

Building a Strong, Innovative and Relationship-Based Bank

Investor Presentation

August 2017

Banking that fits your life.



Forward-Looking Statements

A NOTE ABOUT FORWARD-LOOKING STATEMENTS: From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including in this report, in other filings with Canadian securities regulators or the SEC and in other communications. All such statements are made pursuant to the “safe harbour” provisions of, and are intended to be forward-looking statements under applicable Canadian and U.S. securities legislation, including the U.S. Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements made in the “Overview - Financial results”, “Overview - Significant events”, “Overview - Outlook for calendar year 2017”, “Financial condition - Capital resources”, “Management of risk - Risk overview”, “Management of risk - Credit risk”, “Management of risk - Market risk”, “Management of risk - Liquidity risk”, “Accounting and control matters - Critical accounting policies and estimates”, and “Accounting and control matters - Regulatory developments” sections of this report and other statements about our operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies, the regulatory environment in which we operate and outlook for calendar year 2017 and subsequent periods. Forward-looking statements are typically identified by the words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “forecast”, “target”, “objective” and other similar expressions or future or conditional verbs such as “will”, “should”, “would” and “could”. By their nature, these statements require us to make assumptions, including the economic assumptions set out in the “Overview - Outlook for calendar year 2017” section of this report, and are subject to inherent risks and uncertainties that may be general or specific. A variety of factors, many of which are beyond our control, affect our operations, performance and results, and could cause actual results to differ materially from the expectations expressed in any of our forward-looking statements. These factors include: credit, market, liquidity, strategic, insurance, operational, reputation and legal, regulatory and environmental risk; the effectiveness and adequacy of our risk management and valuation models and processes; legislative or regulatory developments in the jurisdictions where we operate, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations issued and to be issued thereunder, the Organisation for Economic Co-operation and Development Common Reporting Standard, and regulatory reforms in the United Kingdom and Europe, the Basel Committee on Banking Supervision’s global standards for capital and liquidity reform, and those relating to the payments system in Canada; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions, and interest rate and liquidity regulatory guidance; the resolution of legal and regulatory proceedings and related matters; the effect of changes to accounting standards, rules and interpretations; changes in our estimates of reserves and allowances; changes in tax laws; changes to our credit ratings; political conditions and developments, including changes relating to economic or trade matters; the possible effect on our business of international conflicts and the war on terror; natural disasters, public health emergencies, disruptions to public infrastructure and other catastrophic events; reliance on third parties to provide components of our business infrastructure; potential disruptions to our information technology systems and services; increasing cyber security risks which may include theft of assets, unauthorized access to sensitive information, or operational disruption; social media risk; losses incurred as a result of internal or external fraud; anti-money laundering; the accuracy and completeness of information provided to us concerning clients and counterparties; the failure of third parties to comply with their obligations to us and our affiliates or associates; intensifying competition from established competitors and new entrants in the financial services industry including through internet and mobile banking; technological change; global capital market activity; changes in monetary and economic policy; currency value and interest rate fluctuations, including as a result of market and oil price volatility; general business and economic conditions worldwide, as well as in Canada, the U.S. and other countries where we have operations, including increasing Canadian household debt levels and global credit risks; our success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels; changes in client spending and saving habits; our ability to attract and retain key employees and executives; our ability to successfully execute our strategies and complete and integrate acquisitions and joint ventures; the risk that expected synergies and benefits of the acquisition of PrivateBancorp, Inc. will not be realized within the expected time frame or at all or the possibility that the acquisition does not close when expected or at all because required regulatory, shareholder or other approvals are not received or other conditions to the closing are not satisfied on a timely basis or at all; and our ability to anticipate and manage the risks associated with these factors. This list is not exhaustive of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements. Any forward-looking statements contained in this report represent the views of management only as of the date hereof and are presented for the purpose of assisting our shareholders and financial analysts in understanding our financial position, objectives and priorities and anticipated financial performance as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statement that is contained in this report or in other communications except as required by law.

CIBC Strategy and Performance Update

CIBC Snapshot

CIBC (CM: TSX, NYSE) is a leading Canadian-based financial institution. Through our four main business units - Canadian Retail and Business Banking, Canadian Wealth Management, U.S. Commercial Banking and Wealth Management, and Capital Markets - CIBC provides a full suite of financial products and services in Canada and around the world.

As at, or for the period ended, July 31, 2017:

Our Stock

- Market Cap \$47.2 billion
- Dividend Yield³ 4.7%
- Adj. YTD ROE¹ 18.4%
- Five-Year TSR 85.4%

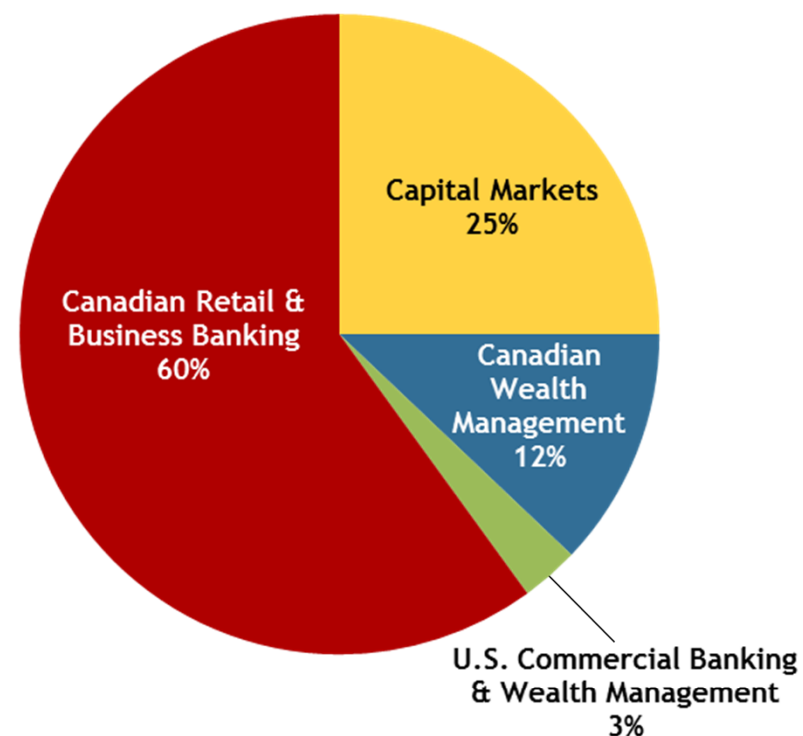
Our Company

- Clients ~11 million
- Banking Centres 1,088
- Employees 45,685
- Total Assets \$560.9 billion

Our Credit Rating⁴

- Moody's A1, Negative
- S&P A+, Stable
- Fitch AA-, Stable
- DBRS AA, Negative

YTD 2017 Adjusted Net Income by SBU^{1,2}



(1) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.
 (2) Excludes Corporate & Other segment.
 (3) Annualized based on the dividend declared year-to-date divided by the closing share price as of July 31, 2017.
 (4) Long-term senior debt ratings.

Delivering Steady Progress Against Our Strategy

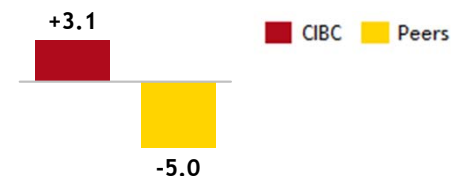


Clarabridge North American Diamond Award in 2017



Ipsos NPS gap to #1 narrowed to its smallest ever in Q3 2017, and is trending towards highest fiscal year-end score

Ipsos
Net Promoter Score (NPS)
Change from 2012 - Q3 2017¹



Highest score in mobile banking functionality for 4th consecutive year



Retail Bank of the Year in North America in 2017

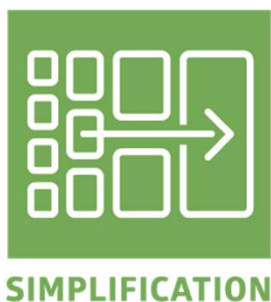


Financial Institution Innovator of the Year in 2016

First to market

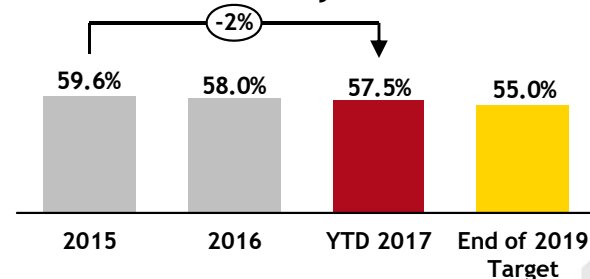
Client-centric

Strategic partnerships



- F2016 efficiency ratio improved 160bps² from the prior fiscal year
- Cumulative savings from Program Clarity:
 - ~\$200MM in F2016
 - ~\$500MM by F2019

Efficiency Ratio²



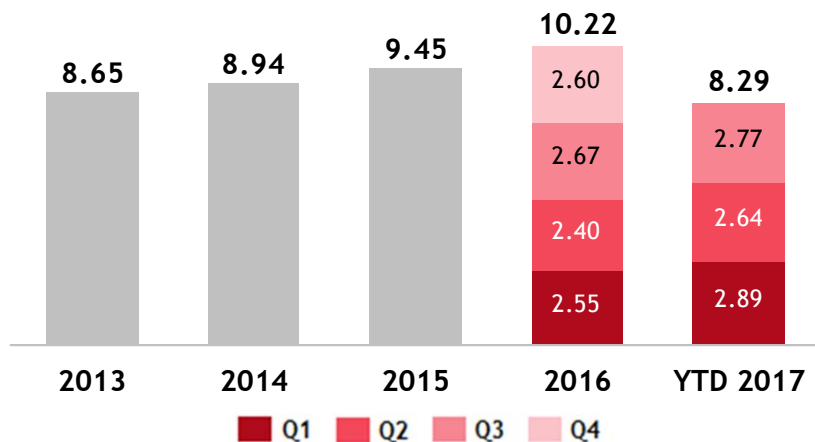
Banking that fits your life.



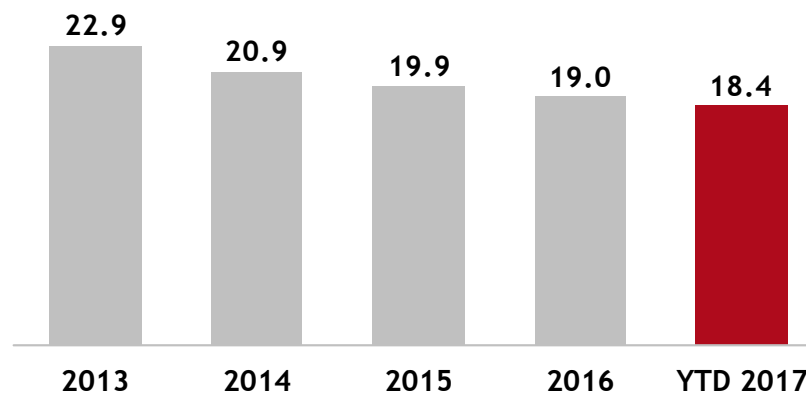
(1) Based on rolling four quarters. Peer average includes BMO, BNS, RBC and TD.
 (2) Adjusted to exclude items of note. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.

