented in the table below do not reflect the effect of offsetting gains and losses on the related hedging instruments that are classified in Level 1 and Level 2.

\$ millions, for the year ended October 31	Opening balance	Net gains/(losses) included in income		Net unrealized gains (losses) included in OCI	Transfer in to Level 3	Transfer out of Level 3	Purchases	Issuances	Sales	Settlements	Closing balance
		Realized ⁽¹⁾	Unrealized ⁽¹⁾⁽²⁾								
2016											
Trading securities											
Corporate equity	\$ 46	\$ –	\$ 3	\$ –	\$ –	\$ –	\$ 4	\$ –	\$ –	\$ (13)	\$ 40
Mortgage- and asset-backed	565	7	27	–	–	–	–	–	–	(103)	496
AFS securities											
Corporate equity	431	67	(27)	(38)	–	–	35	–	(124)	–	344
Corporate debt	6	–	(1)	–	–	–	–	–	–	–	5
Mortgage- and asset-backed	1,604	4	–	(4)	–	–	1,156	–	(4)	(809)	1,947
FVO securities											
Asset-backed	111	5	(1)	–	–	–	–	–	–	(21)	94
Derivative assets											
Interest rate	26	(1)	–	–	–	–	6	–	–	–	31
Credit	165	(38)	13	–	–	–	–	–	–	–	140
Equity	1	–	7	–	–	–	16	–	–	–	24
Total assets	\$ 2,955	\$ 44	\$ 21	\$ (42)	\$ –	\$ –	\$ 1,217	\$ –	\$ (128)	\$ (946)	\$ 3,121
Deposits and other liabilities ⁽³⁾	\$ (474)	\$ (21)	\$ (36)	\$ –	\$ (7)	\$ 3	\$ –	\$ (51)	\$ 1	\$ 79	\$ (506)
Derivative instruments											
Interest rate	(26)	–	(2)	–	–	–	–	(7)	–	–	(35)
Credit	(244)	36	(6)	–	–	–	–	–	–	17	(197)
Equity	(27)	–	(3)	–	(1)	–	–	(11)	–	–	(42)
Total liabilities	\$ (771)	\$ 15	\$ (47)	\$ –	\$ (8)	\$ 3	\$ –	\$ (69)	\$ 1	\$ 96	\$ (780)
2015											
Trading securities											
Corporate equity	\$ –	\$ –	\$ 1	\$ –	\$ 46	\$ –	\$ –	\$ –	\$ –	\$ (1)	\$ 46
Mortgage- and asset-backed	759	79	56	–	–	–	–	–	–	(329)	565
AFS securities											
Corporate equity	600	107	(4)	(139)	–	–	62	–	(195)	–	431
Corporate debt	8	–	1	(1)	–	–	–	–	(2)	–	6
Mortgage- and asset-backed	622	–	–	4	–	–	1,287	–	–	(309)	1,604
FVO securities											
Asset-backed	107	2	17	–	–	–	–	–	–	(15)	111
Derivative assets											
Interest rate	21	–	7	–	–	–	–	–	(1)	(1)	26
Credit	204	(31)	(3)	–	–	–	–	–	–	(5)	165
Equity	1	–	–	–	–	–	–	–	–	–	1
Total assets	\$ 2,322	\$ 157	\$ 75	\$ (136)	\$ 46	\$ –	\$ 1,349	\$ –	\$ (198)	\$ (660)	\$ 2,955
Deposits and other liabilities ⁽³⁾	\$ (729)	\$ (85)	\$ (25)	\$ –	\$ (1)	\$ 23	\$ –	\$ (44)	\$ 74	\$ 313	\$ (474)
Derivative instruments											
Interest rate	(21)	–	(8)	–	–	–	–	–	1	2	(26)
Credit	(270)	29	(15)	–	–	–	–	–	–	12	(244)
Equity	(14)	–	(6)	–	(10)	–	–	(2)	–	5	(27)
Total liabilities	\$ (1,034)	\$ (56)	\$ (54)	\$ –	\$ (11)	\$ 23	\$ –	\$ (46)	\$ 75	\$ 332	\$ (771)

(1) Includes foreign currency gains and losses.

(2) Comprises unrealized gains and losses relating to these assets and liabilities held at the end of the reporting year.

(3) Includes FVO deposits of \$318 million (2015: \$338 million) and net bifurcated embedded derivative liabilities of \$188 million (2015: \$136 million).

Quantitative information about significant non-observable inputs

Valuation techniques using one or more non-observable inputs are used for a number of financial instruments. The following table discloses the valuation techniques and quantitative information about the significant non-observable inputs used in Level 3 financial instruments:

\$ millions, as at October 31	2016	Valuation techniques	Key non-observable inputs	Range of inputs	
				Low	High
Trading securities					
Corporate equity	\$ 40	Net asset value	Net asset value	n/a	n/a
Mortgage- and asset-backed	496	Market proxy or direct broker quote	Market proxy or direct broker quote	– %	99.5 %
AFS securities					
Corporate equity					
Limited partnerships	239	Adjusted net asset value ⁽¹⁾	Net asset value	n/a	n/a
Private companies	105	Valuation multiple	Earnings multiple	8.0	11.0
		Discounted cash flow	Revenue multiple	3.9	3.9
			Discount rate	14.0 %	14.0 %
Corporate debt	5	Discounted cash flow	Discount rate	30.0 %	30.0 %
Mortgage- and asset-backed	1,947	Discounted cash flow	Credit spread	0.7 %	1.2 %
FVO securities					
Asset-backed	94	Market proxy or direct broker quote	Market proxy or direct broker quote	71.7 %	86.1 %
Derivative instruments					
Interest rate	31	Proprietary model ⁽²⁾	n/a	n/a	n/a
		Option model	Market volatility	22.2 %	48.9 %
Credit	140 ⁽³⁾	Market proxy or direct broker quote	Market proxy or direct broker quote	24.1 %	99.0 %
		Discounted cash flow	Default rate	4.0 %	4.0 %
			Recovery rate	50.0 %	70.0 %
			Prepayment rate	20.0 %	20.0 %
			Credit spread ⁽⁴⁾	– %	1.1 %
Equity	24	Option model	Market volatility	13.4 %	13.4 %
			Market correlation	(18.8)%	88.6 %
Total assets	\$ 3,121				
Deposits and other liabilities	\$ (506)	Market proxy or direct broker quote	Market proxy or direct broker quote	– %	97.0 %
		Option model	Market volatility	8.8 %	43.5 %
			Market correlation	(53.8)%	100.0 %
Derivative instruments					
Interest rate	(35)	Proprietary model ⁽²⁾	n/a	n/a	n/a
Credit	(197)	Market proxy or direct broker quote	Market proxy or direct broker quote	– %	99.5 %
		Discounted cash flow	Default rate	4.0 %	4.0 %
			Recovery rate	50.0 %	70.0 %
			Prepayment rate	20.0 %	20.0 %
			Credit spread	– %	1.1 %
Equity	(42)	Option model	Market correlation	(28.7)%	92.5 %
Total liabilities	\$ (780)				

(1) Adjusted net asset value is determined using reported net asset values obtained from the fund manager or general partner of the LP and may be adjusted for current market levels where appropriate.

(2) Using valuation techniques which we consider to be non-observable.

(3) Net of CVA reserves related to financial guarantors calculated based on reserve rates (as a percentage of fair value) ranging from 15% to 70%.

(4) Excludes financial guarantors.

n/a Not applicable.

Sensitivity of Level 3 financial assets and liabilities

The following section describes the significant non-observable inputs identified in the table above, the inter-relationships between those inputs and the sensitivity of fair value to changes in those inputs. We performed our Level 3 sensitivity analysis on an individual instrument basis, except for instruments managed within our structured credit run-off business for which we performed the sensitivity analysis on a portfolio basis to reflect the manner in which those financial instruments are managed.

Within our structured credit run-off business, our primary sources of exposure, which are derived either through direct holdings or derivatives, are U.S. residential mortgage market contracts, CLOs, corporate debt and other securities and loans. Structured credit positions classified as loans and receivables are carried at amortized cost and are excluded from this sensitivity analysis. The structured credit positions carried on the consolidated balance sheet at fair value are within trading securities, FVO securities, FVO structured note liability within deposits and derivatives. These fair values are generally derived from and are sensitive to non-observable inputs, including indicative broker quotes and internal models that utilize default rates, recovery rates, prepayment rates and credit spreads. Indicative broker quotes are derived from proxy pricing in an inactive market or from the brokers' internal valuation models. These quotes are used to value our trading and FVO securities, FVO structured note liability and derivatives. A significant increase in the indicative broker prices or quotes would result in an increase in the fair value of our Level 3 securities and note liability but a decrease in the fair value of our credit derivatives. The fair value of our credit derivatives referencing CLO assets are also impacted by other key non-observable inputs, including:

- Prepayment rates – which are a measure of the future expected repayment of a loan by a borrower in advance of the scheduled due date. Prepayment rates are driven by consumer behaviour, economic conditions and other factors. A significant increase in prepayment rates of the underlying loan collateral of the referenced CLO assets would result in an increase in the fair value of the referenced CLO assets and a decrease in the fair value of the referenced CLO assets and a decrease in our Level 3 credit derivatives.
- Recovery rates – which are an estimate of the amount that will be recovered following a default by a borrower. Recovery rates are expressed as one minus a LGD rate. Hence, a significant increase in the recovery rate of the underlying defaulted loan collateral of the referenced CLO assets would result in an increase in the fair value of the referenced CLO assets and a decrease in the fair value of our Level 3 credit derivatives.
- Credit spreads – which are the premium over a benchmark interest rate in the market to reflect a lower credit quality of a financial instrument and form part of the discount rates used in a discounted cash flow model. A significant increase in the credit spread, which raises the discount rate applied to future cash flows of the referenced CLO assets, would result in a decrease in the fair value of referenced CLO assets and an increase in the fair value of our Level 3 credit derivatives.

- Default rates or probabilities of default – which are the likelihood of a borrower's inability to repay its obligations as they become contractually due. A significant increase in the default rate of the underlying loan collateral of the referenced CLO assets up to a certain reasonably possible level would result in an increase in the fair value of the referenced CLO assets and a decrease in the fair value of our Level 3 credit derivatives. This impact is due to accelerated principal repayments from the defaulted underlying loan collateral and the subordination structure of the referenced CLO assets. In general, higher default rates have a positive correlation with credit spreads, but a negative correlation with recovery rates and prepayment rates, with the respective impact on fair value as described above.

The fair value of the credit derivatives is also sensitive to CVA for counterparty risk on the credit derivative counterparty.

The impact of adjusting the indicative broker quotes, default rates, recovery rates, prepayment rates and credit spreads noted above to reasonably possible alternatives would increase the net fair value by up to \$4 million or decrease the net fair value by up to \$4 million (2015: increase the net fair value by up to \$5 million or decrease the net fair value by up to \$1 million) in respect of financial instruments carried at fair value in our structured credit run-off business. Changes in fair value of a Level 3 FVO structured note liability and the Level 3 positions that the note hedges are excluded from this sensitivity analysis because reasonably possible changes in fair value are expected to be largely offsetting.

The fair value of our investments in private companies is derived from applying applicable valuation multiples to financial indicators such as revenue or earnings. Earnings multiples or revenue multiples represent the ratios of earnings or revenue to enterprise value and are often used as non-observable inputs in the fair value measurement of our investments in private companies. We apply professional judgment in our selection of the multiple from comparable listed companies, which is then further adjusted for company-specific factors. The fair value of private companies is sensitive to changes in the multiple we apply. A significant increase in earnings multiples or revenue multiples generally results in an increase in the fair value of our investments in private companies. By adjusting the multiple and implied volatility within a reasonably possible range, the aggregate fair value of our investments in private companies would increase by \$16 million or decrease by \$9 million (2015: increase by \$22 million or decrease by \$10 million).

The fair value of our LPs is determined based on the net asset value provided by the fund managers, adjusted as appropriate. The fair value of LPs is sensitive to changes in the net asset value and by adjusting the net asset value within a reasonably possible range, the aggregate fair value of our LPs would increase or decrease by \$24 million.

The fair value of our ABS is determined based on non-observable credit spreads. A significant increase in credit spreads generally results in a decrease in the fair value of our Level 3 ABS. By adjusting the credit spreads within a reasonably possible range, the fair value of our ABS would increase or decrease by \$2 million (2015: \$3 million).

While our standalone derivatives are recorded as derivative assets or derivative liabilities, our bifurcated Level 3 embedded derivatives are recorded within deposits and other liabilities. The determination of the fair value of certain bifurcated embedded derivatives and certain standalone derivatives requires significant assumptions and judgment to be applied to both the inputs and the valuation techniques employed. These derivatives are sensitive to long-dated market volatility and correlation inputs, which we consider to be non-observable. Market volatility is a measure of the anticipated future variability of a market price and is an important input for pricing options, which are inherent in many of our Level 3 derivatives. A higher market volatility generally results in a higher option price, with all else held constant, due to the higher probability of obtaining a greater return from the option, and results in an increase in the fair value of our Level 3 derivatives. Correlation inputs are used to value those derivatives where the payout is dependent upon more than one market price. For example, the payout of an equity basket option is based upon the performance of a basket of stocks, and the inter-relationships between the price movements of those stocks. A positive correlation implies that two inputs tend to change the fair value in the same direction, while a negative correlation implies that two inputs tend to change the fair value in the opposite direction. Changes in market correlation could result in an increase or a decrease in the fair value of our Level 3 derivatives and embedded derivatives. By adjusting the non-observable inputs by reasonably alternative amounts, the fair value of our Level 3 standalone derivatives and embedded derivatives would increase by \$23 million or decrease by \$24 million (2015: increase or decrease by \$12 million).

FVO assets

FVO securities include certain debt securities that were designated as FVO on the basis of being managed together with derivatives to eliminate or significantly reduce financial risks.

FVO liabilities

FVO deposits and other liabilities include:

- Certain business and government deposit liabilities and certain secured borrowings that are economically hedged with derivatives and other financial instruments, and certain financial liabilities that have one or more embedded derivatives that significantly modify the cash flows of the host liability but are not bifurcated from the host instrument; and
- Our mortgage commitments to retail clients to provide mortgages at fixed rates that are economically hedged with derivatives and other financial instruments.

The fair value of a FVO liability reflects the credit risk relating to that liability. For those FVO liabilities for which we believe changes in our credit risk would impact the fair value from the note holders' perspective, the related fair value changes were recognized in OCI. Changes in fair value attributable to changes in our own credit are measured as the difference between i) the period over period change in the present value of the expected cash flows using a discount curve adjusted for our own credit; and ii) the period over period change in the present value of the same expected cash flows using a discount curve based on the benchmark curve adjusted for our own credit as implied at inception of the FVO liability. The pre-tax impact of changes in CIBC's own credit risk on our FVO liabilities were losses of \$6 million for the year, and nil cumulatively.

The estimated contractual settlement amount of FVO deposits is \$4 million lower (2015: \$4 million lower) than its fair value.

Note 3 | Significant acquisitions and dispositions

2016

Acquisition of PrivateBancorp, Inc.

On June 29, 2016, we announced that we had entered into a definitive agreement to acquire PrivateBancorp, Inc. (PrivateBancorp) and its subsidiary, The PrivateBank and Trust Company (PrivateBank). PrivateBank is a Chicago-based middle-market commercial bank with private banking and wealth management capabilities.

CIBC will pay US\$18.80 in cash and 0.3657 of a CIBC common share for each share of PrivateBancorp common stock. Based on the June 28, 2016 closing price of CIBC's common shares on the New York Stock Exchange (US\$77.11), the total transaction value is approximately US\$3.8 billion (C\$4.9 billion) or US\$47.00 of value per share of PrivateBancorp common stock at announcement. Based on the number of PrivateBancorp shares outstanding at the date of announcement, CIBC would be required to issue approximately 29 million CIBC common shares and pay approximately US\$1.5 billion in cash in order to satisfy the consideration payable. The final transaction value is subject to change as it is dependent upon: (i) the closing price of CIBC's common shares on the New York Stock Exchange on the date of close, (ii) the number of PrivateBancorp common shares outstanding on the date of close, and (iii) foreign exchange rates on the date of close as the cash consideration is denominated in US dollars.

The transaction is expected to close in the first calendar quarter of 2017 and is subject to customary closing conditions, including regulatory approvals and the approval of PrivateBancorp's common shareholders. A special meeting of PrivateBancorp's common stockholders to vote on the transaction is scheduled for December 8, 2016. The results of PrivateBancorp will only be consolidated with CIBC's results following the close of the transaction.

Sale of equity investment

We completed the sale of American Century Investments (ACI) to Nomura Holding America Inc. (Nomura) on May 19, 2016 for proceeds of US\$1,045 million. As a result, we recognized a gain on sale, net of related transaction costs, of \$428 million (\$383 million after-tax), in our Wealth Management strategic business unit (SBU) which included cumulative foreign exchange translation gains, net of designated hedges, of \$155 million (\$141 million after-tax) which were reclassified from AOCI.

Our minority investment in ACI was classified as held for sale and measured at the lower of its carrying value and fair value less costs to sell upon the announcement on December 21, 2015 that we had entered into a definitive agreement with Nomura to sell our minority investment. Prior to May 19, 2016, the carrying amount of our held for sale investment in ACI was included within Investments in equity-accounted associates and joint ventures. We also ceased recognition of income from equity-accounted associates relating to ACI following its classification as held for sale on the date of the announcement.

2015

Sale of equity investment

On April 30, 2015, CIBC sold its equity investment in The Bank of N.T. Butterfield & Son Limited, which was accounted for as an associate within Corporate and Other, for an amount, net of associated expenses, that approximated its carrying value.

Note 4 | Securities

	Residual term to contractual maturity												
\$ millions, as at October 31	Within 1 year		1 to 5 years		5 to 10 years		Over 10 years		No specific maturity		2016		2015
	Carrying value	Yield ⁽¹⁾	Carrying value	Yield ⁽¹⁾	Carrying value	Yield ⁽¹⁾	Carrying value	Yield ⁽¹⁾	Carrying value	Yield ⁽¹⁾	Total	Carrying value	Total
AFS securities													
Securities issued or guaranteed by:													
Canadian federal government	\$ 162	0.6 %	\$ 6,476	1.1 %	\$ 417	1.3 %	\$ –	– %	\$ –	– %	\$ 7,055	1.1 %	\$ 2,544
Other Canadian governments	49	3.1	2,525	1.4	3,094	1.5	–	–	–	–	5,668	1.5	3,910
U.S. Treasury and agencies	3,169	0.4	4,650	1.0	–	–	8	1.1	–	–	7,827	0.8	7,359
Other foreign governments	1,524	1.6	1,326	2.2	229	5.1	245	5.4	–	–	3,324	2.4	2,852
Mortgage-backed securities ⁽²⁾	814	0.2	1,862	1.0	11	1.2	1,940	0.9	–	–	4,627	0.8	5,163
Asset-backed securities	3	1.3	859	1.9	1,198	1.8	475	1.0	–	–	2,535	1.7	2,184
Corporate public debt	1,702	1.1	4,014	1.0	108	6.7	14	5.5	–	–	5,838	1.2	4,070
Corporate private debt	–	–	5	10.0	–	–	–	–	–	–	5	10.0	6
Total debt securities	7,423		21,717		5,057		2,682		–		36,879		28,088
Corporate public equity	–	–	–	–	–	–	–	–	34	n/m	34	n/m	17
Corporate private equity	–	–	–	–	–	–	–	–	340	n/m	340	n/m	429
Total equity securities	–		–		–		–		374		374		446
Total AFS securities	\$ 7,423		\$ 21,717		\$ 5,057		\$ 2,682		\$ 374		\$ 37,253		\$ 28,534
Trading securities													
Securities issued or guaranteed by:													
Canadian federal government	\$ 1,287		\$ 1,588		\$ 671		\$ 344		\$ –		\$ 3,890		\$ 4,293
Other Canadian governments	932		731		1,674		3,215		–		6,552		5,652
U.S. Treasury and agencies	34		121		12		27		–		194		197
Other foreign governments	3		42		71		29		–		145		204
Mortgage-backed securities ⁽³⁾	276		716		39		14		–		1,045		471
Asset-backed securities	35		84		–		500		–		619		795
Corporate public debt	736		804		240		73		–		1,853		2,083
Corporate public equity	–		–		–		–		35,617		35,617		32,486
Total trading securities	\$ 3,303		\$ 4,086		\$ 2,707		\$ 4,202		\$ 35,617		\$ 49,915		\$ 46,181
FVO securities													
Securities issued or guaranteed by:													
Other Canadian governments	\$ –		\$ –		\$ –		\$ 59		\$ –		\$ 59		\$ 57
Asset-backed securities	–		–		–		94		–		94		111
Corporate public debt	102		–		–		–		–		102		99
Total FVO securities	\$ 102		\$ –		\$ –		\$ 153		\$ –		\$ 255		\$ 267
Total securities ⁽⁴⁾	\$ 10,828		\$ 25,803		\$ 7,764		\$ 7,037		\$ 35,991		\$ 87,423		\$ 74,982

(1) Represents the weighted-average yield, which is determined by applying the weighted average of the yields of individual fixed income securities.

(2) Includes securities backed by mortgages insured by the Canada Mortgage and Housing Corporation (CMHC), with amortized cost of \$971 million (2015: \$1,223 million) and fair value of \$975 million (2015: \$1,226 million); securities issued by Federal National Mortgage Association (Fannie Mae), with amortized cost of \$1,521 million (2015: \$1,914 million) and fair value of \$1,521 million (2015: \$1,913 million); securities issued by Federal Home Loan Mortgage Corporation (Freddie Mac), with amortized cost of \$849 million (2015: \$1,221 million) and fair value of \$848 million (2015: \$1,221 million); and securities issued by Government National Mortgage Association, a U.S. government corporation (Ginnie Mae), with amortized cost of \$1,248 million (2015: \$742 million) and fair value of \$1,246 million (2015: \$744 million).

(3) Includes securities backed by mortgages insured by the CMHC of \$986 million (2015: \$397 million).

(4) Includes securities denominated in U.S. dollars with carrying value of \$27.4 billion (2015: \$25.1 billion) and securities denominated in other foreign currencies with carrying value of \$1,253 million (2015: \$1,068 million).

n/m Not meaningful.

Fair value of AFS securities

\$ millions, as at October 31	2016								2015
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	
Securities issued or guaranteed by:									
Canadian federal government	\$ 7,028	\$ 28	\$ (1)	\$ 7,055	\$ 2,552	\$ 1	\$ (9)	\$ 2,544	
Other Canadian governments	5,646	25	(3)	5,668	3,921	2	(13)	3,910	
U.S. Treasury and agencies	7,820	9	(2)	7,827	7,366	2	(9)	7,359	
Other foreign governments	3,326	15	(17)	3,324	2,860	10	(18)	2,852	
Mortgage-backed securities	4,626	6	(5)	4,627	5,158	10	(5)	5,163	
Asset-backed securities	2,533	3	(1)	2,535	2,179	12	(7)	2,184	
Corporate public debt	5,842	12	(16)	5,838	4,084	4	(18)	4,070	
Corporate private debt	5	–	–	5	5	1	–	6	
Corporate public equity ⁽¹⁾	10	24	–	34	10	7	–	17	
Corporate private equity	211	132	(3)	340	263	167	(1)	429	
	\$ 37,047	\$ 254	\$ (48)	\$ 37,253	\$ 28,398	\$ 216	\$ (80)	\$ 28,534	

(1) Includes restricted stock.

For AFS securities where the fair value is less than the amortized cost, the following table presents fair value and associated unrealized losses for periods less than 12 months and 12 months or longer:

	2016						2015					
	Less than 12 months		12 months or longer		Total		Less than 12 months		12 months or longer		Total	
	Fair unrealized value	Gross unrealized losses	Fair unrealized value	Gross unrealized losses	Fair unrealized value	Gross unrealized losses	Fair unrealized value	Gross unrealized losses	Fair unrealized value	Gross unrealized losses	Fair unrealized value	Gross unrealized losses
\$ millions, as at October 31												
Securities issued or guaranteed by:												
Canadian federal government	\$ 247	\$ –	\$ 608	\$ (1)	\$ 855	\$ (1)	\$ 1,463	\$ (9)	\$ –	\$ –	\$ 1,463	\$ (9)
Other Canadian governments	90	–	538	(3)	628	(3)	3,290	(12)	50	(1)	3,340	(13)
U.S. Treasury and agencies	804	(1)	1,121	(1)	1,925	(2)	5,390	(9)	–	–	5,390	(9)
Other foreign governments	756	(3)	461	(14)	1,217	(17)	1,245	(5)	118	(13)	1,363	(18)
Mortgage-backed securities	993	(2)	778	(3)	1,771	(5)	2,588	(5)	28	–	2,616	(5)
Asset-backed securities	378	–	502	(1)	880	(1)	1,602	(7)	–	–	1,602	(7)
Corporate public debt	1,097	(4)	1,624	(12)	2,721	(16)	2,580	(7)	482	(11)	3,062	(18)
Corporate private debt	–	–	–	–	–	–	–	–	–	–	–	–
Corporate public equity	–	–	–	–	–	–	–	–	–	–	–	–
Corporate private equity	10	(1)	15	(2)	25	(3)	39	(1)	1	–	40	(1)
	\$ 4,375	\$ (11)	\$ 5,647	\$ (37)	\$ 10,022	\$ (48)	\$ 18,197	\$ (55)	\$ 679	\$ (25)	\$ 18,876	\$ (80)

As at October 31, 2016, the amortized cost of 240 AFS securities that are in a gross unrealized loss position (2015: 250 securities) exceeded their fair value by \$48 million (2015: \$80 million). The securities that have been in a gross unrealized loss position for more than a year include 81 AFS securities (2015: 28 securities), with a gross unrealized loss of \$37 million (2015: \$25 million). We have determined that these AFS securities were not impaired.

