CIBC WORLD MARKETS PLC

REPORT AND FINANCIAL STATEMENTS

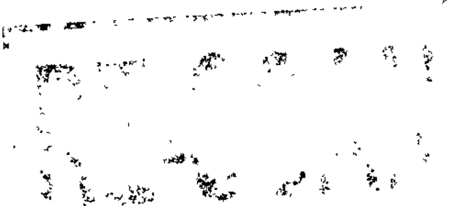
FOR THE YEAR ENDED

31 OCTOBER 2019

FRIDAY
L8KP05QW
L23 20/12/2019 #28
COMPANIES HOUSE

23/12/19

Company No: 2733036



CONTENTS

CONTENTS 2
COMPANY INFORMATION 1
DIRECTORS' REPORT 2
STRATEGIC REPORT 5
REPORT OF THE AUDITOR 8
PROFIT AND LOSS ACCOUNT 14
BALANCE SHEET 15
STATEMENT OF CHANGES IN EQUITY 16
NOTES TO THE FINANCIAL STATEMENTS 17

COMPANY INFORMATION

Directors	W. Lee P. Atkinson D. Climo M. Foreman-Purves M. Bailey (Non-Executive) D. Buckley (Non-Executive)
Company secretary	C. Craig
Company number	2733036
Registered office	150 Cheapside London EC2V 6ET
Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY

DIRECTORS' REPORT

Company No: 2733036
The directors present their report together with the audited financial statements for CIBC World Markets Plc ("the Company", "Plc") for the year ended 31 October 2019.

Dividends
During the year a dividend of C$120m was declared and paid (2018: C$ nil).

Future developments
The Company intends to transfer the activities of Plc to CIBC Capital Markets (Europe) S.A., another CIBC group company which is based in Luxembourg, in April 2020. Additional discussion of Plc's Brexit strategy is included in the Strategic Report on page 5.

In the period of operation preceding this transfer, the Company does not envisage significant changes to its business mix, absent unforeseen developments within European or North American financial markets. The Company's business strategy is to operate on a low risk platform balancing risks and returns based on market opportunities.

Directors
The names of those who served as directors during the year are noted below, along with recent appointments. The directors had no disclosable beneficial interest in the share capital of the Company. Each executive director holds shares in the parent company.

Executive directors:

W. Lee
N. Wickes (resigned 28 February 2019)
P. Atkinson
D. Climo
M. Foreman-Purves (appointed 26 July 2019)

Non-executive directors:

M. Bailey
D.Buckley

During the financial year the Company's directors benefited from qualifying third party indemnity granted by the Company and its ultimate parent Canadian Imperial Bank of Commerce (CIBC), indemnifying the directors against liabilities and associated costs which they could incur in the course of their duties to the Company. The indemnity remains in force as at the date of the financial statements.

The directors acknowledge their duties and obligations under the Companies Act 2006 and will continue to monitor the requirements of this Act.

Political and charitable contributions
No payments were made to political parties in the year ended 31 October 2019 (2018: C$ nil).
No charitable contributions were made in the year ended 31 October 2019 (2018: C$ nil).

Employees
The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees irrespective of sex, race, national origin, religion, disability, sexual orientation or marital status. The Company is committed to keeping employees fully informed on major changes affecting them through team meetings, briefings, internal communications and opinion surveys.

The Company operates the CIBC Employee Share Purchase Plan (as defined in Note 33) which all employees with more than six months service are invited to join.

Events after the reporting period

There were no significant events subsequent to the reporting date.

Going concern

The directors have completed a formal assessment of the Company's financial resources, incorporating consideration of its future strategy. Based on this review the directors believe that the Company is well placed to manage its business risks successfully despite uncertainties in the economic outlook. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period at least until January 2021 having reviewed the expected necessary resources both prior to and post the transfer of assets.

The Company's business activities, together with factors likely to affect its future developments, its financial position, financial risk management objectives, details of its financial instruments and derivatives activities and its exposure to price, credit, liquidity and cash flow risk are described in the Brexit section of the Strategic report, as well as Notes 22-25 and Note 27. The Company has a strong capital base and financial resources, as detailed in Note 26. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully in the current economic climate and in respect of its future change in business model.

As per note 34, the ultimate parent company, CIBC, has guaranteed payment to creditors of all debts and other financial obligations until the earlier of 31 October 2022 or the Company ceasing to be a subsidiary.

Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Country by country reporting

In line with the requirements of Capital Requirements Directive IV (CRD IV), the Company is required to make disclosures in the financial statements in relation to country by country reporting.

Plc is a UK wholesale bank.

Operating Income: C$29,285,000 (2018: C$20,211,000).
Current employees at 31 October: 11 people (2018: 13).
Profit before tax: C$19,795,000 (2018: C$9,945,000)
Public subsidies received: C$ nil (2018: C$ nil)

Directors' responsibilities

The directors are responsible for preparing the Directors' report, Strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibilities towards auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its audit report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all steps that they are obliged to take as director in order to make him/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Pillar 3
Pillar 3 is a regulatory required public disclosure of Plc's Capital, Risk Exposures and Risk Management Policies presented separately to these financial statements. When producing the Pillar 3, the Company is required to comply with (i) the Capital Requirement Regulation (EU) No 575/2013 (CRR), (ii) the Final Report on the guidelines on disclosures requirement under Part Eight of CRR issued by EBA on 14 December 2016 (amended version on 9 June 2017) (EBA Guidelines) and (iii) the PRA Supervisory Statements.

The Pillar 3 disclosures are filed as an addendum to these accounts and are available from Companies House upon request. The Pillar 3 disclosures are not audited.

Re-appointment of auditors
In accordance with s485 of the Companies Act 2006, a resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the next shareholder's meeting.

Approved by the Board of Directors (the Board) on 19 December 2019 and signed on its behalf:

C. Craig
Company Secretary
By order of the Board
Date: 19 Dec 2019

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 October 2019.

Results
The profit for the year, after taxation, is C$15,920,000 (2018: C$7,994,000).

Net interest income has remained consistent year-on-year, with pressure on margins offset by increased balances on deposit with Central Banks in the period. An increase in advisory activity in the year has yielded an increase in fees and commissions receivable, with the increase in fees and commissions payable representing fee sharing with other group entities. The overall impact of these factors is an increase in Operating Income and Profit after tax.

The main year on year change on the balance sheet is the increase in cash deposits held at central banks, with the corresponding funding increase in deposits from banks. This was driven by a decision to keep additional liquid funds locally in light of wider macro-economic Brexit uncertainties. The increase in loans and advances to non-banks has arisen from new facilities originated in the year.

Principal activities and review of business
The Company is a wholly-owned subsidiary of CIBC and is engaged in wholesale banking. The Company's business covers Corporate & Investment Banking and Global Capital Markets activities focussed on our core strategic sectors of Infrastructure, Mining, Oil & Gas, Power & Utilities and Financial Institutions with our targeted European and Canadian client base.

The Company supports CIBC's client centric business model. In the coming year, the Company will look for steady, risk controlled growth in its client led strategy prior to the planned sale of its assets to CIBC's Luxembourg entity which is expected in April 2020 – see discussion of Brexit on the next page. The Company's approved risk appetite is reflected in its risk metrics. Notes 22-25 to these accounts set out more fully the Company's principal risks as well as its risk management approach.

The Company's capital ratios are forecast to continue to remain strong prior to this planned business reduction.

Key Performance Indicators (KPI's)
The key financial and other performance indicators performance during the year were as follows:

	2019	**2018**	**Change**
	C$'000	C$'000	C$'000
Operating Income	29,285	20,211	9,074
Profit after tax	15,920	7,994	7,926
Shareholder's Funds	562,270	666,114	(103,844)

	2019	**2018**	**Change**
Average number of employees	12	13	(1)

Given the nature of the Company's business operating model in the United Kingdom (UK), the directors are of the opinion that further KPI's can only be meaningfully analysed and interpreted in conjunction with the activities of the parent company's other London operations as the parent company monitors the performance in the United Kingdom on a combined basis. This monitoring process is completed formally on a monthly basis.

The presentation of separate key performance indicators for the Company would not provide an appropriate representation of how the directors measure the performance of the Company. However, CIBC's consolidated financial statements include the Company to reflect London operations in its performance analysis for the current year.

Principal risks and uncertainties
Risk management remains an important priority. Notes 22-25 set out comprehensive information in respect of risk management activities and how these interact with respective accounting policies. The Company uses hedging and other risk management techniques, as well as a range of financial instruments in managing risk.

The Company's risk control framework covers policies for managing risks, including credit risk, market risk, liquidity risk, operational risk, regulatory risk, compliance risk and other key risks. There are detailed procedures for controlling risk in each business line as well as monitoring controls to ensure adherence to those procedures.

As per the Board's mandated risk appetite, the Company has opted to manage principal risks relating to structured products, securities and derivatives in other group companies using risk transfer methods such as back to back transactions.

Reforms to interest rate benchmarks
Various interest rate and other indices that are deemed to be "benchmarks", including the London Interbank Offered Rate (LIBOR), are the subject of international regulatory guidance and proposals for reform. The UK's Financial Conduct Authority announced in July 2017 that it would not compel banks to submit LIBOR rates after December 2021 and therefore this benchmark and others may be discontinued beyond that date. These reform pressures may cause current benchmarks to disappear entirely, perform differently than in the past, create disincentives for market participants to continue to administer and contribute to certain benchmarks, or have other consequences which cannot be predicted. Accordingly, this uncertainty in respect of relevant benchmarks may adversely affect the value of, return on, or trading market for contracts linked to any such benchmark.

CIBC has an established Enterprise wide program explicitly focused on creating and executing upon a transition plan away from IBOR benchmarks. The program is managed for CIBC at a group level and sponsored by the Global Head of Capital Markets, but includes all strategic business units and affiliates. The program consist of four main streams.

1. Communication and Conduct
2. Contract discovery and remediation
3. Operational readiness
4. Exposure analysis and Product strategy

Each stream has representation from across the organisation and is tasked with implementing their individual roadmaps. They are accountable to the Global Operating Committee and ultimately the Executive Steering Committee. While somewhat dependent on the industry to land on final language and product we are ready to move when the time is appropriate.