Strong and Consistent Returns to Shareholders

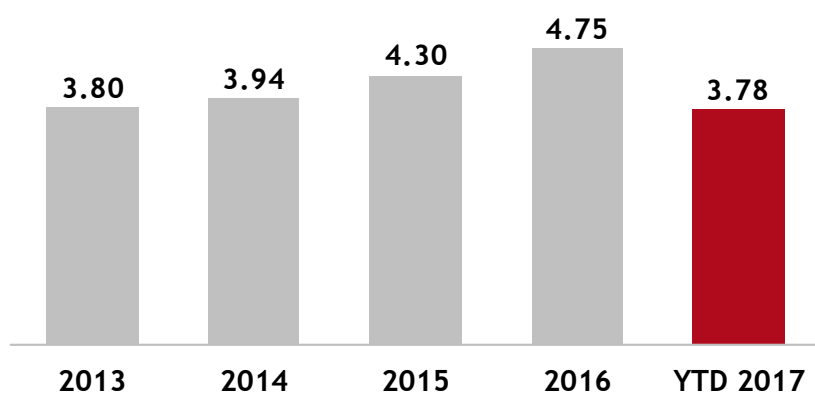
Adjusted Diluted Earnings Per Share¹
(C\$)



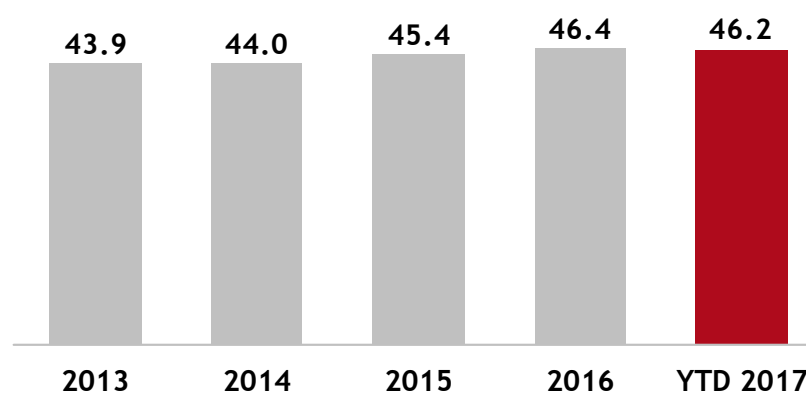
Adjusted Return on Equity¹
(%)



Dividends Per Share
(C\$)



Adjusted Dividend Payout Ratio^{1,2}
(%)



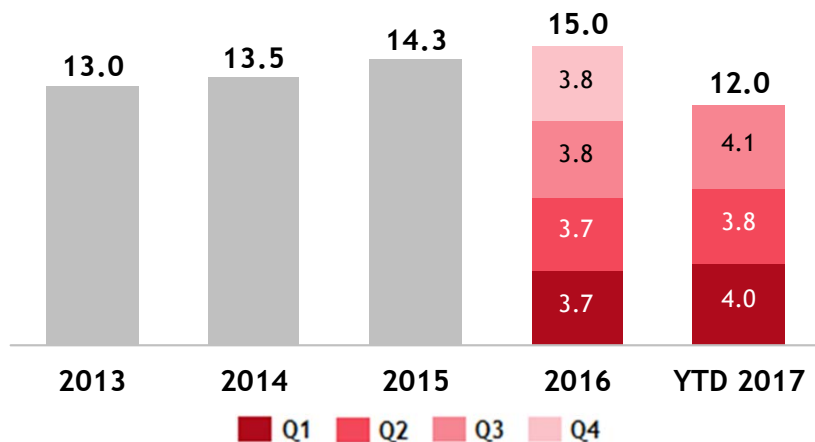
- (1) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.
 (2) Common dividends paid as a percentage of net income after preferred dividends and premium on preferred share redemptions.

Banking that fits your life.

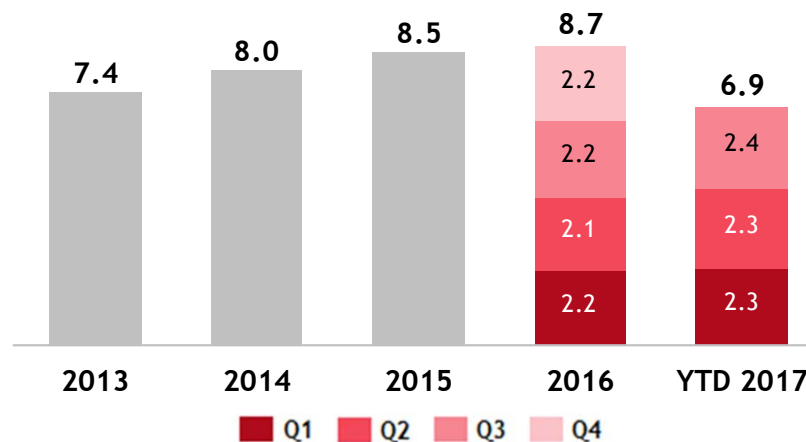


Profitable Revenue Growth with Expense Discipline

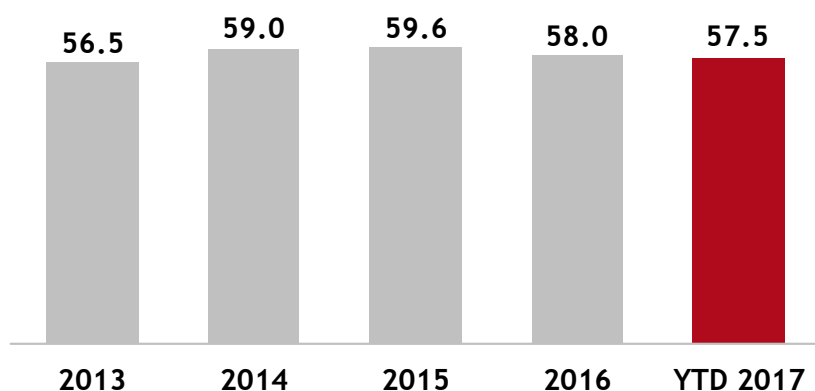
Adjusted Revenue (TEB)^{1,2}
(C\$ billions)



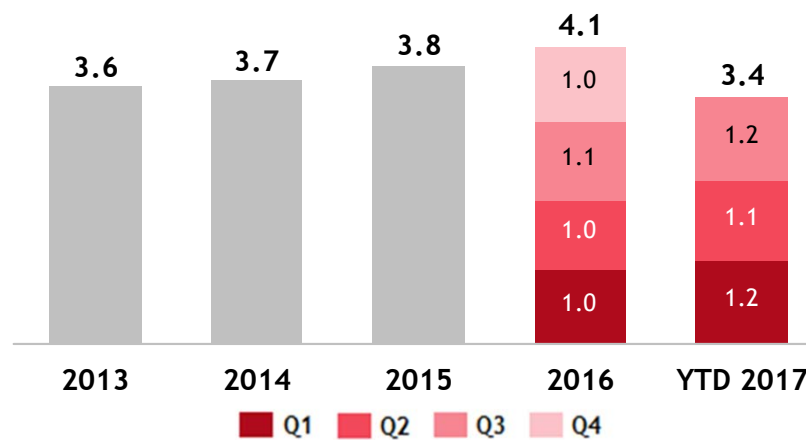
Adjusted Non-Interest Expenses¹
(C\$ billions)



Adjusted Efficiency Ratio (TEB)^{1,2}
(%)



Adjusted Net Income¹
(C\$ billions)



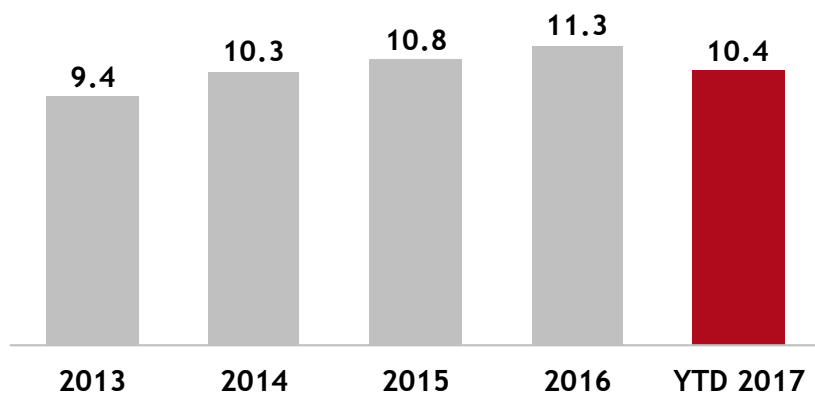
(1) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.

(2) TEB = Taxable Equivalent Basis - a non-GAAP financial measure representing the gross up of tax-exempt revenue on certain securities to an equivalent before-tax basis to facilitate comparison of net interest income from both taxable and tax-exempt sources.

Commitment to Balance Sheet Strength

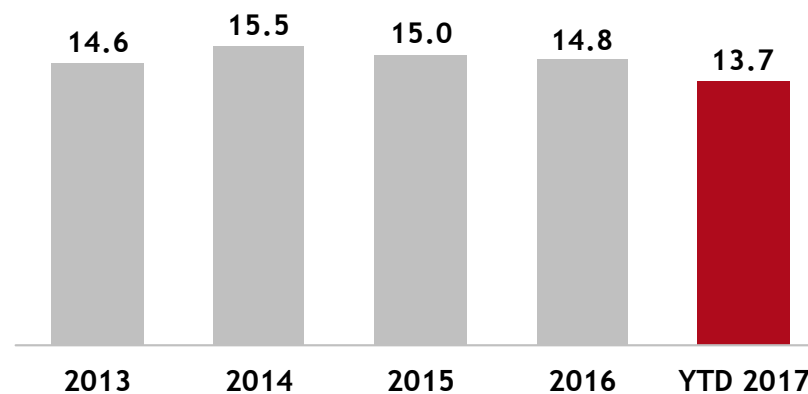
Basel III CET1 Ratio

(%)



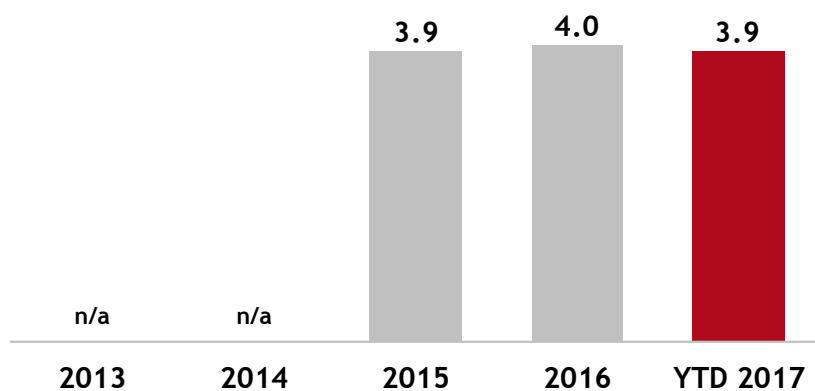
Basel III Total Capital Ratio

(%)



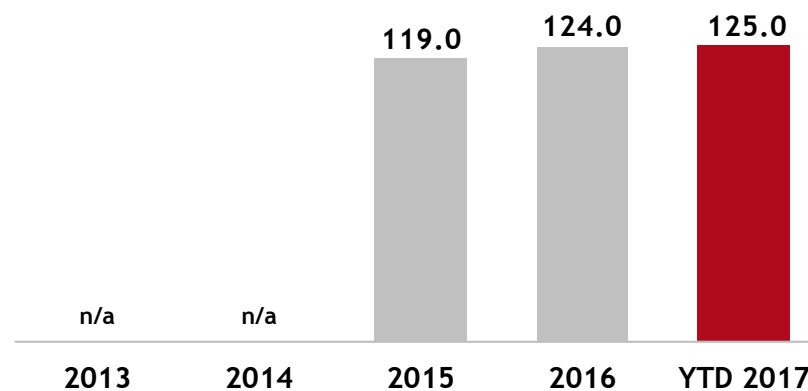
Basel III Leverage Ratio¹

(%)



Liquidity Coverage Ratio¹

(%)

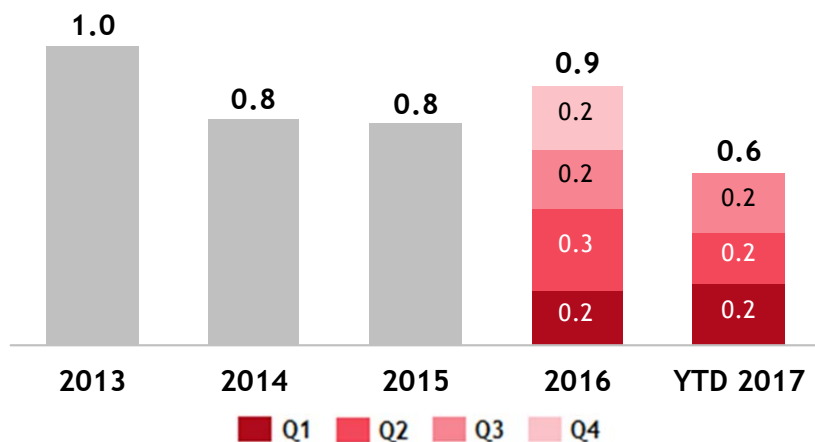


(1) Public disclosure of the Basel III Leverage Ratio and the Liquidity Coverage Ratio was required effective January 1, 2015.