The table below presents realized gains, losses, and write-downs on AFS securities:

\$ millions, for the year ended October 31	2016	2015	2014
Realized gains	\$ 108	\$ 163	\$ 242
Realized losses	(8)	(20)	(36)
Impairment write-downs			
Equity securities	(27)	(5)	(5)
	\$ 73	\$ 138	\$ 201

Note 5 | Loans⁽¹⁾⁽²⁾

	2016					2015				
	Gross amount	Individual allowance	Collective allowance	Total allowance	Net total	Gross amount	Individual allowance	Collective allowance	Total allowance	Net total
Residential mortgages	\$ 187,298	\$ 1	\$ 220	\$ 221	\$ 187,077	\$ 169,258	\$ 1	\$ 235	\$ 236	\$ 169,022
Personal ⁽³⁾	38,041	8	489	497	37,544	36,517	7	461	468	36,049
Credit card	12,332	–	386	386	11,946	11,804	–	338	338	11,466
Business and government ⁽⁴⁾	71,437	249	338	587	70,850	65,276	303	325	628	64,648
	\$ 309,108	\$ 258	\$ 1,433	\$ 1,691	\$ 307,417	\$ 282,855	\$ 311	\$ 1,359	\$ 1,670	\$ 281,185

(1) Loans are net of unearned income of \$346 million (2015: \$320 million).

(2) Includes gross loans of \$35.6 billion (2015: \$31.5 billion) denominated in U.S. dollars and \$4.2 billion (2015: \$4.1 billion) denominated in other foreign currencies.

(3) Includes \$51 million (2015: \$61 million) related 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, \$50 million (2015: \$60 million) relates to individuals who are no longer employed by CIBC.

(4) Includes trading loans of \$6,640 million (2015: \$5,991 million).

Allowance for credit losses

Individual allowance

	Residential mortgages			Personal			Business and government			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Balance at beginning of year	\$ 1	\$ 1	\$ 1	\$ 7	\$ 9	\$ 9	\$ 303	\$ 328	\$ 310	\$ 311	\$ 338	\$ 320
Provision for (reversal of) credit losses	–	–	–	1	(1)	–	187	77	136	188	76	136
Write-offs	–	–	–	–	(1)	–	(231)	(142)	(120)	(231)	(143)	(120)
Recoveries	–	–	–	–	–	–	8	4	6	8	4	6
Interest income on impaired loans	–	–	–	–	–	–	(20)	(8)	(14)	(20)	(8)	(14)
Foreign exchange and other	–	–	–	–	–	–	2	44	10	2	44	10
Balance at end of year	\$ 1	\$ 1	\$ 1	\$ 8	\$ 7	\$ 9	\$ 249	\$ 303	\$ 328	\$ 258	\$ 311	\$ 338

Collective allowance

	Residential mortgages			Personal			Credit card			Business and government			Total		
\$ millions, as at or for the year ended October 31	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Balance at beginning of year	\$ 235	\$ 208	\$ 159	\$ 461	\$ 451	\$ 442	\$ 338	\$ 386	\$ 517	\$ 417	\$ 353	\$ 320	\$ 1,451	\$ 1,398	\$ 1,438
Provision for credit losses	34	37	83	319	263	284	452	322	378	58	73	56	863	695	801
Write-offs	(34)	(32)	(27)	(336)	(302)	(312)	(524)	(495)	(564)	(28)	(32)	(35)	(922)	(861)	(938)
Recoveries	—	—	—	49	51	43	120	125	136	6	6	7	175	182	186
Interest income on impaired loans	(7)	(7)	(8)	(2)	(8)	(8)	—	—	—	—	—	—	(9)	(15)	(16)
Foreign exchange and other	(8)	29	1	(2)	6	2	—	—	(81)	7	17	5	(3)	52	(73)
Balance at end of year	\$ 220	\$ 235	\$ 208	\$ 489	\$ 461	\$ 451	\$ 386	\$ 338	\$ 386	\$ 460	\$ 417	\$ 353	\$ 1,555	\$ 1,451	\$ 1,398
Comprises:															
Loans	\$ 220	\$ 235	\$ 208	\$ 489	\$ 461	\$ 451	\$ 386	\$ 338	\$ 386	\$ 338	\$ 325	\$ 277	\$ 1,433	\$ 1,359	\$ 1,322
Undrawn credit facilities ⁽¹⁾	—	—	—	—	—	—	—	—	—	122	92	76	122	92	76

(1) Included in Other liabilities on the consolidated balance sheet.

Impaired loans

\$ millions, as at October 31	2016				2015			
	Gross impaired	Individual allowance	Collective allowance ⁽¹⁾	Net impaired	Gross impaired	Individual allowance	Collective allowance ⁽¹⁾	Net impaired
Residential mortgages	\$ 514	\$ 1	\$ 167	\$ 346	\$ 573	\$ 1	\$ 187	\$ 385
Personal	193	8	137	48	187	7	138	42
Business and government	951	249	10	692	659	303	10	346
Total impaired loans ⁽²⁾⁽³⁾	\$ 1,658	\$ 258	\$ 314	\$ 1,086	\$ 1,419	\$ 311	\$ 335	\$ 773

(1) Includes collective allowance relating to personal, scored small business and mortgage impaired loans that are greater than 90 days delinquent. In addition, we have a collective allowance of \$1,241 million (2015: \$1,116 million) on balances and commitments which are not impaired.

(2) Average balance of gross impaired loans was \$1,587 million (2015: \$1,471 million).

(3) Foreclosed assets of \$18 million (2015: \$16 million) were included in Other assets on the consolidated balance sheet.

Contractually past due loans but not impaired

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

\$ millions, as at October 31	Less than 31 days	31 to 90 days	Over 90 days	2016 Total	2015 Total
Residential mortgages	\$ 2,244	\$ 802	\$ 216	\$ 3,262	\$ 2,855
Personal	621	168	21	810	692
Credit card	607	180	103	890	762
Business and government	208	130	25	363	344
	\$ 3,680	\$ 1,280	\$ 365	\$ 5,325	\$ 4,653

During the year, gross interest income that would have been recorded if impaired loans were treated as current was \$101 million (2015: \$96 million), of which \$27 million (2015: \$21 million) was in Canada and \$74 million (2015: \$75 million) was outside Canada. During the year, interest recognized on impaired loans was \$29 million (2015: \$23 million), and interest recognized on loans before being classified as impaired was \$61 million (2015: \$38 million), of which \$38 million (2015: \$35 million) was in Canada and \$23 million (2015: \$3 million) was outside Canada.

Credit quality of the loans portfolio

The following tables provide the credit quality of business and government loans and acceptances and retail loans by carrying value. For details on the CIBC rating categories and PD bands, see the "Credit risk" section of the MD&A.

Net business and government loans and acceptances

\$ millions, for the year ended October 31

						2016	2015
Grade	CIBC rating	PD bands	Corporate	Sovereign	Banks	Total	Total
Investment grade	00 – 47	0.01% – 0.38%	\$ 37,148	\$ 1,814	\$ 914	\$ 39,876	\$ 29,239
Non-investment grade	51 – 67	0.39% – 12.11%	34,950	453	586	35,989	33,189
Watch list	70 – 80	12.11% – 99.99%	1,054	2	–	1,056	630
Default	90	100%	636	–	–	636	372
Total advanced internal ratings-based (AIRB) exposure			\$ 73,788	\$ 2,269	\$ 1,500	\$ 77,557	\$ 63,430
Strong			\$ 1,314	\$ –	\$ 2	\$ 1,316	\$ 6,432
Good			124	–	–	124	495
Satisfactory			18	–	–	18	143
Weak			7	–	–	7	46
Default			4	–	–	4	4
Total slotted exposure			\$ 1,467	\$ –	\$ 2	\$ 1,469	\$ 7,120
Standardized exposure			\$ 3,767	\$ 273	\$ 476	\$ 4,516	\$ 4,209
			\$ 79,022	\$ 2,542	\$ 1,978	\$ 83,542	\$ 74,759
Less: collective allowance on non-impaired loans						\$ 328	\$ 315
Net business and government loans and acceptances ⁽¹⁾						\$ 83,214	\$ 74,444

(1) Includes customers' liability under acceptances of \$12,364 million (2015: \$9,796 million).

Net retail loans

\$ millions, for the year ended October 31

\$ millions, for the year ended October 31						2016	2015
Risk level	PD bands	Residential mortgages	Personal	Cards	Total	Total	
Exceptionally low	0.01% – 0.20%	\$ 148,665	\$ 19,498	\$ 3,206	\$ 171,369	\$ 158,224	
Very low	0.21% – 0.50%	17,242	3,862	765	21,869	13,280	
Low	0.51% – 2.00%	15,479	8,363	3,889	27,731	31,176	
Medium	2.01% – 10.00%	2,651	4,935	3,533	11,119	8,984	
High	10.01% – 99.99%	275	710	781	1,766	1,534	
Default	100%	133	7	–	140	101	
Total AIRB exposure		\$ 184,445	\$ 37,375	\$ 12,174	\$ 233,994	\$ 213,299	
Strong		\$ 142	\$ –	\$ –	\$ 142	\$ 714	
Good		1	–	–	1	53	
Satisfactory		51	–	–	51	118	
Weak		1	–	–	1	1	
Default		1	–	–	1	1	
Total slotted exposure		\$ 196	\$ –	\$ –	\$ 196	\$ 887	
Standardized exposure		\$ 2,489	\$ 521	\$ 158	\$ 3,168	\$ 3,060	
Less: collective allowance on non-impaired loans		\$ 53	\$ 352	\$ 386	\$ 791	\$ 709	
Net retail loans		\$ 187,077	\$ 37,544	\$ 11,946	\$ 236,567	\$ 216,537	

Net interest income after provision for credit losses

\$ millions, for the year ended October 31

	2016	2015	2014
Interest income	\$ 12,092	\$ 11,483	\$ 11,477
Interest expense	3,726	3,568	4,018
Net interest income	8,366	7,915	7,459
Provision for credit losses	1,051	771	937
Net interest income after provision for credit losses	\$ 7,315	\$ 7,144	\$ 6,522

Note 6 | Structured entities and derecognition of financial assets

Structured entities

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

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

Consolidated structured entities

We consolidate the following SEs:

Multi-seller conduit

We sponsor a consolidated multi-seller conduit in Canada that purchases financial assets from clients and finances the purchases by issuing ABS. The sellers to the conduit continue to service the assets and are exposed to credit losses realized on these assets through the provision of over-collateralization. We hold all of the outstanding ABS.

Residential mortgage securitization trusts

Clear Trust (Clear) originated Canadian insured prime mortgages and uninsured Near-Prime/Alt-A mortgages. Clear sold these mortgages to Crisp Trust (Crisp). Crisp funded the purchase of these mortgages through the issuance of commercial paper to investors, which was secured by the mortgages. We hold all of the outstanding commercial paper and the mortgages are presented as Residential mortgages within Loans on the consolidated balance sheet. This program is in run-off.

Credit card securitization trusts

We sell an ownership interest in a revolving pool of credit card receivables generated under certain credit card accounts to Cards II Trust (Cards II). Cards II purchases a proportionate share of credit card receivables on certain credit card accounts within designated portfolios, with the proceeds received from the issuance of notes.

Our credit card securitizations are revolving securitizations, with credit card receivable balances fluctuating from month to month as credit card clients repay their balances and new receivables are generated.

The notes are presented as Secured borrowings within Deposits on the consolidated balance sheet.

As at October 31, 2016, \$4.2 billion of credit card receivable assets with a fair value of \$4.2 billion (2015: \$4.8 billion with a fair value of \$4.8 billion) supported associated funding liabilities of \$4.2 billion with a fair value of \$4.2 billion (2015: \$4.8 billion with a fair value of \$4.8 billion).

Covered bond guarantor

We have two covered bond programs, structured and legislative. Covered bonds are full recourse on-balance sheet obligations that are also fully collateralized by assets over which bondholders enjoy a priority claim in the event of CIBC's insolvency. Under the structured program, we transfer a pool of CMHC insured mortgages to the CIBC Covered Bond Guarantor Limited Partnership that warehouses these mortgages and serves as a guarantor to bondholders for payment of interest and principal. Under the legislative program, we transfer a pool of conventional uninsured mortgages to the CIBC Covered Bond (Legislative) Guarantor Limited Partnership that warehouses these mortgages and serves as a guarantor to bondholders for payment of interest and principal.

For both covered bond programs, the assets are owned by the guarantor and not CIBC. As at October 31, 2016, our structured program had outstanding covered bond liabilities of \$1.0 billion with a fair value of \$1.0 billion (2015: \$4.3 billion with a fair value of \$4.3 billion) and our legislative program had outstanding covered bond liabilities of \$13.2 billion with a fair value of \$13.3 billion (2015: \$7.7 billion with a fair value of \$7.7 billion). The covered bond liabilities are supported by a contractually-determined portion of the assets transferred to the guarantor and certain contractual arrangements designed to protect the bondholders from adverse events, including foreign currency fluctuations.

CIBC-managed investment funds

We establish and manage investment funds such as mutual funds and pooled funds. We act as an investment manager and earn market-based management fees, and for certain pooled funds, performance fees which are generally based on the performance of the funds. Seed capital is provided from time to time to CIBC-managed investment funds for initial launch. We consolidate those investment funds in which we have power to direct the relevant activities of the funds and in which our seed capital, or our units held, are significant relative to the total variability of returns of the funds such that we are deemed to be a principal rather than an agent. As at October 31, 2016, the total assets and non-controlling interests in the consolidated CIBC-managed investment funds were \$68 million and \$6 million, respectively (2015: \$25 million and nil, respectively). Non-controlling interests in consolidated CIBC-managed investment funds are included in Other liabilities as the investment fund units are mandatorily redeemable at the option of the investor.

Non-consolidated structured entities

The following SEs are not consolidated by CIBC:

Single-seller and multi-seller conduits

We manage and administer a single-seller conduit and several CIBC-sponsored multi-seller conduits in Canada. Our multi-seller conduits acquire direct or indirect ownership or security interests in pools of financial assets from our clients and finance the acquisitions by issuing asset-backed commercial paper (ABCP) to investors. Our single-seller conduit acquires financial assets and finances these acquisitions through a credit facility provided by a syndicate of financial institutions. 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 retained interest. The conduits may obtain credit enhancement from third-party providers. As at October 31, 2016, the total assets in our single-seller conduit and multi-seller conduits amounted to \$6.0 billion (2015: \$4.5 billion).

We generally provide the multi-seller conduits with commercial paper backstop liquidity facilities, securities distribution, and provide both the single and multi-seller conduits with accounting, cash management, and operations services. The liquidity facilities for our managed and administered multi-seller conduits require us to provide funding, subject to the satisfaction of certain conditions with respect to the conduits, for ABCP not placed with external investors. We also may purchase ABCP issued by our multi-seller conduits for market making purposes.

We are required to maintain certain short-term and/or long-term debt ratings with respect to the liquidity facilities that we provide to our own sponsored multi-seller conduits. If we are downgraded below the level specified under the terms of those facilities, we must provide alternative satisfactory liquidity arrangements, such as procuring an alternative liquidity provider that meets the minimum rating requirements.

We may also act as the counterparty to derivative contracts entered into by a multi-seller conduit in order to convert the yield of the underlying assets to match the needs of the multi-seller conduit's investors or to mitigate the interest rate, basis, and currency risk within the conduit.

All fees earned in respect of activities with the conduits are on a market basis.

Third-party structured vehicles – continuing

We have investments in and provide liquidity and credit facilities to third-party SEs through our treasury and trading activities. We also have investments in LPs in which we generally are a passive investor of the LPs as a limited partner, and in some cases, we are the co-general partner and have significant influence over the LPs. Similar to other limited partners, we are obligated to provide funding up to our commitment level to these LPs.

Pass-through investment structures

We have exposure to units of third-party or CIBC-managed investment funds. We enter into equity derivative transactions with third-party investment funds to pass-through the return of these referenced funds. These transactions provide the investors of the third-party managed investment funds with the desired exposure to the referenced funds in a tax efficient manner.

Commercial mortgage securitization trust

We sold commercial mortgages through a pass-through arrangement with a trust that securitized these mortgages into various classes of ownership certificates held by various external investors. We continue to perform special servicing of the mortgages in exchange for a market-based fee. As at October 31, 2016, the total outstanding ownership certificates in the Commercial mortgage securitization trust amounted to \$177 million (2015: \$254 million).

CIBC Capital Trust

We have issued senior deposit notes to CIBC Capital Trust, which funds the purchase of these notes through the issuance of CIBC Tier 1 Notes (Notes) that match the term of the senior deposit notes. The Notes are eligible for Tier 1 regulatory capital treatment and are subject to the phase-out rules for capital instruments that will be viewed as non-qualifying capital instruments. See Note 16 for additional details.

CIBC-managed investment funds

As indicated above, we establish investment funds, including mutual funds and pooled funds, to provide clients with investment opportunities and we may receive management fees and performance fees. We may hold insignificant amounts of fund units in these CIBC-managed funds. We do not consolidate these funds if we do not have significant variability of returns from our interests in these funds such that we are deemed to be an agent through our capacity as the investment manager, rather than as a principal. We do not guarantee the performance of CIBC-managed investment funds. As at October 31, 2016, the total AUM in the non-consolidated CIBC-managed investment funds amounted to \$101.4 billion (2015: \$94.4 billion).

CIBC structured collateralized debt obligation vehicles

We hold exposures to structured CDO vehicles through investments in, or written credit derivatives referencing, these structured vehicles. We may also provide liquidity facilities or other credit facilities. The structured vehicles are funded through the issuance of senior and subordinated tranches. We may hold a portion of those senior and/or subordinated tranches.

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. As at October 31, 2016, the assets in the CIBC structured CDO vehicles have a total principal amount of \$0.9 billion (2015: \$1.0 billion).

Third-party structured vehicles – structured credit run-off

Similar to our structured 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.

Sponsored non-consolidated structured entities in which CIBC has no interest

In assessing whether CIBC is considered a sponsor for disclosure purposes, CIBC considers the significance of its involvement with the entity and its role in establishing and setting up the SE. Factors for considering whether CIBC is a sponsor include the extent of CIBC's involvement in the creation and design of the SE, whether CIBC continues to manage ongoing operations, and whether CIBC is the majority user of the entity. CIBC is a sponsor of certain SEs in our structured credit run-off business in which we have no interest. The amount of assets transferred by CIBC to these SEs was nil for the years ended October 31, 2016 and 2015. Income received from the SEs was insignificant for the years ended October 31, 2016 and 2015.

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

\$ millions, as at October 31, 2016	Single-seller and multi-seller conduits	Third-party structured vehicles – continuing	Pass-through investment structures	Commercial mortgage securitization trust	CIBC Capital Trust	CIBC-managed investment funds	CIBC structured CDO vehicles	Third-party structured vehicles – run-off
On-balance sheet assets at carrying value ⁽¹⁾								
Trading securities	\$ 10	\$ 166	\$ 395	\$ 7	\$ –	\$ –	\$ 7	\$ 489
AFS securities	–	2,707	–	–	–	–	3	–
FVO securities	–	–	–	–	–	–	–	94
Loans	103	1,770	–	–	–	–	–	317
Investments in equity-accounted associates and joint ventures	–	4	–	–	6	33	–	–
Derivatives ⁽²⁾	–	–	7	–	–	–	–	–
	\$ 113	\$ 4,647	\$ 402	\$ 7	\$ 6	\$ 33	\$ 10	\$ 900
October 31, 2015	\$ 153	\$ 3,490	\$ 610	\$ 13	\$ 7	\$ –	\$ 9	\$ 1,449
On-balance sheet liabilities at carrying value ⁽¹⁾								
Deposits	\$ –	\$ –	\$ –	\$ –	\$ 1,664	\$ –	\$ –	\$ –
Derivatives ⁽²⁾	–	–	–	–	–	–	–	174
	\$ –	\$ –	\$ –	\$ –	\$ 1,664	\$ –	\$ –	\$ 174
October 31, 2015	\$ –	\$ –	\$ 120	\$ –	\$ 1,680	\$ –	\$ 1	\$ 213
Maximum exposure to loss, net of hedges								
Investments and loans	\$ 113	\$ 4,647	\$ 395	\$ 7	\$ 6	\$ 33	\$ 10	\$ 900
Notional of written derivatives, less fair value losses	–	–	–	–	–	–	–	145
Liquidity, credit facilities and commitments	5,500 ⁽³⁾	1,398	–	–	75	–	28	–
Less: hedges of investments, loans and written derivatives exposure	–	–	(395)	–	–	–	–	(674)
	\$ 5,613	\$ 6,045	\$ –	\$ 7	\$ 81	\$ 33	\$ 38	\$ 371
October 31, 2015	\$ 4,125	\$ 4,475	\$ –	\$ 13	\$ 82	\$ –	\$ 58	\$ 548

(1) Excludes SEs established by CMHC, Fannie Mae, Freddie Mac, Ginnie Mae, Federal Home Loan Banks, Federal Farm Credit Bank, and Student Loan Marketing Association (Sallie Mae).

(2) Comprises written credit default swaps (CDS) and total return swaps (TRS) under which we assume exposures. Excludes foreign exchange derivatives, interest rate derivatives and other derivatives provided as part of normal course client facilitation.

(3) Excludes an additional \$1.8 billion (2015: \$0.9 billion) relating to our backstop liquidity facilities provided to the multi-seller conduits as part of their commitment to fund purchases of additional assets and \$10 million (2015: \$59 million) relating to our direct investments in the multi-seller conduits which we consider investment exposure.

We also hold investments in a variety of third-party investment funds, which include, but are not limited to, exchange-traded funds, mutual funds, and investment trusts. We buy and sell units of these investment funds as part of trading activities or client facilitation businesses that are managed as part of larger portfolios. We generally are a passive investor and are not the investment manager in any of these investment funds. We are not the sponsor of any third-party investment funds, nor do we have the power over key decision-making activities of the funds. Our maximum exposure to loss from our investments is limited to the carrying amounts of our investments and any unutilized commitment we have provided to these funds. In addition, we issue certain structured notes and enter into equity derivatives that are referenced to the return of certain investment funds. Accordingly, we do not include our interests in these third-party investment funds in the table above.

Derecognition of financial assets

We enter into transactions in the normal course of business in which we transfer recognized financial assets directly to third parties, but retain substantially all of the risks and rewards of those assets. The risks include credit, interest rate, foreign exchange, pre-payment and other price risks whereas the rewards include income streams associated with the assets. Due to the retention of risks, the transferred financial assets are not derecognized and such transfers are accounted for as secured borrowing transactions.

The majority of our financial assets transferred to non-consolidated entities that do not qualify for derecognition are: (i) residential mortgage loans under securitization transactions; (ii) securities held by counterparties as collateral under repurchase agreements; and (iii) securities lent under securities lending agreements.

Residential mortgage securitizations

We securitize fully insured fixed- and variable-rate residential mortgage pools through the creation of National Housing Act (NHA) MBS under the NHA MBS Program, sponsored by the CMHC. Under the Canada Mortgage Bond Program, sponsored by the CMHC, we sell MBS to a government-sponsored securitization trust that issues securities to investors. We do not consolidate the securitization trust. We may act as a 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 also sold MBS directly to the CMHC under the Government of Canada's Insured Mortgage Purchase Program as well as other third-party investors.

The sale of mortgage pools that comprise the NHA MBS do not qualify for derecognition as we retain the pre-payment, credit, and interest rate risks associated with the mortgages, which represent substantially all the risks and rewards. As a result, the mortgages remain on our consolidated balance sheet and are carried at amortized cost. We also recognize the cash proceeds from the securitization as Deposits – Secured borrowing liabilities.

Securities held by counterparties as collateral under repurchase agreements

We enter into arrangements whereby we sell securities but enter into simultaneous arrangements to repurchase the securities at a fixed price on a future date thereby retaining substantially all the risks and rewards. As a result, the securities remain on our consolidated balance sheet.

Securities lent for cash collateral or for securities collateral

We enter into arrangements whereby we lend securities but with arrangements to receive the securities at a future date, thereby retaining substantially all the risks and rewards. As a result, the securities remain on our consolidated balance sheet.

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

\$ millions, as at October 31	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Residential mortgage securitizations ⁽¹⁾	\$ 19,967	\$ 20,021	\$ 21,793	\$ 21,911
Securities held by counterparties as collateral under repurchase agreements ⁽²⁾⁽³⁾	2,326	2,326	3,353	3,353
Securities lent for securities collateral ⁽²⁾⁽³⁾	19,564	19,564	16,864	16,864
	\$ 41,857	\$ 41,911	\$ 42,010	\$ 42,128
Carrying amount of associated liabilities ⁽⁴⁾	\$ 42,902	\$ 43,186	\$ 43,117	\$ 43,337

(1) Includes \$2.4 billion (2015: \$2.2 billion) of mortgages underlying MBS held by CMHC counterparties as collateral under repurchase agreements. Certain cash in transit balances related to the securitization process amounting to \$825 million (2015: \$770 million) have been applied to reduce these balances.