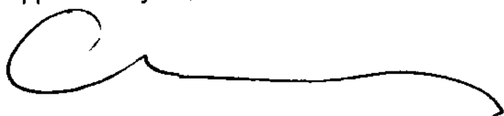
Brexit
The Company is a wholly owned UK subsidiary and CIBC's sole European Union "passported" entity. All cross-border lending and Global Markets (MiFID) client activities in countries requiring the use of a passported/licenced entity are executed via Plc. A country specific booking model is applied.

Following an extensive review of CIBC's European passporting operations in light of the anticipated exit of the UK from the European Union, CIBC arrived at a strategy to allow CIBC to maintain its European client activities under various Brexit outcomes. Under the adopted approach, CIBC Capital Markets (Europe) S.A was incorporated in Luxembourg on 3 July 2019 and received European Central Bank (ECB)/ Commission de Surveillance du Secteur Financier (CSSF) authorisation as a credit institution in August 2019.

The activities of Plc are expected to move to CIBC Capital Markets (Europe) S.A. in April 2020. CIBC Capital markets (Europe) S.A. will be a "passported entity" and will conduct all activities that require authorisation under an EU single market directive which are currently conducted by Plc.

Upon successful transfer of the activities of Plc to the Luxembourg entity, CIBC will apply for regulatory approval to remove Plc's banking permissions and commence wind-up procedures. The winding up is not expected to be completed prior to January 2021.

Approved by the Board of Directors on 19 December 2019 and signed on its behalf:



C. Craig
Company Secretary
By order of the Board
Date: 19 Dec 2019

REPORT OF THE AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIBC WORLD MARKETS PLC

Opinion

We have audited the financial statements of CIBC World Markets Plc 'the Company' or 'Plc' for the year ended 31 October 2019 which comprise the Profit and Loss Account, the Balance Sheet, the statement of changes in equity and the related notes 1 to 37 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice) 'FRS 101 including UK GAAP'.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 October 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	-	Loan impairment
	-	Revenue recognition
Materiality	-	Overall materiality of C$5.6m which represents 1% of Equity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Loan impairment At year end the Company reported gross Loans and advances to non-banks of C$77,694k, (2018: C$48,194k) and ECL provision of C$16k (2018: nil) Refer to the Strategic Report (page 5); Accounting policies (page 18); and Note 11 of the Financial Statements (page 30) Given the relative size of the loan portfolio, a failure to recognise required provisions for expected credit losses (ECL) could have a material impact on the financial statements. Given the subjective nature of the staging assessment over the decision and requirement for management overlay under IFRS 9, there is heightened risk that the timing and extent of this could be overridden by management. Implementation of the standard as at 1 November 2018 led to an adjustment to opening retained earnings of C$42k. The risk has remained consistent during the year as the composition of the portfolio continues to comprise a low volume of facilities and general credit conditions have not changed.	We tested the design and operating effectiveness of the key controls implemented by management over the loan monitoring, staging and ECL calculation process under IFRS 9; We tested the calculation of ECL including the use of specialists for assessing the inputs and assumptions into the model; We undertook independent loan file reviews to identify and indicators of significant credit deterioration. We lowered our testing threshold and increased sample size for testing of loan file reviews to respond to the identified risk; We enquired of credit risk management to confirm that events occurring post balance sheet date have been considered for potential impact on the year-end staging assessment and resulting ECL, including assessing the year end arrears for recoverability; We tested the accuracy and completeness of IFRS 9 disclosures and engaged our IFRS specialists to assess the appropriateness of the accounting policy in line with the requirements of IFRS 9.	No material issues were identified from the execution of our audit procedures over recorded ECL relating to loans and advances to non-banks. We concluded that the assumptions made by management in the ECL model are reasonable as at 31 October 2019. We concluded that the carrying amount of loans and advances to non-banks and related ECL as at 31 October 2019 were reasonable and in compliance with United Kingdom Generally Accepted Accounting Principles.

Key audit matters – continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition: Advisory fees allocation from CIBC group companies. At year end the Company reported net advisory fees of C$10,223k, (2018: C$3,077k). ***Refer to the Strategic Report (page 5); Accounting policies (page 26); and Note 3 of the Financial Statements (page 28)*** Given that Plc receives a significant portion of its revenue through revenue share arrangements with CIBC group companies, subjectivity can exist in relation to the magnitude and timing of advisory fees and due to the manual nature of the allocation process, there is an opportunity for management override.	We assessed the design effectiveness of controls operating over the advisory fee recognition and allocation process; We reviewed the transfer pricing policy and agreements to verify that the terms and conditions are reflected in the calculation of the revenue allocation made to Plc; We tested the basis and arithmetic accuracy of the fee calculation and agreed the inputs back to appropriate sources including underlying contractual information contained within deal documentation; We verified the accuracy of ledger bookings; We performed cut-off testing to confirm that revenue has been recognised in the correct period.	No material issues were identified from the execution of our audit procedures over the risk of incorrect recognition of advisory fees in the company. We concluded that the advisory fees recognised are reasonable and in compliance with United Kingdom Generally Accepted Accounting Practice for the year ending 31 October 2019.

An overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. In establishing our overall approach to the audit, we determined the type of work that needed to be undertaken by us, as the audit engagement team, or by EY Canada as the auditors of the Canadian Imperial Bank of Commerce Inc. group ("CIBC"), who operated under our instruction. Where work was performed by the CIBC Group auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Company as a whole.

The audit engagement team interacted regularly with the CIBC group audit team where appropriate throughout the course of the audit, which included holding planning meetings, maintaining regular communications on the status of the audit, reviewing all relevant working papers and maintaining responsibility for the scope and direction of the audit process. This gave us appropriate evidence for our opinion on the CIBC World Markets Plc financial statements.

All audit work was performed directly by the audit engagement team, EY Derivative Valuation Specialists or by the CIBC group auditors from other EY global network firms operating under our instruction.

Changes from the prior year
There have been no significant changes to the scope of our audit since the prior year.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be C$5.6 million (2018: C$6.6 million), which is 1% (2018: 1%) of equity. Equity was deemed the most appropriate basis for materiality, given that the purpose of the entity is to primarily act as a passporting entity supporting wider activity undertaken by the Canadian Imperial Bank of Commerce Inc. ("CIBC") group, rather than being an entity whose success is primarily measured on its standalone return metrics

During the course of our audit, we reassessed initial materiality and considered them to be appropriate.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely C$4.2m (2018: C$4.9m). We have set performance materiality at this percentage based on our understanding of the entity, past experience with the audit and no material recorded or unrecorded audit differences in prior period.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of C$0.3m (2018: C$0.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach in respect of irregularities, including fraud was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Financial Services and Markets Act 2000 (FSMA), Financial Services Act 2012 and other relevant Financial Conduct Authority ('FCA') & Prudential Regulation Authority ('PRA') regulations.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant were the regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We understood how the Company complies with these legal and regulatory frameworks by making enquiries of management, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Risk Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and the Board's review of the Company's risk management framework and internal control processes.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved inquiries of regulatory bodies, legal counsel, executive management, internal audit, and focused testing, as referred to in the Key Audit Matters section above.
- The Company operates in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 1 November 2002 to audit the financial statements for the year ending 31 October 2003 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 17 years, covering the years ending 2003 to 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Simon Ludlam (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 19 December 2019

PROFIT AND LOSS ACCOUNT

	Notes	2019 C$'000	2018 C$'000
Interest revenue calculated using the effective interest rate method		8,970	8,571
Other interest revenue		3,514	3,318
Interest payable calculated using the effective interest rate method		(958)	(744)
Other interest payable		(1,118)	(835)
NET INTEREST INCOME	2	**10,408**	**10,310**
Fees and commission receivable	3	26,506	9,226
Fees and commission payable	3	(11,378)	(25)
Net trading income	4	(45)	181
Net gain / (loss) on financial instruments designated at fair value through profit or loss	5	(2,395)	(2,482)
Other operating income / (expense)	6	6,189	3,001
OPERATING INCOME		**29,285**	**20,211**
Administrative expenses	7	(9,490)	(10,266)
Profit on ordinary activities before tax	8	**19,795**	**9,945**
Tax charge on profit on ordinary activities	9	(3,875)	(1,951)
Profit for the financial year		**15,920**	**7,994**

All the above relate to continuing operations.

BALANCE SHEET

	Notes	2019 C$'000	2018 C$'000
Cash and balances with central bank		625,953	406,661
Settlement accounts	10	83,020	112,560
Derivative financial instruments	27	40,776	25,642
Loans and advances to non-banks	11	77,694	48,194
Debt securities	12	55,542	52,184
Reverse repurchase agreements	13	195,338	284,629
Other assets	14	1,487	2,301
Prepayments and accrued interest		3,204	1,603
TOTAL ASSETS		**1,083,014**	**933,774**
Settlement accounts	15	82,706	100,683
Deposits from banks	16	328,281	71,460
Debt securities in issue	17	37,438	37,627
Derivative financial instruments	27	57,745	42,682
Other liabilities	18	12,474	13,153
Current tax liabilities		586	1,073
Accruals		1,514	982
TOTAL LIABILITIES		**520,744**	**267,660**
Called up share capital	19	410,105	410,105
Share premium	0	79,233	79,233
Profit and loss reserve	0	72,932	176,776
Total shareholder's funds		**562,270**	**666,114**
TOTAL LIABILITIES AND EQUITY		**1,083,014**	**933,774**
MEMORANDUM ITEMS			
Commitments and contingent liabilities	20, 21	97,936	111,358

Approved by the Board of Directors on 19 December 2019 and signed on its behalf:

P. Atkinson
Director
Date:
19 Dec 2019

Registered number 2733036

STATEMENT OF CHANGES IN EQUITY

	Issued capital C$'000	Share premium C$'000	Retained earnings C$'000	Total equity C$'000
As at 01 November 2018	410,105	79,233	176,776	666,114
IFRS 9 remeasurement	-	-	(42)	(42)
Restated opening balance under IFRS 9	410,105	79,233	176,734	666,072
Profit for the financial year	-	-	15,920	15,920
Share based payments	-	-	278	278
Dividends paid	-	-	(120,000)	(120,000)
As at 31 October 2019	**410,105**	**79,233**	**72,932**	**562,270**

	Issued capital C$'000	Share premium C$'000	Retained earnings C$'000	Total equity C$'000
As at 01 November 2017	410,105	79,233	168,500	657,838
Profit for the financial year	-	-	7,994	7,994
Share based payments	-	-	282	282
Dividends paid	-	-	-	-
As at 31 October 2018	**410,105**	**79,233**	**176,776**	**666,114**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

1.1 Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with applicable accounting standards.