Good Credit Performance

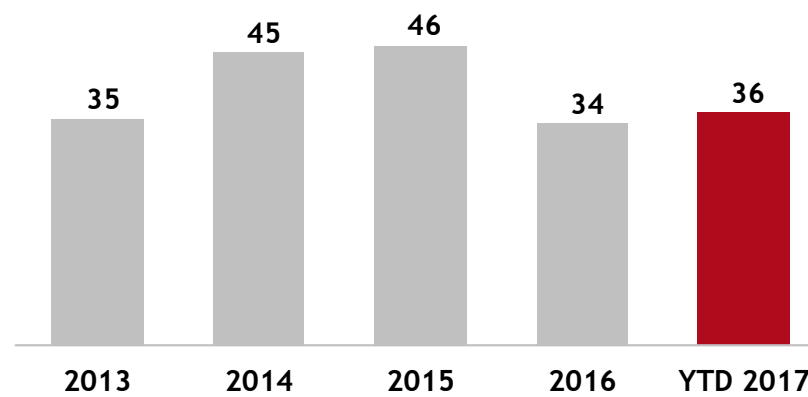
Adjusted Provision for Credit Losses¹

(C\$ billions)



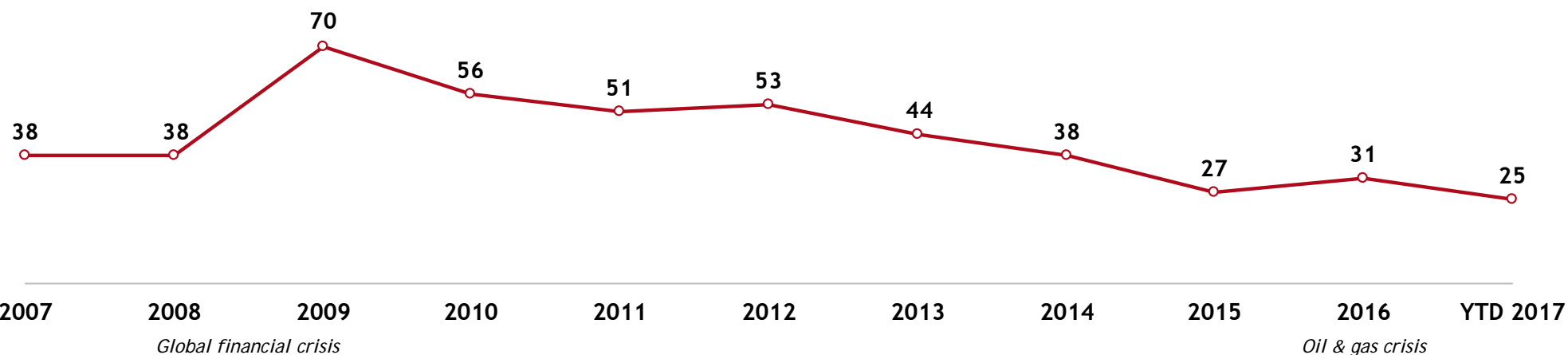
Coverage Ratio²

(%)



Adjusted Loan Loss Ratio³

(bps)



(1) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.

(2) Allowance for Credit Losses divided by Gross Impaired Loans and Acceptances.

(3) Beginning in 2011, this measure is under IFRS; prior fiscal years are under Canadian GAAP.

Banking that fits your life.



Our Strategy Drives Consistent Earnings Growth and Sustainable Dividend Growth

Financial Measure	Medium-Term Target	2016 Results (%)		YTD 2017 Results (%)	
		Reported	Adjusted ¹	Reported	Adjusted ¹
Diluted Earnings Per Share Growth	Average annual growth of at least 5%	21	8	3	9
Return on Common Shareholders' Equity	15%	19.9	19.0	19.3	18.4
Efficiency Ratio	55% by 2019	59.7	58.0	58.3	57.5
Dividend Payout Ratio	40%-50%	44.3	46.4	44.2	46.2
Total Shareholder Return <i>(rolling five-year period)</i>	Exceed the industry average ² <i>(97.6% as of July 31, 2017)</i>	68.6		85.4	
CET1 Ratio	Exceed regulatory targets	11.3		10.4	

(1) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.

(2) Defined as the S&P/TSX Composite Banks Index.

Strategic Business Units

Canadian Retail and Business Banking

Strategic Priorities

1. To be #1 in profitable revenue growth
2. To be #1 in client experience

Highlights of Progress To Date

- For the fourth consecutive year, we earned the highest score for online banking functionality among the five largest retail banks in Canada in Forrester Research Inc.'s 2017 Canadian Online Banking Benchmark report.
- For the third consecutive year, we ranked #1 among the six largest retail banks in Canada in the Investment Executive 2017 Report Card on Banks.
- We are the first Canadian financial institution to offer all three leading mobile wallets and the first major Canadian bank to introduce free mobile credit scores for clients.
- Our gap to #1 in the recent IPSOS net promoter score narrowed to its smallest ever, and we are trending towards our highest fiscal year-end score

Alignment to CIBC Strategic Priorities

Client Focus

- Better experience for all
- Focus on priority segments: Strategic High Value and Commercial Banking

Innovation

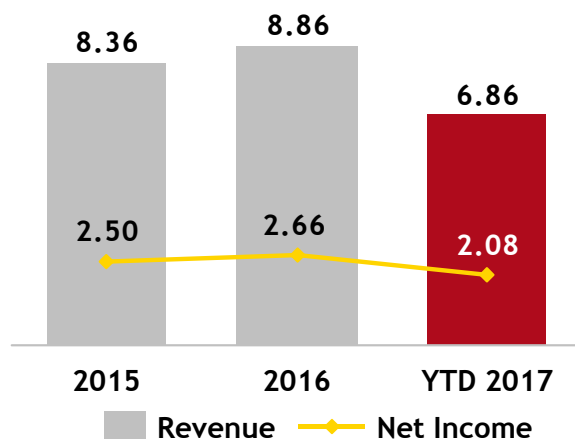
- Learn globally, lead locally
- Convenience through leveraging technology (Modern Convenience)
- Omni channel, but lead in mobile

Simplification

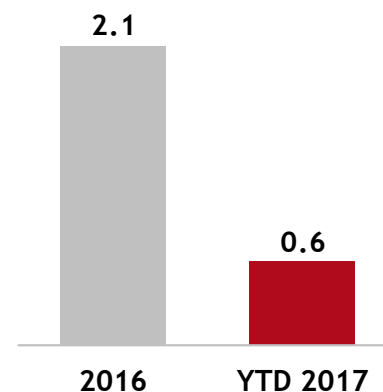
- Making it easier for our clients and employees
- Eliminating old economy costs

Canadian Retail and Business Banking Financial Highlights¹

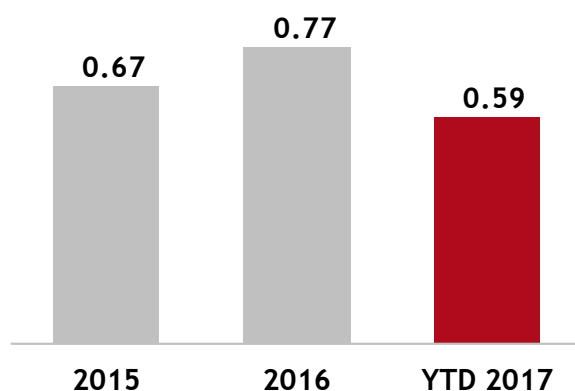
Adjusted Revenue and Net Income² (C\$ billions)



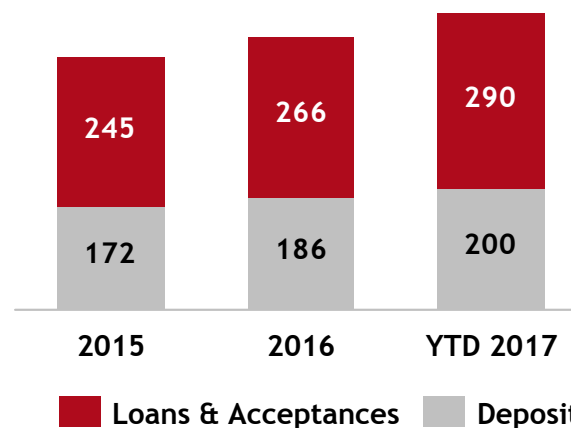
Adjusted Operating Leverage² (%)



Adjusted Loan Losses² (C\$ billions)



Average Loans & Acceptances and Deposits (C\$ billions)



- (1) As a result of the PrivateBancorp acquisition, external reporting changes were made in Q3 2017 and prior period amounts up to 2015 were reclassified accordingly.
- (2) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.

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Canadian Retail and Business Banking

Canadian Real Estate Secured Personal Lending

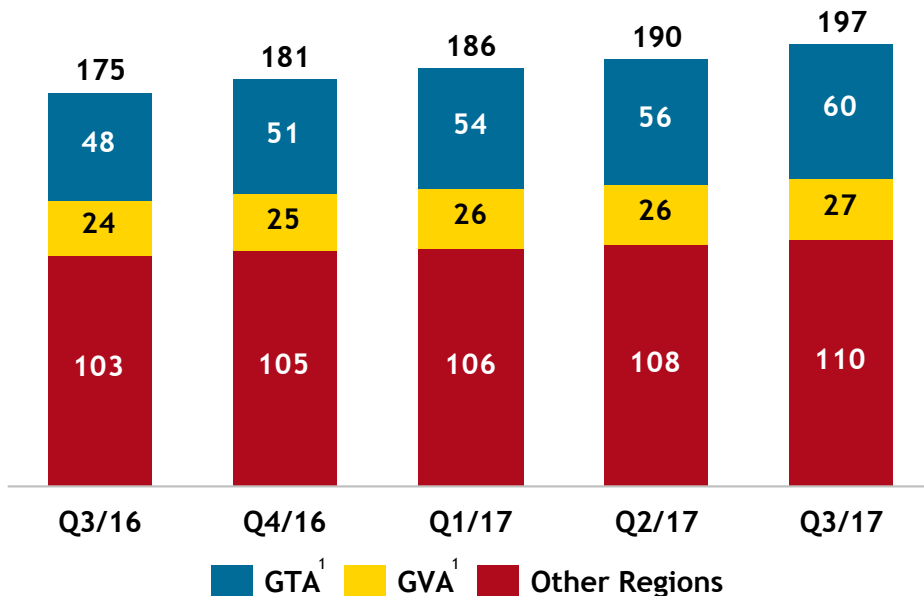
90+ Days Delinquency Rates

	Q3/16	Q2/17	Q3/17
Total Mortgages	0.26%	0.25%	0.23%
Uninsured Mortgages	0.19%	0.19%	0.17%
Uninsured Mortgages in GVA ¹	0.04%	0.06%	0.07%
Uninsured Mortgages in GTA ¹	0.08%	0.07%	0.06%

- Uninsured mortgages in the Greater Vancouver Area¹ (GVA) and Greater Toronto Area¹ (GTA) have lower 90+ days delinquency rates than the Canadian average

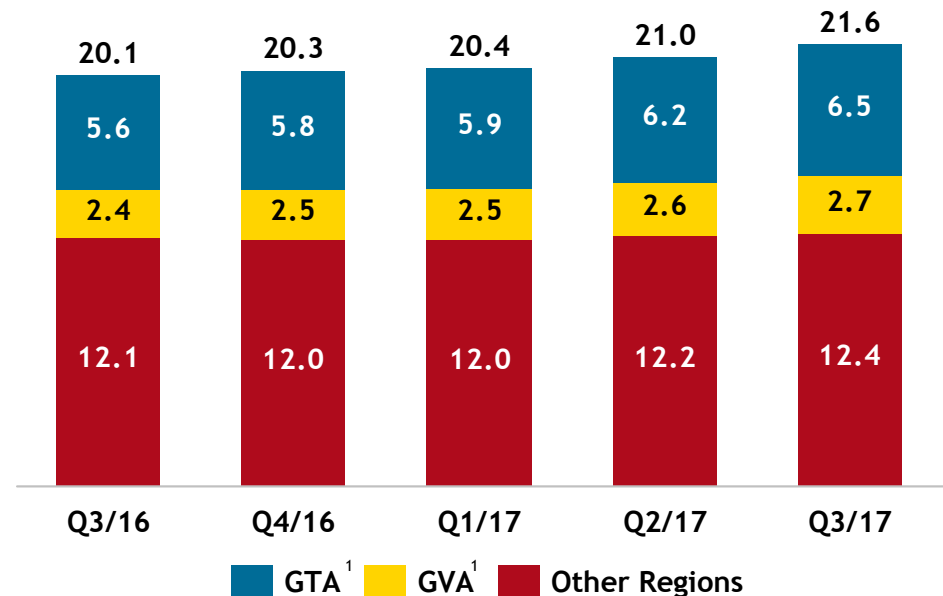
Mortgage Balances

(C\$ billions; spot)



HELOC Balances

(C\$ billions; spot)

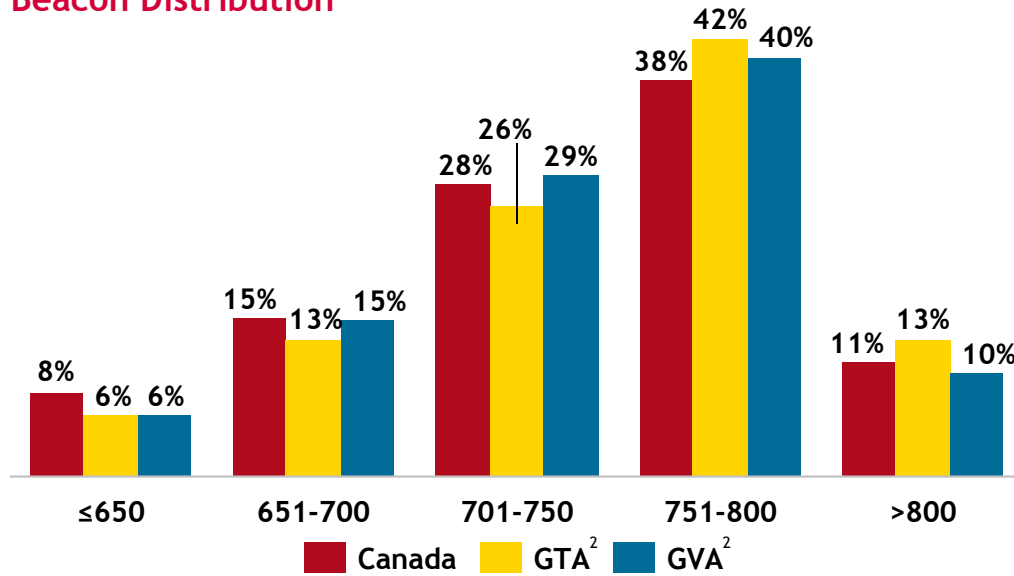


(1) GVA and GTA definitions based on regional mappings from Teranet.