(2) Does not include over-collateralization of assets pledged.

(3) Excludes third-party pledged assets.

(4) Includes the obligation to return off-balance sheet securities collateral on securities lent.

Additionally, we securitized \$26.3 billion with a fair value of \$26.4 billion (2015: \$32.7 billion with a fair value of \$32.8 billion) of mortgages that were not transferred to external parties.

Note 7 | Land, buildings and equipment

\$ millions, as at or for the year ended October 31		Land and buildings ⁽¹⁾	Computer equipment	Office furniture and other equipment ⁽²⁾	Leasehold improvements	Total
2016	Cost					
	Balance at beginning of year	\$ 1,502	\$ 896	\$ 825	\$ 941	\$ 4,164
	Additions ⁽³⁾	38	132	41	78	289
	Disposals ⁽⁴⁾	(32)	(48)	(11)	(15)	(106)
	Adjustments ⁽⁵⁾	23	3	4	3	33
	Balance at end of year	\$ 1,531	\$ 983	\$ 859	\$ 1,007	\$ 4,380
2015	Balance at end of year	\$ 1,502	\$ 896	\$ 825	\$ 941	\$ 4,164
2016	Accumulated amortization					
	Balance at beginning of year	\$ 630	\$ 680	\$ 372	\$ 585	\$ 2,267
	Amortization and impairment ⁽⁴⁾⁽⁶⁾	42	106	43	67	258
	Disposals ⁽⁴⁾	(19)	(18)	(5)	(9)	(51)
	Adjustments ⁽⁵⁾	8	3	1	(4)	8
	Balance at end of year	\$ 661	\$ 771	\$ 411	\$ 639	\$ 2,482
2015	Balance at end of year	\$ 630	\$ 680	\$ 372	\$ 585	\$ 2,267
	Net book value					
	As at October 31, 2016	\$ 870	\$ 212	\$ 448	\$ 368	\$ 1,898
	As at October 31, 2015	\$ 872	\$ 216	\$ 453	\$ 356	\$ 1,897

(1) Includes land and building underlying a finance lease arrangement. See below for further details.

(2) Includes \$134 million (2015: \$129 million) of work-in-progress not subject to amortization.

(3) Includes acquisitions through business combinations of nil (2015: nil).

(4) Includes write-offs of fully amortized assets.

(5) Includes foreign currency translation adjustments.

(6) Includes nil (2015: \$2 million) of impairment loss relating to leasehold improvements.

Net additions and disposals during the year were: Retail and Business Banking net additions of \$68 million (2015: net additions of \$37 million); Wealth Management net additions of \$20 million (2015: net disposals of \$5 million); Capital Markets net additions of \$5 million (2015: net disposals of \$4 million); and Corporate and Other net additions of \$90 million (2015: net disposals of \$55 million).

Finance lease property

Included in land and buildings above is a finance lease property, a portion of which is rented out and considered an investment property. The carrying value of the finance lease property is as follows:

\$ millions, for the year ended October 31	2016	2015
Balance at beginning of year	\$ 432	\$ 392
Amortization	(24)	(22)
Foreign currency adjustments	10	62
Balance at end of year	\$ 418	\$ 432

Rental income of \$99 million (2015: \$94 million; 2014: \$81 million) was generated from the investment property. Interest expense of \$30 million (2015: \$30 million; 2014: \$28 million) and non-interest expenses of \$49 million (2015: \$46 million; 2014: \$42 million) were incurred in respect of the finance lease property. Our commitment related to the finance lease is disclosed in Note 22.

Note 8 Goodwill, software and other intangible assets

Goodwill

The carrying amount of goodwill is reviewed for impairment annually as at August 1 and whenever there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. Goodwill is allocated to CGUs for the purposes of impairment testing based on the lowest level for which identifiable cash inflows are largely independent of cash inflows from other assets or groups of assets. The goodwill impairment test is performed by comparing the recoverable amount of the CGU to which goodwill has been allocated, with the carrying amount of the CGU including goodwill, with any deficiency recognized as impairment to goodwill. The recoverable amount of a CGU is defined as the higher of its estimated fair value less cost to sell and value in use.

We have three significant CGUs to which goodwill has been allocated. The changes in the carrying amount of goodwill are allocated to each CGU as follows:

		CGUs				
		CIBC FirstCaribbean	Canadian Wealth Management	Atlantic Trust	Other	Total
\$ millions, for the year ended October 31						
2016	Balance at beginning of year	\$ 410	\$ 884	\$ 105	\$ 127	\$ 1,526
	Acquisitions	—	—	—	—	—
	Impairment	—	—	—	—	—
	Foreign currency translation adjustments	11	—	2	—	13
	Balance at end of year	\$ 421	\$ 884	\$ 107	\$ 127	\$ 1,539
2015	Balance at beginning of year ⁽¹⁾	\$ 353	\$ 884	\$ 89	\$ 124	\$ 1,450
	Acquisitions	—	—	—	—	—
	Impairment	—	—	—	—	—
	Foreign currency translation adjustments	57	—	16	3	76
	Balance at end of year	\$ 410	\$ 884	\$ 105	\$ 127	\$ 1,526

(1) Net of cumulative impairment charges for FirstCaribbean International Bank Limited (CIBC FirstCaribbean) goodwill of \$623 million, nil for other CGUs.

Impairment testing of goodwill and key assumptions

CIBC FirstCaribbean

CIBC became the majority shareholder of CIBC FirstCaribbean in December 2006 and now holds 91.7% of its shares. CIBC FirstCaribbean is a major Caribbean bank offering a full range of financial services in corporate banking, retail banking, wealth management, credit cards, treasury sales and trading, and investment banking. CIBC FirstCaribbean, which has assets of over US\$10 billion, operates in the Caribbean and is traded on the stock exchanges of Barbados, Trinidad, Bahamas and Eastern Caribbean. The results of CIBC FirstCaribbean are included in Corporate and Other.

The recoverable amount of CIBC FirstCaribbean is based on a value in use calculation that is estimated using a five-year cash flow projection approved by management of CIBC FirstCaribbean and an estimate of the capital required to be maintained in the region to support ongoing operations.

We have determined that for the impairment testing performed as at August 1, 2016, the estimated recoverable amount of the CIBC FirstCaribbean CGU approximated its carrying amount. As a result, no impairment charge was recognized during 2016. The forecast for CIBC FirstCaribbean used in our impairment test reflected the currently challenging, but improving, economic conditions which continue to persist in the Caribbean region, as well as an expected further recovery in those conditions during the forecast period.

A terminal growth rate of 2.5% as at August 1, 2016 (August 1, 2015: 2.5%) was applied to the years after the five-year forecast. All of the forecasted cash flows were discounted at an after-tax rate of 13% as at August 1, 2016 (14.4% pre-tax) which we believe to be a risk-adjusted interest rate appropriate to CIBC FirstCaribbean (we used an identical after-tax rate of 13% as at August 1, 2015). The determination of a discount rate and a terminal growth rate require the exercise of judgment. The discount rate was determined based on the following primary factors: (i) the risk-free rate, (ii) an equity risk premium, (iii) beta adjustment to the equity risk premium based on a review of betas of comparable publicly traded financial institutions in the region, and (iv) a country risk premium. The terminal growth rate was based on management's expectations of real growth and forecast inflation rates.

Estimation of the recoverable amount is an area of significant judgment. Reductions in the estimated recoverable amount could arise from various factors, such as, reductions in forecasted cash flows, an increase in the assumed level of required capital, and any adverse changes to the discount rate or the terminal growth rate either in isolation or in any combination thereof. We estimated that a 10% decrease in each of the terminal year's and subsequent years' forecasted cash flows would result in a reduction in the estimated recoverable amount of the CIBC FirstCaribbean CGU of approximately \$140 million as at August 1, 2016. We also estimated that a 50 basis point increase in the after-tax discount rate would result in a reduction in the estimated recoverable amount of the CIBC FirstCaribbean CGU of approximately \$90 million as at August 1, 2016. These sensitivities are indicative only and should be considered with caution, as the effect of the variation in each assumption on the estimated recoverable amount is calculated in isolation without changing any other assumptions. In practice, changes in one factor may result in changes in another, which may magnify, counteract or obfuscate the disclosed sensitivities.

Canadian Wealth Management

The recoverable amount of the Canadian Wealth Management CGU is based on a fair value less cost to sell calculation. The fair value is estimated using an earnings-based approach whereby the forecasted earnings are based on the Wealth Management internal plan which was approved by management and covers a three-year period. The calculation incorporates the forecasted earnings multiplied by an earnings multiple derived from observable price-to-earnings multiples of comparable wealth management institutions. The price-to-earnings multiples of those comparable wealth management institutions ranged from 9.4 to 22.0 as at August 1, 2016 (August 1, 2015: 11.2 to 17.0).

We have determined that the estimated recoverable amount of the Wealth Management CGU was well in excess of its carrying amount as at August 1, 2016. As a result, no impairment charge was recognized during 2016.

If alternative reasonably possible changes in key assumptions were applied, the result of the impairment test would not differ.

Atlantic Trust

The recoverable amount of the Atlantic Trust CGU is determined using a value in use calculation that is estimated using a five-year cash flow projection which is based on a three-year plan that was reviewed by senior management and included in the three-year consolidated CIBC plan that was reviewed by the Board.

We have determined that for the impairment testing performed as at August 1, 2016, the estimated recoverable amount of the Atlantic Trust CGU was in excess of its carrying amount. As a result, no impairment charge was recognized during 2016. A terminal growth rate of 3% (August 1, 2015: 3%) was applied to the terminal forecast year. All of the forecasted cash flows were discounted at a rate of 13% (August 1, 2015: 13%) which we believe to be a risk-adjusted interest rate appropriate to Atlantic Trust.

If alternative reasonably possible changes in key assumptions were applied, the result of the impairment test would not differ.

Other

The goodwill relating to the Other CGUs is comprised of amounts which individually are not considered to be significant. We have determined that for the impairment testing performed as at August 1, 2016, the estimated recoverable amount of these CGUs was in excess of their carrying amounts.

Allocation to strategic business units

Goodwill of \$1,539 million (2015: \$1,526 million) is allocated to the SBUs as follows: Wealth Management of \$991 million (2015: \$989 million), Corporate and Other of \$470 million (2015: \$459 million), Capital Markets of \$63 million (2015: \$63 million) and Retail and Business Banking of \$15 million (2015: \$15 million).

Software and other intangible assets

The carrying amount of indefinite-lived intangible assets is provided in the following table:

\$ millions, as at or for the year ended October 31		Contract based ⁽¹⁾	Brand name ⁽²⁾	Total
2016	Balance at beginning of year	\$ 116	\$ 26	\$ 142
	Foreign currency translation adjustments	—	—	—
	Balance at end of year	\$ 116	\$ 26	\$ 142
2015	Balance at beginning of year	\$ 116	\$ 22	\$ 138
	Foreign currency translation adjustments	—	4	4
	Balance at end of year	\$ 116	\$ 26	\$ 142

(1) Represents management contracts purchased as part of past acquisitions.

(2) Acquired as part of the CIBC FirstCaribbean acquisition.

The components of finite-lived software and other intangible assets are as follows:

\$ millions, as at or for the year ended October 31		Software ⁽¹⁾	Core deposit intangibles ⁽²⁾	Contract based ⁽³⁾	Customer relationships ⁽⁴⁾	Total
2016	Gross carrying amount					
	Balance at beginning of year	\$ 1,837	\$ 296	\$ 41	\$ 188	\$ 2,362
	Additions	423	—	—	—	423
	Disposals ⁽⁵⁾	(20)	—	—	—	(20)
	Adjustments ⁽⁶⁾	3	8	—	2	13
	Balance at end of year	\$ 2,243	\$ 304	\$ 41	\$ 190	\$ 2,778
2015	Balance at end of year	\$ 1,837	\$ 296	\$ 41	\$ 188	\$ 2,362
2016	Accumulated amortization					
	Balance at beginning of year	\$ 999	\$ 211	\$ 31	\$ 66	\$ 1,307
	Amortization and impairment ⁽⁵⁾⁽⁷⁾	175	10	4	15	204
	Disposals ⁽⁵⁾	(8)	—	—	—	(8)
	Adjustments ⁽⁶⁾	2	5	—	—	7
	Balance at end of year	\$ 1,168	\$ 226	\$ 35	\$ 81	\$ 1,510
2015	Balance at end of year	\$ 999	\$ 211	\$ 31	\$ 66	\$ 1,307
	Net book value					
	As at October 31, 2016	\$ 1,075	\$ 78	\$ 6	\$ 109	\$ 1,268
	As at October 31, 2015	\$ 838	\$ 85	\$ 10	\$ 122	\$ 1,055

(1) Includes \$438 million (2015: \$405 million) of work-in-progress not subject to amortization.

(2) Acquired as part of the CIBC FirstCaribbean acquisition.

(3) Represents a combination of management contracts purchased as part of past acquisitions.

(4) Represents customer relationships associated with the acquisitions of Atlantic Trust, Griffis & Small, LLC, the private wealth management business of MFS McLean Budden, and the MasterCard portfolio.

(5) Includes write-offs of fully amortized assets.

(6) Includes foreign currency translation adjustments.

(7) Includes impairment losses relating to software of \$1 million (2015: \$2 million).

Net additions and disposals of gross carrying amount during the year were: Retail and Business Banking net disposals of \$11 million (2015: net disposals of \$17 million); Wealth Management net disposals of nil (2015: net disposals of \$1 million); Capital Markets net disposals of nil (2015: net disposals of nil); and Corporate and Other net additions of \$414 million (2015: net additions of \$261 million).

Note 9 | Other assets

\$ millions, as at October 31	2016	2015
Accrued interest receivable	\$ 833	\$ 735
Defined benefit asset (Note 19)	187	518
Gold and silver certificates	586	427
Brokers' client accounts	1,016	734
Current tax receivable	1,738	1,724
Other prepayments	698	748
Derivative collateral receivable	6,022	5,460
Accounts receivable	485	601
Other	467	1,112
	\$ 12,032	\$ 12,059

Note 10 | Deposits⁽¹⁾⁽²⁾

\$ millions, as at October 31	Payable on demand ⁽³⁾	Payable after notice ⁽⁴⁾	Payable on a fixed date ⁽⁵⁾	2016 Total	2015 Total
Personal	\$ 11,317	\$ 93,149	\$ 43,615	\$ 148,081	\$ 137,378
Business and government ⁽⁶⁾	43,520	33,011	113,709	190,240	178,850
Bank	4,401	271	13,170	17,842	10,785
Secured borrowings ⁽⁷⁾	—	—	39,484	39,484	39,644
	\$ 59,238	\$ 126,431	\$ 209,978	\$ 395,647	\$ 366,657
Comprises:					
Held at amortized cost				\$ 392,366	\$ 364,282
Designated at fair value				3,281	2,375
				\$ 395,647	\$ 366,657
Total deposits include:					
Non-interest-bearing deposits					
In domestic offices				\$ 45,709	\$ 41,614
In foreign offices				4,005	3,583
Interest-bearing deposits					
In domestic offices				276,330	253,989
In foreign offices				69,603	65,673
U.S. federal funds purchased				—	1,798
				\$ 395,647	\$ 366,657

(1) Includes deposits of \$103.5 billion (2015: \$101.4 billion) denominated in U.S. dollars and deposits of \$22.8 billion (2015: \$14.2 billion) denominated in other foreign currencies.

(2) Net of purchased notes of \$2,406 million (2015: \$2,428 million).

(3) Includes all deposits for which we do not have the right to require notice of withdrawal. These deposits are generally chequing accounts.

(4) Includes all deposits for which we can legally require notice of withdrawal. These deposits are generally savings accounts.

(5) Includes all deposits that mature on a specified date. These deposits are generally term deposits, guaranteed investment certificates, and similar instruments.

(6) Includes \$1,664 million (2015: \$1,680 million) of Notes issued to CIBC Capital Trust.

(7) Comprises liabilities issued by or as a result of activities associated with the securitization of residential mortgages, Covered Bond Programme, and consolidated securitization vehicles.

Note 11 | Other liabilities

\$ millions, as at October 31	2016	2015
Accrued interest payable	\$ 988	\$ 1,060
Defined benefit liability (Note 19)	894	746
Gold and silver certificates	135	131
Brokers' client accounts	1,548	1,418
Derivative collateral payable	2,850	2,751
Other deferred items	645	603
Negotiable instruments	805	799
Accounts payable and accrued expenses	1,605	1,514
Other	3,428	3,173
	\$ 12,898	\$ 12,195

Note 12 | Derivative instruments

As described 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	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Trading (Note 2)	\$ 24,438	\$ 24,844	\$ 22,760	\$ 25,059
ALM (Note 2)				
Designated accounting hedges (Note 13)	2,494	2,794	2,562	2,663
Economic hedges ⁽¹⁾	830	1,169	1,020	1,335
	\$ 27,762	\$ 28,807	\$ 26,342	\$ 29,057

(1) Comprises derivatives not designated in hedge accounting relationships under IAS 39.

Derivatives used by CIBC

The majority of our derivative contracts are OTC transactions. OTC transactions consist of: (i) contracts that are bilaterally negotiated and settled between CIBC and the counterparty to the contract, and (ii) contracts that are bilaterally negotiated and then cleared through a central counterparty (CCP). Bilaterally negotiated and settled contracts are usually traded under a standardized International Swaps and Derivatives Association (ISDA) agreement with collateral posting arrangements between CIBC and its counterparties. Terms are negotiated directly with counterparties and the contracts have industry-standard settlement mechanisms prescribed by ISDA. Centrally cleared contracts are generally bilaterally negotiated and then novated to, and cleared through, a CCP. The industry promotes the use of CCPs to clear OTC trades. The central clearing of derivative contracts generally facilitates the reduction of credit exposures due to the ability to net settle offsetting positions. Consequently, derivative contracts cleared through CCPs generally attract less capital relative to those settled with non-CCPs.

The remainder of our derivative contracts are exchange-traded derivatives, which are standardized in terms of their amounts and settlement dates, and are bought and sold on organized and regulated exchanges. These exchange-traded derivative contracts 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. Certain forward rate agreements are bilaterally transacted and then novated and settled through a clearing house which acts as a CCP.

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. Certain interest rate swaps are bilaterally transacted and then novated and settled through a clearing house which acts as a CCP.

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, to either 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 has a market price which varies in response to changes in interest rates. 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 through 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.

Foreign exchange futures contracts are similar in mechanics to foreign exchange forward contracts except that they are in standard currency amounts with standard settlement dates and are transacted through an exchange.

Swap contracts comprise foreign exchange swaps and cross-currency interest rate swaps. Foreign exchange swaps are transactions in which a currency is simultaneously purchased in the spot market and sold for a different currency 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.

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 CDS and certain TRS.

CDS contracts provide protection against the decline in value of a reference asset as a result of specified credit events such as default or bankruptcy. These derivatives are similar in structure to an option whereby the purchaser pays a premium to the seller of the CDS contract in return for payment contingent on the occurrence of a credit event. 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 asset at the time of settlement. Neither the purchaser nor the seller under the CDS contract has recourse to the entity that issued the reference asset. Certain CDS contracts are cleared through a CCP.

In credit derivative TRS contracts, one counterparty agrees to pay or receive cash amounts based on the returns of a reference asset, including 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. Upon the occurrence of a credit event, the parties may either exchange cash payments according to the value of the defaulted assets or exchange cash based on the notional amount for physical delivery of the defaulted assets.

Within our structured credit run-off business, we have purchased and sold credit protection with CDS and TRS contracts on reference assets that include corporate debt, CDOs of residential mortgages, trust preferred securities, and CLOs.

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 in exchange for amounts that are based either on prevailing market funding rates or changes in the value of a different stock index, basket of stocks or a single stock. These contracts generally include payments 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 a 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 generally 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						2016		2015	
Residual term to contractual maturity						Trading	ALM	Trading	ALM
	Less than 1 year	1 to 5 years	Over 5 years	Total notional amounts					
Interest rate derivatives									
Over-the-counter									
Forward rate agreements	\$ 13,001	\$ –	\$ –	\$ 13,001	\$ 4,465	\$ 8,536	\$ 5,392	\$ 5,521	
Centrally cleared forward rate agreements	186,505	14,732	–	201,237	201,237	–	140,806	–	
Swap contracts	70,423	206,780	74,842	352,045	257,417	94,628	270,991	104,902	
Centrally cleared swap contracts	636,140	564,287	188,668	1,389,095	1,185,842	203,253	732,249	165,623	
Purchased options	3,586	1,871	4,587	10,044	4,231	5,813	3,980	4,156	
Written options	2,411	1,829	497	4,737	4,637	100	4,532	–	
	912,066	789,499	268,594	1,970,159	1,657,829	312,330	1,157,950	280,202	
Exchange-traded									
Futures contracts	61,689	12,010	–	73,699	71,144	2,555	76,782	1,108	
Purchased options	536	–	–	536	536	–	1	–	
Written options	–	–	–	–	–	–	8	–	
	62,225	12,010	–	74,235	71,680	2,555	76,791	1,108	
Total interest rate derivatives	974,291	801,509	268,594	2,044,394	1,729,509	314,885	1,234,741	281,310	
Foreign exchange derivatives									
Over-the-counter									
Forward contracts	271,255	5,954	983	278,192	270,193	7,999	254,096	9,054	
Swap contracts	185,881	47,799	20,768	254,448	194,034	60,414	157,206	43,091	
Purchased options	21,500	1,833	62	23,395	23,395	–	19,550	–	
Written options	22,998	665	52	23,715	23,715	–	22,594	127	
	501,634	56,251	21,865	579,750	511,337	68,413	453,446	52,272	
Exchange-traded									
Futures contracts	–	–	–	–	–	–	–	–	
Total foreign exchange derivatives	501,634	56,251	21,865	579,750	511,337	68,413	453,446	52,272	
Credit derivatives									
Over-the-counter									
Total return swap contracts – protection sold	91	–	–	91	91	–	519	–	
Credit default swap contracts – protection purchased	5,123	526	4	5,653	5,653	–	6,593	–	
Centrally cleared credit default swap contracts – protection purchased	67	253	1,140	1,460	1,286	174	1,991	386	
Credit default swap contracts – protection sold	4,484	182	206	4,872	4,872	–	5,032	–	
Centrally cleared credit default swap contracts – protection sold	13	–	–	13	–	13	732	–	
Total credit derivatives	9,778	961	1,350	12,089	11,902	187	14,867	386	
Equity derivatives									
Over-the-counter	61,930	10,354	335	72,619	71,742	877	42,125	811	
Exchange-traded	27,110	6,882	24	34,016	34,016	–	19,304	–	
Total equity derivatives	89,040	17,236	359	106,635	105,758	877	61,429	811	
Precious metal derivatives									
Over-the-counter	1,029	59	–	1,088	1,088	–	1,446	–	
Exchange-traded	755	3	–	758	758	–	2,999	–	
Total precious metal derivatives	1,784	62	–	1,846	1,846	–	4,445	–	
Other commodity derivatives									
Over-the-counter	9,493	10,938	3,132	23,563	23,563	–	18,671	–	
Centrally cleared commodity derivatives	13	34	–	47	47	–	14	–	
Exchange-traded	12,026	6,388	142	18,556	18,556	–	18,049	–	
Total other commodity derivatives	21,532	17,360	3,274	42,166	42,166	–	36,734	–	
Total notional amount of which:									
Over-the-counter ⁽¹⁾	\$ 1,598,059	\$ 893,379	\$ 295,442	\$ 2,786,880	\$ 2,402,518	\$ 384,362	\$ 1,805,662	\$ 334,779	
Exchange-traded	1,495,943	868,096	295,276	2,659,315	2,277,508	381,807	1,688,519	333,671	
	102,116	25,283	166	127,565	125,010	2,555	117,143	1,108	

(1) For OTC derivatives that are not centrally cleared, \$872.3 billion (2015: \$806.7 billion) are with counterparties that have two-way collateral posting arrangements, \$12.9 billion (2015: \$13.7 billion) are with counterparties that have one-way collateral posting arrangements, and \$182.3 billion (2015: \$160.0 billion) are with counterparties that have no collateral posting arrangements. All counterparties with whom we have one-way collateral posting arrangements are sovereign entities.

Risk

In the following sections, we discuss the risks related to the use of derivatives and how we manage these risks.

Market risk

Derivatives, in the absence of any compensating upfront cash payments, generally have no or small market values at inception. They obtain value 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 aforementioned factors is generally referred to as market risk.

Market risk arising from derivative trading activities is managed in order to mitigate risk with a view to maximize trading income. To manage market risk, we may enter into contracts with other market makers or undertake cash market hedges.

Credit risk

Credit risk arises from the potential for a counterparty to default on its contractual obligations and the possibility 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 through the use of ISDA master netting agreements, collateral, CCPs and other credit mitigation techniques. We clear all eligible derivatives through CCPs in accordance with various global initiatives. Where feasible, we will novate existing bilaterally negotiated and settled derivatives to a CCP in an effort to reduce CIBC's credit risk exposure.

We negotiate netting agreements to contain the build-up of credit exposure resulting from multiple transactions with more active counterparties. Such agreements provide for the simultaneous close-out and netting of all transactions with a counterparty, in the case of a counterparty default. A number of these agreements incorporate a Credit Support Annex, which is a bilateral security agreement that, among other things, provides for the exchange of collateral between parties in the event that one party's exposure to the other exceeds agreed upon thresholds.