1.2 Accounting convention

The financial statements are prepared in accordance with the applicable accounting standards of the Accounting Council and the Companies Act 2006. All categories of financial assets and liabilities are accounted for at trade date. Balances other than financial instruments are measured on a historical cost basis.

The financial statements of CIBC World Markets Plc were approved by the Board on December 19, 2019.

1.3 Current and Future Accounting Changes

In these financial statements, the Company has applied, for the first time, IFRS 9 Financial Instruments and the consequential amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 15 Revenue from Contracts with Customers, effective for annual periods beginning on or after 1 January 2018. In addition, there were amendments to the reporting of interest and share based payments. The nature and effect of the changes as a result of the adoption of these new/amended accounting standards are described below.

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 for annual periods on or after 1 January 2018 and was applied by the Company in this accounting period. Under the modified retrospective approach, the Company has not restated comparative information for 2018 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2018 is reported under IAS 39 and is not comparable with the information presented for 2019. Further information in respect of this change is set out in 1.6 Accounting for Financial Instruments.

IFRS 15 Revenue from contracts with customers (IFRS15)

IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and was applied by the company in this period. The standard clarifies the principles for recognising revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model;

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

The standard excludes from its scope, leases within the scope of IAS 17 Leases; and financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments. There was no material impact to the Company of the implementation of this standard.

IFRS 2 Share-based payments

IFRS 2, providing additional guidance on the classification and measurement of share-based payment transactions, was applied by the company in this period. The amendments clarified the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for withholding tax obligations, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. There was no significant impact to the Company of the implementation of this standard.

Interest Income

IAS 1 Presentation of Financial Statements (Paragraph 82(a)) was implemented by the Company in the period and is included in these financial statements. This change required that entities present a specific line called "Interest revenue, calculated using the effective interest method" within their

Revenue, splitting interest revenue calculated using the effective interest rate method (EIR) from interest revenue calculated using other methods and presenting them separately. A corresponding approach has been adopted for interest expense.

Leases

IFRS 16 'Leases' is effective for annual periods beginning on or after 1 January 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. The Company does not expect this standard to have a significant impact as it has not entered into any lease agreements.

1.4 Disclosure exemptions

Under FRS101 Reduced Disclosure Framework, the following exemptions have been applied in preparation of these financial statements:

- Related party (101 paragraph 8j) - as the Company is a wholly-owned subsidiary and its parent company prepares publicly available consolidated financial statements, the Company has taken advantage of the exemption of not disclosing transactions with group companies.
- IFRS2 (101 paragraph 8a) - the Company has elected to take advantage of the exemption not to provide disclosure under IFRS 2 paragraphs 45(b) and 46 to 52 on the basis that it is a subsidiary entity and the share based payments relate to equity instruments of another group entity.
- Statement of cashflows (101 paragraph 8h) – the Company has taken advantage of the exemption to not prepare a statement of cashflows otherwise required by IAS7.
- Accounting standards not yet effective (101 paragraph 8i) – the Company has taken advantage of the exemption to not disclose accounting standards not yet implemented otherwise required by IAS8.

1.5 Significant accounting judgments and estimates

In the process of applying the Company's accounting policies and applicable accounting standards, management has used its judgment and made estimates in determining the amounts recognised in these financial statements.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in these financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets in scope requires judgement, and in particular the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

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

In addition, the interrelationship between these elements is also subject to a high degree of judgment which can also have a significant impact on the level of ECL recognized. For further details refer to Note 23.

Valuation of Financial Instruments
The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 1.6 and Note 29.

Going concern
The Company's management has made an assessment of its ability to continue as a going concern, incorporating the plans in respect of Brexit as outlined in the Strategic Report, and is satisfied that it has the resources to continue in business for a period of more than one year from the approval of these accounts. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. Further discussion of this assessment is given in the Directors Report on page 2.

1.6 Accounting for Financial Instruments

Plc adopted IFRS 9 "Financial Instruments" in place of IAS 39 "Financial Instruments: Recognition and Measurement" as of 1 November 2018. The adoption of IFRS 9 resulted in changes in accounting policy in two principal areas, 'classification and measurement' and 'impairment' as described in more detail below.

Classification and measurement of financial instruments under IFRS 9
IFRS 9 outlines a 2-stage classification model based on a) the contractual cash flow characteristics of the financial assets and b) the business model under which the financial assets are managed.
In order to measure a debt instrument at amortised cost or at fair value through other comprehensive income, it must satisfy the SPPI test ('solely payment of principal and interest'). The SPPI test requires that any variability in contractual cash flows is consistent with a "basic lending arrangement". The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity-linked payouts, are measured at Fair Value Through Profit and Loss (FVTPL).

For debt instrument financial assets that meet the SPPI test, classification at initial recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis are classified as FVTPL. This includes financial assets where the election for fair value option (FVO) has been taken. Debt instruments that are managed on a "hold to collect and for sale" basis are classified as Fair Value through Other Comprehensive Income (FVOCI) for debt. Debt instruments that are managed on a "hold to collect" basis are classified as amortized cost.

The classification and measurement of financial liabilities remain essentially unchanged from the IAS 39 requirements, except that changes in the fair value of liabilities designated at FVTPL using the Fair Value Option (FVO) which are attributable to changes in own credit risk would be presented in OCI, rather than profit or loss. We early adopted the "own credit" provisions of IFRS 9 as of 1 November 2014. Derivatives continue to be measured at FVTPL under IFRS 9.

IFRS 9 New financial classifications:

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

Under IFRS 9, trading financial instruments are mandatorily measured at FVTPL as they are held for trading purposes or are part of a managed portfolio with a pattern of short-term profit taking. Non-trading financial assets are also mandatorily measured at fair value if their contractual cash flow characteristics do not meet the SPPI test or if they are managed together with other financial instruments on a fair value basis.

Financial instruments designated at FVTPL (fair value option)

Under IFRS 9, financial instruments designated at FVTPL are those that we voluntarily designate at initial recognition.

Financial assets measured at amortized cost

Under IFRS 9, financial assets measured at amortized cost (AC) are debt financial instruments with contractual cash flows that meet the SPPI test and are managed on a "hold to collect" basis. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, net of an allowance for expected credit losses (ECL).

Plc currently has no financial instruments that meet the criteria for debt or equity financial instruments measured at FVOCI.

IFRS 9 Reclassification impact on financial assets:

- Loans and advances to banks and customers, settlements accounts and reverse repurchase agreements, classified as Loans and Receivables (L&R) under IAS 39, will continue to be measured at amortised cost (AC) since it meets meets the requirement of designation of financial assets as defined in IFRS 9.4.1.
- Financial assets held for trading, i.e. derivatives, will continue to be measured at FVTPL;
- Under IAS 39, an election was made to account for specific financial assets (i.e. Held to Maturity Investments) under the FVO. The Company has made the same election under IFRS 9 as it also meets the designation of FVO under IFRS 9.

Re-measurement of opening balance from IAS 39 to IFRS 9

1 November 2018	***Notes***	**IAS 39**	**Amount**	**Remeasure-ment ECL**	**Amount**	**IFRS 9**
			C$'000	**C$'000**	**C$'000**	
Cash and balances with central bank		L&R	406,661	(2)	406,659	AC
Settlement accounts	10	L&R	112,560	-	112,560	AC
Derivative financial instruments	27	FVTPL	25,642	-	25,642	FVTPL
Loans and advances to non-banks	11	L&R	48,194	(26)	48,167	AC
Debt securities	12	FVTPL	52,184	-	52,184	FVTPL
Reverse repurchase agreements	13	L&R	284,629	(4)	284,625	AC
Other assets	14	L&R	2,301	-	2,301	AC
Prepayments and accrued interest		Non Fin	1,603	-	1,603	
TOTAL ASSETS			**933,774**	**(32)**	**933,742**	

Settlement accounts	15	AC	100,683	-	100,683	AC
Deposits from banks	16	AC	71,460	-	71,460	AC
Debt securities in issue	17	AC	37,627	-	37,627	AC
Derivative financial instruments	27	FVTPL	42,682	-	42,682	FVTPL
Other liabilities	18	AC	13,153	10*	13,163	AC
Current tax liabilities		AC	1,073	-	1,073	AC
Accruals and deferred income		AC	982	-	982	AC
TOTAL LIABILITIES			**267,660**	**10***	**267,670**	
Called up share capital	19		410,105	-	410,105	
Share premium	0		79,233	-	79,233	
Profit and loss reserve	0		176,776	(42)	176,734	
Total shareholder's funds			**666,114**	**(42)**	**666,072**	
TOTAL LIABILITIES AND EQUITY			**933,774**	**(32)**	**933,742**	
Off-balance sheet items						
Commitments and contingent liabilities	20,21		111,358	(10)*	111,348	

*ECL on remeasurement included in other liabilities relates to the ECL against off balance sheet.

Impairment of financial assets under IFRS 9

Under IFRS 9, impairment allowances have moved from an incurred loss model to an expected loss model. The new ECL model assesses a range of probability-weighted outcomes and incorporates forward-looking information. The previous IAS 39 incurred loss model consisted of a single best estimate of credit losses on the basis of past events.

ECL allowances are measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial assets or off balance sheet loan commitments which have experienced a significant increase in credit risk since initial recognition or when there is objective evidence of impairment.

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

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

Stage migration:

Under IFRS 9, financial assets subject to ECL allowances are categorized into three stages.

- *Stage 1 performing financial assets*: when financial assets are first recognised, the Company recognises an allowance based on 12-month expected credit losses.
- *Stage 2 performing financial assets:* when a financial asset shows a significant increase in credit risk, the Company records an allowance for the lifetime expected credit loss. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a

significant increase in credit risk, then we revert to recognizing 12 months of ECL and migrate back to stage 1.