Canadian Retail and Business Banking

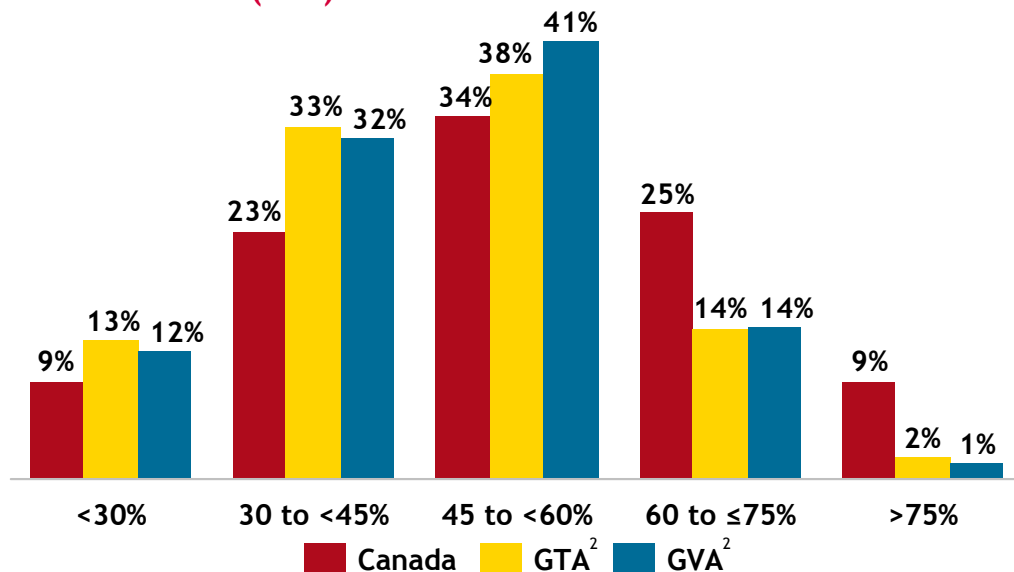
Canadian Uninsured Residential Mortgages

Beacon Distribution



- Better current Beacon and LTV¹ distributions in GVA² and GTA² than the Canadian average
- About 1% of this portfolio has a Beacon score of 650 or lower and an LTV¹ over 75%
- Average LTV¹ in Canada: 52%
 - GVA²: 46%
 - GTA²: 46%

Loan-to-Value (LTV)¹ Distribution



(1) LTV ratios for residential mortgages are calculated based on weighted average. See page 29 of the Q3 2017 Report to Shareholders for further details.
 (2) GVA and GTA definitions based on regional mappings from Teranet.

Canadian Wealth Management

Strategic Priorities

1. Enhance the client experience
2. Drive asset growth
3. Simplify and optimize the business platform

Highlights of Progress To Date

- Introduced a suite of new, lower-cost CIBC Passive Portfolios to improve value and accessibility for Canadian investors.
- Enhanced our investment lineup including management fee reductions, lower investment minimums and a simplified product offering.
- Launched the CIBC Active Global Currency Pool for institutional investors, leveraging our 20-year track record of managing active currency strategies for institutional investors.

Alignment to CIBC Strategic Priorities

Client Focus

- Developing a robust integrated offer for our high-net-worth clients
- Delivering strong investment outcome
- Placing the client in the right offer

Innovation

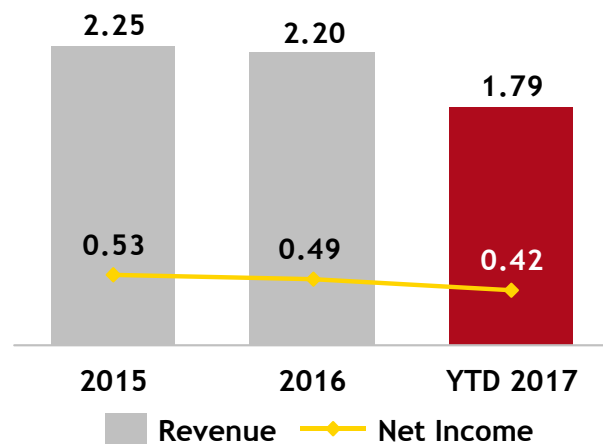
- Digitizing key client interactions for an enhanced experience across services
- Elevating the product-shelf through creation of new income-oriented and alternative investments products

Simplification

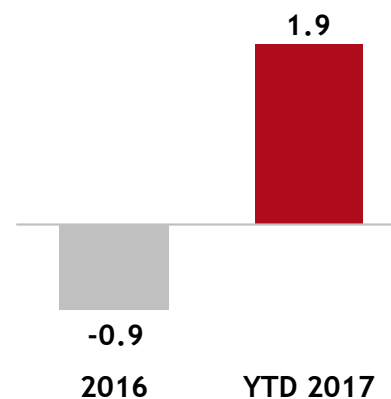
- Investing in technology and common platforms to drive efficiencies
- Reorganizing pan-wealth support to optimize client assistance throughout Wealth businesses

Canadian Wealth Management Financial Highlights¹

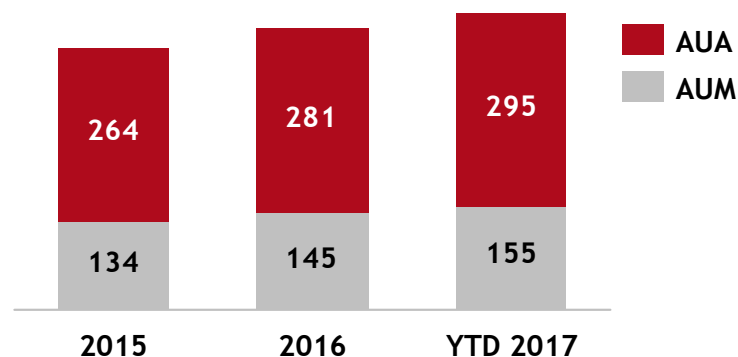
Adjusted Revenue and Net Income² (C\$ billions)



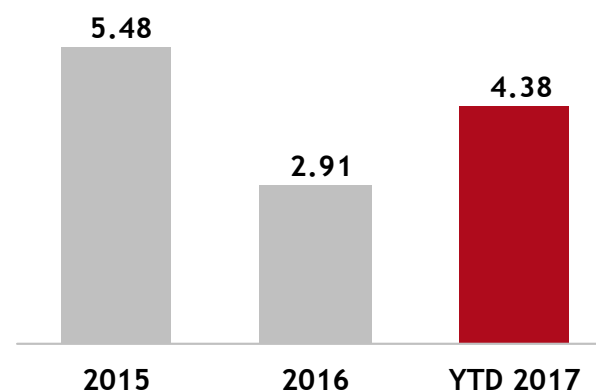
Adjusted Operating Leverage² (%)



Assets Under Administration and Management³ (C\$ billions)



Net Sales of Long-Term Mutual Funds (C\$ billions)



(1) As a result of the PrivateBancorp acquisition, external reporting changes were made in Q3 2017 and prior period amounts up to 2015 were reclassified accordingly.

(2) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.

(3) Assets Under Management (AUM) amounts are included in the amounts reported under Assets Under Administration (AUA).

U.S. Commercial Banking and Wealth Management

Strategic Priorities

1. Grow earnings contribution to total bank to 25% in the medium to long-term
2. Integrate our U.S. businesses under a unified CIBC brand
3. Close the acquisition of Geneva Advisors in Q4 2017

Highlights of Progress To Date

- Completed the acquisition of The PrivateBank in Q3 2017, a Chicago-based commercial bank with personal banking and wealth management capabilities.
- Entered into a definitive agreement to acquire Geneva Advisors, a private wealth management firm headquartered in Chicago with \$8 billion of assets under management.
- Received deposit ratings for the first time from Moody's and Fitch for The PrivateBank, expanding our capabilities to serve new and existing commercial clients.

Alignment to CIBC Strategic Priorities

Client Focus

- Expanding our Commercial and Corporate Banking offer to our North American clients

Innovation

- Leveraging Atlantic Trust's platform and product strategies to drive client penetration for Geneva Advisors
- Leveraging The PrivateBank's banking platform to attract deposits and lending business from Geneva Advisors' clients

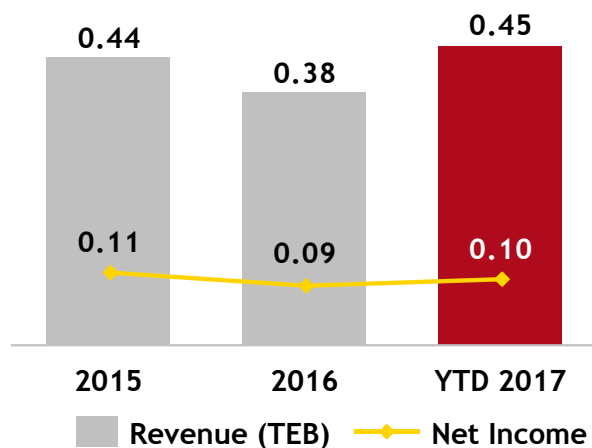
Simplification

- Integrating Geneva Advisor's back office functions

U.S. Commercial Banking and Wealth Management Financial Highlights¹

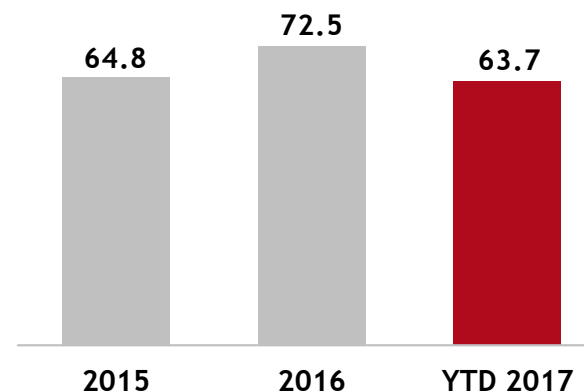
Adjusted Revenue and Net Income²

(C\$ billions)



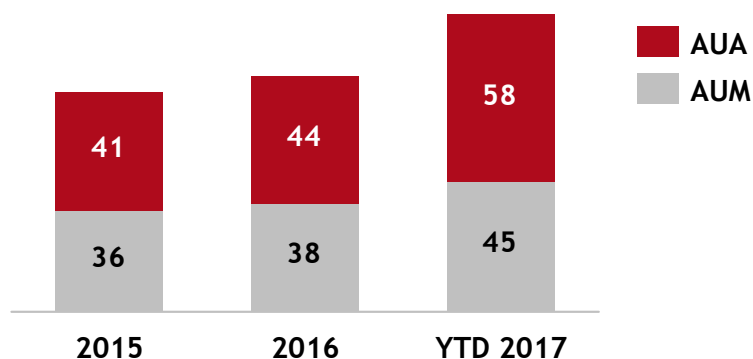
Adjusted Efficiency Ratio (TEB)^{2,3}

(%)



Assets Under Administration and Management⁴

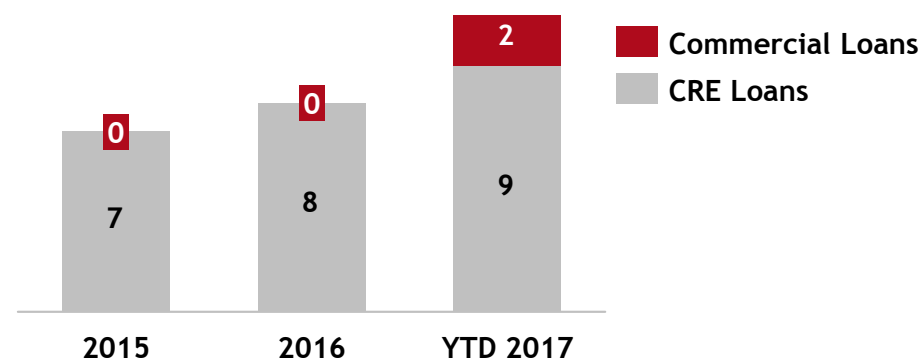
(C\$ billions)



Commercial Loans and Commercial Real Estate Loans

(C\$ billions)

Note: Commercial Real Estate (CRE) Loans primarily from The Privatebank



- (1) As a result of the PrivateBancorp acquisition, external reporting changes were made in Q3 2017 and prior period amounts up to 2015 were reclassified accordingly.
- (2) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.
- (3) TEB = Taxable Equivalent Basis - a non-GAAP financial measure representing the gross up of tax-exempt revenue on certain securities to an equivalent before-tax basis to facilitate comparison of net interest income from both taxable and tax-exempt sources.
- (4) Assets Under Management (AUM) amounts are included in the amounts reported under Assets Under Administration (AUA).