Written OTC options, including CDS, 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. These written options will, however, have some credit risk to the extent of any unpaid premiums.

Credit risk on exchange-traded futures and options is limited, as these transactions are standardized contracts executed on established exchanges, whose CCPs assume the obligations of both counterparties. Similarly, swaps that are centrally cleared represent limited credit risk because these transactions are novated to the CCP, which assumes the obligations of the original bilateral counterparty. All exchange-traded and centrally cleared contracts are subject to initial margin and daily settlement of variation margins, designed to protect participants from losses incurred from a counterparty default.

The following table summarizes our credit exposure arising from derivatives, except for those that are traded on an exchange or are CCP settled, as they are 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 that have a positive market value, representing an unrealized gain to us. 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

\$ millions, as at October 31						2016			2015		
	Current replacement cost			Credit equivalent amount ⁽¹⁾	Risk-weighted amount	Current replacement cost			Credit equivalent amount ⁽¹⁾	Risk-weighted amount	
	Trading	ALM	Total			Trading	ALM	Total			
Interest rate derivatives											
Over-the-counter											
Forward rate agreements	\$ 13	\$ –	\$ 13	\$ 32	\$ 2	\$ 65	\$ –	\$ 65	\$ 69	\$ 8	
Swap contracts	11,501	737	12,238	5,075	915	11,742	928	12,670	4,536	884	
Purchased options	181	8	189	36	13	161	8	169	38	26	
	11,695	745	12,440	5,143	930	11,968	936	12,904	4,643	918	
Exchange-traded	–	–	–	72	2	–	–	–	89	3	
	11,695	745	12,440	5,215	932	11,968	936	12,904	4,732	921	
Foreign exchange derivatives											
Over-the-counter											
Forward contracts	3,693	228	3,921	3,356	900	2,527	53	2,580	2,541	668	
Swap contracts	5,914	2,347	8,261	3,734	673	5,290	2,540	7,830	3,456	656	
Purchased options	310	–	310	358	123	329	–	329	403	173	
	9,917	2,575	12,492	7,448	1,696	8,146	2,593	10,739	6,400	1,497	
Credit derivatives											
Over-the-counter											
Credit default swap contracts											
– protection purchased	141	1	142	146	7	171	3	174	204	14	
– protection sold	–	–	–	–	–	9	–	9	9	–	
	141	1	142	146	7	180	3	183	213	14	
Equity derivatives											
Over-the-counter	385	3	388	1,912	379	547	50	597	1,590	254	
Exchange-traded	742	–	742	1,648	49	398	–	398	1,342	36	
	1,127	3	1,130	3,560	428	945	50	995	2,932	290	
Precious metal derivatives											
Over-the-counter	32	–	32	30	17	31	–	31	20	6	
Exchange-traded	38	–	38	4	–	14	–	14	224	8	
	70	–	70	34	17	45	–	45	244	14	
Other commodity derivatives											
Over-the-counter	1,365	–	1,365	2,254	1,025	1,102	–	1,102	1,737	616	
Exchange-traded	123	–	123	969	39	374	–	374	2,299	77	
	1,488	–	1,488	3,223	1,064	1,476	–	1,476	4,036	693	
Non-trade exposure related to central counterparties (CCP)					286						347
Common equity tier 1 (CET1) CVA charge					2,977						2,685
Total derivatives before netting	24,438	3,324	27,762	19,626	7,407	22,760	3,582	26,342	18,557	6,461	
Less: effect of netting			(17,965)					(17,060)			
Total derivatives		\$ 9,797	\$ 19,626	\$ 7,407			\$ 9,282	\$ 18,557	\$ 6,461		

(1) Sum of current replacement cost and potential future exposure, adjusted for the master netting agreements and the impact of collateral amounting to \$3,940 million (2015: \$3,586 million). The collateral comprises cash of \$2,683 million (2015: \$2,528 million) and government securities of \$1,257 million (2015: \$1,058 million).

Operating limits

We establish counterparty credit limits and limits for CCP exposures based on a counterparty's creditworthiness and the type of trading relationship with each counterparty (underlying agreements, business volumes, product types, tenors, etc.)

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 risk 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 \$2 million (2015: \$6 million; 2014: \$18 million) against our receivables from financial guarantors. We have not terminated any contracts with financial guarantors during the year (2015: nil; 2014: loss of \$9 million). The fair value of derivative contracts with financial guarantors, net of CVA, was \$2 million (2015: \$9 million).

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 loss of \$14 million (2015: loss of \$7 million; 2014: loss of \$1 million, excluding the impact of the adoption of funding valuation adjustments) on our positions with non-financial guarantors derivative counterparties.

Note 13 | Designated accounting hedges

The following table presents the hedge ineffectiveness gains (losses) recognized in the consolidated statement of income:

\$ millions, for the year ended October 31	2016	2015	2014
Fair value hedges ⁽¹⁾			
Gains (losses) on hedging instruments	\$ (520)	\$ (213)	\$ (174)
Gains (losses) on hedged items attributable to hedged risks	458	163	149
	\$ (62)	\$ (50)	\$ (25)
Cash flow hedges ⁽²⁾⁽³⁾	\$ –	\$ 1	\$ 1

(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 NIFO hedging activities are included in the consolidated statement of income, and are not significant for the years ended October 31, 2016, 2015 and 2014.

The following table presents the notional amounts and carrying value of our hedging-related derivative instruments:

\$ millions, as at October 31	2016			2015		
	Derivatives notional amount	Carrying value		Derivatives notional amount	Carrying value	
		Positive	Negative		Positive	Negative
Fair value hedges	\$ 182,610	\$ 2,250	\$ 1,255	\$ 140,891	\$ 2,352	\$ 1,466
Cash flow hedges	23,210	244	394	19,329	210	162
NIFO hedges	4,390	–	1,145	4,038	–	1,035
	\$ 210,210	\$ 2,494	\$ 2,794	\$ 164,258	\$ 2,562	\$ 2,663

In addition, foreign currency denominated deposit liabilities of \$45 million (2015: \$43 million) and \$12.6 billion (2015: \$1.8 billion) have been designated as hedging instruments in fair value hedges of foreign exchange risk and NIFO hedges, respectively.

The cash flows designated as hedged items are expected to occur as follows:

\$ millions, as at October 31		Within 1 year	1 – 3 years	3 – 8 years	Over 8 years
2016	Cash inflows	\$ –	\$ –	\$ –	\$ –
	Cash outflows	(340)	(632)	(35)	–
	Net cash flows	\$ (340)	\$ (632)	\$ (35)	\$ –
2015	Net cash flows	\$ (336)	\$ (566)	\$ (41)	\$ –

Cash flows designated in cash flow hedges of \$174 million, \$156 million and \$35 million are expected to affect net income in the next 12 months, 1 to 3 years and 3 to 8 years, respectively (2015: \$145 million, \$109 million and \$41 million, respectively).

Note 14 Subordinated indebtedness

The debt issues included in the table below are outstanding 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 funds foreign currency denominated assets (including our NIFOs). All redemptions are subject to regulatory approval.

Terms of subordinated indebtedness

\$ millions, as at October 31					2016		2015	
Interest rate %	Contractual maturity date	Earliest date redeemable		Denominated in foreign currency	Par value	Carrying value ⁽²⁾	Par value	Carrying value ⁽²⁾
		At greater of Canada Yield Price ⁽¹⁾ and par	At par					
Fixed ⁽³⁾	September 23, 2018			TT\$195 million	\$ 39	\$ 39	\$ 40	\$ 40
3.15	November 2, 2020		November 2, 2015 ⁽⁴⁾		–	–	1,500	1,500
6.00 ⁽⁵⁾	June 6, 2023	June 6, 2008	June 6, 2018		600	600	600	600
3.00 ⁽⁶⁾⁽⁷⁾	October 28, 2024		October 28, 2019		1,000	1,002	1,000	1,000
3.42 ⁽⁷⁾⁽⁸⁾	January 26, 2026		January 26, 2021		1,000	1,004	–	–
8.70	May 25, 2029 ⁽⁹⁾				25	45	25	44
11.60	January 7, 2031	January 7, 1996			200	201	200	200
10.80	May 15, 2031	May 15, 2021			150	151	150	150
8.70	May 25, 2032 ⁽⁹⁾				25	47	25	45
8.70	May 25, 2033 ⁽⁹⁾				25	48	25	46
8.70	May 25, 2035 ⁽⁹⁾				25	51	25	48
Floating ⁽¹⁰⁾	July 31, 2084		July 27, 1990	US\$99 million ⁽¹¹⁾	133	133	151	151
Floating ⁽¹²⁾	August 31, 2085		August 20, 1991	US\$36 million	48	48	47	47
Subordinated indebtedness sold short (held) for trading purposes					3,270	3,369	3,788	3,871
					(3)	(3)	3	3
					\$ 3,267	\$ 3,366	\$ 3,791	\$ 3,874

(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) Guaranteed Subordinated Term Notes in Trinidad and Tobago dollars issued on March 23, 2007 by FirstCaribbean International Bank (Trinidad & Tobago) Limited, a subsidiary of CIBC FirstCaribbean, and guaranteed on a subordinated basis by CIBC FirstCaribbean. Interest rate is fixed for the first two years at 7.90%; then fixed for the next three years at 8.15%; thereafter fixed at 8.75% for the remaining tenor. Effective September 23, 2012, the subordinated notes were amended, and the maturity date was extended to September 23, 2018 and the interest was reduced to 4.35% per annum for the remaining term.

(4) On November 2, 2015, we redeemed all \$1.5 billion of our 3.15% Debentures due November 2, 2020. In accordance with their terms, the Debentures were redeemed at 100% of their principal amount, plus accrued and unpaid interest thereon.

(5) Interest rate is fixed at the indicated rate until the earliest date redeemable at par by CIBC and, thereafter, at a rate of 2.50% above the three-month Canadian dollar bankers' acceptance rate.

(6) Interest rate is fixed at the indicated rate until the earliest date redeemable at par by CIBC and, thereafter, at a rate of 1.19% above the three-month Canadian dollar bankers' acceptance rate.

(7) Debentures are also subject to a Non-Viability Contingent Capital (NVCC) provision, necessary for the Debentures to qualify as Tier 2 regulatory capital under Basel III. As such, the Debentures are automatically converted into common shares upon the occurrence of a Trigger Event as described in the capital adequacy guidelines. In such an event, the Debentures are convertible into a number of common shares, determined by dividing 150% of the par value plus accrued and unpaid interest by the average common share price (as defined in the relevant prospectus supplements) subject to a minimum price of \$5.00 per share (subject to adjustment in certain events as defined in the relevant prospectus supplements).

(8) Interest rate is fixed at the indicated rate until the earliest date redeemable at par by CIBC and, thereafter, at a rate of 2.57% above the three-month Canadian dollar bankers' acceptance rate.

(9) Not redeemable prior to maturity date.

(10) Interest rate is based on the six-month US\$ LIBOR plus 0.25%.

(11) US\$16 million (2015: US\$33 million) of this issue was repurchased and cancelled during the year.

(12) Interest rate is based on the six-month US\$ LIBOR plus 0.125%.

Note 15 | Common and preferred share capital

Common shares

CIBC's authorized capital consists of an unlimited number of common shares, without nominal or par value.

Normal course issuer bid

The following table shows common shares purchased and cancelled under previously expired NCIBs.

\$ millions, except number of shares, as at or for the year ended October 31	2016		2015		2014		Total
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Amount
TSX approval date							
September 4, 2013 ⁽¹⁾	—	\$ —	—	\$ —	3,369,000	\$ 315	\$ 315
September 16, 2014	—	—	—	—	—	—	—
September 16, 2015 ⁽²⁾	3,081,300	270	115,900	11	—	—	281
	3,081,300	\$ 270	115,900	\$ 11	3,369,000	\$ 315	\$ 596

(1) Common shares were repurchased at an average price of \$91.31 under this NCIB.

(2) Common shares were repurchased at an average price of \$87.83 under this NCIB, including 1,400,000 common shares purchased and cancelled under a private agreement at an average price of \$86.94 for a total amount of \$122 million on January 8, 2016.

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 paid

\$ millions, except number of shares and per share amounts, as at or for the year ended October 31

	2016				2015				2014			
	Shares outstanding		Dividends paid		Shares outstanding		Dividends paid		Shares outstanding		Dividends paid	
	Number of shares	Amount	Amount	\$ per share	Number of shares	Amount	Amount	\$ per share	Number of shares	Amount	Amount	\$ per share
Common shares ⁽¹⁾	397,070,280	\$ 8,026	\$ 1,879	\$ 4.75	397,291,068	\$ 7,813	\$ 1,708	\$ 4.30	397,021,477	\$ 7,782	\$ 1,567	\$ 3.94
Class A Preferred Shares												
Series 26 ⁽²⁾	—	\$ —	\$ —	\$ —	—	\$ —	\$ —	\$ —	—	\$ —	\$ 14	\$ 1.44
Series 27 ⁽³⁾	—	—	—	—	—	—	4	0.35	12,000,000	300	17	1.40
Series 29 ⁽⁴⁾	—	—	—	—	—	—	8	0.68	13,232,342	331	18	1.35
Series 33 ⁽⁵⁾	—	—	—	—	—	—	—	—	—	—	12	1.00
Series 35 ⁽⁶⁾	—	—	—	—	—	—	—	—	—	—	10	0.81
Series 37 ⁽⁷⁾	—	—	—	—	—	—	—	—	—	—	10	1.22
Series 39 ⁽⁸⁾	16,000,000	400	16	0.98	16,000,000	400	16	0.98	16,000,000	400	6	0.38
Series 41 ⁽⁹⁾	12,000,000	300	11	0.94	12,000,000	300	10	0.82	—	—	—	—
Series 43 ⁽¹⁰⁾	12,000,000	300	11	0.90	12,000,000	300	7	0.58	—	—	—	—
		\$ 1,000	\$ 38			\$ 1,000	\$ 45			\$ 1,031	\$ 87	

(1) Included short position in treasury shares of 14,882 (2015: included short position in treasury shares of 6,491; 2014: net of treasury shares held of 22,239).

(2) We redeemed all of our 10 million Non-cumulative Class A Series 26 Preferred Shares with a par value of \$25.00 each at a redemption price of \$25.00 per share for cash on October 31, 2014.

(3) We redeemed all of our 12 million Non-cumulative Class A Preferred Shares Series 27 with a par value of \$25.00 each at a redemption price of \$25.00 per share for cash on January 31, 2015.

(4) We redeemed all of our 13,232,342 Non-cumulative Class A Preferred Shares Series 29 with a par value of \$25.00 each at a redemption price of \$25.00 per share for cash on April 30, 2015.

(5) We redeemed all of our 12 million Non-cumulative Rate Reset Class A Series 33 Preferred Shares with a par value of \$25.00 each at a redemption price of \$25.00 per share for cash on July 31, 2014.

(6) We redeemed all of our 13 million Non-cumulative Rate Reset Class A Series 35 Preferred Shares with a par value of \$25.00 each at a redemption price of \$25.00 per share for cash on April 30, 2014.

(7) We redeemed all of our 8 million Non-cumulative Rate Reset Class A Series 37 Preferred Shares with a par value of \$25.00 each at a redemption price of \$25.00 per share for cash on July 31, 2014.

(8) We issued 16 million Non-cumulative Rate Reset Class A Series 39 Preferred Shares with a par value of \$25.00 per share, for the gross sales proceeds of \$400 million on June 11, 2014.

(9) We issued 12 million Non-cumulative Rate Reset Class A Series 41 Preferred Shares with a par value of \$25.00 per share, for the gross sales proceeds of \$300 million on December 16, 2014.

(10) We issued 12 million Non-cumulative Rate Reset Class A Series 43 Preferred Shares with a par value of \$25.00 per share, for the gross sales proceeds of \$300 million on March 11, 2015.

Preferred share rights and privileges

Class A Preferred Shares

Each series of Class A Preferred Shares bears quarterly non-cumulative dividends. Non-cumulative Rate Reset Class A Preferred Shares Series 39, 41 and 43 (NVCC) 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.

Non-cumulative Rate Reset Class A Preferred Shares Series 43 (NVCC) (Series 43 shares)

On March 11, 2015, we issued 12 million Series 43 shares with a par value of \$25.00 per share, for gross proceeds of \$300 million. For the initial five year period to the earliest redemption date of July 31, 2020, the Series 43 shares pay quarterly cash dividends, if declared, at a rate of 3.60%. On July 31, 2020, and on July 31 every five years thereafter, the dividend rate will reset to be equal to the then current five-year Government of Canada bond yield plus 2.79%.

Holders of the Series 43 shares will have the right to convert their shares on a one-for-one basis into Non-cumulative Floating Rate Class A Preferred Shares Series 44 (NVCC) (Series 44 shares), subject to certain conditions, on July 31, 2020 and on July 31 every five years thereafter. Holders of the Series 44 shares will be entitled to receive a quarterly floating rate dividend, if declared, equal to the three-month Government of Canada Treasury Bill yield plus 2.79%. Holders of the Series 44 shares may convert their shares on a one-for-one basis into Series 43 shares, subject to certain conditions, on July 31, 2025 and on July 31 every five years thereafter.

Subject to regulatory approval and certain provisions of the shares, we may redeem all or any part of the then outstanding Series 43 shares at par on July 31, 2020 and on July 31 every five years thereafter; we may redeem all or any part of the then outstanding Series 44 shares at par on July 31, 2025 and on July 31 every five years thereafter.

Non-cumulative Rate Reset Class A Preferred Shares Series 41 (NVCC) (Series 41 shares)

On December 16, 2014, we issued 12 million Series 41 shares with a par value of \$25.00 per share, for gross proceeds of \$300 million. For the initial five year period to the earliest redemption date of January 31, 2020, the Series 41 shares pay quarterly cash dividends, if declared, at a rate of 3.75%. On January 31, 2020, and on January 31 every five years thereafter, the dividend rate will reset to be equal to the then current five-year Government of Canada bond yield plus 2.24%.

Holders of the Series 41 shares will have the right to convert their shares on a one-for-one basis into Non-cumulative Floating Rate Class A Preferred Shares Series 42 (NVCC) (Series 42 shares), subject to certain conditions, on January 31, 2020 and on January 31 every five years thereafter. Holders of the Series 42 shares will be entitled to receive a quarterly floating rate dividend, if declared, equal to the three-month Government of Canada Treasury Bill yield plus 2.24%. Holders of the Series 42 shares may convert their shares on a one-for-one basis into Series 41 shares, subject to certain conditions, on January 31, 2025 and on January 31 every five years thereafter.

Subject to regulatory approval and certain provisions of the shares, we may redeem all or any part of the then outstanding Series 41 shares at par on January 31, 2020 and on January 31 every five years thereafter; we may redeem all or any part of the then outstanding Series 42 shares at par on January 31, 2025 and on January 31 every five years thereafter.

Non-cumulative Rate Reset Class A Preferred Shares Series 39 (NVCC) (Series 39 shares)

On June 11, 2014, we issued 16 million Series 39 shares with a par value of \$25.00 per share, for gross proceeds of \$400 million. For the initial five year period to the earliest redemption date of July 31, 2019, the Series 39 shares pay quarterly cash dividends, if declared, at a rate of 3.90%. On July 31, 2019, and on July 31 every five years thereafter, the dividend rate will reset to be equal to the then current five-year Government of Canada bond yield plus 2.32%.

Holders of the Series 39 shares will have the right to convert their shares on a one-for-one basis into Non-cumulative Floating Rate Class A Preferred Shares Series 40 (NVCC) (Series 40 shares), subject to certain conditions, on July 31, 2019 and on July 31 every five years thereafter. Holders of the Series 40 shares will be entitled to receive a quarterly floating rate dividend, if declared, equal to the three-month Government of Canada Treasury Bill yield plus 2.32%. Holders of the Series 40 shares may convert their shares on a one-for-one basis into Series 39 shares, subject to certain conditions, on July 31, 2024 and on July 31 every five years thereafter.

Subject to regulatory approval and certain provisions of the shares, we may redeem all or any part of the then outstanding Series 39 shares at par on July 31, 2019, and on July 31 every five years thereafter; we may redeem all or any part of the then outstanding Series 40 shares at par on July 31, 2024, and on July 31 every five years thereafter.

Series 39, Series 40, Series 41, Series 42, Series 43 and Series 44 shares are subject to an NVCC provision, necessary for the shares to qualify as regulatory capital under Basel III. As such, the shares are automatically converted into common shares upon the occurrence of a "Trigger Event" as described in the capital adequacy guidelines. Each such share is convertible into a number of common shares, determined by dividing the par value of \$25.00 plus declared and unpaid dividends by the average common share price (as defined in the relevant prospectus supplement) subject to a minimum price of \$5.00 per share (subject to adjustment in certain events as defined in the relevant prospectus supplement). We have recorded the Series 39, Series 41 and Series 43 shares as equity.

Terms of Class A Preferred Shares

Outstanding as at October 31, 2016	Quarterly dividends per share	Earliest specified redemption date	Cash redemption price per share
Series 39	\$ 0.243750	July 31, 2019	\$ 25.00
Series 41	\$ 0.234375	January 31, 2020	\$ 25.00
Series 43	\$ 0.225000	July 31, 2020	\$ 25.00

Common shares issued

\$ millions, except number of shares, as at or for the year ended October 31		2016	2015		2014	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	397,291,068	\$ 7,813	397,021,477	\$ 7,782	399,249,736	\$ 7,753
Issuance pursuant to:						
Stock option plans	815,767	72	356,661	30	1,156,530	96
Shareholder investment plan ⁽¹⁾	1,662,972	164	—	—	—	—
Employee share purchase plan ⁽²⁾	373,382	37	—	—	—	—
	400,143,189	\$ 8,086	397,378,138	\$ 7,812	400,406,266	\$ 7,849
Purchase of common shares for cancellation	(3,081,300)	(61)	(115,900)	(2)	(3,369,000)	(65)
Treasury shares	8,391	1	28,830	3	(15,789)	(2)
Balance at end of year	397,070,280	\$ 8,026	397,291,068	\$ 7,813	397,021,477	\$ 7,782

(1) Commencing with the dividends paid on October 28, 2016, the participants in the Dividend Reinvestment Option and Stock Dividend Option of the Shareholder Investment Plan received a 2% discount from average market price on dividends reinvested in additional common shares issued from Treasury. Commencing November 1, 2016, the participants in the Share Purchase Option of the Plan will receive shares issued from Treasury with no discount. Previously shares distributed under the Plan were acquired in the open market.

(2) Commencing June 29, 2016, employee contributions to our Canadian ESPP have been used to purchase common shares from Treasury. Previously these shares were acquired in the open market.

Common shares reserved for issue

As at October 31, 2016, 6,525,893 common shares (2015: 7,341,660) were reserved for future issue pursuant to stock option plans, 5,912,208 common shares (2015: 7,575,180) were reserved for future issue pursuant to the shareholder investment plan, 3,842,701 common shares (2015: 4,216,083) were reserved for future issue pursuant to the employee share purchase plan, and 851,232,500 common shares (2015: 546,102,500) were reserved for future issue pursuant to instruments which include an NVCC provision requiring conversion into common shares upon the occurrence of a Trigger Event as described in the capital adequacy guidelines.

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 16.

Currently, these limitations do not restrict the payment of dividends on our preferred or common shares.

Capital

Objectives, policy, and procedures

Our objective is to employ a strong and efficient capital base. We manage capital in accordance with a capital policy established by the Board. The policy includes specific guidelines that relate to capital strength, capital mix, dividends and return of capital, and the unconsolidated capital adequacy of regulated entities and capital is monitored continuously for compliance.

Each year, a Capital Plan and three-year outlook are established, which encompass all of 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 to the objectives, policy, guidelines and procedures during the year.

Regulatory capital requirements under Basel III

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

CIBC and the other domestic systemically important banks (D-SIBs) in Canada are subject to a 1% CET1 surcharge effective January 1, 2016. This results in all-in minimum targets for CET1, Tier 1 and Total capital ratios of 8%, 9.5%, and 11.5%, respectively. These targets may be higher for certain institutions at OSFI's discretion.

"All-in" is defined by OSFI as capital calculated to include all of the regulatory adjustments that will be required by 2019, but retaining the phase-out rules for non-qualifying capital instruments. Certain deductions from CET1 capital are phased in at 20% per year from 2014. Amounts not yet deducted from capital under OSFI's transitional rules are risk weighted, creating a difference between risk-weighted assets (RWAs) on a transitional and all-in basis.

Regulatory capital and ratios

Regulatory capital under Basel III consists of CET1, Tier 1 and Tier 2 capital.

CET1 capital includes common shares, retained earnings, AOCI (excluding AOCI relating to cash flow hedges and changes to FVO liabilities attributable to changes in own credit risk), and qualifying instruments issued by a consolidated banking subsidiary to third parties, less regulatory adjustments for items such as goodwill and other intangible assets (net of related deferred tax liabilities), certain deferred tax assets, net assets related to defined benefit pension plans as reported on our consolidated balance sheet (net of related deferred tax liabilities), and certain investments. Additional Tier 1 (AT1) capital primarily includes NVCC preferred shares, qualifying instruments issued by a consolidated subsidiary to third parties, and non-qualifying innovative Tier 1 notes subject to phase-out rules for capital instruments. Tier 2 capital includes NVCC subordinated indebtedness, non-qualifying subordinated indebtedness subject to phase-out rules for capital instruments, eligible collective allowance under the standardized approach, and qualifying instruments issued by a consolidated subsidiary to third parties.