We determine whether a financial asset has experienced a significant increase in credit risk since its initial recognition on an individual financial instrument basis. Changes in the required ECL allowance, including the impact of financial assets migrating between stage 1 and stage 2, are recorded in Other operating income / (expense) in the Profit and Loss Account.

- *Stage 3 impaired financial assets:* the Company recognises the lifetime expected credit losses for these financial assets. We classify a financial asset as impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred. Under IFRS 9, all financial assets on which repayment of principal or payment of interest is contractually 90 days in arrears are automatically considered impaired, except for credit card loans which are classified as impaired and are fully written off when payments are contractually 180 days in arrears or at the earlier of the notice of bankruptcy, settlement proposal, or enlistment of credit counselling services

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

  Financial assets are written off, either partially or in full, against the related allowance for credit losses when we judge that there is no realistic prospect of future recovery in respect of those amounts. When financial assets 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.

Transition impact from adoption of IFRS 9 in respect of impairment provisions

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9, and the impact, on our impairment provision and retained earnings due to the transition to IFRS 9 on 1 November 2018:

C$ '000	**Impairment provision under IAS 39/IAS 37 at 31 October 2018**	**Re-measurement**	**Expected credit loss under IFRS 9 at 1 November 2018**
Impairment allowance for:			
Loans and receivables and held to maturity securities per IAS 39 / financial assets at amortised cost under IFRS 9	-	(26)	(26)
Cash and balances with central bank	-	(2)	(2)
Reverse repurchase agreements	-	(4)	(4)
Loan commitments	-	(10)	(10)
		(42)	(42)

All ECL at 1 November 2018 related to stage 1 balances.

Differences in the carrying amounts of financial assets and liabilities resulting from adoption of IFRS 9 have been recognised in retained earnings as at 1 November 2018.

There is no significant impact to our regulatory ratios due to the insignificance of ECLs recognised. Additionally, Plc is well-capitalised with a substantial capital buffer so there is minimal impact on our capital planning processes.

Further discussion of ECL is included in note 23.

1.7 Summary of significant accounting policies

Foreign currency translation

The financial statements are presented in Canadian Dollars, which is the functional currency of the Company. Items included in the financial statements of the Company are measured using this functional currency, being the currency in which funds from financing activities are generated. Management has used its judgment in determining the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Monetary assets and liabilities and non-monetary assets that are denominated in foreign currencies are translated into the functional currency of operations at prevailing exchange rates at the balance sheet date. Revenue and expenses are translated using average monthly exchange rates.

Financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(i) Date of recognition

Purchases or sales of financial assets, other than deposits, amounts due to banks and customers and loans, that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Derivatives are recognised on trade date basis. Deposits, amounts due to banks and customers and loans are recognised when cash is received by the Company or advanced to the borrowers.

(ii) Derivatives

Derivatives include interest rate swaps, swaptions and futures, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative financial instruments are subsequently re-measured at fair value. Changes in the fair value of derivatives are included in 'Net trading income' where trading book and for derivative economic hedges in the non-trading book recognised in 'Net gain on financial instruments designated at fair value through profit or loss'.

Derivative contracts are initially marked to market with reference to credit quality of either counterparty to the contract. The Credit Valuation Adjustment (CVA) is required to recognise the risk that any given derivative counterparty may not ultimately be able to fulfil its obligations. The CVA is driven from market-observed credit spreads or proxy credit spreads and our assessment of the net counterparty credit risk exposure.

In order to reflect the observed market practice of pricing collateralised and uncollateralised derivatives, the Company's valuation approach uses Overnight Indexed Swap (OIS) curves as the discount rate in the valuation of collateralised derivatives and the market cost of funding in the valuation of uncollateralised derivatives. The use of a market cost of funds curve reduces the fair value of uncollateralised derivative assets incremental to the reduction in fair value for credit risk already reflected through the CVA. In contrast, the use of a market cost of funds curve reduces the fair value of uncollateralised 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 assessing this exposure, we also take into account credit mitigants such as collateral, master netting arrangements and settlements through clearing houses. 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.

(iii) Other financial assets or financial liabilities at fair value through profit or loss
Other financial assets or financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value relating to the financial assets or financial liabilities at fair value through profit or loss positions are recognised in 'Net trading income'. The related interest payable or receivable is recognised on an accrual basis in other interest receivable or payable.

Included in this classification for the trading book are debt securities, reverse repurchase agreements and short positions in securities which have been acquired principally for the purpose of selling or repurchasing in the near term. Changes in the Mark to Market of swapped deposits are included in 'Other operating income'.

(iv) Loans and advances
In accordance with IAS 39, before 1 November 2018, Loans and advances to customers, included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- that the company intended to sell immediately or in the near term
- that the company, upon initial recognition, designated as at FVPL or as available for sale
- for which the company may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available for sale.

In accordance with IFRS 9, from 1 November 2018, the company only measures Loans and advances and other financial investments at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

This accounting policy relates to the balance sheet caption 'Loans and advances to non-banks'. Amortised cost is calculated by taking into account any discount or premium on acquisition and any fees that are an integral part of the effective interest rate (EIR). The expected credit loss on such loans and advances are recognised in the profit and loss account.

Interest relating to these assets is recognised within 'Net interest income calculated using the EIR method.

(v) Financial assets and financial liabilities designated at fair value through profit or loss (FVTPL)
FVTPL financial assets and liabilities classified in this category are those that have been designated by management on initial recognition. This designation, once made, is irrevocable. Management may only designate an instrument with a reliable fair value at fair value through the profit and loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis (accounting mismatch);
- in the case of financial liabilities, these are part of a transaction which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- in the case of financial liabilities, the financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value as well as non interest gains and losses on the FVTPL positions and related derivative economic hedges are recorded in 'Net gain/loss on financial instruments designated at fair value through profit or loss'. Interest earned or incurred is accrued in 'Other interest receivable' and 'Other interest payable'.

(vi) Undrawn Commitments
Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under IAS 39, a provision was made if they were an onerous contract but, from 1 November 2018, these contracts are in the scope of the ECL requirements. This ECL charge is included within other liabilities in note 18.

The nominal contractual value of undrawn commitments are not recognised on the balance sheet, they are reported in note 20.

(vii) Cash
Cash and balances at central banks consists of cash at banks and short term deposits. These amounts are due on demand or have an original maturity of three months or less. They are accounted for at amortised cost and as such are subject to ECL.

De-recognition of financial assets and liabilities
(i) Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the asset have expired or where the company has transferred substantially all the risks and rewards of the ownership of the asset.

(ii) Financial liabilities
A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit and loss account.

Repurchase and reverse repurchase agreements
Repurchase and reverse repurchase agreements are treated as loans and advances unless held for trading. Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognised from the balance sheet. The corresponding cash received, including accrued interest, is recognised on the balance sheet as a 'Repurchase agreement', reflecting its economic substance as a loan to the Company. The difference between the sale price and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method, with interest expense arising on repurchase agreements in the course of trading being recognised through 'Net trading income', and interest expense arising on all other repurchase agreements being recognised through 'Interest payable'.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognised on the balance sheet. The corresponding cash paid, including accrued interest, is recognised on the balance sheet as a 'Reverse repurchase agreement', reflecting its economic substance as a loan by the Company. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest rate method, with interest income arising on reverse repos in the course of trading being recognised through 'Net trading income', and interest income arising on all other reverse repos being recognised through 'Interest receivable'.

Determination of fair value
The transition to IFRS 9 did not impact the definition of fair value, which continues to be defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction in the principal market at the measurement date under current market conditions (i.e., the exit price). Fair value measurements are categorized into three levels within a fair value

hierarchy (Level 1, 2 or 3) based upon the market observability of the valuation inputs used in measuring the fair value. See Note 28 for additional detail in respect of fair value measurement subsequent to initial recognition by type of financial instrument.

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and offer price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

As at 31 October 2019, no position met the IAS32 criteria for offsetting (2018: none).

Revenue Recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest receivable and payable
For non-trading related financial instruments measured at amortised cost (e.g. loans and advances) and financial instruments designated at fair value through the profit and loss (e.g. debt securities), interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument, but not the future credit losses.

(ii) Fees and commission receivable
The Company earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.Fee income can be divided into the following categories:

Fee and commission income from services where performance obligations are satisfied over time:

- fee income relating to Investment Banking advisory services that is recognised in full in the profit and loss account on completion of the project or, in part where defined in the contract on reaching an earlier irreversible milestone;
- fee income relating to loan origination and commitments is considered an integral part of the yield and, where material, is amortised over the term of the loan commitment as appropriate; and
- other commissions, which includes income recognised on a trade by trade basis, is recognised where performance obligations are satisfied at a point in time.

(iii) Trading income
Results arising from trading activities include all gains and losses from changes in fair value and related interest income, expense and dividends for financial assets and financial liabilities designated at fair value through profit or loss, and for repos and reverse repos in the course of trading.

Share-based payments to employees
The Company provides compensation to certain employees and directors in the form of share based awards through various CIBC share-based payment plans through which CIBC grants rights to its equity instruments.

Under the Restricted Share Awards (RSA) and Performance Share Units (PSU) schemes, where grants are settled in the cash equivalent of common shares at the parent level, 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 recharged by CIBC to Plc. These are both is accounted for on an equity-settled basis by the Company as it has no obligation to settle these schemes.

Compensation in respect of the Employee Stock Option Plan (ESOP) is based on the grant date fair value, calculated using the Black-Scholes model, with the cost spread over the vesting period of four years.

Employee Share Purchase Plan (ESPP) costs are expensed as incurred.

Further details of each plan are set out in note 33.

Provisions and contingent liabilities
A provision is recognised when the Company has a 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. Where a reliable estimate cannot be made for such an obligation, no provision is recognised and the obligation is deemed a contingent liability. Contingent liabilities also include possible obligations for which the possibility of future economic outflow is more than remote but less than probable.