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Our New Growth Platform - The PrivateBank

The recent acquisition of Chicago-based The PrivateBank provides CIBC with a platform to diversify total bank earnings contributions from the U.S. (~25% over the long term [7-10 years])

- The PrivateBank is a high-quality, middle market commercial bank with private banking and wealth management capabilities. It will be our platform for future tuck-in acquisitions in the U.S.

The PrivateBank Q3 2017 Results (USD)⁽¹⁾⁽²⁾

<i>Adjusted (\$MM)</i> ¹	Q3/17
Revenue	104
Provision for Credit Losses	11
Non-Interest Expenses	62
Net Income - Adjusted¹	20
Net Income - Reported	18

<i>(\$B)</i> ²	Q3/17
Loans	16
Deposits	17

- Net income of \$20MM represents 39 days of earnings
- Key credit metrics remain strong relative to cyclical averages
- Net Interest Margin of 3.97%
 - The PrivateBank remains highly asset sensitive and continues to benefit from rising short-term rates
- YoY loan growth of \$2.1B or 15%
- YoY deposit growth of \$1.0B or 7%

(1) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.

(2) Loans and deposits are spot balances as at period end.

Capital Markets

Strategic Priorities

1. Become the leading Capital Markets platform in Canada
2. Build a North American client platform and align our global capabilities
3. Deliver innovation to clients across CIBC

Highlights of Progress To Date

Q3 2017:

- Named the Best Derivatives House in Canada for the fourth year in a row by GlobalCapital, recognizing CIBC for innovation, market impact, performance, client feedback and uniqueness of approach in the derivatives markets.
- Ranked #1 in both equity new issues with market share of 14%, as well as advisory services with \$8.4 billion in deal value.
- Joint bookrunner on a US\$2.0 billion bond offering for the Province of Ontario.
- Sole bookrunner for TransAlta Corp.'s \$1.0 billion credit facility and TransAlta Renewables Inc.'s new \$500 million credit facility

Alignment to CIBC Strategic Priorities

Client Focus

- Expanding product capabilities for our clients
- Evolving our coverage framework to increase client engagement

Innovation

- Developing new solutions for clients across the bank
- Leveraging technology to expand our e-Capital markets businesses
- Delivering enhanced idea generation through specialized advisory teams

Simplification

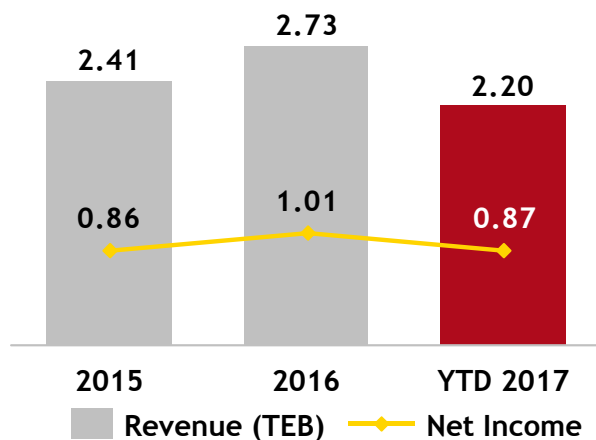
- Investing in our core capabilities
- Refocusing our coverage and capital deployment efforts outside Canada

Capital Markets

Financial Highlights¹

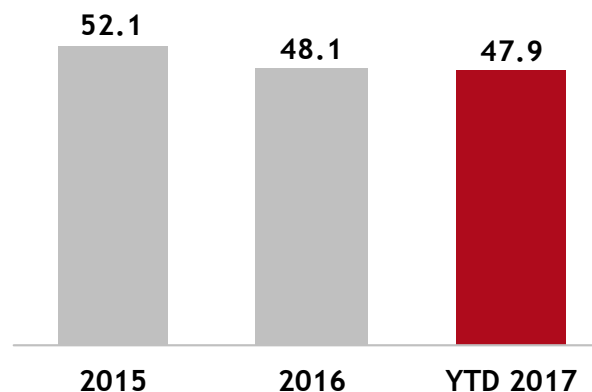
Adjusted Revenue and Net Income²

(C\$ billions)



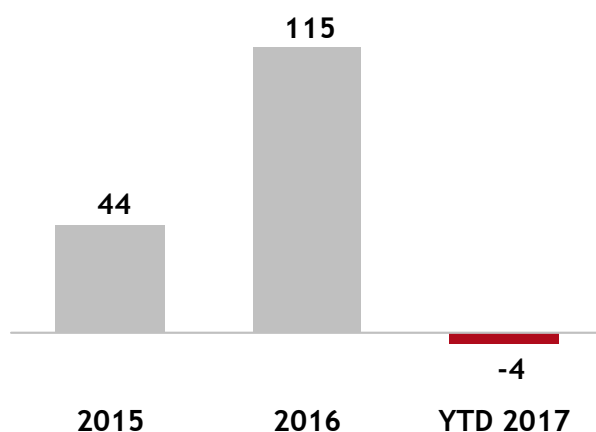
Adjusted Efficiency Ratio (TEB)^{2,3}

(%)



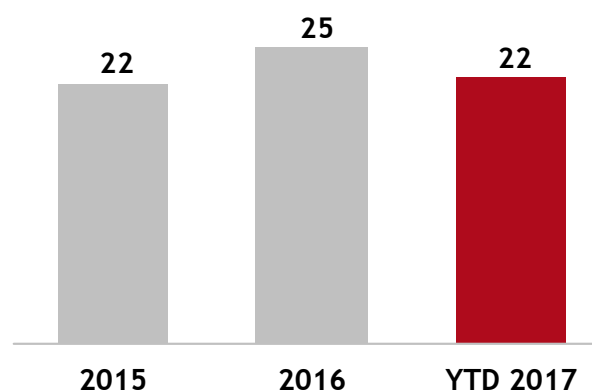
Adjusted Loan Losses²

(C\$ millions)



Average Loans and Acceptances, Net of Allowances

(C\$ billions)



- (1) As a result of the PrivateBancorp acquisition, external reporting changes were made in Q3 2017 and prior period amounts up to 2015 were reclassified accordingly.
- (2) Adjusted results are non-GAAP measures. See the non-GAAP section of CIBC's Q3 2017 Report to Shareholders.
- (3) TEB = Taxable Equivalent Basis - a non-GAAP financial measure representing the gross up of tax-exempt revenue on certain securities to an equivalent before-tax basis to facilitate comparison of net interest income from both taxable and tax-exempt sources.

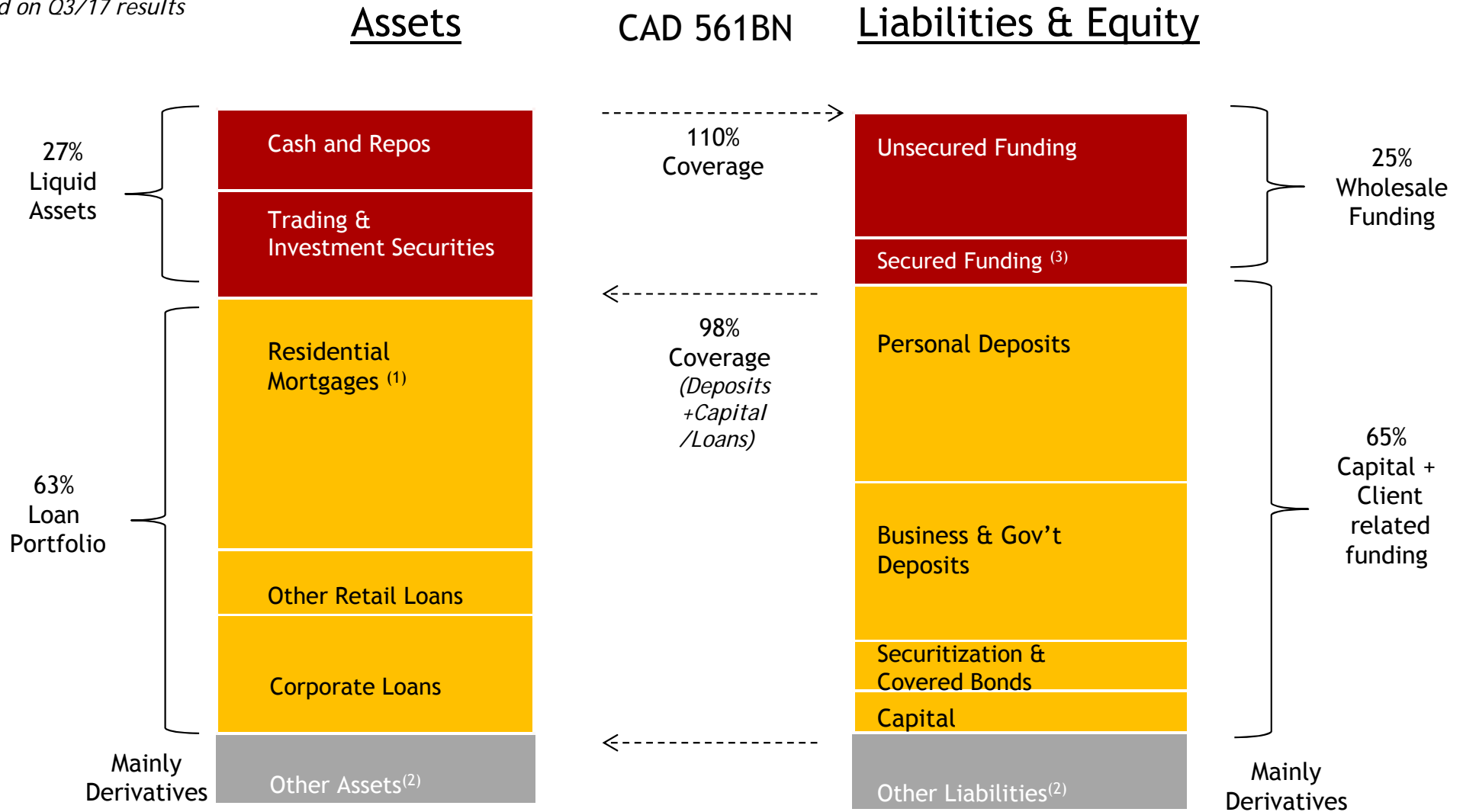
Banking that fits your life.



Balance Sheet & Funding

Strong, High Quality Liquid Client Driven Balance Sheet

Based on Q3/17 results



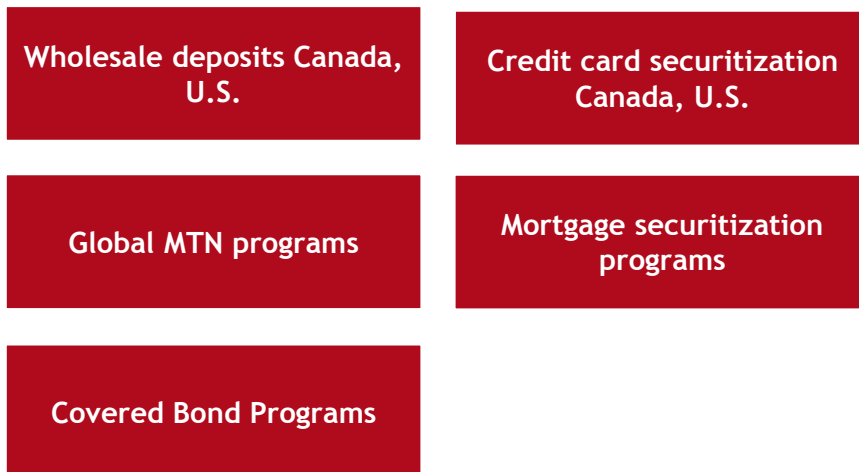
- (1) Securitized agency MBS are on balance sheet as per IFRS.
- (2) Derivatives related assets, are largely offset by derivatives related liabilities. Under IFRS derivative amounts with master netting agreements cannot be offset and the gross derivative assets and liabilities are reported on balance sheet.
- (3) Includes Obligations related to securities sold short, Cash collateral on securities lent and Obligations related to securities under repurchase agreements.