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

\$ millions, as at October 31		2016	2015
Transitional basis			
CET1 capital		\$ 20,751	\$ 19,147
Tier 1 capital	A	22,596	20,671
Total capital		25,949	24,538
RWA		173,902	163,867
CET1 ratio		11.9 %	11.7 %
Tier 1 capital ratio		13.0 %	12.6 %
Total capital ratio		14.9 %	15.0 %
Leverage ratio exposure	B	\$ 546,136	\$ 503,504
Leverage ratio	A/B	4.1 %	4.1 %
All-in basis			
CET1 capital		\$ 19,148	\$ 16,829
Tier 1 capital	C	21,666	19,520
Total capital		25,083	23,434
CET1 capital RWA ⁽¹⁾		168,996	156,107
Tier 1 capital RWA ⁽¹⁾		169,322	156,401
Total capital RWA ⁽¹⁾		169,601	156,652
CET1 ratio ⁽¹⁾		11.3 %	10.8 %
Tier 1 capital ratio ⁽¹⁾		12.8 %	12.5 %
Total capital ratio ⁽¹⁾		14.8 %	15.0 %
Leverage ratio exposure	D	\$ 545,480	\$ 502,552
Leverage ratio	C/D	4.0 %	3.9 %

(1) There are three different levels of RWAs for the calculation of the CET1, Tier 1 and Total capital ratios arising from the option CIBC has chosen for the phase-in of the CVA capital charge.

During the years ended October 31, 2016, and 2015, we have complied with OSFI's regulatory capital requirements.

Note 16 | Capital Trust securities

On March 13, 2009, CIBC Capital 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). CIBC Capital Trust is not consolidated by CIBC and the senior deposit notes issued by CIBC to CIBC Capital 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 CIBC Capital 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* (Canada) 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 CIBC Capital Trust.

CIBC Tier 1 Notes – Series A pays 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 pays 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%.

Subject to the approval of OSFI, CIBC Capital Trust may, in whole or in part, on the redemption dates specified in the table below, 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, CIBC Capital 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 in the table below without the consent of the holders, upon the occurrence of certain specified tax or regulatory events.

OSFI's capital adequacy guidelines confirmed the adoption of Basel III in Canada and clarified the treatment of non-qualifying capital instruments. Non-qualifying capital instruments are subject to a 10% phase-out per annum commencing in 2013. Banks are expected to develop and maintain a redemption schedule for non-qualifying capital instruments that gives priority to redeeming instruments at their regular par redemption dates before exercising any regulatory event redemption rights. With the adoption of Basel III, innovative capital instruments such as the CIBC Tier 1 Notes are considered non-qualifying capital instruments. We expect to exercise our regulatory event redemption rights in fiscal 2022 in respect of the \$300 million CIBC Tier 1 Notes – Series B.

The table below presents the significant terms and conditions of the Notes. As at October 31, 2016, trading positions of the Notes that we held were nil (2015: \$1 million in long positions).

\$ millions, as at October 31						2016	2015
	Issue date	Interest payment dates	Yield	Earliest redemption dates		Principal amount	
				At greater of Canada Yield Price and par ⁽¹⁾	At par		
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	10.250 %	June 30, 2014	June 30, 2039	300	300
						\$ 1,600	\$ 1,600

(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.

Note 17 Interest rate sensitivity

The table below details our exposure to interest rate risk resulting from the mismatch, or gap, relating to trading and non-trading financial assets, liabilities, and derivative 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.

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.

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 – 12 months	1 – 5 years	Over 5 years	Non-interest rate sensitive	Total
2016							
Assets							
Cash and deposits with banks	\$ –	\$ 10,410	\$ 255	\$ –	\$ –	\$ 3,500	\$ 14,165
Trading securities	–	1,180	2,160	4,049	6,909	35,617	49,915
AFS securities	–	16,039	3,607	12,513	4,720	374	37,253
FVO securities	–	101	–	–	154	–	255
Securities borrowed or purchased under resale agreements	–	29,707	4,103	–	–	–	33,810
Loans	115,757	48,348	55,183	83,582	1,711	2,836	307,417
Other	–	33,783	–	–	–	24,759	58,542
Structural assumptions	(7,241)	2,221	7,993	10,685	–	(13,658)	–
Total assets	\$ 108,516	\$ 141,789	\$ 73,301	\$ 110,829	\$ 13,494	\$ 53,428	\$ 501,357
Liabilities and equity							
Deposits	\$ 135,682	\$ 98,801	\$ 53,751	\$ 49,295	\$ 8,125	\$ 49,993	\$ 395,647
Obligations related to securities sold short	–	37	223	5,617	2,636	1,825	10,338
Obligations related to securities lent or sold under repurchase agreements	–	14,212	–	–	–	–	14,212
Subordinated indebtedness	–	133	48	1,639	1,546	–	3,366
Other	–	31,657	–	–	–	22,464	54,121
Equity	–	–	–	1,000	–	22,673	23,673
Structural assumptions	(28,999)	8,629	29,167	39,696	–	(48,493)	–
Total liabilities and equity	\$ 106,683	\$ 153,469	\$ 83,189	\$ 97,247	\$ 12,307	\$ 48,462	\$ 501,357
On-balance sheet gap	\$ 1,833	\$ (11,680)	\$ (9,888)	\$ 13,582	\$ 1,187	\$ 4,966	\$ –
Off-balance sheet gap	–	(13,457)	17,376	(2,647)	(1,272)	–	–
Total gap	\$ 1,833	\$ (25,137)	\$ 7,488	\$ 10,935	\$ (85)	\$ 4,966	\$ –
Total cumulative gap	\$ 1,833	\$ (23,304)	\$ (15,816)	\$ (4,881)	\$ (4,966)	\$ –	\$ –
Gap by currency							
On-balance sheet gap							
Canadian currency	\$ 10,128	\$ (43,547)	\$ 1,146	\$ 22,919	\$ 3,303	\$ 6,051	\$ –
Foreign currencies	(8,295)	31,867	(11,034)	(9,337)	(2,116)	(1,085)	–
Total on-balance sheet gap	\$ 1,833	\$ (11,680)	\$ (9,888)	\$ 13,582	\$ 1,187	\$ 4,966	\$ –
Off-balance sheet gap							
Canadian currency	\$ –	\$ 9,963	\$ 7,313	\$ (13,538)	\$ (3,738)	\$ –	\$ –
Foreign currencies	–	(23,420)	10,063	10,891	2,466	–	–
Total off-balance sheet gap	\$ –	\$ (13,457)	\$ 17,376	\$ (2,647)	\$ (1,272)	\$ –	\$ –
Total gap	\$ 1,833	\$ (25,137)	\$ 7,488	\$ 10,935	\$ (85)	\$ 4,966	\$ –
2015							
Gap by currency							
On-balance sheet gap							
Canadian currency	\$ 22,719	\$ (42,577)	\$ (764)	\$ 8,803	\$ 2,493	\$ 9,326	\$ –
Foreign currencies	(11,109)	7,173	4,869	(4,000)	880	2,187	–
Total on-balance sheet gap	\$ 11,610	\$ (35,404)	\$ 4,105	\$ 4,803	\$ 3,373	\$ 11,513	\$ –
Off-balance sheet gap							
Canadian currency	\$ –	\$ 5,889	\$ 2,354	\$ (5,173)	\$ (3,070)	\$ –	\$ –
Foreign currencies	–	(3,172)	(3,984)	7,796	(640)	–	–
Total off-balance sheet gap	\$ –	\$ 2,717	\$ (1,630)	\$ 2,623	\$ (3,710)	\$ –	\$ –
Total gap	\$ 11,610	\$ (32,687)	\$ 2,475	\$ 7,426	\$ (337)	\$ 11,513	\$ –

Note 18 | Share-based payments

We provide the following share-based compensation to certain employees and directors in the form of cash-settled or equity-settled awards.

Restricted share award plan

Under the RSA plan, share unit equivalents (RSA units) are granted to certain key employees on an annual basis in December or during the year as special grants. RSA grants are made in the form of cash-settled awards which generally vest and settle in cash at the end of three years or one-third annually beginning one year after the date of the grant. Dividend equivalents on RSA units granted prior to December 2015 are paid in cash to the employees over the vesting period. For RSA units granted in December 2015 and later, employees receive dividend equivalents in the form of additional RSA units.

Grant date fair value of each cash-settled RSA unit is calculated based on the average closing price per common share on the TSX for the 10 trading days prior to a date specified in the grant terms. Upon vesting, each RSA unit is settled in cash based on the average closing price per common share on the TSX for the 10 trading days prior to the vesting date.

During the year, 2,320,497 RSAs were granted at a weighted-average price of \$99.99 (2015: 1,976,578 granted at a weighted-average price of \$104.55; 2014: 2,663,480 granted at a weighted-average price of \$91.01) and the number of RSAs outstanding as at October 31, 2016 was 5,422,030 (2015: 5,210,234; 2014: 5,600,802). Compensation expense in respect of RSAs, before the impact of hedging, totalled \$218 million in 2016 (2015: \$231 million; 2014: \$279 million). As at October 31, 2016, liabilities in respect of RSAs were \$518 million (2015: \$510 million).

Performance share unit plan

Under the PSU plan, awards are granted to certain key employees on an annual basis in December. PSU grants are made in the form of cash-settled awards which vest and settle in cash at the end of three years. Dividend equivalents on PSUs granted prior to December 2015 are paid in cash to the employees over the vesting period. For PSUs granted in December 2015 and later, employees receive dividend equivalents in the form of additional PSUs.

Grant date fair value of each cash-settled PSU is calculated based on the average closing price per common share on the TSX for the 10 trading days prior to a date specified in the grant terms. The final number of PSUs that vest will range from 75% to 125% of the initial number awarded based on CIBC's performance relative to the other major Canadian banks. Upon vesting, each PSU is settled in cash based on the average closing price per common share on the TSX for the 10 trading days prior to the vesting date.

During the year, 905,028 PSUs were granted at a weighted-average price of \$99.86 (2015: 745,080 granted at a weighted-average price of \$105.24; 2014: 866,807 granted at a weighted-average price of \$91.11). As at October 31, 2016, the number of PSUs outstanding, before the impact of CIBC's relative performance, was 2,507,808 (2015: 2,365,896; 2014: 2,618,678). Compensation expense in respect of PSUs, before the impact of hedging, totalled \$93 million in 2016 (2015: \$112 million; 2014: \$148 million). As at October 31, 2016, liabilities in respect of PSUs were \$261 million (2015: \$271 million).

Book value unit plan

Under the BVU plan, certain key executives were granted awards denominated in BVUs. BVU grants were made in the form of cash-settled awards which vest and settle in cash at the end of three years. 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. The final number of BVUs that vest are adjusted for new issues of, re-purchases of, or dividends paid on common shares. BVU plan awards were granted beginning in December 2009 with the last award granted in December 2012, which vested in December 2015. There are no outstanding BVUs as at October 31, 2016.

Grant date fair value of each BVU was calculated based on the book value per common share on the last day of the previous fiscal quarter.

Compensation expense in respect of BVUs totalled \$1 million in 2016 (2015: \$4 million; 2014: \$5 million). As at October 31, 2016, liabilities in respect of BVUs were nil (2015: \$12 million).

Deferred share unit plan

Under the DSU plan, certain key employees are granted DSUs during the year as special grants or in December if they elect to receive DSUs in exchange for cash incentive compensation that they would otherwise be entitled to. DSUs vest in accordance with the vesting schedule defined in the grant agreement and settle in cash when the employee leaves CIBC. Employees receive dividend equivalents in the form of additional DSUs.

Grant date fair value of each cash-settled DSU is calculated based on the average closing price per common share on the TSX for the 10 trading days prior to a date specified in the grant terms. Upon payout, each DSU is settled in cash based on the average closing price per common share on the TSX for the 10 trading days prior to the employee's termination of employment date.

During the year, 14,326 DSUs were granted at a weighted-average price of \$99.86 (2015: 196 granted at a weighted-average price of \$96.74; 2014: 3,173 granted at a weighted-average price of \$103.36) and the number of DSUs outstanding as at October 31, 2016 was 45,410 (2015: 29,463; 2014: 27,978). Compensation expense in respect of DSUs, before the impact of hedging, totalled \$9 million in 2016 (2015: \$4 million; 2014: \$2 million). As at October 31, 2016, liabilities in respect of DSUs were \$13 million (2015: \$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 equity retainer as either DSUs or common shares.

Under the Non-Officer Director Share Plan, each non-officer director may elect to receive all or a portion of their remuneration in the form of cash, common shares or DSUs.

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).

Other non-interest expense in respect of the DSU components of these plans, totalled \$2 million in 2016 (2015: \$2 million; 2014: \$5 million). As at October 31, 2016, liabilities in respect of DSUs were \$17 million (2015: \$21 million).

Stock option plans

A maximum of 42,834,500 common shares may be issued under our ESOP and Non-Officer Director Stock Option Plan (DSOP). As at October 31, 2016, 6,525,893 (2015: 7,341,660) common shares were reserved for future issue under our stock option plans. Stock options in respect of 4,073,451 (2015:

4,100,310) common shares have been granted but not yet exercised under the ESOP. No stock options under the DSOP remain outstanding. 2,452,442 (2015: 3,241,350) common shares remain available for future stock option grants.

Under the ESOP, stock options are periodically granted to certain key 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 by the end of the fourth year and expire 10 years from the grant date.

Fair value of each option 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 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 2016 was \$5.12 (2015: \$8.59; 2014: \$9.57).

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	2016	2015	2014
Weighted-average assumptions			
Risk-free interest rate	1.34 %	1.98 %	2.53 %
Expected dividend yield	6.14 %	4.96 %	5.06 %
Expected share price volatility	17.26 %	17.97 %	20.61 %
Expected life	6 years	6 years	6 years
Share price/exercise price	\$ 97.73	\$ 101.87	\$ 90.56

Compensation expense in respect of stock options totalled \$5 million in 2016 (2015: \$5 million; 2014: \$7 million).

Stock option plans

As at or for the year ended October 31	2016		2015		2014	
	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average exercise price	Number of stock options	Weighted-average exercise price
Outstanding at beginning of year	4,100,310	\$ 82.62	3,945,032	\$ 78.70	4,308,244	\$ 74.35
Granted	804,923	97.73	610,247	101.87	796,625	90.56
Exercised ⁽¹⁾	(815,767)	75.86	(356,661)	74.30	(1,156,530)	70.68
Forfeited	(13,380)	91.99	(40,205)	81.33	—	—
Cancelled/expired	(2,635)	87.36	(58,103)	70.60	(3,307)	80.20
Outstanding at end of year	4,073,451	\$ 86.92	4,100,310	\$ 82.62	3,945,032	\$ 78.70
Exercisable at end of year	1,485,607	\$ 74.94	1,542,681	\$ 74.71	1,383,033	\$ 74.87
Available for grant	2,452,442		3,241,350		3,753,289	

(1) The weighted-average share price at the date of exercise was \$99.66 (2015: \$98.21; 2014: \$96.63).

Stock options outstanding and vested

As at October 31, 2016	Stock options outstanding			Stock options vested	
	Number outstanding	Weighted-average contractual life remaining	Weighted-average exercise price	Number outstanding	Weighted-average exercise price
Range of exercise prices					
\$49.01 – \$65.00	129,833	2.10	\$ 49.75	129,833	\$ 49.75
\$65.01 – \$75.00	606,055	4.39	71.25	606,055	71.25
\$75.01 – \$85.00	1,022,225	5.09	79.70	623,131	79.45
\$85.01 – \$95.00	830,449	7.15	90.72	9,516	94.90
\$95.01 – \$105.00	1,484,889	7.89	99.42	117,072	96.41
	4,073,451	6.33	\$ 86.92	1,485,607	\$ 74.94

Employee share purchase plan

Under our Canadian ESPP, qualifying employees can choose each year to have any portion 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, 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 programs 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. Commencing June 29, 2016, employee contributions to our ESPP have been used to purchase common shares from Treasury. Previously these shares were acquired in the open market. CIBC FirstCaribbean operates an ESPP locally, in which contributions are used by the plan trustee to purchase CIBC FirstCaribbean common shares in the open market.

Our contributions are expensed as incurred and totalled \$40 million in 2016 (2015: \$36 million; 2014: \$34 million).

Hedging

We use derivatives in a designated cash flow hedge relationship to hedge changes in CIBC's share price in respect of cash-settled share-based compensation under the RSA and PSU plans.

During the year, we recorded gains of \$22 million (2015: \$30 million; 2014: \$132 million) as a credit to compensation expense in the consolidated statement of income in respect of these derivatives. As at October 31, 2016, the ending AOCI balance in respect of the designated accounting hedges totalled a credit of \$6 million (2015: \$1 million).

Note 19 | Post-employment benefits

We sponsor pension and other post-employment benefit plans for eligible employees in a number of jurisdictions including Canada, the U.S., the U.K., and the Caribbean. Our pension plans include registered funded defined benefit pension plans, supplemental arrangements that provide pension benefits in excess of statutory limits, and defined contribution plans. We also provide certain health-care, life insurance, and other benefits to eligible employees and retired members. Plan assets and defined benefit obligations related to our defined benefit plans are measured for accounting purposes as at October 31 each year.

Plan characteristics, funding and risks

Pension plans

Pension plans include CIBC's Canadian, U.S., U.K., and Caribbean pension plans. CIBC's Canadian pension plans represent approximately 90% of our consolidated net defined benefit pension assets and liabilities and net defined benefit pension expense. All of our Canadian pension plans are defined benefit plans, the most significant of which is our principal Canadian pension plan (the CIBC Pension Plan), which encompasses approximately 60,000 active, deferred, and retired members.

The CIBC Pension Plan provides members with monthly pension income at retirement based on a prescribed plan formula which is based on a combination of maximum yearly pensionable earnings, average earnings at retirement and length of service recognized in the plan. There is a two-year waiting period for members to join the CIBC Pension Plan.

The CIBC Pension Plan is funded through a separate trust. Actuarial funding valuations are prepared by the Plan's external actuary at least once every three years or more frequently as required by Canadian pension legislation to determine CIBC's minimum funding requirements as well as maximum permitted contributions. Any deficits determined in the funding valuations must generally be funded over a period not exceeding fifteen years. CIBC's pension funding policy is to make at least the minimum annual required contributions required by regulations; any contributions in excess of the minimum requirements are discretionary.

The CIBC Pension Plan is registered with OSFI and the Canada Revenue Agency and is subject to the acts and regulations that govern federally regulated pension plans.

Other post-employment plans

Other post-employment plans include CIBC's Canadian, U.S. and Caribbean post-retirement health-care benefit plans (referred to for disclosure purposes as other post-employment plans). CIBC's Canadian other post-employment plan (the Canadian post-employment plan) represents more than 90% of our consolidated other post-employment defined benefit obligation and net other post-employment defined benefit expense.

The Canadian post-employment plan provides medical, dental and life insurance benefits to retirees that meet specified eligibility requirements, including specified age and service period eligibility requirements. CIBC reimburses 100% of the cost of benefits for eligible employees that retired prior to January 1, 2009, whereas the contribution level for medical and dental benefits for eligible employees that retire subsequent to this date has been fixed at a specified level. The plan is funded on a pay-as-you-go basis.

Benefit changes

There were no material changes to the terms of our defined benefit pension or other post-employment plans in 2016 or 2015.

Risks

CIBC's defined benefit plans expose the group to actuarial risks (such as longevity risk), currency risk, interest rate risk, market (investment) risk and health-care cost inflation risks.

The use of derivatives within the CIBC pension plan is governed by the derivatives policy that was approved by the Pension Benefits Management Committee (PBMC) and Management Resources and Compensation Committee (MRCC) of the Board, and which permits the use of derivatives to manage risk at the discretion of the Pension Investment Committee (PIC). Risk reduction and mitigation strategies may include hedging of interest rate, currency, credit spread and/or equity risks. The derivatives policy also permits the use of derivatives to enhance plan returns.

The CIBC pension plan manages its foreign currency exposure currently by utilizing a passive overlay strategy to reduce the aggregate currency exposure.

Plan governance

All of CIBC's pension arrangements are governed by local pension committees, senior management or a board of trustees; however, all significant plan changes require approval from the MRCC. For the Canadian pension plans, the MRCC is also responsible for the establishment of the investment policies (such as asset mix, permitted investments, and use of derivatives), reviewing performance including funded status, and approving material plan design or governance changes.

While specific investment policies are determined at a plan level to reflect the unique characteristics of each plan, common investment policies for all plans include the optimization of the risk-return relationship using a portfolio of multiple asset classes diversified by market segment, economic sector, and issuer. The objectives are to secure the obligations of our funded plans, to maximize investment returns while not compromising the security of the respective plans, and to manage the level of funding contributions. Investments in quoted debt and equity (held either directly or indirectly through investment funds) represent the most significant asset allocations.

The use of derivatives is limited to the purposes and instruments described in the derivatives policy of the CIBC Pension Plan. These include the synthetic return of debt or equity instruments, currency hedging, risk reduction and enhancement of returns.

Investments in specific asset classes are further diversified across funds, managers, strategies, sectors and geographies, depending on the specific characteristics of each asset class.

The exposure to any one of these asset classes will be determined by our assessment of the needs of the plan assets and economic and financial market conditions. Factors evaluated before adopting the asset mix include demographics, cash-flow payout requirements, liquidity requirements, actuarial assumptions, expected benefit increases, and corporate cash flows.

Management of the assets of the various Canadian plans has been delegated primarily to the PIC, which is a committee that is composed of CIBC management. The PIC is responsible for the appointment and termination of individual investment managers (which includes CIBC Asset Management Inc., a wholly owned subsidiary of CIBC), who each have investment discretion within established target asset mix ranges as set by the MRCC. Should a fund's actual asset mix fall outside specified ranges, the assets are re-balanced as required to be within the target asset mix ranges. On a periodic basis, an Asset-Liability Matching study is performed in which the consequences of the strategic investment policies are analyzed.

Management of the actuarial valuations of the various Canadian plans is primarily the responsibility of the Pension Finance & Administration Committee (PFAC). The PFAC is responsible for approving the actuarial assumptions for the valuations of the plans, and for recommending the level of annual funding for the Canadian plans to CIBC senior management.

Local committees with similar mandates manage our non-Canadian plans and annually report back to the MRCC on all material governance activities.

Amounts recognized on the consolidated balance sheet

The following tables present the financial position of our defined benefit pension and other post-employment plans for Canada, the U.S., the U.K., and our Caribbean subsidiaries. Other minor plans operated by some of our subsidiaries are not material and are not included in these disclosures.

\$ millions, as at or for the year ended October 31	Pension plans		Other post-employment plans	
	2016	2015	2016	2015
Defined benefit obligation				
Balance at beginning of year	\$ 6,534	\$ 6,735	\$ 652	\$ 722
Current service cost	185	210	11	13
Past service cost	(8)	(12)	2	—
Interest cost on defined benefit obligation	292	291	28	30
Employee contributions	6	6	—	—
Benefits paid	(308)	(285)	(29)	(27)
Settlements	—	(27)	—	—
Gain on settlements	—	(4)	—	—
Special termination benefits	3	8	—	—
Foreign exchange rate changes	(20)	87	1	9
Net actuarial losses (gains) on defined benefit obligation	734	(475)	60	(95)
Balance at end of year	\$ 7,418	\$ 6,534	\$ 725	\$ 652
Plan assets				
Fair value at beginning of year	\$ 6,997	\$ 6,796	\$ —	\$ —
Interest income on plan assets ⁽¹⁾	319	299	—	—
Net actuarial gains (losses) on plan assets ⁽¹⁾	237	(62)	—	—
Employer contributions	241	185	29	27
Employee contributions	6	6	—	—
Benefits paid	(308)	(285)	(29)	(27)
Settlements	—	(27)	—	—
Plan administration costs	(6)	(5)	—	—
Net transfer out	(1)	(1)	—	—
Foreign exchange rate changes	(27)	91	—	—
Fair value at end of year	\$ 7,458	\$ 6,997	\$ —	\$ —
Net defined benefit asset (liability)	40	463	(725)	(652)
Valuation allowance ⁽²⁾	(18)	(18)	—	—
Net defined benefit asset (liability), net of valuation allowance	\$ 22	\$ 445	\$ (725)	\$ (652)

(1) The actual return on plan assets for the year ended October 31, 2016 was \$556 million (2015: \$237 million).

(2) The valuation allowance reflects the effect of asset ceiling on plans with a net defined benefit asset.

The net defined benefit asset (liability), net of valuation allowance, included in other assets and other liabilities is as follows:

\$ millions, as at October 31	Pension plans		Other post-employment plans	
	2016	2015	2016	2015
Other assets	\$ 187	\$ 517	\$ —	\$ —
Other liabilities ⁽¹⁾	(165)	(72)	(725)	(652)
	\$ 22	\$ 445	\$ (725)	\$ (652)

(1) Excludes nil of other assets (2015: \$1 million) and \$4 million (2015: \$22 million) of other liabilities for other post-employment plans of immaterial subsidiaries.