In determining for which of the claims the possibility of a loss is probable, or less than probable but more than remote, and then estimating the possible loss for those claims, the Company takes into consideration a number of factors, including but not limited to the nature of the claim and its underlying facts, the Company's experience and the experience of others in similar cases (to the extent this is known to the Company), prior settlement discussions, settlements by others in similar cases (to the extent this is known to the Company), available indemnities and the opinions and views of legal counsel and other experts.

Pensions
The Company's ultimate parent, Canadian Imperial Bank of Commerce ('CIBC'), operates two separate pension plans, a defined contribution and a defined benefit plan, in which the Company participates. Contributions made to pension plans are recharged to the Company, which are charged against profit, with any obligations settled by the parent.

Current tax
Current tax is the tax expected to be payable or receivable on the taxable profit or loss for the year, calculated using tax rates enacted or substantially enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the balance sheet and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Dividends on ordinary shares
A dividend is recognised in the period in which the right to receive is established.

Dividends for the year that are approved after the balance sheet date are treated as a non-adjusting event after the reporting period.

2. Net interest income

	2019 C$'000	2018 C$'000
Interest revenue calculated using the effective interest method	8,970	8,571
Other interest revenue	3,514	3,318
Interest payable calculated using the effective interest method	(958)	(744)
Other interest payable	(1,118)	(835)
Net interest income	10,408	10,310

3. Net fees and commissions

	2019 C$'000	2018 C$'000
Advisory fees	21,611	3,077
Securities commissions	4,266	5,362
Agency fees	67	66
Other	562	721
Fees and commissions receivable	26,506	9,226
Fees and commissions payable	(11,378)	(25)
Net fees and commissions receivable	15,128	9,201

4. Net trading income

Net trading income can be analysed as follows:

	2019 C$'000	2018 C$'000
Derivatives	(45)	181
	(45)	181

Included in the net trading income numbers above are gains and losses arising from market value adjustments on derivatives and traded assets.

5. Net gain/(loss) on financial instruments designated at fair value through profit or loss

	2019 C$'000	2018 C$'000
Debt securities	3,706	(2,807)
Structured notes issued	178	(2,134)
Related economic hedge gain / (loss) on non-trading interest rate contracts	(6,279)	2,459
	(2,395)	(2,482)

6. Other operating income / (expense)

	2019 C$'000	2018 C$'000
Other operating income	6,204	3,220
Other operating expense	(15)	(219)
	6,189	3,001

Other operating income includes amounts relating to income from non-trading swapped deposits of C$6,018,000 (2018: C$3,068,000) and movements for release of allowances in credit losses of C$13,000 gain (2018: nil). Other operating expense includes net foreign exchange losses of C$14,000 (2018: C$4,000).

7. Administrative expenses

	2019 C$'000	2018 C$'000
Staff costs:		
Wages and salaries	4,549	4,378
Social security costs	475	487
Pension costs relating to money purchase plan (Note 36)	187	171
Share-based payments (Note 34)	820	761
	6,031	5,797
Other administrative expenses	3,459	4,469
	9,490	10,266

CIBC London Branch continues to charge and allocate amounts on an arm's length basis to the Company in relation to shared expenses. These amounts are included in other administrative expenses and total C$3,321,000 (2018: C$2,780,000).

8. Profit / (loss) on ordinary activities before tax

This is stated after charging:	2019 C$'000	2018 C$'000
Auditor's remuneration:		
– Audit fees	118	120
– Other assurance services	26	26

9. Tax charge / (credit) on profit on ordinary activities

	2019 C$'000	2018 C$'000
Current tax:		
UK corporation tax	3,882	1,944
Amounts under / (over) provided in previous years	(7)	7
Total current tax	3,875	1,951
Deferred tax	-	-
Total tax	3,875	1,951

All income tax expense is in respect of continuing operations.

None of the income tax expense is required to be disclosed in other comprehensive income.

Reconciliation of the total tax charge

The tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are reconciled below.

	2019 C$'000	**2018** C$'000
Profit on ordinary activities before tax	19,795	9,945
Tax calculated at the UK standard rate of corporation tax of 19.00% (2018: 19.00%)	3,761	1,889
Expenses not deductible for tax purposes	121	55
Tax under / (over) provided in previous years	(7)	7
Total Tax	3,875	1,951

For 2019 the standard effective rate of corporation tax is 19.00% (2018: 19.00%). A bank profit tax surcharge of 8% was introduced on 1 January 2016, however an annual allowance is available which will offset the effect of the surcharge, so this is not expected to affect the tax rate.

There were no significant temporary differences between the carrying amounts of assets and liabilities in the financial statements and their recognition for taxation purposes which would be expected to result in deferred taxation movements in the future, therefore as at 31 October 2019 no deferred tax has been provided (2018: C$ nil).

10. Settlement accounts

	2019 C$'000	**2018** C$'000
Settlement accounts	83,020	112,560

Settlement accounts represent items in the course of collection from counterparties.

11. Loans and advances to non-banks

	2019 C$'000	**2018** C$'000
Loans and advances by remaining maturity:		
- Not more than 3 months	-	-
- More than 3 months but not more than 1 year	-	19,744
- More than 1 year but not more than 5 years	61,098	18,968
- More than 5 years	16,612	9,482
Less: Allowance for impairment losses	(16)	-
	77,694	48,194

12. Debt securities

	2019 C$'000	2018 C$'000
Other Securities		
Non-Government issuers	-	-
Government issuers	55,542	52,184
	55,542	52,184
Listed in the UK	-	-
Listed outside the UK	55,542	52,184
	55,542	52,184
Due within one year	-	-
Due in one year and over	55,542	52,184
	55,542	52,184

The above items are all recorded at fair value through profit and loss with income recorded under net trading income. Of the total debt securities, balances with banks are C$ nil (2018: C$ nil).

13. Reverse repurchase agreements

	2019 C$'000	2018 C$'000
Collateralised by treasury bills and other eligible bills	195,340	284,629
Less: *Allowance for impairment losses*	(2)	-
With group companies	195,338	284,629

Collateral received in relation to reverse repos has not been sold or repledged to third parties. It is further discussed in note 29.

14. Other assets

	2019 C$'000	2018 C$'000
Sundry debtors	1,487	2,301

Sundry debtors include accounts receivable of C$1,039,000 (2018: C$2,040,000), of which C$365,000 (2018: C$1,383,000) is receivable from group companies. There is also cash collateral pledged of C$447,000 (2018: C$261,000) relating to margin calls on derivative trades.

15. Settlement accounts

	2019 C$'000	2018 C$'000
Settlement accounts	82,706	100,683

Settlement accounts represent items in the course of collection due to counterparties.

16. Deposits from banks

	2019 C$'000	2018 C$'000
Repayable on demand	9,829	7,543
With agreed maturity dates or periods of notice, by remaining maturity:		
- Not more than 3 months and not payable on demand	318,452	63,917
- More than 3 months but not more than 1 year	-	-
- More than 1 year but not more than 5 years	-	-
- More than 5 years	-	-
	328,281	71,460

C$328,281,000 of total deposits from banks are balances from group companies (2018: $71,460,000). Of this, collateral received totals to C$447,000 (2018: C$261,000).

Collateral pledged or received in respect of these positions is included in note 29.

17. Debt securities in issue

	2019 C$'000	2018 C$'000
Debt securities in issue		
Structured notes issued - designated as fair value through profit and loss	37,438	37,627

	2019 C$'000	2018 C$'000
Repayable on demand	-	-
With agreed maturity dates or periods of notice, by remaining maturity:		
- Not more than 3 months and not payable on demand	-	-
- More than 3 months but not more than 1 year	-	-
- More than 1 year but not more than 5 years	-	-
- More than 5 years	37,438	37,627
	37,438	37,627

The Company has determined that own credit risk for fair value liabilities is not significant.

18. Other liabilities

	2019 C$'000	2018 C$'000
Amounts due to group companies	12,247	12,907
Other liabilities	223	246
Allowance for impairment losses - commitments	4	-
	12,474	13,153

19. Share capital

Authorised share capital

	'000
At 31 October 2018 and 31 October 2019	
3,966,666,667 "A" class ordinary shares of C$0.10 each	C$396,667
7,000,000 "B" class ordinary shares of £1 each	£7,000

Share capital denominated and paid in pounds sterling is translated at the historic exchange rate.

Both A and B class shares carry voting rights of one vote per share, and are ranked pari passu.

Allotted, called up and fully paid share capital

	C$'000
At 31 October 2018 and 31 October 2019	
3,966,666,667 "A" class ordinary shares of C$0.10 each	396,667
7,000,000 "B" class ordinary shares of £1 each	13,438
	410,105

20. Commitments

	2019 C$'000	2018 C$'000
Commitments		
Letters of credit		
- Contract amount	49,918	42,133
Undrawn credit facilities 1 year or less		
- Contract amount	-	414
Undrawn credit facilities over 1 year		
- Contract amount	48,022	68,811
Less: Allowance for impairment losses	(4)	-
	97,936	111,358

Commitments arise in the normal course of lending activity.

21. Contingent liabilities and memorandum items

For the matters for which a reliable estimate can be made, the Company views that, as of 31 October 2019, the aggregate future loss of which the possibility is more than remote but less than probable is C$ nil for civil litigation matters (2018: C$ nil).

22. Risk management

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

(i) CIBC's lines of business and functional groups own the risk and are responsible for managing all risks associated with their activities, including identifying, assessing, mitigating and controlling them – this is the first line of defence;
(ii) As the second line of defence, CIBC's Risk Management, and other functional groups are responsible for providing guidance and effective independent oversight and challenge of the enterprise-wide risks inherent in CIBC's business activities; and
(iii) As the third line of defence, CIBC's internal audit

The risk management function of the Company is conducted by Risk Management which is independent from the lines of business. Although the three lines of defence groups function independently in monitoring and providing oversight of the risks, a strong risk culture and good communication between the three lines of defence are important characteristics of effective risk management and ensure that the risk profile is reflective of the approved risk appetite. The risk appetite of the Company is closely aligned with the risk appetite of the CIBC Group. The Board takes into account the risk appetite and risk management framework originating from CIBC Group when setting the Risk Appetite Statement ("RAS") for the Company. This then cascades to the business and risk strategy of the Company.