CIBC Funding Strategy and Sources

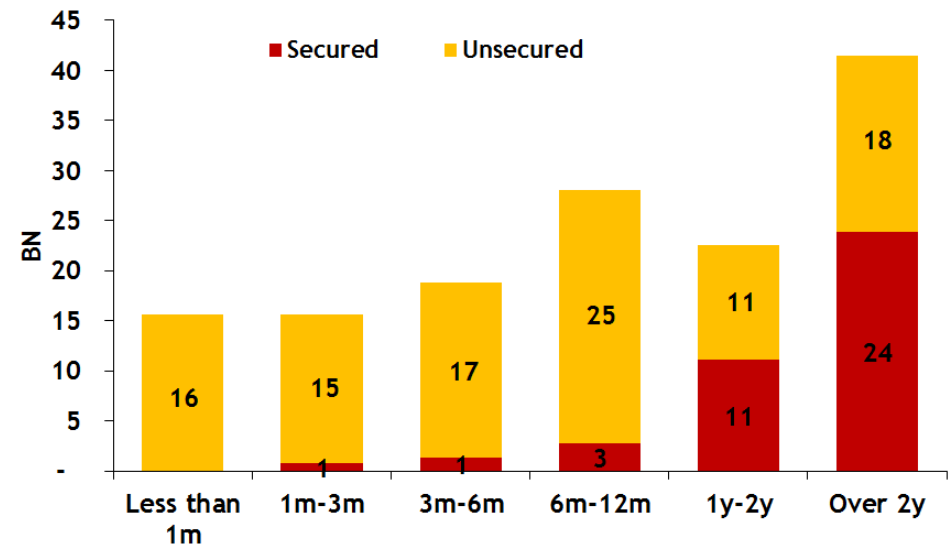
Funding Strategy

- CIBC's funding strategy includes access to funding through retail deposits and wholesale funding and deposits
- CIBC updates its three year funding plan on a quarterly basis
- The wholesale funding strategy is to develop and maintain a sustainable funding base through which CIBC can access funding across many different depositors and investors, geographies, maturities, and funding instruments

Wholesale Funding Sources



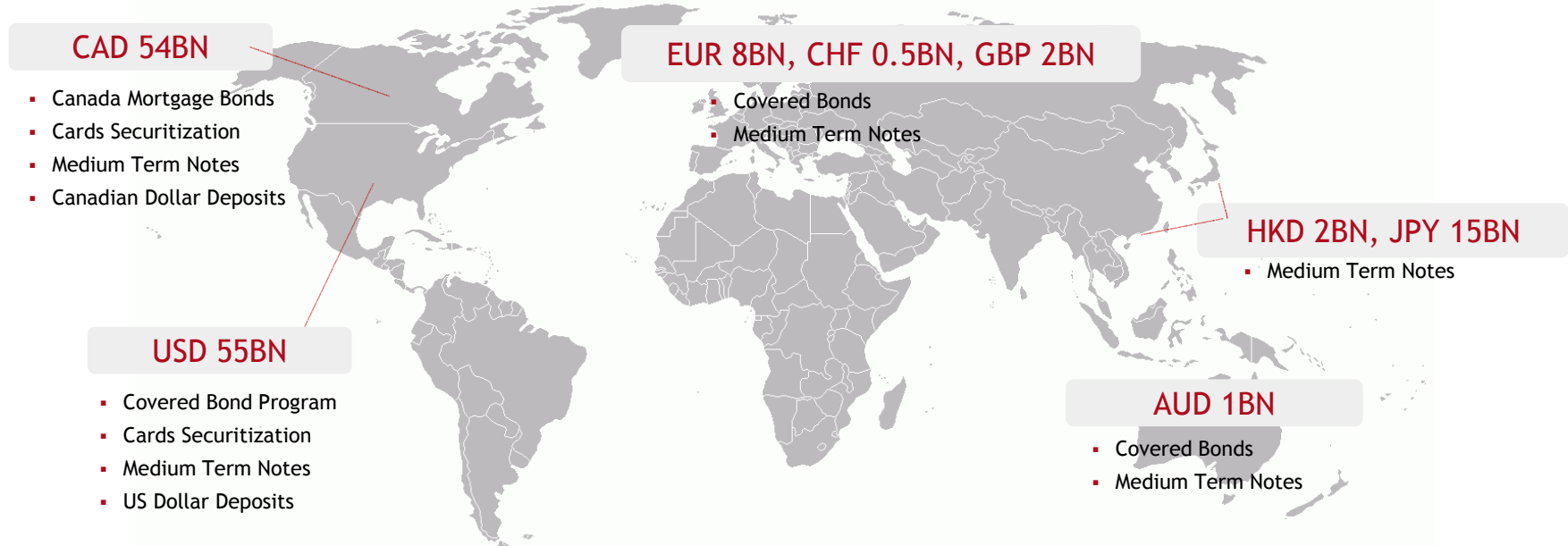
Wholesale Market (CAD Eq. 142.1BN), Maturity Profile¹



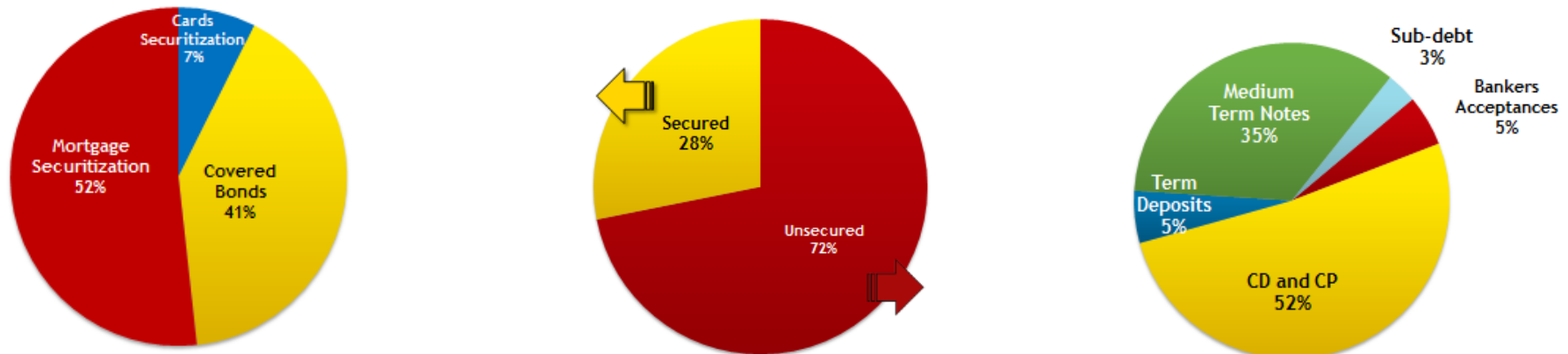
(1) Source: CIBC's Q3 2017 Report to Shareholders.

Wholesale Funding Geography

Wholesale Funding By Currency



Wholesale Funding by Product



Source: CIBC Q3 2017 Report to Shareholders

Unsecured includes Obligations related to securities sold short, Cash collateral on securities lent and Obligations related to securities under repurchase agreements.

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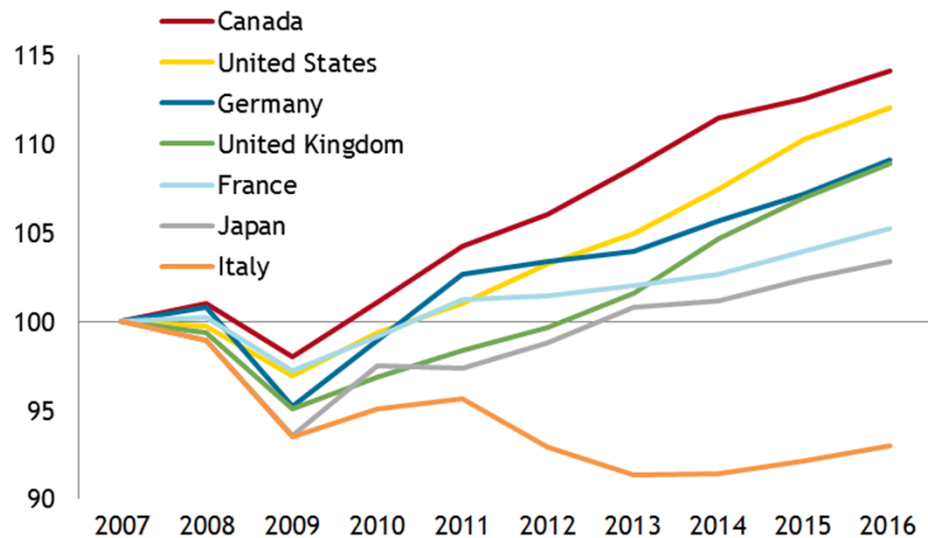
Macroeconomic Overview

Canadian Economic Trends Compare Favourably to Peer G7 Members 28

Strong Economic Fundamentals

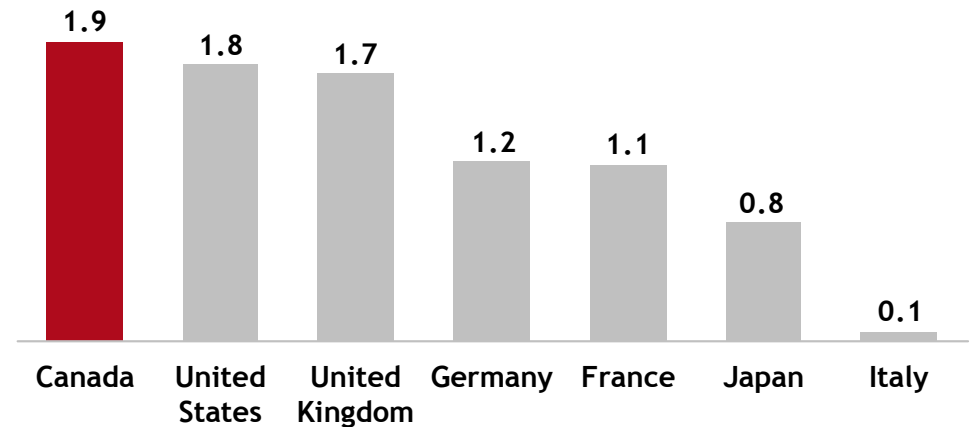
- Highest long-term GDP growth rate (CAGR) between 2000 to 2016 among the G7
- As measured by GDP indexed to 2007, the Canadian economy has outperformed other major economies since the financial crisis of 2008
- Lowest total government net debt-to-GDP ratio among the G7 for the past 13 years¹

GDP Indexed to 2007¹

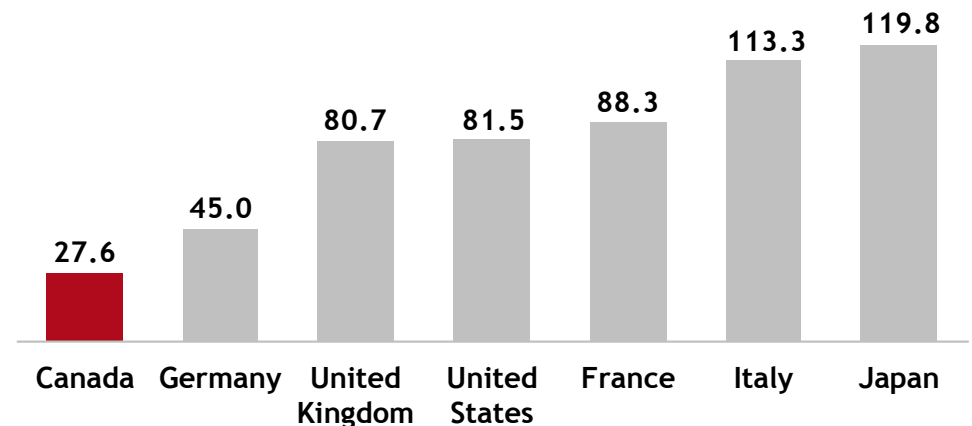


(1) Source: International Monetary Fund, World Economic Outlook, April 2017.