The defined benefit obligation and plan assets by region are as follows:

\$ millions, as at October 31	Pension plans		Other post-employment plans	
	2016	2015	2016	2015
Defined benefit obligation				
Canada	\$ 6,734	\$ 5,884	\$ 672	\$ 592
U.S., U.K., and the Caribbean	684	650	53	60
Defined benefit obligation at the end of year	\$ 7,418	\$ 6,534	\$ 725	\$ 652
Plan assets				
Canada	\$ 6,676	\$ 6,291	\$ —	\$ —
U.S., U.K., and the Caribbean	782	706	—	—
Plan assets at the end of year	\$ 7,458	\$ 6,997	\$ —	\$ —

Amounts recognized in the consolidated statement of income

The net defined benefit expense for our defined benefit plans in Canada, the U.S., the U.K., and the Caribbean is as follows:

\$ millions, for the year ended October 31	Pension plans			Other post-employment plans		
	2016	2015	2014	2016	2015	2014
Current service cost ⁽¹⁾	\$ 185	\$ 210	\$ 194	\$ 11	\$ 13	\$ 11
Past service cost	(8)	(12)	—	2	—	—
Interest cost on defined benefit obligation	292	291	286	28	30	30
Interest income on plan assets	(319)	(299)	(305)	—	—	—
Interest cost on effect of asset ceiling	1	1	1	—	—	—
Plan administration costs	6	5	6	—	—	—
Gain on settlements	—	(4)	—	—	—	—
Special termination benefits	3	8	—	—	—	—
Net defined benefit plan expense recognized in net income	\$ 160	\$ 200	\$ 182	\$ 41	\$ 43	\$ 41

(1) The 2016 current service cost is calculated using a separate discount rate (4.57%) to reflect the longer duration of future benefits payments associated with the additional year of service to be earned by the plan's active participants. Previously the current service cost was calculated using the same discount rate used to measure the defined benefit obligation for both active and retired participants. The impact of the change was not significant.

Amounts recognized in the consolidated statement of comprehensive income

The net remeasurement (losses) gains recognized in OCI for our defined benefit plans in Canada, the U.S., the U.K., and the Caribbean is as follows:

\$ millions, for the year ended October 31	Pension plans			Other post-employment plans		
	2016	2015	2014	2016	2015	2014
Actuarial (losses) gains on defined benefit obligation arising from:						
Demographic assumptions	\$ 2	\$ 251	\$ (37)	\$ —	\$ 84	\$ (4)
Financial assumptions	(730)	201	(470)	(70)	15	(46)
Experience assumptions	(6)	23	43	10	(4)	4
Net actuarial gains on plan assets	237	(62)	303	—	—	—
Changes in asset ceiling excluding interest income	1	1	—	—	—	—
Net remeasurement (losses) gains recognized in OCI ⁽¹⁾	\$ (496)	\$ 414	\$ (161)	\$ (60)	\$ 95	\$ (46)

(1) Excludes net remeasurement gains recognized in OCI in respect of immaterial subsidiaries not included in the disclosures totalling \$17 million (2015: \$6 million of net losses; 2014: \$10 million of net gains).

Canadian defined benefit plans

As the Canadian defined benefit pension and other post-employment benefit plans represent approximately 90% of our consolidated net defined benefit assets and liabilities and net defined benefit pension expense, they are the subject and focus of the disclosures in the balance of this note.

Disaggregation and maturity profile of defined benefit obligation

The breakdown of the defined benefit obligation for our Canadian plans between active, deferred, and retired members is as follows:

\$ millions, as at October 31	Pension plans		Other post-employment plans	
	2016	2015	2016	2015
Active members	\$ 3,702	\$ 3,252	\$ 192	\$ 154
Deferred members	463	377	n/a	n/a
Retired members	2,569	2,255	480	438
	\$ 6,734	\$ 5,884	\$ 672	\$ 592

n/a Not applicable.

The weighted-average duration of the defined benefit obligation for our Canadian plans is as follows:

As at October 31	Pension plans		Other post-employment plans	
	2016	2015	2016	2015
Weighted-average duration, in years	16.3	15.5	14.5	13.0

Plan assets

The major categories of our defined benefit pension plan assets for our Canadian plans are as follows:

\$ millions, as at October 31	2016		2015	
Asset category ⁽¹⁾				
Canadian equity securities ⁽²⁾	\$ 683	10 %	\$ 852	14 %
Debt securities ⁽³⁾				
Government bonds	2,193	33	1,589	25
Corporate bonds	828	12	614	10
Inflation adjusted bonds	364	6	332	5
	3,385	51	2,535	40
Investment funds ⁽⁴⁾				
Canadian equity funds	47	1	42	1
U.S. equity funds	291	4	383	6
International equity funds ⁽⁵⁾	49	1	50	1
Global equity funds ⁽⁵⁾	955	14	1,239	20
Emerging markets equity funds	282	4	278	4
Fixed income funds	106	2	101	2
	1,730	26	2,093	34
Other ⁽²⁾				
Hedge funds	428	6	422	7
Infrastructure and private equity	266	4	221	3
Cash and cash equivalents and other	184	3	168	2
	878	13	811	12
	\$ 6,676	100 %	\$ 6,291	100 %

(1) Asset categories are based upon risk classification including synthetic exposure through derivatives. The fair value of derivatives as at October 31, 2016 was a net derivative liability of \$42 million (2015: net derivative asset of \$34 million).

(2) Pension benefit plan assets include CIBC issued securities and deposits of \$19 million (2015: \$26 million), representing 0.3% of Canadian plan assets (2015: 0.4%). All of the equity securities held as at October 31, 2016 and 2015 have daily quoted prices in active markets except hedge funds, infrastructure, and private equity.

(3) All debt securities held as at October 31, 2016 and 2015 are investment grade, of which \$117 million (2015: \$98 million) have daily quoted prices in active markets.

(4) \$35 million (2015: \$35 million) of the investment funds and other assets held as at October 31, 2016 have daily quoted prices in active markets (excludes securities held indirectly that have daily quoted prices in active markets).

(5) Global equity funds include North American and international investments, whereas International equity funds do not include North American investments.

Principal actuarial assumptions

The weighted-average principal assumptions used to determine the defined benefit obligation for our Canadian plans are as follows:

As at October 31	Pension plans		Other post-employment plans	
	2016	2015	2016	2015
Discount rate	3.6 %	4.4 %	3.5 %	4.3 %
Rate of compensation increase for the next 5 years ⁽¹⁾	2.3 %	2.5 %	2.3 %	2.5 %
Rate of compensation increase after the next 5 years	2.3 %	3.0 %	2.3 %	3.0 %

(1) Rate of compensation increase for 2016 has been updated to reflect the use of a salary growth rate assumption table that is based on the age and tenure of the employees. The table yields a weighted average salary growth rate of approximately 2.3% per annum.

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevity underlying the values of the defined benefit obligation of our Canadian plans are as follows (in years):

As at October 31	2016	2015
Longevity at age 65 for current retired members		
Males	23.2	23.0
Females	24.7	24.6
Longevity at age 65 for current members aged 45		
Males	24.2	24.1
Females	25.6	25.5

The assumed health-care cost trend rates of the Canadian other post-employment plan providing medical, dental, and life insurance benefits are as follows:

For the year ended October 31	2016	2015
Health-care cost trend rates assumed for next year	5.7 %	5.9 %
Rate to which the cost trend rate is assumed to decline	4.5 %	4.5 %
Year that the rate reaches the ultimate trend rate	2029	2029

Sensitivity analysis

Reasonably possible changes to one of the principal actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation of our Canadian plans as follows:

Estimated increase (decrease) in defined benefit obligation	Pension plans	Other post-employment plans
\$ millions, as at October 31	2016	2016
Discount rate (100 basis point change)		
Decrease in assumption	\$ 1,138	\$ 104
Increase in assumption	(927)	(84)
Rate of compensation increase (100 basis point change)		
Decrease in assumption	(214)	(1)
Increase in assumption	243	1
Health-care cost trend rates (100 basis point change)		
Decrease in assumption	n/a	(33)
Increase in assumption	n/a	38
Future mortality		
1 year shorter life expectancy	(159)	(18)
1 year longer life expectancy	156	18

n/a Not applicable.

The sensitivity analyses presented above are indicative only, and should be considered with caution as they have been calculated in isolation without changing any other assumptions. In practice, changes in one assumption may result in changes in another, which may magnify or counteract the disclosed sensitivities.

Future cash flows

Cash contributions

The most recently completed actuarial valuation of the CIBC Pension Plan for funding purposes was as at October 31, 2015. The next actuarial valuation of this plan for funding purposes will be effective as of October 31, 2016.

The minimum contributions for 2017 are anticipated to be \$170 million for the Canadian defined benefit pension plans and \$29 million for the Canadian other post-employment 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.

Expected future benefit payments

The expected future benefit payments for our Canadian plans for the next 10 years are as follows:

\$ millions, for the year ended October 31	2017	2018	2019	2020	2021	2022 – 2026	Total
Defined benefit pension plans	\$ 285	\$ 287	\$ 297	\$ 306	\$ 314	\$ 1,711	\$ 3,200
Other post-employment plans	29	31	32	34	35	193	354
	\$ 314	\$ 318	\$ 329	\$ 340	\$ 349	\$ 1,904	\$ 3,554

Defined contributions and other plans

We also maintain defined contribution plans for certain employees and make contributions to government pension plans. The expense recognized in the consolidated statement of income for these benefit plans is as follows:

\$ millions, for the year ended October 31	2016	2015	2014
Defined contribution pension plans	\$ 20	\$ 20	\$ 16
Government pension plans ⁽¹⁾	96	96	90
	\$ 116	\$ 116	\$ 106

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

Note 20 | Income taxes**Total income taxes**

\$ millions, for the year ended October 31	2016	2015	2014
Consolidated statement of income			
Provision for current income taxes			
Adjustments for prior years	\$ (44)	\$ (18)	\$ (27)
Current income tax expense	782	713	669
	738	695	642
Provision for deferred income taxes			
Adjustments for prior years	13	13	15
Effect of changes in tax rates and laws	(11)	3	2
Origination and reversal of temporary differences	(22)	(77)	40
	(20)	(61)	57
	718	634	699
OCI	(263)	70	(52)
Total comprehensive income	\$ 455	\$ 704	\$ 647

Components of income tax

\$ millions, for the year ended October 31	2016	2015	2014
Current income taxes			
Federal	\$ 394	\$ 358	\$ 340
Provincial	259	246	236
Foreign	45	107	42
	698	711	618
Deferred income taxes			
Federal	(129)	80	(23)
Provincial	(89)	54	(16)
Foreign	(25)	(141)	68
	(243)	(7)	29
	\$ 455	\$ 704	\$ 647

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 to be nil.

The effective rates of income tax in the consolidated statement of income are different from the combined Canadian federal and provincial income tax rates as set out in the following table:

Reconciliation of income taxes

\$ millions, for the year ended October 31	2016		2015 ⁽¹⁾		2014 ⁽¹⁾	
Combined Canadian federal and provincial income tax rate applied to income before income taxes	\$ 1,328	26.5 %	\$ 1,115	26.4 %	\$ 1,033	26.4 %
Income taxes adjusted for the effect of:						
Earnings of foreign subsidiaries	(152)	(3.0)	(87)	(2.0)	15	0.4
Tax-exempt income	(348)	(7.0)	(358)	(8.5)	(310)	(7.9)
Disposition	(76)	(1.5)	—	—	(7)	(0.2)
Changes in income tax rate on deferred tax balances	(11)	(0.2)	3	0.1	2	0.1
Impact of equity-accounted income	(24)	(0.5)	(41)	(1.0)	(36)	(0.9)
Other	1	— ⁽²⁾	2	— ⁽²⁾	2	— ⁽²⁾
Income taxes in the consolidated statement of income	\$ 718	14.3 %	\$ 634	15.0 %	\$ 699	17.9 %

(1) Certain information has been reclassified to conform to the presentation adopted in the current year.

(2) Due to rounding.

Deferred income tax assets**Sources of and movement in deferred tax assets and liabilities***Deferred tax assets*

\$ millions, for the year ended October 31		Allowance for credit losses	Buildings and equipment	Pension and employee benefits	Provisions	Securities revaluation	Tax loss carry- forwards ⁽¹⁾	Unearned income	Other	Total assets
2016	Balance at beginning of year	\$ 208	\$ 81	\$ 353	\$ 25	\$ 2	\$ 62	\$ 101	\$ 1	\$ 833
	Recognized in net income	18	2	13	7	7	—	16	1	64
	Recognized in OCI	—	—	155	—	16	—	—	—	171
	Other ⁽²⁾	1	5	(1)	(1)	—	8	(2)	—	10
	Balance at end of year	\$ 227	\$ 88	\$ 520	\$ 31	\$ 25	\$ 70	\$ 115	\$ 2	\$ 1,078
2015	Balance at beginning of year	\$ 200	\$ 72	\$ 430	\$ 23	\$ 10	\$ 73	\$ 106	\$ 5	\$ 919
	Recognized in net income	4	(2)	36	1	(6)	(18)	(8)	(5)	2
	Recognized in OCI	—	—	(122)	—	—	—	—	—	(122)
	Other ⁽²⁾	4	11	9	1	(2)	7	3	1	34
	Balance at end of year	\$ 208	\$ 81	\$ 353	\$ 25	\$ 2	\$ 62	\$ 101	\$ 1	\$ 833
2014	Balance at beginning of year	\$ 203	\$ 72	\$ 313	\$ 26	\$ 21	\$ 87	\$ 104	\$ 1	\$ 827
	Recognized in net income	(3)	—	63	(3)	(13)	(14)	2	2	34
	Recognized in OCI	—	—	54	—	2	—	—	—	56
	Other ⁽²⁾	—	—	—	—	—	—	—	2	2
	Balance at end of year	\$ 200	\$ 72	\$ 430	\$ 23	\$ 10	\$ 73	\$ 106	\$ 5	\$ 919

Deferred tax liabilities

\$ millions, for the year ended October 31		Intangible assets	Buildings and equipment	Pension and employee benefits	Goodwill	Securities revaluation	Lease receivables	Foreign currency	Other	Total liabilities
2016	Balance at beginning of year	\$ (124)	\$ (49)	\$ (13)	\$ (81)	\$ (29)	\$ —	\$ (38)	\$ (20)	\$ (354)
	Recognized in net income	(33)	5	8	(6)	(29)	—	—	11	(44)
	Recognized in OCI	—	—	(5)	—	(8)	—	62	4	53
	Other ⁽²⁾	(1)	(1)	2	(1)	12	—	—	6	17
	Balance at end of year	\$ (158)	\$ (45)	\$ (8)	\$ (88)	\$ (54)	\$ —	\$ 24	\$ 1	\$ (328)
2015	Balance at beginning of year	\$ (104)	\$ (44)	\$ (9)	\$ (72)	\$ (110)	\$ (47)	\$ (27)	\$ (29)	\$ (442)
	Recognized in net income	(18)	(5)	5	(9)	7	55	—	24	59
	Recognized in OCI	—	—	(7)	—	76	—	—	(1)	68
	Other ⁽²⁾	(2)	—	(2)	—	(2)	(8)	(11)	(14)	(39)
	Balance at end of year	\$ (124)	\$ (49)	\$ (13)	\$ (81)	\$ (29)	\$ —	\$ (38)	\$ (20)	\$ (354)
2014	Balance at beginning of year	\$ (76)	\$ (38)	\$ (8)	\$ (70)	\$ (40)	\$ (60)	\$ (26)	\$ (16)	\$ (334)
	Recognized in net income	(28)	(6)	(1)	(2)	(44)	13	—	(23)	(91)
	Recognized in OCI	—	—	—	—	(26)	—	(1)	—	(27)
	Other ⁽²⁾	—	—	—	—	—	—	—	10	10
	Balance at end of year	\$ (104)	\$ (44)	\$ (9)	\$ (72)	\$ (110)	\$ (47)	\$ (27)	\$ (29)	\$ (442)

Net deferred tax assets as at October 31, 2016**\$ 750**

Net deferred tax assets as at October 31, 2015

\$ 479

Net deferred tax assets as at October 31, 2014

\$ 477

(1) The tax loss carryforwards include \$70 million (2015: \$35 million; 2014: \$40 million) that relate to operating losses (of which \$63 million relate to the U.S., \$1 million relate to Canada and \$5 million relate to other jurisdictions) that expire in various years commencing in 2017, and nil (2015: \$27 million; 2014: \$33 million) that relate to Canadian capital losses that never expire.

(2) Includes foreign currency translation adjustments.

Deferred tax assets and liabilities are assessed by entity for presentation in our consolidated balance sheet. As a result, the net deferred tax assets of \$750 million (2015: \$479 million) are presented in the consolidated balance sheet as deferred tax assets of \$771 million (2015: \$507 million) and deferred tax liabilities of \$21 million (2015: \$28 million).

Unrecognized tax losses

The amount of unused tax losses for which deferred tax assets have not been recognized was \$1,123 million as at October 31, 2016 (2015: \$975 million) of which nil (2015: \$92 million) has no expiry date, and of which \$1,123 million (2015: \$883 million) expires within 10 years.

Enron

In prior years, the Canada Revenue Agency issued reassessments disallowing the deduction of approximately \$3 billion of the 2005 Enron settlement payments and related legal expenses. The matter is currently in litigation. The Tax Court of Canada trial on the deductibility of the Enron payments is expected to commence in late 2017.

Should we successfully defend our tax filing position in its entirety, we would recognize an additional accounting tax benefit of \$231 million and taxable refund interest of approximately \$190 million. Should we fail to defend our position in its entirety, we would incur an additional tax expense of approximately \$820 million and non-deductible interest of approximately \$157 million.

Dividend Received Deduction

In June 2016, the Canada Revenue Agency reassessed CIBC for approximately \$118 million of additional income tax by denying the tax deductibility of certain 2011 Canadian corporate dividends on the basis that they were part of a "dividend rental arrangement". The circumstances of the dividends subject to the reassessment are similar to those prospectively addressed by the rules in the 2015 Canadian federal budget. CIBC is confident that its tax filing position was appropriate and intends to defend itself vigorously. Accordingly, no amounts have been accrued in the consolidated financial statements.

Note 21 | Earnings per share

\$ millions, except per share amounts, for the year ended October 31	2016	2015	2014
Basic EPS			
Net income attributable to equity shareholders	\$ 4,275	\$ 3,576	\$ 3,218
Less: Preferred share dividends and premiums	38	45	87
Net income attributable to common shareholders	4,237	3,531	3,131
Weighted-average common shares outstanding (thousands)	395,389	397,213	397,620
Basic EPS	\$ 10.72	\$ 8.89	\$ 7.87
Diluted EPS			
Net income attributable to common shareholders	\$ 4,237	\$ 3,531	\$ 3,131
Weighted-average common shares outstanding (thousands)	395,389	397,213	397,620
Add: Stock options potentially exercisable ⁽¹⁾ (thousands)	530	619	800
Weighted-average diluted common shares outstanding (thousands)	395,919	397,832	398,420
Diluted EPS	\$ 10.70	\$ 8.87	\$ 7.86

(1) Excludes average options outstanding of 1,304,880 with a weighted-average exercise price of \$99.80; average options outstanding of 754,144 with a weighted-average exercise price of \$100.50; and average options outstanding of 288,542 with a weighted-average exercise price of \$96.36 for the years ended October 31, 2016, 2015, and 2014, respectively, as the options' exercise prices were greater than the average market price of common shares.

Note 22 | Commitments, guarantees and pledged assets**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 presented 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 additional 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.

\$ millions, as at October 31	Contract amounts	
	2016	2015
Securities lending ⁽¹⁾	\$ 38,657	\$ 32,169
Unutilized credit commitments ⁽²⁾	186,406	175,649
Backstop liquidity facilities	8,842	5,941
Standby and performance letters of credit	12,377	11,155
Documentary and commercial letters of credit	217	327
Other	282	278
	\$ 246,781	\$ 225,519

(1) Excludes securities lending of \$2.5 billion (2015: \$1.4 billion) for cash because it is reported on the consolidated balance sheet.

(2) Includes \$105.0 billion (2015: \$97.1 billion) of personal, home equity and credit card lines, which are unconditionally cancellable at our discretion.

In addition, the client securities lending of the joint ventures which CIBC has with The Bank of New York Mellon totalled \$81.5 billion (2015: \$78.3 billion) of which \$8.5 billion (2015: \$7.7 billion) are transactions between CIBC and the joint ventures.

CIBC has provided indemnities to customers of the joint ventures in respect of securities lending transactions with third parties amounting to \$71.0 billion (2015: \$69.1 billion).

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, Safe Trust, Sure 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.

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.

Operating lease commitments⁽¹⁾

Future minimum lease payments and receipts for operating lease commitments for each of the five succeeding years and thereafter are as follows:

\$ millions, as at October 31, 2016	Operating leases	
	Payments	Receipts ⁽²⁾
2017	\$ 430	\$ 122
2018	398	123
2019	347	124
2020	287	124
2021	227	128
2022 and thereafter	1,026	1,472

(1) Total rental expense (excluding servicing agreements) in respect of buildings and equipment was \$445 million (2015: \$432 million; 2014: \$407 million).

(2) Includes sub-lease income from a finance lease property, a portion of which is rented out and considered an investment property.

Finance lease commitments⁽¹⁾

Future minimum lease payments for finance lease commitments for each of the five succeeding years and thereafter are as follows:

\$ millions, as at October 31, 2016	
2017	\$ 57
2018	55
2019	53
2020	51
2021	49
2022 and thereafter	379
	644
Less: Future interest charges	226
Present value of finance lease commitments	\$ 418

(1) Total interest expense related to finance lease arrangements was \$30 million (2015: \$30 million; 2014: \$28 million).

Other commitments

As an investor in merchant banking activities, we enter into commitments to fund external private equity funds. In connection with these activities, we had commitments to invest up to \$145 million (2015: \$143 million).

In addition, we act as underwriter for certain new issuances under which we alone or together with a syndicate of financial institutions purchase these new issuances for resale to investors. As at October 31, 2016, the related underwriting commitments were \$196 million (2015: \$687 million).

Guarantees and other indemnification agreements

Guarantees

A guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor failed to make payment when due in accordance with the original or modified terms of a debt instrument. Guarantees include standby and performance letters of credit as discussed above, and credit derivatives protection sold, as discussed in Note 12.

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. Amounts are accrued when we have a present legal or constructive obligation as a result of a past event, when it is both probable that an outflow of economic benefits will be required to resolve the matter, and when a reliable estimate can be made of the amount of the obligation. 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. Amounts related to these indemnifications, representations, and warranties reflected within the consolidated financial statements as at October 31, 2016 and 2015 are not significant.

Pledged assets

In the ordinary course of business, we pledge our own assets, or may sell or re-pledge third-party assets against liabilities, or to facilitate certain activities, pursuant to agreements permitting such re-pledging of third-party assets where required.

The following table presents the carrying value of the sources and uses of our own pledged assets and collateral:

\$ millions, as at October 31	2016	2015
Sources of pledged assets and collateral ⁽¹⁾		
Deposits with banks	\$ 11	\$ 16
Securities	23,690	24,603
NHA mortgage-backed securities ⁽²⁾	20,996	23,114
Mortgages	14,227	11,962
Credit cards ⁽³⁾	4,245	4,782
Other assets	6,022	5,460
	\$ 69,191	\$ 69,937
Uses of pledged assets and collateral		
Securities lent	\$ 19,564	\$ 16,864
Obligations related to securities lent or sold under repurchase agreements	2,326	3,492
Secured borrowings	39,484	39,644
Derivative transactions ⁽⁴⁾	6,074	8,658
Foreign governments and central banks ⁽⁵⁾	691	366
Clearing systems, payment systems, depositories, and other ⁽⁵⁾	1,052	913
	\$ 69,191	\$ 69,937

(1) Does not include over-collateralization of assets pledged.

(2) Includes certain cash in transit balances related to the securitization process.

(3) These assets are held in consolidated securitization trusts and support funding liabilities of \$4.2 billion with a fair value of \$4.2 billion (2015: \$4.8 billion with a fair value of \$4.8 billion).

(4) Comprises margins for exchange-traded futures and options, clearing house settled swap contracts, and collateralized derivative transactions.

(5) 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 as they are normally released back to us at the end of the settlement cycle each day.

The following table presents the uses of third-party pledged assets and collateral available for sale or re-pledging:

\$ millions, as at October 31	2016	2015
Collateral received and available for sale or re-pledging	\$ 73,724	\$ 66,561
Less: not sold or re-pledged	28,589	33,609
	\$ 45,135	\$ 32,952
Uses of pledged assets and collateral		
Securities lent	\$ 19,093	\$ 15,305
Obligations related to securities lent or sold under repurchase agreements	11,886	6,851
Obligations related to securities sold short	10,338	9,806
Derivative transactions ⁽¹⁾	3,818	990
	\$ 45,135	\$ 32,952

(1) Comprises margins for exchange-traded futures and options, clearing house settled swap contracts, and collateralized derivative transactions.

In addition, see the "Commitments" section above for details on the client securities lending of the joint ventures which CIBC has with The Bank of New York Mellon.

Securities collateral

Client securities collateral that is available for sale or re-pledging 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.

Note 23 | Contingent liabilities and provision

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

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

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

CIBC believes the estimate of the aggregate range of reasonably possible losses, in excess of the amounts accrued, for its significant legal proceedings, where it is possible to make such an estimate, is from nil to approximately \$1.4 billion as at October 31, 2016. This estimated aggregate range of reasonably possible losses is based upon currently available information for those significant proceedings in which CIBC is involved, taking into account CIBC's best estimate of such losses for those cases for which an estimate can be made. CIBC's estimate involves significant judgment, given the varying stages of the

proceedings and the existence of multiple defendants in many of such proceedings whose share of the liability has yet to be determined. The range does not include potential punitive damages and interest. The matters underlying the estimated range as at October 31, 2016, consist of the significant legal matters disclosed below. The matters underlying the estimated range will change from time to time, and actual losses may vary significantly from the current estimate. For certain matters, CIBC does not believe that an estimate can currently be made as many of them are in preliminary stages and certain matters have no specific amount claimed. Consequently, these matters are not included in the range.