The Company monitors its risk profile against the defined risk appetite and related limits, taking actions as needed to maintain an appropriate balance of risk and return. Monitoring the risk profile includes forward-

looking analysis of sensitivity to local and global market factors, economic conditions, and political and regulatory environments that influence the Company's overall risk profile.

Risk responsibilities
The two key groups within Risk Management, both independent of the originating businesses, contribute to the management of risk:

- *Credit Risk Management* – This unit is responsible for the adjudication and independent oversight of credit risks associated primarily with the Company's corporate lending activities, and to a lesser extent, from trading and hedging activities;

- *Capital Markets Risk Management* – This unit provides independent oversight of the management and related measurement, monitoring and control of market risk (both trading and non-trading) credit and operational risk in the Company's trading businesses.

Risk Appetite Statement
Adherence to the RAS ensures the Company has sound risk management across all risk categories, combined with competitive productivity, supported by strong capital and funding positions. It also defines how the Company will conduct business, consistent with the following objectives:

- Client orientated business, focused on current core industry sectors including Infrastructure, Mining, Oil & Gas, Power & Utilities and Financial Institutions;
- Using the Company's EU Passporting rights to facilitate business in strategically approved European countries in order to support client relationships;
- Facilitating cross border opportunities for Canadian and global clients located in strongly rated European countries;

- Maintaining a balance between sound risk management and appropriate returns; and
- Safeguarding the Company's reputation and brand.

The Company's RAS contains metrics to define the risk tolerance levels and facilitate assessment of its risk profile against its risk appetite.

The RAS is updated annually in conjunction with the strategic planning cycle and is approved by the Board. The Board, the Audit Committee, the Asset & Liability Committee (ALCo) and the European Executive Committee (ExCo) in London receive and review reports at least quarterly which measure and monitor the risk profile against the risk appetite targets and limits.

Risk Culture

CIBC endeavours to be a profitable business; however at the fore, CIBC is mindful of promoting a strong risk culture that ensures a tangible sense of risk ownership and accountability which starts at the top of the organisation and is implemented down throughout the wider CIBC Group, at all levels.

Mindful of this, the Company strives to achieve a consistent and effective risk culture throughout the organisation, promoted through both formal and informal channels. Each year all employees are required to complete formal training on reputation risk, code of conduct, anti-money laundering and other key risk topics. By taking this mandatory training, all employees develop a basic knowledge of risk management in support of the Company's risk culture. In addition to this mandatory training, CIBC communicate all material related to risk culture (i.e., RAS, risk management priorities, principles, policies and procedures) through CIBC's internal website and internal news releases.

Financial instruments

The financial activities of the Company are defined between two categories: 1) "Trading book" and 2) "Non-Trading". The trading book consists of activities in equity markets and fixed income instruments, in addition to undertaking a limited range of debt and derivative hedging activities. The non-trading book includes the provision of advisory services, including those relating to mergers and acquisitions, corporate lending, debt securities and related derivative economic hedges.

The Company's activities are driven both by client initiated activities and managing corporate client equity and liquidity. Clients transact with the Company as part of their own risk management, investment, funding and trading needs.

Derivatives

The Company does not make markets in derivatives. The use of derivatives in the Company is predominantly to accommodate clients' preferences to face the Company as their counterparty and to meet European Economic Area regulatory and legal requirements. In such cases, the Company would generally seek to hedge its market risks, by way of matching intra-group transactions as necessary.

The Company transacts both over-the-counter (OTC) trades and exchange traded positions through regulated exchanges. OTC trades are contracts that are privately negotiated between the Company and the counterparty.

Hedging

Derivatives are used in the trading book to mitigate and control economic risks. All of the trading book positions are marked to market with the resultant gain or loss taken to the profit and loss account as net trading income.

The main financial risks affecting the Company are discussed in Notes 23-25.

23. Credit risk

Credit risk is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms. Credit risk arises mainly from the Company's corporate lending businesses. Other sources of credit risk include trading activities, including our over-the-counter derivatives, debt securities, and repo-style transaction activity. In addition to losses on the default of a borrower or counterparty, unrealised gains or losses may occur due to changes in the credit spread of the

counterparty, which could impact the carrying or fair value of the Company's assets. Losses arising from exposures held for trading (derivatives, debt securities) are accounted for as trading losses, rather than impairment charges even though the fall in value causing the loss may be attributable to credit deterioration.

Credit risk management & control

Credit Risk Management (CRM)
The credit approval process is centrally controlled, with all significant credit requests submitted to a credit adjudication group within Risk Management that is independent of the originating businesses. Approval authorities are a function of the risk and amount of credit requested.

Credit risk is managed through the three lines of defence model. Lines of businesses own the risk and are accountable for managing all risk associated with their activities including identifying, assessing, mitigating and controlling them – this is the first line of defence.

The second line of defence (2nd LOD) is Risk Management, which provides enterprise-wide adjudication. Adjudication and portfolio management decisions are based on our risk appetite, as reflected in our policies, standards, and limits. Credit approval authorities are controlled to ensure decisions are made by qualified personnel. In addition, Risk Management provide independent oversight and challenge of the management of credit risk in our credit portfolios.

Internal Audit provides the third line of defence (3rd LOD), by providing independent assessment of the design and operating effectiveness of the risk management controls, processes and systems. On an annual basis, the Company's Audit Committee considers the adequacy and effectiveness of the Control Framework.

Formal risk rating guidelines are amongst some of the tools used to manage credit risk. All credit exposures are monitored on an ongoing basis to ensure compliance with the terms and conditions of the credit agreement, including limits and repayment terms, and to facilitate the early identification of deteriorating accounts.

Risk ratings of corporate credit counterparties are reviewed at least annually. Where a counterparty represents heightened levels of risks, these accounts are reviewed quarterly or more frequently as per the Company's High Risk reporting protocol.

Corporate Credit Risk
Within the non-trading book, qualified personnel undertake a detailed assessment of credit transactions and assign internal risk ratings according to an approved methodology. Final allocation of a designated limit(s) takes into consideration concentration limits which are established for individual borrowers or groups of related borrowers.

The internal risk ratings standardise the quantification of risk across portfolios. They are also used in monitoring the portfolios and are key inputs used in the Company's risk-based models for the attribution of the credit risk component of economic capital.

Credit risk mitigation
Credit exposures are managed to promote alignment to the CIBC RAS, to maintain the target business mix and to ensure that there is no undue concentration of risk. Plc's objectives are to proactively consider risk mitigation options in order to optimise results. Limits are set to control borrower concentrations by risk rating band for large exposures (i.e. risk rated credits). Direct loan sales, credit derivative hedges, or structured transactions may also be used to reduce concentrations. The Company maintains a set of portfolio concentration limits to control exposures by country, industry, product and activity.

Further, the Company's policies require limits to be established as appropriate for new initiatives and implementation of strategies involving material levels of credit risk. Concentration limits represent the maximum exposure levels the Company wishes to hold on its books. In the normal course of business, it is expected that exposures will be held at levels below the maximums.

In the event of a deteriorating credit profile of a corporate or other counterparty, actions in the manner of credit derivatives or a reduction of position / exposure outstanding may be taken to mitigate credit risk.

The Company looks to mitigate its derivative positions by employing the International Swaps and Derivatives Association (ISDA) Master Agreement, as well as Credit Support Annexes (CSAs) with its counterparties, where appropriate.

Trading credit risk is mitigated by obtaining a pledge of collateral, which improves recoveries in the event of a default. The credit risk management policies include verification of the collateral and its value and ensuring that there is legal certainty with respect to the assets pledged. Valuations are updated periodically depending on the nature of the collateral, legal environment, and the creditworthiness of the counterparty.

Credit risk measurement

Within the non-trading book, a detailed assessment of credit transactions is undertaken and then assigned an internal risk rating according to the approved methodology. All ratings reflect probability of default of the counterparty and / or loss given default and / or probability of loss of the credit facility, appropriate for their businesses. Credit limits are then established based on the risk rating generated and product type.

With regards to trading credit risks, direct, negotiable and settlement risk exposures are measured on a notional basis, whilst contingent risk is calculated using Potential Exposure Factors (PEF), where the risk on a trade or portfolio of trades with any given counterparty is run through a simulator that takes into account the notional sizes of the trades and the remaining term to maturity. Each individual trading exposure is then allotted a limit, based on the risk exposure measured or calculated through the simulator, to accurately reflect the Company's credit risk appetite. Each individual credit exposure is risk rated using the methodology adopted by CIBC.

IFRS 9

IFRS 9 "Financial Instruments" requires that impairment allowances are measured according to an expected loss model. Previously impairments were measured according to an incurred loss model. This represents a substantial shift in the methodology for assessing credit losses; and generally means impairments are recognised earlier. ECL's incorporate forward looking information and consideration of various future macroeconomic scenarios to estimate unbiased expected losses. This involves the exercise of considerable judgement.

Plc's ECL model

The calculation of ECL allowances is based on the expected value based on projected cash shortfalls discounted at the effective interest rate across three probability-weighted scenarios representing a downside scenario, an upside scenario and a base case.

The key inputs in the measurement of ECL allowances are as follows:

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

Plc's model adjusts the PD and LGD for three forward-looking macroeconomic scenarios representative of our view of future economic conditions.

Plc's ECL model leverages the data, systems and processes that are used to calculate its parent bank's Basel expected losses regulatory adjustments for the portion of our portfolios under the Advanced Internal Rating-Based (AIRB) approach. Appropriate adjustments are made to the Basel parameters to meet IFRS 9 requirements, including the conversion of through-the-cycle and downturn parameters used in the Basel regulatory calculations to point-in-time parameters used under IFRS 9 that considers forward-looking information. In addition, credit losses under IFRS 9 are for 12 months for stage 1 financial assets and lifetime for stage 2 and stage 3 financial assets as compared with 12 months for AIRB portfolios under Basel. The main adjustments necessary to Basel risk parameters are explained in the table below.

Note that Plc uses the simplified approach to compute Basel regulatory adjustment not the AIRB approach used by the parent.