Long-Term GDP Growth Rate (2000-2016)¹ (%)

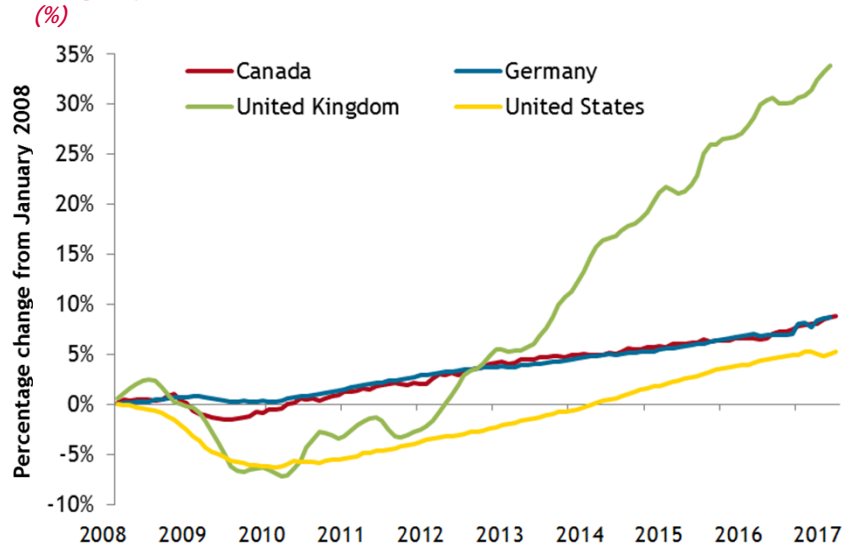


Government Net Debt-to-GDP Ratio (2016)¹ (%)



Canadian Labour Market Profile

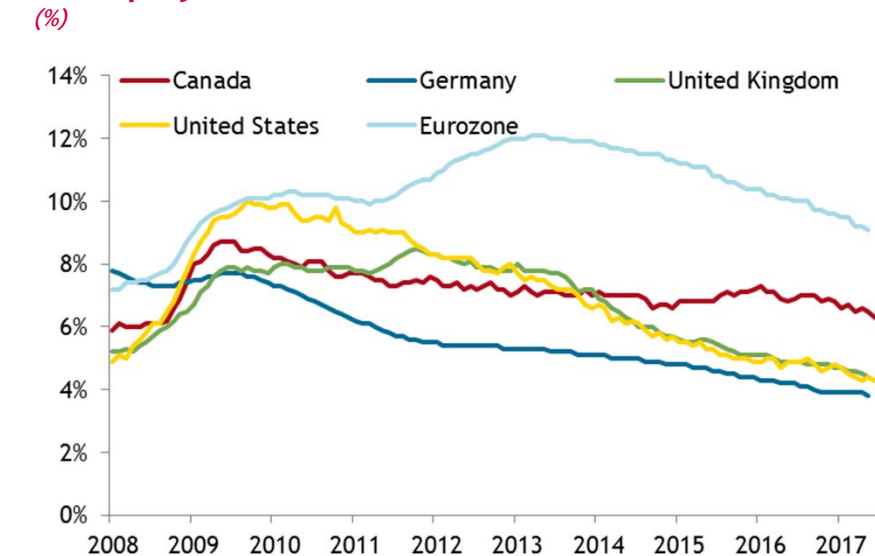
Employment Rate¹



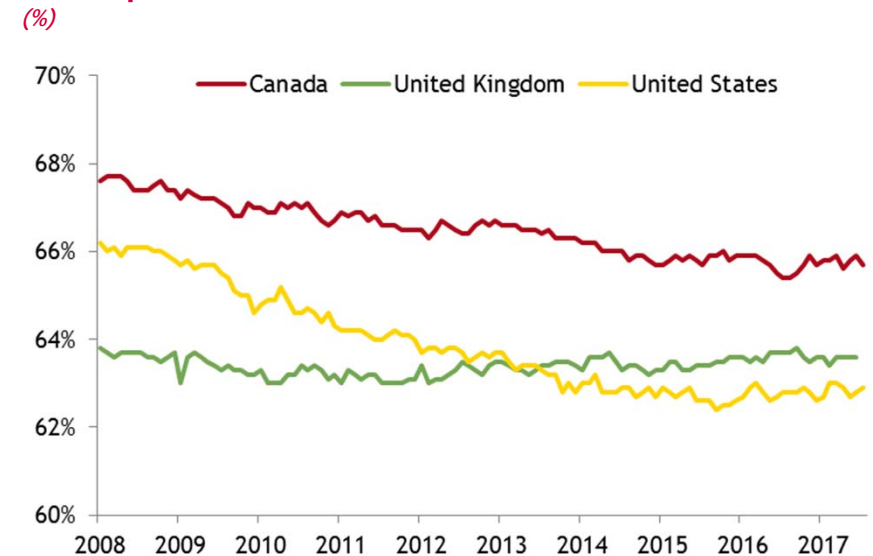
Canadian Employment Above 2008 Levels

- Canada regained all jobs lost during the recession by January 2010, before the United Kingdom and the United States
- Net employment increases in Canada and the United States from January 2008 to July 2017 are 1,474,500 and 7,781,000, respectively
- Participation rate holding higher than in the U.S. and the U.K.

Unemployment Rate¹



Participation Rate¹



(1) Source: Bloomberg

Canadian Housing Market

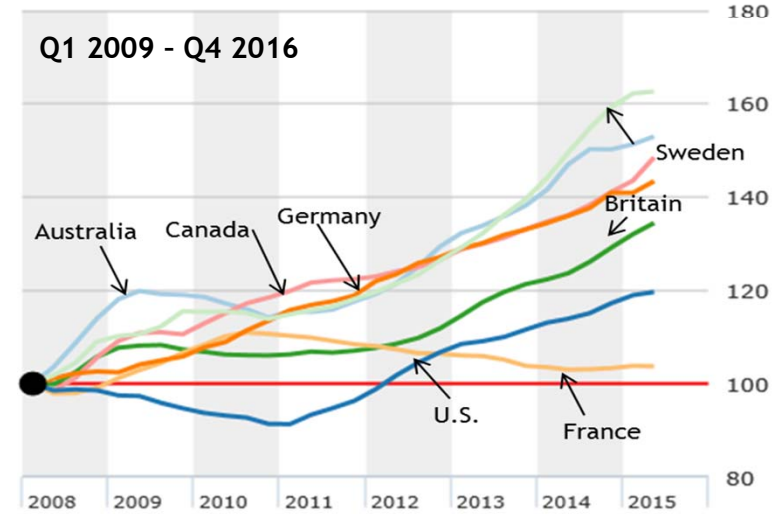
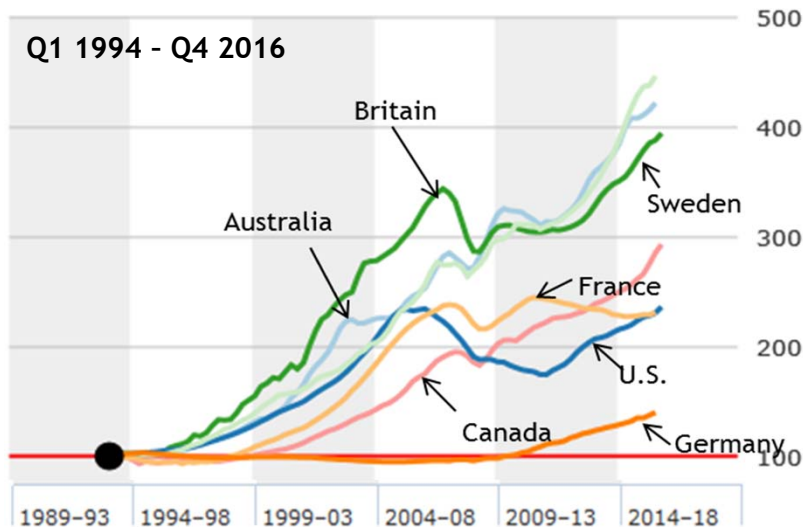
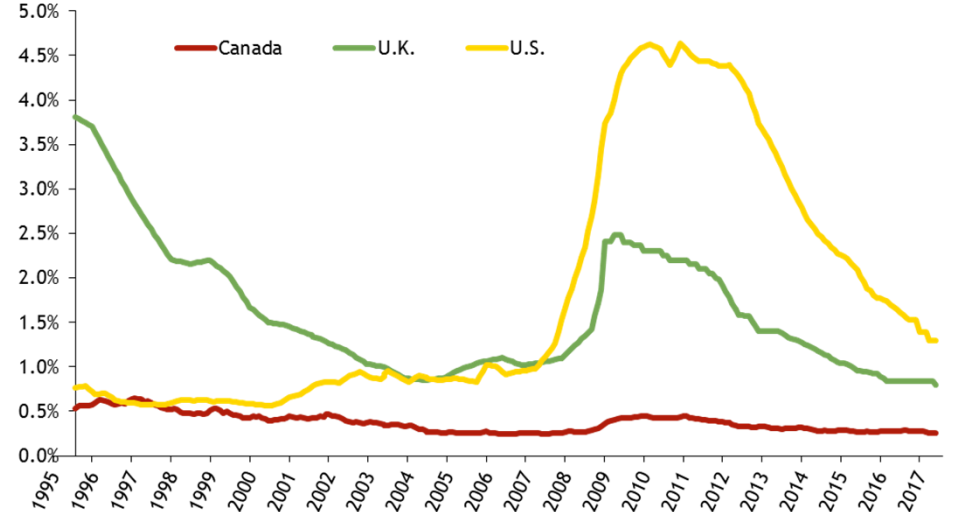
Canadian mortgages consistently outperform U.S. and U.K. mortgages

- Low defaults and arrears reflect the strong Canadian credit culture
- Mortgage arrears have steadily declined from high of 0.45% in 2009 to 0.25% in 2017

Housing Index²

- While still on an upward trend, Canadian home prices are still generally lower compared to other markets

Mortgages in Arrears as a % of Total Number of Mortgages¹

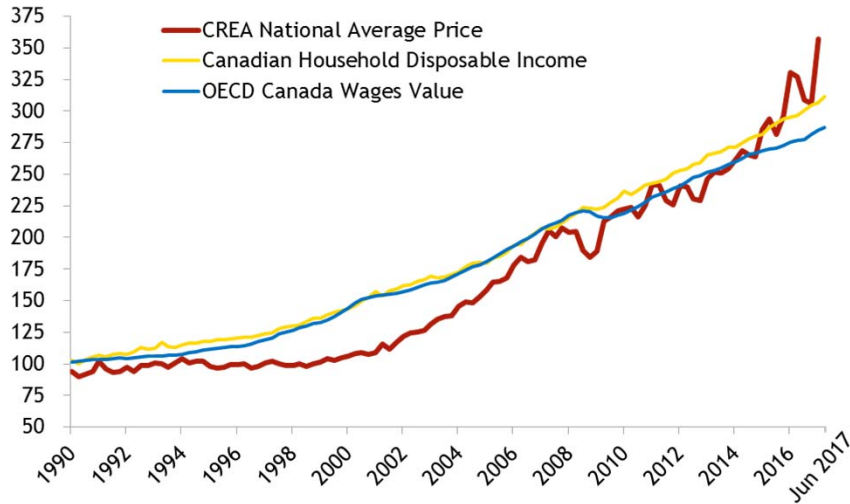


(1) Source: CML Research, Canadian Bankers Association, Mortgage Bankers Association. Mortgage arrears of 3+ months in Canada and U.K. or in foreclosure process in the U.S.
 (2) Source: The Economist. Latest available data point for Germany, Sweden, Australia and France is Q3 2016; Britain, U.S. and Canada - Q4 2016