The following is a description of CIBC's significant legal proceedings, which we intend to vigorously defend.

Green v. Canadian Imperial Bank of Commerce, et al.

In July 2008, a shareholder plaintiff commenced this proposed class action in the Ontario Superior Court of Justice against CIBC and several former and current CIBC officers and directors. It alleges that CIBC and the individual officers and directors violated the *Ontario Securities Act* through material misrepresentations and non-disclosures relating to CIBC's exposure to the U.S. sub-prime mortgage market. The plaintiffs instituted this action on behalf of all CIBC shareholders in Canada who purchased shares between May 31, 2007 and February 28, 2008. The action seeks damages of \$10 billion. In July 2012, the plaintiffs' motions for leave to file the statement of claim and for class certification were dismissed by the Ontario Superior Court of Justice. In February 2014, the Ontario Court of Appeal released its decision overturning the lower court and allowing the matter to proceed as a certified class action. In August 2014, CIBC and the individual defendants were granted leave to appeal to the Supreme Court of Canada. The defendants' appeal to the Supreme Court of Canada was heard on February 9, 2015. In December 2015, the Supreme Court of Canada upheld the Ontario Court of Appeal's decision allowing the matter to proceed as a certified class action.

Fresco v. Canadian Imperial Bank of Commerce Gaudet v. Canadian Imperial Bank of Commerce

In June 2007, two proposed class actions were filed against CIBC in the Ontario Superior Court of Justice (Fresco v. CIBC) and in the Quebec Superior Court (Gaudet v. CIBC). Each makes identical claims for unpaid overtime for full-time, part-time, and retail frontline non-management employees. The Ontario action seeks \$500 million in damages plus \$100 million in punitive damages for all employees in Canada, while the Quebec action is limited to employees in Quebec and has been stayed pending the outcome of the Ontario action. In June 2009, in the Ontario action, the motion judge denied certification of the matter as a class action. In September 2010, the Ontario Divisional Court upheld the motion judge's denial of the plaintiff's certification motion and the award of costs to CIBC by a two to one majority. In January 2011, the Ontario Court of Appeal granted the plaintiff leave to appeal the decision denying certification. In June 2012, the Ontario Court of Appeal overturned the lower court and granted certification of the matter as a class action. The Supreme Court of Canada released its decision in March 2013 denying CIBC leave to appeal certification of the matter as a class action, and denying the plaintiff's cross appeal on aggregate damages.

Credit card class actions – Quebec Consumer Protection Act:

Marcotte v. Bank of Montreal, et al.

Corriveau v. Amex Bank of Canada, et al.

Lamoureux v. Bank of Montreal, et al.

St. Pierre v. Bank of Montreal, et al.

Marcotte v. Bank of Montreal, et al. (II)

Giroux v. Royal Bank of Canada, et al.

Since 2004, a number of proposed class actions have been filed in the Quebec Superior Court against CIBC and numerous other financial institutions. The actions, brought on behalf of cardholders, allege that the financial institutions are in breach of certain provisions of the Quebec *Consumer Protection Act* (CPA). The alleged violations include charging fees on foreign currency transactions, charging fees on cash advances, increasing credit limits without the cardholder's express consent, and failing to allow a 21-day grace period before posting charges to balances upon which interest is calculated. CIBC and the other defendant banks are jointly raising a constitutional challenge to the CPA on the basis that banks are not required to comply with provincial legislation because banking and cost of borrowing disclosure is a matter of exclusive federal jurisdiction.

The first of these class actions (Marcotte v. Bank of Montreal, et al.), which alleges that charging cardholders fees on foreign currency transactions violates the CPA, went to trial in 2008. In a decision released in June 2009, the trial judge found in favour of the plaintiffs concluding that the CPA is constitutionally applicable to federally regulated financial institutions and awarding damages against all the defendants. The court awarded compensatory damages against CIBC in the amount of \$38 million plus an additional sum to be determined at a future date. The court awarded punitive damages against a number of the other defendants, but not against CIBC. CIBC and the other financial institutions appealed this decision. The appeal was heard by the Quebec Court of Appeal in September 2011. In August 2012, the Quebec Court of Appeal allowed the defendant banks' appeals in part and overturned the trial judgment against CIBC. The plaintiffs and some of the defendant banks appealed to the Supreme Court of Canada, and that appeal was heard in February 2014. On September 19, 2014, the Supreme Court of Canada found that the relevant provisions of the Quebec CPA were constitutionally applicable to the banks, but that CIBC is not liable for damages because it fully complied with the Quebec CPA.

The *Giroux* and *Marcotte II* proposed class actions were discontinued in January 2015.

The *Lamoureux*, *St. Pierre* and *Corriveau* actions have been settled subject to a court approval hearing in December 2016. Pursuant to the proposed settlement CIBC will pay \$4.25 million to settle these three actions.

Credit card class actions – Interchange fees litigation:

Bancroft-Snell v. Visa Canada Corporation, et al.
 9085-4886 Quebec Inc. v. Visa Canada Corporation, et al.
 Watson v. Bank of America Corporation, et al.
 Fuze Salon v. BofA Canada Bank, et al.
 1023926 Alberta Ltd. v. Bank of America Corporation, et al.
 The Crown & Hand Pub Ltd. v. Bank of America Corporation, et al.
 Hello Baby Equipment Inc. v. BofA Canada Bank, et al.

Since 2011 seven proposed class actions have been commenced against VISA Canada Corporation (Visa), MasterCard International Incorporated (MasterCard), CIBC and numerous other financial institutions. The actions, brought on behalf of all merchants who accepted payment by Visa or MasterCard from March 23, 2001 to the present, allege two “separate, but interrelated” conspiracies; one in respect of Visa and one in respect of MasterCard. The claims allege that Visa and MasterCard conspired with their issuing banks to set default interchange rate and merchant discount fees and that certain rules (Honour All Cards and No Surcharge) have the effect of increasing the merchant discount fees. The claims allege civil conspiracy, violation of the Competition Act, interference with economic interests and unjust enrichment. The claims seek unspecified general and punitive damages. The motion for class certification in *Watson* was granted in March 2014. The appeal of the decision granting class certification was heard in December 2014. In August 2015, the British Columbia Court of Appeal allowed the appeals in part, resulting in certain causes of action being struck and others being reinstated. The matter remains certified as a class action. The trial in *Watson* is scheduled to commence in September 2018.

Mortgage prepayment class actions:

Jordan v. CIBC Mortgages Inc.
 Lamarre v. CIBC Mortgages Inc.
 Sherry v. CIBC Mortgages Inc.

In 2011, three proposed class actions were filed in the Superior Courts of Ontario, Quebec and British Columbia against CIBC Mortgages Inc. The representative plaintiffs allege that since 2005 CIBC Mortgages Inc. wrongfully charged or overcharged mortgage prepayment penalties and that the calculation clauses in the mortgage contract that provide for discretion in applying the prepayment penalties are void and unenforceable at law. The motion for class certification in *Sherry* was granted in June 2014 conditional on the plaintiffs framing a workable class definition. In July 2014 CIBC filed a Notice of Appeal. CIBC’s appeal of the certification decision in *Sherry* was heard in April 2016. The court reserved its decision. In June 2016, the British Columbia Court of Appeal allowed the appeal in *Sherry* in part, resulting in certain causes of action being struck. *Sherry* remains certified as a class action. Neither party has sought leave to appeal to the Supreme Court of Canada.

Oppenheimer Holdings Inc., Oppenheimer & Co. Inc. and OPY Credit Corp v. Canadian Imperial Bank of Commerce and CIBC World Markets Corp.

In March 2013, a claim was filed in New York State Supreme Court against CIBC by Oppenheimer Holdings Inc., Oppenheimer & Co. Inc. (Oppenheimer) and OPY Credit Corp. seeking damages of US\$176 million relating to an alleged breach of a credit facility that Canadian Imperial Bank of Commerce entered into with OPY Credit Corp. in January 2008 (*Oppenheimer Holdings Inc. v. Canadian Imperial Bank of Commerce*). In November 2013, the court dismissed all claims brought by Oppenheimer Holdings Inc. and Oppenheimer & Co. and reduced the claim to one cause of action, a claim by OPY Credit Corp. alleging that Canadian Imperial Bank of Commerce breached the credit facility. In January 2014, plaintiffs filed an amended complaint again asserting claims relating to alleged breaches of the credit facility, as well as claims relating to an asset purchase agreement between Oppenheimer Holdings Inc. and Oppenheimer & Co., and Canadian Imperial Bank of Commerce and CIBC World Markets Corp. In October 2014, the court granted CIBC’s motion to dismiss in part, narrowing the claims against CIBC. This case continues to proceed.

Barbero v. Royal Bank of Canada, et al

In April 2015, a proposed class action was filed in the Supreme Court of British Columbia against CIBC, Royal Bank of Canada, Toronto-Dominion Bank, Bank of Montreal and Bank of Nova Scotia. The action is brought on behalf of residents of British Columbia who allege they were charged by the defendants a monthly premium or fee for credit protection without their consent or authorization at any time. The plaintiff alleges that the defendants employ uniform, unfair, fraudulent and unlawful marketing practices to enroll customers who receive no meaningful benefit from the product. The claim seeks a refund of the premiums, charges or fees received from customers and unspecified general and punitive damages. The motion for class certification is scheduled for February 2017.

Cerberus Capital Management L.P. v. CIBC

In October 2015, Securitized Asset Funding 2011-2, LTD., a special purpose investment vehicle affiliated with Cerberus Capital Management L.P. (collectively “Cerberus”), commenced a Federal Court action in New York against CIBC seeking unspecified damages of “at least hundreds of millions of dollars”. The action relates to two transactions in 2008 and 2011 in which CIBC issued a limited recourse note and certificate to Cerberus which significantly reduced CIBC’s exposure to the U.S. residential real estate market. The complaint alleges that CIBC breached its contract with Cerberus by failing to appropriately calculate and pay with respect to two of the payment streams due under the 2008 note and 2011 certificate.

In November 2015, Cerberus voluntarily dismissed the Federal Court action and filed a new action asserting the same claims in New York State Court. In January 2016, CIBC served its Answer and Counterclaims. In March 2016, Cerberus filed a motion for summary judgment and sought to stay discovery. In April 2016, the court directed the parties to start discovery. The court has not set a date for hearing the summary judgment motion.

Valeant class actions:

Catucci v. Valeant Pharmaceuticals International Inc., et al.
 Potter v. Valeant Pharmaceuticals International Inc., et al.

In March 2016, a proposed class action was filed in the Quebec Superior Court on behalf of purchasers of shares in Valeant Pharmaceuticals International Inc. against the issuer, its directors and officers, its auditors and the underwriting syndicates for six public offerings from 2013 to 2015. CIBC World Markets Corp. was part of the underwriting syndicate for three of the offerings (underwriting 1.5% of a US\$1.6 billion offering in June 2013, 1.5% of a US\$900 million offering in December 2013 and 0.625% of an offering comprising US\$5.25 billion and €1.5 billion in March 2015). The proposed class action alleges various misrepresentations on the part of Valeant and the other defendants, including representations made in the prospectus of the public offerings, relating to Valeant’s relationships with various “specialty pharmacies” who were allegedly acting improperly in the distribution of Valeant’s products resulting in Valeant’s operational results, revenues, and share price during the relevant period being artificially inflated. In July 2016, a similar

proposed class action (*Potter v. Valeant Pharmaceuticals International Inc., et al.*) was commenced in New Jersey Federal Court. The motion for class certification in *Catucci* is scheduled for April 2017.

In re PrivateBancorp Shareholder Litigation

Following the announcement of the proposed acquisition of PrivateBancorp, Inc., three proposed class actions were filed on behalf of PrivateBancorp, Inc. shareholders in the Circuit Court of Cook County, Illinois: *Solak v. Richman, et al.*, *Parshall v. PrivateBancorp, Inc., et al.*, and *Griffin v. PrivateBancorp, Inc., et al.* All of the actions name as defendants PrivateBancorp, Inc. and the members of its board of directors, and assert that the directors breached their fiduciary duties in connection with the transaction. One such case (*Griffin*) further asserts that PrivateBancorp, Inc. aided and abetted its directors' alleged breaches. Two of the actions (*Parshall* and *Griffin*) also name as defendants CIBC, and assert that it, too, aided and abetted the directors' purported breaches. The actions broadly allege that the transaction was the result of a flawed process, that the price is unfair, and that certain provisions of the merger agreement might dissuade a potential suitor from making a competing offer, among other things. Plaintiffs seek injunctive and other relief, including damages. CIBC believes the demands and complaints are without merit and there are substantial legal and factual defenses to the claims asserted. In Q4 2016, the matters were amended and consolidated as *In re Privatebancorp Shareholder Litigation*.

Legal provisions

The following table presents changes in our legal provisions:

\$ millions, for the year ended October 31	2016	2015
Balance at beginning of year	\$ 27	\$ 39
Additional new provisions recognized	106	12
Less:		
Amounts incurred and charged against existing provisions	(9)	(22)
Unused amounts reversed	(6)	(2)
Balance at end of year	\$ 118	\$ 27

The additional new provisions recognized in 2016 include \$76 million in respect of a no-contest settlement agreement reached with the Ontario Securities Commission (OSC) in relation to a matter resulting in reimbursements to certain clients. CIBC discovered and self-reported this matter to the OSC. The no-contest settlement agreement was approved by the OSC pursuant to an order dated October 28, 2016 and represents a legal obligation at the end of the current year.

Restructuring

During 2015, we recorded cumulative restructuring charges of \$296 million in Corporate and Other. The charges primarily related to employee severance and included Program Clarity, a bank-wide priority focused on simplifying our bank. The charges also included restructuring costs related to CIBC FirstCaribbean, which included charges related to the sale by CIBC FirstCaribbean of its Belize banking operations.

In the fourth quarter of 2016 we recorded additional restructuring charges of \$134 million as we continue to implement initiatives focused on simplifying our bank.

The following table presents changes in the restructuring provision:

\$ millions, for the year ended October 31	2016	2015
Balance at beginning of year	\$ 244	\$ –
Additional new provisions recognized	158	296
Less:		
Amounts incurred and charged against existing provisions	(122)	(52)
Unused amounts reversed	(24)	–
Balance at end of year	\$ 256	\$ 244

While the amount of \$256 million recognized represents our best estimate as at October 31, 2016 of the amount required to settle the obligation, uncertainty exists with respect to when the obligation will be settled and the amounts that will ultimately be paid, as this will largely depend upon individual facts and circumstances.

Note 24 | Concentration of credit risk

Concentration 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

	2016				2015			
	Canada	U.S.	Other countries	Total	Canada	U.S.	Other countries	Total
On-balance sheet								
Major assets ⁽¹⁾⁽²⁾⁽³⁾	\$ 387,354	\$ 59,457	\$ 36,130	\$ 482,941	\$ 345,718	\$ 62,760	\$ 35,798	\$ 444,276
Off-balance sheet								
Credit-related arrangements								
Financial institutions	\$ 45,464	\$ 6,187	\$ 3,578	\$ 55,229	\$ 39,781	\$ 3,496	\$ 3,781	\$ 47,058
Governments	5,894	66	108	6,068	4,912	—	47	4,959
Retail	114,834	—	415	115,249	105,967	3	285	106,255
Corporate	51,512	13,326	5,397	70,235	48,749	11,886	6,612	67,247
	\$ 217,704	\$ 19,579	\$ 9,498	\$ 246,781	\$ 199,409	\$ 15,385	\$ 10,725	\$ 225,519
Derivative instruments ⁽⁴⁾⁽⁵⁾								
By counterparty type								
Financial institutions ⁽⁶⁾	\$ 6,384	\$ 4,029	\$ 7,766	\$ 18,179	\$ 6,037	\$ 3,467	\$ 7,502	\$ 17,006
Governments	5,275	—	5	5,280	5,379	—	39	5,418
Corporate	1,612	859	929	3,400	1,675	458	999	3,132
	13,271	4,888	8,700	26,859	13,091	3,925	8,540	25,556
Less: effect of netting	(9,225)	(3,594)	(5,146)	(17,965)	(8,466)	(3,104)	(5,490)	(17,060)
Total derivative instruments	\$ 4,046	\$ 1,294	\$ 3,554	\$ 8,894	\$ 4,625	\$ 821	\$ 3,050	\$ 8,496

(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 \$378.5 billion (2015: \$344.0 billion) and foreign currencies of \$104.4 billion (2015: \$100.3 billion).

(3) Includes loans and acceptances, net of allowance for credit losses, totalling \$319.8 billion (2015: \$291.0 billion). No industry or foreign jurisdiction accounts for more than 10% of this amount.

(4) Also included in the on-balance sheet major assets in the table.

(5) Does not include exchange-traded derivatives of \$903 million (2015: \$786 million).

(6) Includes positive fair value (net of CVA) of \$3 million (2015: \$12 million) on notional amounts of \$0.4 billion (2015: \$1.2 billion) with financial guarantors.

In addition, see Note 22 for details on the client securities lending of the joint ventures which CIBC has with The Bank of New York Mellon.

Also see shaded sections in "MD&A – Management of risk" for a detailed discussion on our credit risk.

Note 25 | 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 unrelated parties. Related parties include key management personnel⁽¹⁾, their close family members, and entities that they or their close family members control or jointly control. Related parties also include associates and joint ventures accounted for under the equity method, and post-employment benefit plans for CIBC employees. Loans to these related parties are made in the ordinary course of business and on substantially the same terms as for comparable transactions with unrelated parties. As CIBC's subsidiaries are consolidated, transactions with these entities have been eliminated and are not reported as related-party transactions. We offer a subsidy on annual fees and preferential interest rates on credit card balances to senior officers which is the same offer extended to all employees of CIBC.

Key management personnel and their affiliates

As at October 31, 2016, loans to key management personnel⁽¹⁾ and their close family members and to entities that they or their close family members control or jointly control totalled \$140 million (2015: \$73 million), letters of credit and guarantees totalled \$2 million (2015: \$1 million), and undrawn credit commitments totalled \$46 million (2015: \$37 million).

These outstanding balances are generally unsecured and we have no provision for credit losses relating to these amounts for the years ended October 31, 2016 and 2015.

(1) Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of CIBC directly or indirectly and comprise the members of the Board (referred to as directors); and Executive Committee (ExCo) and certain named officers per the *Bank Act* (Canada) (collectively referred to as senior officers). Board members who are also ExCo members are included as senior officers.

Compensation of key management personnel

\$ millions, for the year ended October 31	2016		2015	
	Directors	Senior officers	Directors	Senior officers
Short-term benefits ⁽¹⁾	\$ 2	\$ 22	\$ 2	\$ 23
Post-employment benefits	–	3	–	2
Share-based benefits ⁽²⁾	2	27	2	21
Termination benefits	–	–	–	7
Total compensation	\$ 4	\$ 52	\$ 4	\$ 53

(1) Comprises salaries, statutory and non-statutory benefits related to senior officers and fees related to directors recognized during the year. Also includes annual incentive plan payments related to senior officers on a cash basis.

(2) Comprises grant-date fair values of awards granted in the year.

Refer to the following Notes for additional details on related-party transactions:

Share-based payment plans

See Note 18 for details of these plans offered to directors and senior officers.

Post-employment benefit plans

See Note 19 for related-party transactions between CIBC and the post-employment benefit plans.

Equity-accounted associates and joint ventures

See Note 26 for details of our equity-accounted associates and joint ventures.

Note 26 | Investments in equity-accounted associates and joint ventures

Joint ventures

CIBC is a 50/50 joint venture partner with The Bank of New York Mellon in two joint ventures: CIBC Mellon Trust Company and CIBC Mellon Global Securities Services Company, which provide trust and asset servicing, both in Canada. As at October 31, 2016, the carrying value of our investments in the joint ventures was \$380 million (2015: \$343 million), which was included in Corporate and Other.

As at October 31, 2016, loans to the joint ventures totalled \$50 million (2015: nil) and undrawn credit commitments totalled \$78 million (2015: \$128 million).

CIBC, The Bank of New York Mellon, and CIBC Mellon have, jointly and severally, provided indemnities to customers of the joint ventures in respect of securities lending transactions. See Note 22 for additional details.

There was no unrecognized share of losses of any joint ventures, either for the year or cumulatively. In 2016 and 2015, none of our joint ventures experienced any significant restrictions to transfer funds in the form of cash dividends or distributions, or repayment of loans or advances.

The following table provides the summarized aggregate financial information related to our proportionate interest in the equity-accounted joint ventures:

\$ millions, for the year ended October 31	2016	2015	2014
Net income	\$ 64	\$ 57	\$ 50
OCI	2	(2)	2
Total comprehensive income	\$ 66	\$ 55	\$ 52

Associates

As at October 31, 2016, the total carrying value of our investments in associates was \$386 million (2015: \$1,504 million). These investments comprise: listed associates with a carrying value of \$201 million (2015: \$193 million) and a fair value of \$223 million (2015: \$166 million); and unlisted associates with a carrying value of \$185 million (2015: \$1,311 million) and a fair value of \$198 million (2015: \$1,649 million). Of the total carrying value of our investments in associates, \$2 million (2015: nil) was included in Retail and Business Banking, \$33 million (2015: \$1,169 million) in Wealth Management, \$330 million (2015: \$316 million) in Capital Markets, and \$21 million (2015: \$19 million) in Corporate and Other.

As at October 31, 2016, loans to associates totalled nil (2015: \$12 million) and undrawn credit commitments totalled \$153 million (2015: \$132 million). We also had commitments to invest up to nil (2015: \$1 million) in our associates.

There was no unrecognized share of losses of any associate, either for the year or cumulatively. In 2016 and 2015, none of our associates experienced any significant restrictions to transfer funds in the form of cash dividends or distributions, or repayment of loans or advances.

The following table provides the summarized aggregate financial information related to our proportionate interest in equity-accounted associates:

\$ millions, for the year ended October 31	2016	2015	2014
Net income	\$ 32	\$ 120	\$ 176
OCI	4	(3)	14
Total comprehensive income	\$ 36	\$ 117	\$ 190

Note 27 | Significant subsidiaries

The following is a list of significant subsidiaries in which CIBC, either directly or indirectly, owns 100% of the voting shares, except where noted.

\$ millions, as at October 31, 2016

Subsidiary name ⁽¹⁾	Address of head or principal office	Book value of shares owned by CIBC ⁽²⁾
CIBC Asset Management Inc.	Toronto, Ontario, Canada	\$ 444
CIBC BA Limited	Toronto, Ontario, Canada	— ⁽³⁾
CIBC Investor Services Inc.	Toronto, Ontario, Canada	25
CIBC Life Insurance Company Limited	Mississauga, Ontario, Canada	23
CIBC Mortgages Inc.	Toronto, Ontario, Canada	230
CIBC Securities Inc.	Toronto, Ontario, Canada	2
CIBC Trust Corporation	Toronto, Ontario, Canada	591
CIBC World Markets Inc.	Toronto, Ontario, Canada	306
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 USA Holdings Inc.	New York, New York, U.S.	
CIBC World Markets Corp.	New York, New York, U.S.	
Canadian Imperial Holdings Inc.	New York, New York, U.S.	
CIBC Inc.	New York, New York, U.S.	
CIBC Capital Corporation	New York, New York, U.S.	
CIBC Delaware Funding Corp.	New York, New York, U.S.	
Atlantic Trust Group, LLC	Atlanta, Georgia, U.S.	
AT Investment Advisers, Inc.	Chicago, Illinois, U.S.	
Atlantic Trust Company, National Association	Atlanta, Georgia, U.S.	
INTRIA Items Inc.	Mississauga, Ontario, Canada	100
CIBC Holdings (Cayman) Limited	George Town, Grand Cayman, Cayman Islands	9,933
CIBC Cayman Bank Limited	George Town, Grand Cayman, Cayman Islands	
CIBC Cayman Capital Limited	George Town, Grand Cayman, Cayman Islands	
CIBC Investments (Cayman) Limited	George Town, Grand Cayman, Cayman Islands	
FirstCaribbean International Bank Limited (91.7%)	Warrens, St. Michael, Barbados	
CIBC Bank and Trust Company (Cayman) Limited (91.7%)	George Town, Grand Cayman, Cayman Islands	
CIBC Trust Company (Bahamas) Limited (91.7%)	Nassau, The Bahamas	
FirstCaribbean International Bank (Bahamas) Limited (87.3%)	Nassau, The Bahamas	
FirstCaribbean International Bank (Barbados) Limited (91.7%)	Warrens, St. Michael, Barbados	
FirstCaribbean International Bank (Cayman) Limited (91.7%)	George Town, Grand Cayman, Cayman Islands	
FirstCaribbean International Bank (Jamaica) Limited (91.4%)	Kingston, Jamaica	
FirstCaribbean International Bank (Trinidad and Tobago) Limited (91.7%)	Maraval, Port of Spain, Trinidad & Tobago	
FirstCaribbean International Wealth Management Bank (Barbados) Limited (91.7%)	Warrens, St. Michael, Barbados	
CIBC Reinsurance Company Limited	Warrens, St. Michael, Barbados	
CIBC World Markets plc	London, United Kingdom	490
CIBC World Markets (Japan) Inc.	Warrens, St. Michael, Barbados	48
CIBC Australia Ltd	Sydney, New South Wales, Australia	19

(1) Each subsidiary is incorporated or organized under the laws of the state or country in which the principal office is situated, except for CIBC USA Holdings Inc., CIBC World Markets Corp., Canadian Imperial Holdings Inc., CIBC Inc., CIBC Capital Corporation, CIBC Delaware Funding Corp., Atlantic Trust Group, LLC and AT Investment Advisers, Inc., which were incorporated or organized under the laws of the State of Delaware, U.S.; and Atlantic Trust Company, National Association, which was organized under the Federal law of the U.S.