	Regulatory capital	IFRS 9
PD	Through-the-cycle PD represents long-run average PD throughout a full	Point-in-time or lifetime PD based on current conditions and relevant forward-

	economic cycle	looking assumptions
LGD	Downturn LGD based on losses that would be expected in an economic downturn and subject to certain regulatory floors. Discounted using the cost of capital	Unbiased probability-weighted LGD based on estimated LGD including impact of relevant forward-looking assumptions such as changes in collateral value Discounted using the original effective interest rate
EAD	Based on the drawn balance plus expected utilisation of any undrawn portion prior to default, and cannot be lower than the drawn balance.	Amortisation and repayment of principle and interest from the balance sheet date to the default is captured.
Other		*ECL is discounted from the default date to the reporting date.*

Measurement Uncertainty and sensitivity analysis
Expected credit loss impairment allowances involves the use of significant judgement in the determination of forward-looking scenarios.

Our forecasting process leverages the process used prior to the adoption of IFRS 9. In forming the "base case" scenario, we consider the forecasts of monetary authorities such as the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), as well as private sector economists. We then derive reasonably possible "upside case" and "downside case" scenarios using external forecasts that are above and below our "base case" and the application of management judgment.

A probability weighting is assigned to our "base case", "upside case" and "downside case" scenarios based on management judgment

Management overlays to ECL allowance estimates are adjustments which we use in circumstances where we judge that our existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in our current parameters, internal risk rating migrations, or forward-looking information are examples of such circumstances. The use of management overlays requires the application of significant judgment that may impact the amount of ECL allowances recognized. No such overlay was taken as at the reporting date.

Write-offs
Financial assets are written off, either partially or in full, against the related allowance for credit losses when we judge that there is no realistic prospect of future recovery in respect of those amounts. When financial assets 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 Other operating income / (expense).

Summary of ECL allowance by class of financial instrument

As at 31 October 2019	**Gross carrying amount** ***C$ '000***	**Allowance for ECL** ***C$ '000***
Loans and advances to non-banks	77,710	(16)
Other financial assets measured at amortised cost		
- Cash and balances with central bank	625,955	(3)
- Settlement accounts	83,020	-
- Reverse repurchase agreements	195,340	(2)
Loan commitments	97,940	(4)
Total	**1,079,965**	**(25)**

As at 31 October 2019, all the above were classified as Stage 1. There were no movements between stages in the year. There were no impairment charges recorded under IAS 39 in the prior year.

Credit Quality
The Company has no financial assets that were past due as at 31 October 2019 (2018: C$ nil).

As at 31 October 2019, there were no non-performing loans (2018: C$ nil).

The Company's financial assets that result in credit risk comprise three broad credit quality categories:

Strong - there is a very high likelihood of the asset being recovered in full.

Satisfactory - whilst there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Company, the asset may not be collateralised or relate to customers that are being more carefully monitored.

Weak / substandard - there is concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency. There may be doubts over the value of collateral or security provided. The borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

The following table illustrates the allocation of external ratings into the above categories:

External ratings	Financial statements description
AAA, AA+, AA-, A+, A, BBB+ ,BBB, BBB-	Strong
BB+, BB, BB-, B+, B	Satisfactory
B-, CCC+, CCC and lower	Weak / substandard

Credit quality of financial assets based on internal credit ratings and ECL stage classification

	2019				2018
Internal rating grade *C$ '000*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans and advances to banks and non-banks					
Strong	77,694	-	-	77,694	48,194
Satisfactory	-	-	-	-	-
Weak	-	-	-	-	-
Gross carrying amount	77,694	-	-	77,694	48,194
Other financial instruments at amortised cost					
Strong	904,311	-	-	904,311	807,754
Satisfactory	-	-	-	-	-
Weak	-	-	-	-	-
Gross carrying amount	904,311	-	-	904,311	807,754
Loan commitments					
Strong	97,936	-	-	97,936	111,358
Satisfactory	-	-	-	-	-
Weak	-	-	-	-	-
Gross carrying amount	97,936			97,936	111,358

Maximum exposure to credit risk before collateral held or other credit enhancements

	2019	**2018**
	C$'000	C$'000
Cash and balances with central bank	625,953	406,661
Settlement accounts	83,020	112,560

Derivative financial instruments	40,776	25,642
Loans and advances to banks	-	-
Loans and advances to non-banks	77,694	48,194
Debt securities	55,542	52,184
Reverse repurchase agreements	195,338	284,629
Total on balance sheet	**1,078,323**	**929,870**
Commitments	97,936	111,358
Total off balance sheet	**97,936**	**111,358**
Total maximum exposure as at 31 October	**1,176,259**	**1,041,228**

Where possible, the Company employs credit risk mitigation techniques to minimise its counterparty credit exposure.

Credit risk concentrations

Concentration risk in the Company, by geography and industry, is managed, with existing exposures made mainly to a well-diversified range of banks, sovereign, corporate and group counterparties. The Company employs country limits to minimise its credit risk in a given sovereign domicile.

Credit risk concentrations by geographical sector

As at 31 October 2019	United Kingdom (UK)	Other OECD Countries (excl. UK and North America)	North America	Non OECD	Total
	C$'000	C$'000	C$'000	C$'000	C$'000
Cash and balances with central bank	625,953	-	-	-	**625,953**
Derivative financial instruments	-	29,438	11,338	-	**40,776**
Loans and advances to banks	-	-	-	-	-
Loans and advances to non-banks	-	77,694	-	-	**77,694**
Debt securities	-	-	55,542	-	**55,542**
Reverse repurchase agreements	195,338	-	-	-	**195,338**
Settlement accounts	8	79,003	11	3,998	**83,020**
Total on balance sheet	**821,299**	**186,135**	**66,891**	**3,998**	**1,078,323**
Commitments	-	49,823	48,113	-	**97,936**
Total off balance sheet	**-**	**49,823**	**48,113**	**-**	**97,936**
Total	**821,299**	**235,958**	**115,004**	**3,998**	**1,176,259**

(Note 23 continued...)

Credit risk concentrations by geographical sector (continued)

As at 31 October 2018	United Kingdom (UK)	Other OECD Countries (excluding UK and North America)	North America	Non OECD	Total
	C$'000	C$'000	C$'000	C$'000	C$'000
Cash and balances with central bank	406,661	-	-	-	**406,661**
Derivative financial instruments	-	21,035	4,607	-	**25,642**
Loans and advances to banks	-	-	-	-	**-**
Loans and advances to non-banks	-	17,755	-	30,439	**48,194**
Debt securities	-	-	52,184	-	**52,184**
Reverse repurchase agreements	284,629	-	-	-	**284,629**
Settlement accounts	5,666	93,072		13,822	**112,560**
Total on balance sheet	**696,956**	**131,862**	**56,791**	**44,261**	**929,870**
Commitments	-	20,686	42,133	48,539	**111,358**
Total off balance sheet	**-**	**20,686**	**42,133**	**48,539**	**111,358**
Total	**696,956**	**152,548**	**98,924**	**92,800**	**1,041,228**

(Note 23 continued...)

Credit risk concentrations by industrial sector

As at 31 October 2019	Transport& Comms	Manufactur-ing	Financial Services	Sovereign/Municipal	Mining	Utilities	Other	Total
	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000
Cash and balances with central bank	-	-	-	625,953	-	-	-	**625,953**
Derivative financial instruments	8,155	-	11,338	1	-	21,282	-	**40,776**
Loans and advances to banks	-	-	-	-	-	-	-	**-**
Loans and advances to non-banks	67,606	-	-	-	-	7,943	2,145	**77,694**
Debt securities	-	-	-	55,542	-	-	-	**55,542**
Reverse repurchase agreements	-	-	195,338	-	-	-	-	**195,338**
Settlement accounts	-	-	36,451	46,569	-	-	-	**83,020**
Total on balance sheet	**75,761**	**-**	**243,127**	**728,065**	**-**	**29,225**	**2,145**	**1,078,323**
Commitments	23,100	3,634	6,151	-	15,669	47,342	2,040	**97,936**
Total off balance sheet	**23,100**	**3,634**	**6,151**	-	**15,669**	**47,342**	**2,040**	**97,936**
Total	**98,861**	**3,634**	**249,278**	**728,065**	**15,669**	**76,567**	**4,185**	**1,176,259**

(Note 23 continued...)

Credit risk concentrations by industrial sector (continued)

As at 31 October 2018	Transport & Comms	Manufactu r-ing	Financial Services	Sovereign/Municipal	Mining	Utilities	Other	Total
	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000
Cash and balances with central bank	-	-	-	406,661	-	-	-	**406,661**
Derivative financial instruments	2,898	-	4,607	-	-	17,282	855	**25,642**
Loans and advances to banks	-	-	-	-	-	-	-	**-**
Loans and advances to non-banks	5,041	-	-	-	30,439	4,440	8,274	**48,194**
Debt securities	-	-	-	52,184	-	-	-	**52,184**
Reverse repurchase agreements	-	-	284,629	-	-	-	-	**284,629**
Settlement accounts	-	-	112,560	-	-	-	-	**112,560**
Total on balance sheet	**7,939**	**-**	**401,796**	**458,845**	**30,439**	**21,722**	**9,129**	**929,870**
Commitments	936	-	-	-	64,203	45,197	1,022	**111,358**
Total off balance sheet	**936**	**-**	**-**	**-**	**64,203**	**45,197**	**1,022**	**111,358**
Total	**8,875**	**-**	**401,796**	**458,845**	**94,642**	**66,919**	**10,151**	**1,041,228**

24. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market variables such as interest rates, foreign exchange rates and equity prices. Market risk within the Company arises through positions in rate products through its Treasury business activities. Outright market risk is generally only taken in liquid, linear products. The Company classifies exposures to market risk into either trading or non-trading books.

The market risk on both trading and non-trading books is measured using a Value at Risk (VaR) methodology, and sensitivity and stress testing analysis. Market risk within the Company is generally low as exposure is backed off with London Branch or CIBC. Interest rate risk in the non-trading book is low and generally arises from the interbank deposit activity driven by the Treasury function. Interest rate risk in the non-trading book is insignificant to the Company.