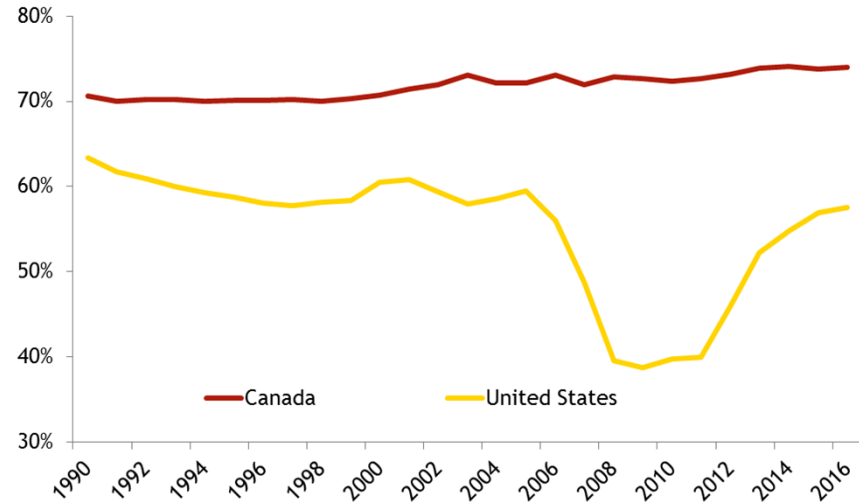


Canadian Consumer Credit Profile

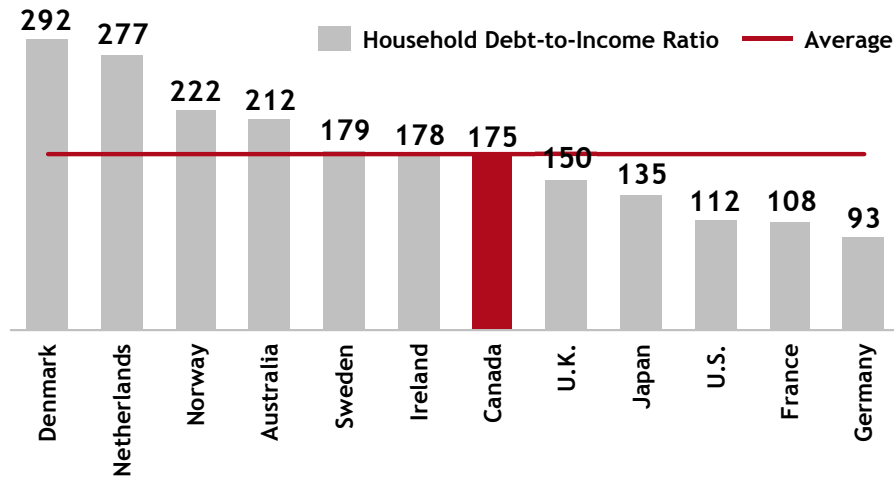
House Price Growth in Tandem with Income Growth¹



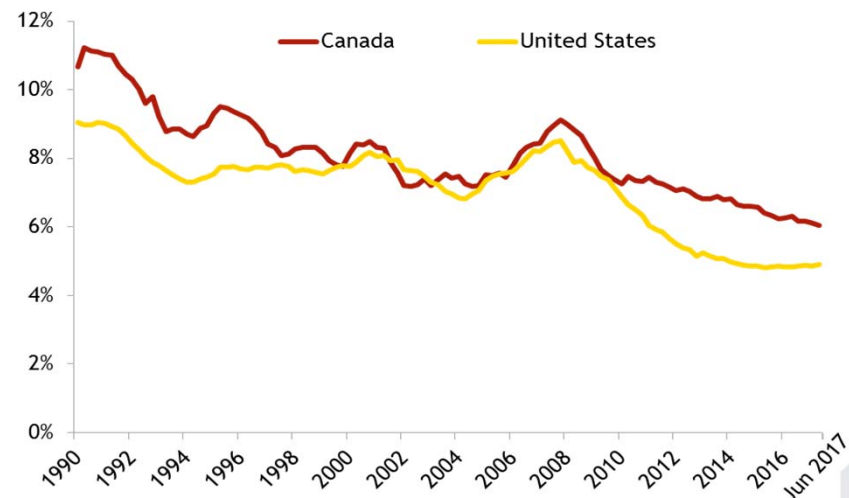
Consistently High Owner's Equity²



Canadian Household Debt-to-Income Ratio (2015) In line with Many Developed Nations³



Household Debt Service Ratio (Interest-Only) Lowest in 15 Years²



(1) Source: Bloomberg, Canadian Real Estate Association.
 (2) Source: Federal Reserve, Statistics Canada. Owner's Equity metric is indexed.
 (3) Source: Organisation for Economic Development.



Canadian vs. US Mortgage Market

	Canada	United States
Product	<ul style="list-style-type: none"> Conservative product offerings - generally consist of fixed or variable rate option Borrowers qualify based on qualifying posted mortgage rate 	<ul style="list-style-type: none"> More exotic offerings (e.g. ARMs, IOs) and a greater proportion of mortgages are variable or adjustable rate Borrowers were often qualified using teaser rates
Underwriting	<ul style="list-style-type: none"> Prepayment penalties are common Terms usually 5 years or less, renewable at maturity - allows reassessment of credit Amortization usually 25 years, but can be up to 30 years Mortgage insurance mandatory if LTV over 80%. Insurance covers full amount 	<ul style="list-style-type: none"> Mortgages can be prepaid without penalty 30 year term most common Amortizations usually 30 years, but can be up to 50 years Mortgage insurance often used to cover portion of LTV over 80%
Regulation and Taxation	<ul style="list-style-type: none"> Interest is generally not tax deductible, so there is an incentive to take on less mortgage debt Lenders have recourse to both the borrower and the property in most provinces Foreign buyer and vacant home tax: this tax was imposed by the BC government in Aug./16 to cool the GVA housing market. The ON government followed suit in Apr./17 to cool the GTA housing market. Oct./16: A stress test used for approving high-ratio mortgages will be applied to all new insured mortgages. Home buyers need to qualify for a loan at the negotiated rate in the mortgage contract, but also at BoC's five-year fixed posted mortgage rate. 	<ul style="list-style-type: none"> Interest is tax deductible, creating an incentive to take on more mortgage debt Lenders have limited recourse in most jurisdictions

Regulatory Environment

Pending and Proposed Regulatory Changes

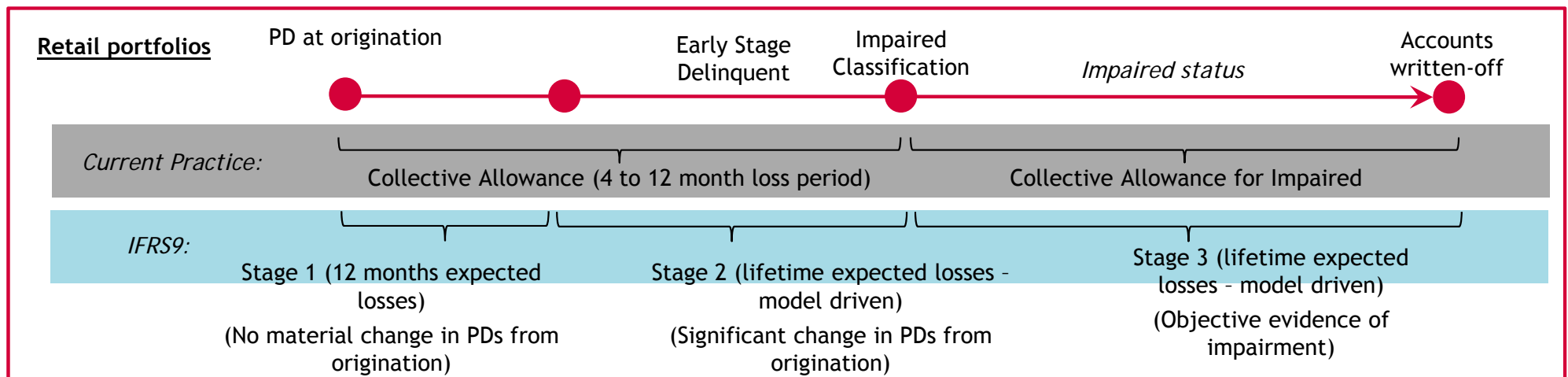
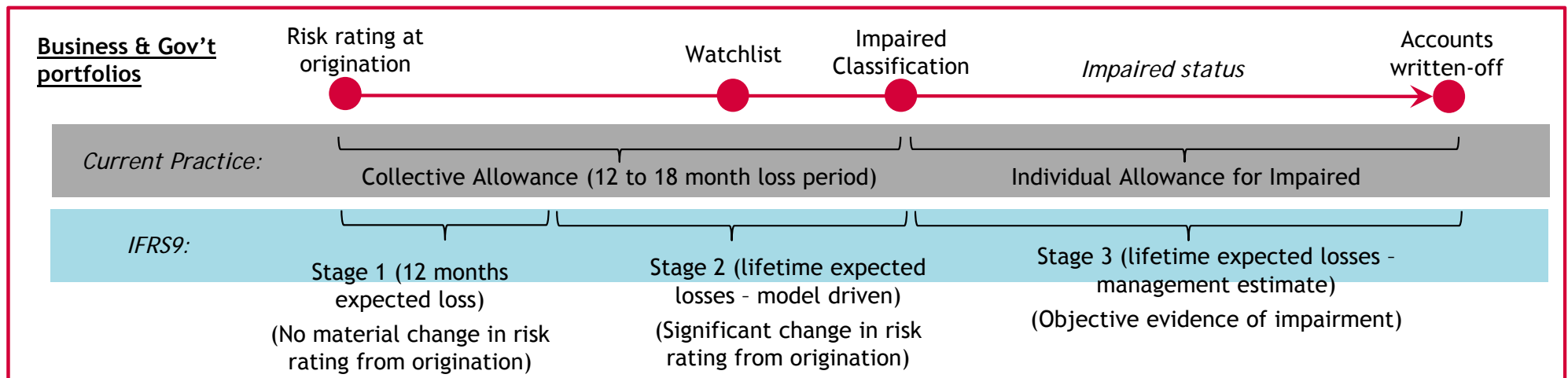
<h2>Capital Requirements</h2>	<h3>Risk-Based Capital Ratios</h3>	<ul style="list-style-type: none"> ▪ The Basel Committee continues to finalize a number of changes to the capital framework including a comprehensive review of all risk categories (i.e. credit, market, and operational risk). Major changes include: <ul style="list-style-type: none"> ▪ A new Standardized Approach for credit and operational risk (in consultation); ▪ Potential capital “output” floor based on the Standardized Approach to replace the existing Basel I Capital Floor; ▪ A new credit risk framework for constraining model-based approaches to reduce RWA variations (in consultation); ▪ Comprehensive revision of market risk and counterparty credit risk framework ▪ Proposed revisions to leverage ratio includes higher credit conversion factors for off-balance sheet exposures and higher minimum requirement for G-SIBs
<h2>Liquidity Requirements</h2>	<h3>Liquidity Coverage Ratio (LCR)</h3>	<ul style="list-style-type: none"> ▪ The minimum LCR requirement for Canadian institutions was 100% beginning January 1, 2015. ▪ US Banks with <US\$50B in assets do not have to be LCR compliant
<h2>Liquidity Requirements</h2>	<h3>Net Stable Funding Ratio (Proposed)</h3>	<ul style="list-style-type: none"> ▪ The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. ▪ Final Basel Committee on Banking Supervision (BCBS) rules released October 2014. OSFI consultative document released January 2014. ▪ OSFI draft NSFR industry consultation was initiated in August 2016 and final rules expected before the end of 2017. ▪ Effective January 2019 - disclosed via MD&A. Minimum NSFR \geq100%
<h2>Other</h2>	<h3>Total Loss Absorbing Capacity (TLAC) (Proposed)</h3>	<ul style="list-style-type: none"> ▪ Requirement for too-big-to-fail banks to have loss-absorbing liabilities (e.g. wholesale funding) ▪ Canadian Bail-in legislation in 2016; Regulatory proposals expected in 2017 ▪ Financial Stability Board November 2015. Effective 2019 for most G-SIBs

IFRS 9 - Expected Credit Losses

- IFRS 9 Expected Credit Losses (ECL) requires banks to switch their allowance methodology from an incurred loss model to an expected credit loss model
- The mandatory date is fiscal 2019, but OSFI requires all large Canadian banks to apply this new methodology one year earlier
- In the IFRS 9 ECL approach, each credit portfolio is segmented into three stages, of which each stage represents a different level of relative credit risk and requires different levels of coverage:
 - **Stage 1** - Credit quality at initial recognition
 - This stage includes mainly new and good performing accounts - allowance for 12-months of expected credit losses
 - **Stage 2** - Accounts for which credit risk has increased significantly since initial recognition
 - This stage includes mainly accounts whose credit quality (as measured by the probability of default or risk rating) has deteriorated since origination - allowance for lifetime expected credit losses (model driven)
 - **Stage 3** - Accounts for which there is objective evidence of impairment
 - This stage includes impaired accounts - allowance for lifetime expected credit losses (individual account driven)
- In the allowance calculation for each of the stages above, banks are required to incorporate forward looking information and macro-economic factors
- In the U.S., banks generally report under U.S. GAAP and will not transition to IFRS 9. Instead, the U.S. banks (that report under U.S. GAAP) are expected to transition to a different expected loss model in which all loans are essentially treated as stage 2 / stage 3 (i.e. life time expected losses). However, the U.S. GAAP transition date (2020 for calendar-year public business entities) is after IFRS 9
- OSFI is finalizing the interim capital treatment around the IFRS9 framework, and concurrently, Basel is developing a longer-term capital treatment of provisions

IFRS 9 Expected Credit Loss Methodology

- IFRS 9 requires the use of an expected credit loss model based on (i) credit migration between 3 stages that each have their own allowance requirements and (ii) the reflection of forward looking information in 3 probability weighted scenarios (downside, base & upside) in all of the allowances
- The charts below contrast the existing and future allowance rules for **Business and Government loans and Retail loans**



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