(2) The book value of shares of subsidiaries is shown at cost and may include non-voting common and preferred shares. These amounts are eliminated upon consolidation.

(3) The book value of shares owned by CIBC is less than \$1 million.

In addition to the above, we consolidate certain SEs where we have control over the SE. See Note 6 for additional details.

Note 28 | Segmented and geographic information

CIBC has three SBUs: Retail and Business Banking, Wealth Management, and Capital Markets. These SBUs are supported by Corporate and Other.

Retail and Business Banking provides personal and business clients across Canada with financial advice, products and services through a strong team of advisors and relationship managers, in our banking centres or through remote channels such as mobile advisors, telephone, online or mobile banking.

Wealth Management provides integrated advice and investment solutions to meet the needs of institutional, retail, and high net worth clients. Our asset management, retail brokerage and private wealth management businesses combine to create an integrated offer, delivered through approximately 1,600 advisors across Canada and the U.S. Other includes the results of ACI. For further details regarding the sale of our minority investment in ACI, see Note 3.

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

Corporate and Other includes the following functional groups – Technology and Operations, Finance (including Treasury), Administration, Risk Management, and Internal Audit, as well as other support groups. The expenses of these functional and support groups are generally allocated to the business lines within the SBUs. Corporate and Other also includes our international banking operations comprising mainly CIBC FirstCaribbean, strategic investments in the CIBC Mellon joint ventures, and other income statement and balance sheet items not directly attributable to the business lines. CIBC's investment in The Bank of N.T. Butterfield & Son Limited was included in Corporate and Other results until it was sold on April 30, 2015.

Business unit allocations

Treasury activities impact the reported financial results of the SBUs. 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 client-driven assets and liabilities is transfer priced into Treasury, it is managed within CIBC's risk framework and limits. The residual financial results associated with Treasury activities are reported in Corporate and Other. Capital is attributed 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 unattributed capital remain in Corporate and Other. We review our transfer pricing 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 Retail and Business Banking and Wealth Management SBUs, 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, renewals, trailer commissions and the recovery of distribution service costs are made among the lines of business and SBUs. Periodically, the sales, renewals and trailer commission rates paid to customer segments for certain products/services are revised and applied prospectively.

Non-interest expenses are attributed to the SBUs to which they relate based on appropriate criteria. Revenue, expenses, and other balance sheet resources related to certain activities are fully allocated to the lines of business within the SBUs.

The individual allowances and related provisions are reported in the respective SBUs. The collective allowances and related provisions are reported in Corporate and Other except for: (i) residential mortgages greater than 90 days delinquent; (ii) personal loans and scored small business loans greater than 30 days delinquent; and (iii) net write-offs for the card portfolio, which are all reported in the respective SBUs. All allowances and related provisions for CIBC FirstCaribbean are reported in Corporate and Other.

Changes made to our business segments

2016

The following external reporting changes were made in the first quarter of 2016. Prior period amounts were reclassified accordingly. The changes impacted the results of our SBUs, but there was no impact on consolidated net income resulting from these reclassifications.

- In the corporate and investment banking and business banking lines of business within Capital Markets and Retail and Business Banking, respectively, our client segmentation was redefined in a manner that reinforced our client-focused strategy, and resulted in a greater degree of industry specialization and expertise, while providing enhanced client coverage. We transferred client accounts accordingly between these lines of business.
- The transfer pricing methodology used by Treasury to charge and credit the SBUs for the cost and benefit of funding assets and liabilities, respectively, was enhanced to better align to our liquidity risk models.

In addition:

Within Capital Markets:

- Equity and debt underwriting revenue, previously shared between the global markets and corporate and investment banking lines of business, was transferred to be reported entirely within the corporate and investment banking line of business.

Within Wealth Management:

- The wealth advisory services business previously reported in the asset management line of business was transferred to the retail brokerage line of business.
- An "other" line of business was established to include the results of ACI, previously reported in the asset management line of business.

2015

Capital Markets

In November 2015, the name of this SBU was changed to Capital Markets from Wholesale Banking. This SBU comprises global markets, corporate and investment banking, and other.

2014

Sale of Aeroplan portfolio

On December 27, 2013, we sold approximately 50% of our Aerogold VISA portfolio, consisting primarily of credit card only clients, to TD. Accordingly, the revenue related to the sold credit card portfolio was moved from personal banking to the other line of business within Retail and Business Banking. Prior period amounts were restated accordingly.

Allocation of Treasury activities

Treasury-related transfer pricing continues to be charged or credited to each line of business within our SBUs. We changed our approach to allocating the residual financial impact of Treasury activities. Certain fees are charged directly to the lines of business, and the residual net revenue is retained in Corporate and Other. Prior period amounts were restated accordingly.

Results by reporting segments and geographic areas

\$ millions, for the year ended October 31		Retail and Business Banking	Wealth Management	Capital Markets	Corporate and Other	CIBC Total	Canada ⁽¹⁾	U.S. ⁽¹⁾	Caribbean ⁽¹⁾	Other countries ⁽¹⁾
2016	Net interest income ⁽²⁾	\$ 6,218	\$ 203	\$ 2,115	\$ (170)	\$ 8,366	\$ 7,639	\$ 64	\$ 577	\$ 86
	Non-interest income	2,174	3,110	789	596	6,669	5,208	576	620	265
	Intersegment revenue ⁽³⁾	463	(474)	11	—	—	n/a	n/a	n/a	n/a
	Total revenue	8,855	2,839	2,915	426	15,035	12,847	640	1,197	351
	Provision for (reversal of) credit losses	765	—	153	133	1,051	890	93	22	46
	Amortization and impairment ⁽⁴⁾	93	26	5	338	462	374	46	35	7
	Other non-interest expenses	4,379	1,727	1,393	1,010	8,509	7,295	556	473	185
	Income (loss) before income taxes	3,618	1,086	1,364	(1,055)	5,013	4,288	(55)	667	113
	Income taxes ⁽²⁾	929	222	288	(721)	718	616	(13)	87	28
	Net income (loss)	\$ 2,689	\$ 864	\$ 1,076	\$ (334)	\$ 4,295	\$ 3,672	\$ (42)	\$ 580	\$ 85
	Net income (loss) attributable to:									
	Non-controlling interests	\$ —	\$ —	\$ —	\$ 20	\$ 20	\$ —	\$ —	\$ 20	\$ —
	Equity shareholders	2,689	864	1,076	(354)	4,275	3,672	(42)	560	85
	Average assets⁽⁵⁾	\$ 265,760	\$ 4,482	\$ 162,842	\$ 76,056	\$ 509,140	\$ 420,432	\$ 53,694	\$ 27,599	\$ 7,415
2015 ⁽⁶⁾	Net interest income ⁽²⁾	\$ 5,879	\$ 203	\$ 1,870	\$ (37)	\$ 7,915	\$ 7,221	\$ 145	\$ 458	\$ 91
	Non-interest income	2,080	2,722	740	399	5,941	4,491	650	601	199
	Intersegment revenue ⁽³⁾	447	(457)	10	—	—	n/a	n/a	n/a	n/a
	Total revenue	8,406	2,468	2,620	362	13,856	11,712	795	1,059	290
	Provision for (reversal of) credit losses	670	(1)	54	48	771	701	22	49	(1)
	Amortization and impairment ⁽⁴⁾	93	26	5	311	435	348	42	38	7
	Other non-interest expenses	4,216	1,758	1,327	1,125	8,426	7,229	546	469	182
	Income (loss) before income taxes	3,427	685	1,234	(1,122)	4,224	3,434	185	503	102
	Income taxes ⁽²⁾	897	167	277	(707)	634	462	48	97	27
	Net income (loss)	\$ 2,530	\$ 518	\$ 957	\$ (415)	\$ 3,590	\$ 2,972	\$ 137	\$ 406	\$ 75
	Net income (loss) attributable to:									
	Non-controlling interests	\$ —	\$ —	\$ —	\$ 14	\$ 14	\$ —	\$ —	\$ 14	\$ —
	Equity shareholders	2,530	518	957	(429)	3,576	2,972	137	392	75
	Average assets⁽⁵⁾	\$ 242,890	\$ 4,796	\$ 142,771	\$ 64,867	\$ 455,324	\$ 388,220	\$ 40,170	\$ 19,984	\$ 6,950
2014 ⁽⁶⁾	Net interest income ⁽²⁾	\$ 5,587	\$ 196	\$ 1,540	\$ 136	\$ 7,459	\$ 6,728	\$ 164	\$ 471	\$ 96
	Non-interest income	2,239	2,408	849	408	5,904	4,459	578	584	283
	Intersegment revenue ⁽³⁾	397	(404)	7	—	—	n/a	n/a	n/a	n/a
	Total revenue	8,223	2,200	2,396	544	13,363	11,187	742	1,055	379
	Provision for (reversal of) credit losses	731	—	43	163	937	661	59	219	(2)
	Amortization and impairment ⁽⁴⁾	87	22	5	699	813	319	36	451	7
	Other non-interest expenses	4,132	1,560	1,220	787	7,699	6,734	424	378	163
	Income (loss) before income taxes	3,273	618	1,128	(1,105)	3,914	3,473	223	7	211
	Income taxes ⁽²⁾	814	148	259	(522)	699	525	72	49	53
	Net income (loss)	\$ 2,459	\$ 470	\$ 869	\$ (583)	\$ 3,215	\$ 2,948	\$ 151	\$ (42)	\$ 158
	Net income (loss) attributable to:									
	Non-controlling interests	\$ —	\$ 2	\$ —	\$ (5)	\$ (3)	\$ 2	\$ —	\$ (5)	\$ —
	Equity shareholders	2,459	468	869	(578)	3,218	2,946	151	(37)	158
	Average assets⁽⁵⁾	\$ 229,947	\$ 4,354	\$ 122,469	\$ 54,711	\$ 411,481	\$ 357,142	\$ 27,565	\$ 20,355	\$ 6,419

(1) Net income and average assets are allocated based on the geographical location where they are recorded.

(2) Capital Markets net interest income and income tax expense includes a taxable equivalent basis (TEB) adjustment of \$474 million (2015: \$482 million; 2014: \$421 million) with an equivalent offset in Corporate and Other.

(3) Intersegment revenue represents internal sales commissions and revenue allocations under the Manufacturer/Customer Segment/Distributor Management Model.

(4) Comprises amortization and impairment of buildings, furniture, equipment, leasehold improvements, and software and other intangible assets. In addition, 2014 includes impairment loss relating to CIBC FirstCaribbean goodwill.

(5) Assets are disclosed on an average basis as this measure is most relevant to a financial institution and is the measure reviewed by management.

(6) Certain information has been reclassified to conform to the presentation adopted in the current year.

n/a Not applicable.

The following table provides a breakdown of revenue from our reporting segments:

\$ millions, for the year ended October 31	2016	2015 ⁽¹⁾	2014 ⁽¹⁾
Retail and Business Banking			
Personal banking	\$ 7,066	\$ 6,693	\$ 6,305
Business banking	1,726	1,623	1,531
Other	63	90	387
	\$ 8,855	\$ 8,406	\$ 8,223
Wealth Management			
Retail brokerage	\$ 1,269	\$ 1,282	\$ 1,232
Asset management	746	707	601
Private wealth management	381	379	275
Other	443	100	92
	\$ 2,839	\$ 2,468	\$ 2,200
Capital Markets ⁽²⁾			
Global markets	\$ 1,640	\$ 1,353	\$ 991
Corporate and investment banking	1,259	1,273	1,294
Other	16	(6)	111
	\$ 2,915	\$ 2,620	\$ 2,396
Corporate and Other ⁽²⁾			
International banking	\$ 722	\$ 678	\$ 600
Other	(296)	(316)	(56)
	\$ 426	\$ 362	\$ 544

(1) Certain information has been reclassified to conform to the presentation adopted in the current year.

(2) Capital Markets revenue includes a TEB adjustment of \$474 million (2015: \$482 million; 2014: \$421 million) with an equivalent offset in Corporate and Other.

Note 29 | Financial instruments – disclosures

Certain disclosures required by IFRS 7 are provided in the shaded sections of the “MD&A – Management of risk”, as permitted by IFRS. 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 Credit risk Market risk Liquidity risk Operational risk Reputation and legal risk Regulatory compliance risk
Credit risk: gross exposure to credit risk, credit quality and concentration of exposures.	Credit risk
Market risk: trading portfolios – Value-at-Risk (VaR); stressed VaR, incremental risk charge, non-trading portfolios – interest rate risk, foreign exchange risk and equity risk.	Market risk
Liquidity risk: liquid assets, maturity of financial assets and liabilities, and credit commitments.	Liquidity risk

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

\$ millions, as at October 31	Accounting categories		Basel portfolios							
			AIRB and standardized approaches					Total subject to credit risk	Not subject to credit risk	Total consolidated balance sheet
	Corporate	Sovereign	Bank	Real estate secured personal lending	Qualifying revolving retail	Other retail	Asset securitization			
2016										
Cash and deposits with banks	\$ 163	\$ 10,193	\$ 2,086	\$ –	\$ –	\$ –	\$ –	\$ 12,442	\$ 1,723	\$ 14,165
Securities	1,320	30,352	3,791	–	–	–	3,250	38,713	48,710	87,423
Cash collateral on securities borrowed	–	–	5,433	–	–	–	–	5,433	–	5,433
Securities purchased under resale agreements	14,376	8,950	5,051	–	–	–	–	28,377	–	28,377
Loans	63,648	4,705	1,369	204,078	21,565	10,451	2,181	307,997	1,111	309,108
Allowance for credit losses	–	–	–	–	–	–	–	–	(1,691)	(1,691)
Derivative instruments	5,799	6,776	15,187	–	–	–	–	27,762	–	27,762
Customers’ liability under acceptances	10,609	1,615	140	–	–	–	–	12,364	–	12,364
Other assets	437	1,963	5,269	147	32	14	4	7,866	10,550	18,416
Total credit exposure	\$ 96,352	\$ 64,554	\$ 38,326	\$ 204,225	\$ 21,597	\$ 10,465	\$ 5,435	\$ 440,954	\$ 60,403	\$ 501,357
2015										
Total credit exposure	\$ 85,638	\$ 54,032	\$ 44,739	\$ 185,381	\$ 20,435	\$ 10,030	\$ 4,857	\$ 405,112	\$ 58,197	\$ 463,309

Note 30 | Offsetting financial assets and liabilities

The following table identifies the amounts that have been offset on the consolidated balance sheet in accordance with the requirements of IAS 32, and also those amounts that are subject to enforceable netting agreements but do not qualify for offsetting on the consolidated balance sheet either because we do not have a currently enforceable legal right to set-off the recognized amounts, or because we do not intend to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets

\$ millions, as at October 31	Amounts subject to enforceable netting agreements						Amounts not subject to enforceable netting agreements ⁽⁴⁾	Net amounts presented on the consolidated balance sheet
	Gross amounts of recognized financial assets	Gross amounts offset on the consolidated balance sheet ⁽¹⁾	Net amounts	Related amounts not set-off on the consolidated balance sheet				
				Financial instruments ⁽²⁾	Collateral received ⁽³⁾	Net amounts		
2016								
Derivatives	\$ 33,335	\$ (7,239)	\$ 26,096	\$ (17,965)	\$ (3,877)	\$ 4,254	\$ 1,666	\$ 27,762
Cash collateral on securities borrowed	5,433	–	5,433	–	(5,282)	151	–	5,433
Securities purchased under resale agreements	30,731	(2,354)	28,377	–	(28,362)	15	–	28,377
	\$ 69,499	\$ (9,593)	\$ 59,906	\$ (17,965)	\$ (37,521)	\$ 4,420	\$ 1,666	\$ 61,572
2015								
Derivatives	\$ 32,938	\$ (7,771)	\$ 25,167	\$ (17,060)	\$ (3,556)	\$ 4,551	\$ 1,175	\$ 26,342
Cash collateral on securities borrowed	3,245	–	3,245	–	(3,182)	63	–	3,245
Securities purchased under resale agreements	31,803	(1,714)	30,089	–	(30,070)	19	–	30,089
	\$ 67,986	\$ (9,485)	\$ 58,501	\$ (17,060)	\$ (36,808)	\$ 4,633	\$ 1,175	\$ 59,676

Financial liabilities

\$ millions, as at October 31	Amounts subject to enforceable netting agreements						Amounts not subject to enforceable netting agreements ⁽⁴⁾	Net amounts presented on the consolidated balance sheet
	Gross amounts of recognized financial liabilities	Gross amounts offset on the consolidated balance sheet ⁽¹⁾	Net amounts	Related amounts not set-off on the consolidated balance sheet				
				Financial instruments ⁽²⁾	Collateral pledged ⁽³⁾	Net amounts		
2016								
Derivatives	\$ 34,820	\$ (7,239)	\$ 27,581	\$ (17,965)	\$ (7,328)	\$ 2,288	\$ 1,226	\$ 28,807
Cash collateral on securities lent	2,518	–	2,518	–	(2,473)	45	–	2,518
Obligations related to securities sold under repurchase agreements	14,048	(2,354)	11,694	–	(11,680)	14	–	11,694
	\$ 51,386	\$ (9,593)	\$ 41,793	\$ (17,965)	\$ (21,481)	\$ 2,347	\$ 1,226	\$ 43,019
2015								
Derivatives	\$ 35,486	\$ (7,771)	\$ 27,715	\$ (17,060)	\$ (6,625)	\$ 4,030	\$ 1,342	\$ 29,057
Cash collateral on securities lent	1,429	–	1,429	–	(1,389)	40	–	1,429
Obligations related to securities sold under repurchase agreements	10,628	(1,714)	8,914	–	(8,889)	25	–	8,914
	\$ 47,543	\$ (9,485)	\$ 38,058	\$ (17,060)	\$ (16,903)	\$ 4,095	\$ 1,342	\$ 39,400

(1) Comprises amounts related to the financial instruments which qualify for offsetting under IAS 32.

(2) Comprises amounts subject to set-off under enforceable netting agreements, such as ISDA agreements, derivative exchange or clearing counterparty agreements, global master repurchase agreements, and global master securities lending agreements. Under such arrangements, all outstanding transactions governed by the relevant agreement can be offset if an event of default or other predetermined event occurs.

(3) Collateral received and pledged amounts are reflected at fair value, but have been limited to the net balance sheet exposure so as not to include any over-collateralization.

(4) Includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

The offsetting and collateral arrangements discussed above and other credit risk mitigation strategies used by CIBC are further explained in the "Credit risk" section of the MD&A. Certain amounts of securities received as collateral are restricted from being sold or re-pledged.

Note 31 | Interest income and expense

The table below provides the consolidated interest income and expense for both product and accounting categories. The consolidated amounts presented are reported before any interest income and expense associated with funding these assets and liabilities.

\$ millions, for the year ended October 31		Amortized cost	Trading	AFS	FVO	Total
2016	Interest income					
	Loans	\$ 9,824	\$ 9	\$ –	\$ –	\$ 9,833
	Securities	–	1,386	383	5	1,774
	Securities borrowed or purchased under resale agreements	329	–	–	–	329
	Deposits with banks	156	–	–	–	156
		\$ 10,309	\$ 1,395	\$ 383	\$ 5	\$ 12,092
	Interest expense					
	Deposits	\$ 3,197	\$ –	\$ –	\$ 18	\$ 3,215
	Securities sold short	–	199	–	–	199
	Securities lent or sold under repurchase agreements	127	–	–	–	127
	Subordinated indebtedness	137	–	–	–	137
	Other	48	–	–	–	48
		\$ 3,509	\$ 199	\$ –	\$ 18	\$ 3,726
2015	Interest income					
	Loans	\$ 9,557	\$ 16	\$ –	\$ –	\$ 9,573
	Securities	–	1,293	227	4	1,524
	Securities borrowed or purchased under resale agreements	310	–	–	–	310
	Deposits with banks	76	–	–	–	76
		\$ 9,943	\$ 1,309	\$ 227	\$ 4	\$ 11,483
	Interest expense					
	Deposits	\$ 2,965	\$ –	\$ –	\$ 25	\$ 2,990
	Securities sold short	–	230	–	–	230
	Securities lent or sold under repurchase agreements	110	–	–	–	110
	Subordinated indebtedness	181	–	–	–	181
	Other	57	–	–	–	57
		\$ 3,313	\$ 230	\$ –	\$ 25	\$ 3,568
2014	Interest income					
	Loans	\$ 9,491	\$ 13	\$ –	\$ –	\$ 9,504
	Securities	–	1,287	337	4	1,628
	Securities borrowed or purchased under resale agreements	320	–	–	–	320
	Deposits with banks	25	–	–	–	25
		\$ 9,836	\$ 1,300	\$ 337	\$ 4	\$ 11,477
	Interest expense					
	Deposits	\$ 3,311	\$ –	\$ –	\$ 26	\$ 3,337
	Securities sold short	–	327	–	–	327
	Securities lent or sold under repurchase agreements	127	–	–	–	127
	Subordinated indebtedness	178	–	–	–	178
	Other	49	–	–	–	49
		\$ 3,665	\$ 327	\$ –	\$ 26	\$ 4,018

Note 32 | Future accounting policy changes

We are currently evaluating the impact of the following standards that are effective for us after fiscal 2016:

Amendments to IAS 7 “Statement of Cash Flows” – issued in January 2016 is effective for annual periods beginning January 1, 2017, which for us will be on November 1, 2017. The amendments will require disclosure of changes in certain liabilities that arise from financing activities.

IFRS 9 “Financial Instruments” – issued in July 2014, replaces IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, which for us would have been on November 1, 2018. Early application is permitted if an entity applies all of the requirements of the standard. During 2015, OSFI issued a final advisory that requires D-SIBs to adopt IFRS 9 for their annual period beginning on November 1, 2017, one year earlier than required by the IASB. As a D-SIB, we will publish our first interim consolidated financial statements under IFRS 9 for the quarter ended January 31, 2018, except for the “own credit” provisions of IFRS 9, which we voluntarily early adopted as of November 1, 2014. As permitted, we will not re-state our prior period comparative consolidated financial statements when we adopt the requirements of the new standard. We will recognize an adjustment to our opening November 1, 2017 retained earnings and AOCI to reflect the application of the new requirements at the adoption date.

IFRS 9 consists of three main sections: (1) Classification and measurement of financial instruments; (2) Impairment; and (3) Hedge accounting. The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a “solely payment of principal and interest” (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as fair value through profit or loss (FVTPL).

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

For those debt instrument financial assets that would otherwise be classified as FV-OCI or amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVTPL under the FVO if doing so eliminates or significantly reduces an accounting mismatch and if certain OSFI requirements are met.

All equity instrument financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FV-OCI for equities. For instruments where an irrevocable designation has been made, all realized and unrealized gains and losses are recognized in OCI with no recycling to profit and loss. Only dividends continue to be recognized in profit and loss.

The classification and measurement of financial liabilities remain essentially unchanged from the current IAS 39 requirements, except that changes in fair value of FVO liabilities attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss, which we early adopted as of November 1, 2014.

Derivatives will continue to be measured at FVTPL under IFRS 9.

The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FV-OCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVTPL.

The application of the ECL methodology to non-impaired financial instruments requires entities to recognize 12 months of expected credit losses from the date the financial instrument is first recognized, and to recognize lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then entities shall revert to recognizing 12 months of expected credit losses. The ECL model under IFRS 9 also requires that lifetime expected credit losses be recognized for financial assets that are assessed as credit-impaired.

Hedge accounting guidance has been changed to better align the accounting with risk management activities. As permitted, we have chosen to not adopt the IFRS 9 hedge accounting requirements and instead to retain the IAS 39 requirements, pending the completion of the IASB’s project on macro hedge accounting.

IFRS 15 “Revenue from Contracts with Customers” – issued in May 2014, replaces prior guidance, including IAS 18 “Revenue” and IFRIC 13 “Customer Loyalty Programmes”. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, which for us will be on November 1, 2018. The new guidance includes a five-step recognition and measurement approach, requirements for accounting for contract costs, and enhanced quantitative and qualitative disclosure requirements.

IFRS 16 “Leases” – issued in January 2016, replaces IAS 17 “Leases” and is effective for annual periods beginning on or after January 1, 2019, which for us will be on November 1, 2019. Early application is permitted if IFRS 15 has also been applied. For lessees, the new standard will result in on-balance sheet recognition for many leases that are considered operating leases under IAS 17, which will result in the gross-up of the balance sheet through the recognition of a right-of-use asset and a liability for the lease component of the future payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expense. The accounting for leases by lessors remains mostly unchanged from IAS 17.

Note 33 | Subsequent event

Sale and lease back of certain retail properties

On November 15, 2016, we entered into a definitive agreement to sell and lease back 89 retail properties located mainly in Ontario and British Columbia. The closing of the agreement is expected to occur in the first quarter of 2017, and will result in the recognition of an after-tax gain of approximately \$247 million in our Retail and Business Banking SBU.