Market risk management & control

Capital Markets Risk Management (CMRM)
The measurement, monitoring and control of market risk and trading credit risk in the Company is the responsibility of CMRM. Market risk exposures are monitored daily against approved risk limits, and control processes are in place to ensure that only authorised activities are undertaken. Reports highlighting VaR, stress results and key sensitivities are produced and distributed on a daily basis to traders and Risk Management personnel, as well as the Head of Europe and Head of Capital Markets Trading, Europe.

The CIBC market risk policy documents specify roles and responsibilities and standards for measuring risk, risk authorities, limit design, stress testing and backtesting. CMRM reviews this methodology regularly to ensure it remains relevant and captures all significant risks. The output of the risk models is used to calculate economic and regulatory capital on a daily basis.

Internal Audit is responsible for the independent review of risk management and the control environment. The Company's Audit Committee considers the adequacy and effectiveness of the Control Framework.

Market risk measurement
The Company has adopted a VaR process and methodology as a primary tool to measure and monitor market risk both by constituent business and at the Company level.

VaR is a mathematical methodology which seeks to estimate the Company's exposure to market risk within a given level of statistical confidence, over a defined period of time. The Company uses a one-day time horizon and a 99% confidence level which means that daily losses exceeding the VaR limit are likely to occur, on average once every 100 business days. The effectiveness of VaR is assessed using backtesting, which counts the number of days when trading related losses are bigger than the estimated VaR figure.

Limits are set against the aggregate portfolio level and against specific types of risk, for example interest rate risk and foreign currency risk. VaR limits exist for major risk types: interest rate, equity, foreign exchange and credit spread. Specific procedures exist for the delegation and authorisation of these limits that prevent concentrations of risk type building without prior approval.

In addition to the VaR based methodology, a number of hypothetical and historical stress tests are run that look beyond the 99% confidence level of the Company's internal VaR model. These scenarios are periodically reviewed and approved by CIBC's stress test and market risk committees. These limits force a detailed business review in the event of significant adverse profit and loss movements during the year.

Limitations of the VaR methodology
Actual realised market loss experience may differ from that implied by the VaR measure for a variety of reasons. The VaR measure does not account for losses that may occur beyond the 99% confidence level: i.e. fluctuations in market rates and prices may be greater than those in the past that are used to compute the VaR measure. Additionally, VaR only represents the risk of the portfolios at the close of each business day, and intra-day trading may increase or reduce market loss.

(Note 24 continued...)

To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to assess whether the Company would withstand an extreme market event. These stresses, in addition to reverse stress testing, are used in the Internal Capital Adequacy Assessment Process (ICAAP) to assess what could break the Company business model.

VaR analysis:
The following tables detail over the 12 months to 31 October 2019 and over the previous fiscal year 2018, the highest, lowest and mean of the daily value-at-risk measures and the value-at-risk measure as per the end of the period. The Company did not run any trading book market risk in the current or prior financial year.

Non-trading interest rate risk is deemed insignificant within Basel quantification criteria and as such the Company does not hold additional capital in this area. The market risk charge on those assets subject to the standardised approach to market risk and which are outside the scope of the VaR model was C$nil (2018: C$ nil).

The following VaR measures relate to Plc's non-trading book market risk exposures:

12 Months to 31 October 2019

	Year end C$'000	**Average** C$'000	**High** C$'000	**Low** C$'000
Total VaR	36	38	55	27

The main components of total VaR are:

	Year end C$'000	**Average** C$'000	**High** C$'000	**Low** C$'000
Interest rate risk	20	37	58	19
Credit spread risk	-	-	-	-
FX risk	24	10	24	1

12 Months to 31 October 2018

	Year end C$'000	**Average** C$'000	**High** C$'000	**Low** C$'000
Total VaR	34	28	49	7

The main components of total VaR are:

	Year end C$'000	**Average** C$'000	**High** C$'000	**Low** C$'000
Interest rate risk	39	29	48	7
Credit spread risk	-	-	-	-
FX risk	12	5	15	-

25. Liquidity risk

Liquidity risk is the risk arising from an inability to meet contractual or contingent financial obligations as they fall due, or only being able to meet these obligations at excessive costs. This may lead to an inability to support normal business activity. Liquidity risk may arise from a mismatch in the timing and amount of cash inflows and outflows.

The management of liquidity risk within Plc is described in detail in the Internal Liquidity Adequacy Assessment Process (ILAAP). It consists of controls covering the process for setting, monitoring and approving liquidity limits to ensure that Company's Risk Appetite Statement (RAS) and relevant regulatory guidelines are respected at all times. The Contingency Funding Plan (CFP) for Plc references a number of Early Warning Indicators (EWI's) and the global CFP framework. The Plc CFP details testing and operational considerations as well as the invocation procedure. Plc employs a liquidity survival horizon reporting model, as well as compliance with regulatory metrics including the Liquidity Coverage Ratio (LCR).

Plc maintains a Liquid Asset Buffer (LAB) portfolio of High Quality Liquid Assets (HQLA) including cash deposits held in a Bank of England Reserve Account which ensure that Plc can manage liquidity effectively even during a stress environment. The LAB portfolio is comprised of assets with an appropriate currency mix and is available for sale.

Treasury is responsible for the daily management and monitoring of the LAB, as well as instigating any liquidation or repo activity (via the Funding and Liquidity Management (FLM) team). Liquidation or repo activity may be driven by the need to test the liquidity of the assets or to test the CFP. The LAB portfolio is dynamic and related to the output of liquidity stress tests among other variables. As such, Treasury calibrates the size of the LAB and adjusts its currency composition on an ongoing basis, respecting internal and regulatory limits. Regular reporting is distributed.

The Plc ILAAP describes the regular daily liquidity monitoring combined with frequent stress testing and scenario analysis that plays a central role in the assessment and management of liquidity risk.

Liquidity Survival Horizons (by major currency), Liquid Asset Buffer targets and holdings, wholesale re-financing gaps, maximum daily outflows and liquidity metrics are monitored and reported to stakeholders on a daily basis. Additionally, ALCo receives a regular report which demonstrates compliance with Regulatory and Management Liquidity limits.

Stress testing for a variety of market and idiosyncratic liquidity stress scenarios are detailed in the ILAAP. Appropriate stress test scenarios and assumptions for current market conditions are reviewed on a continual basis in conjunction with lines of business and management. These scenarios (and stress test results) are presented to ALCo and the Plc Board on a quarterly basis (or more frequently, where appropriate) as part of the regular governance, challenge and review process, prior to adoption and inclusion. The Plc Board reviews these as part of the ILAAP approval process. Material changes or breaches are escalated appropriately. Stress test results indicate that Plc will be able to meet all of its liabilities as they fall due and consequently meet its regulatory and liquidity obligations for the foreseeable future.

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at balance sheet date. The gross liabilities as disclosed in the table are the contractual undiscounted cash flows of all financial liabilities; whereas the Company manages the inherent liquidity risk based on discounted expected cash flows. Liquidity risk on derivative financial instruments held for trading and trading portfolio liabilities are not managed on the basis of contractual maturity as they are frequently settled on demand at fair value. They are therefore included in the 'on demand' column at fair value.

(Note 25 continued...)

Contractual maturity of financial assets and liabilities on an undiscounted basis

As at 31 October 2019 (C$'000)	On Demand	Less Than 3 Months	3 Months to Less Than 12 Months	1 Year to Less Than 5 Years	Over 5 Years	No specified maturity	Total
Assets							
Cash and balances with central bank	625,953	-	-	-	-	-	**625,953**
Settlement accounts	83,020	-	-	-	-	-	**83,020**
Derivative financial instruments	34,581	2,772	3,423	-	-	-	**40,776**
Loans and advances to non-banks	-	-	-	61,086	16,608	-	**77,694**
Debt securities	-	-	-	-	55,542	-	**55,542**
Reverse repurchase agreements	-	195,338	-	-	-	-	**195,338**
Other assets	-	-	-	-	-	4,691	**4,691**
	743,554	**198,110**	**3,423**	**61,086**	**72,150**	**4,691**	**1,083,014**
Liabilities							
Settlement accounts	82,706	-	-	-	-	-	**82,706**
Deposits from banks	9,829	318,452	-	-	-	-	**328,281**
Debt securities in issue	-	-	-	-	37,438	-	**37,438**
Derivative financial instruments	35,300	2,313	760	-	19,372	-	**57,745**
Short positions in securities	-	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	14,574	**14,574**
Equity	-	-	-	-	-	562,270	**562,270**
	127,835	**320,765**	**760**	**-**	**56,810**	**576,844**	**1,083,014**

(Note 25 continued...)

As at 31 October 2018 (C$'000)	On Demand	Less Than 3 Months	3 Months to Less Than 12 Months	1 Year to Less Than 5 Years	Over 5 Years	No specified maturity	Total
Assets							
Cash and balances with central bank	406,661	-	-	-	-	-	**406,661**
Settlement accounts	112,560	-	-	-	-	-	**112,560**
Derivative financial instruments	21,342	1,140	3,160	-	-	-	**25,642**
Loans and advances to non-banks	-	-	19,744	18,968	9,482	-	**48,194**
Debt securities	-	-	-	-	52,184	-	**52,184**
Reverse repurchase agreements	-	284,629	-	-	-	-	**284,629**
Other assets	-	-	-	-	-	3,904	**3,904**
	540,563	**285,769**	**22,904**	**18,968**	**61,666**	**3,904**	**933,774**
Liabilities							
Settlement accounts	100,683	-	-	-	-	-	**100,683**
Deposits from banks	7,544	63,916	-	-	-	-	**71,459**
Debt securities in issue	-	-	-	-	37,627	-	**37,627**
Derivative financial instruments	21,632	2,323	2,921	-	15,806	-	**42,682**
Short positions in securities	-	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	15,208	**15,208**
Equity	-	-	-	-	-	666,114	**666,114**
	129,859	**66,239**	**2,921**	**-**	**53,433**	**681,322**	**933,774**

26. Regulatory capital

The Company's objective is to employ a strong and efficient capital base. Capital is managed in accordance with policies established by the Board. These policies relate to capital strength, capital mix and dividends. Each policy has associated guidelines, and capital is monitored continuously for compliance.

Each year a capital plan and three-year outlook are established in conjunction with the Internal Capital Adequacy Assessment Process (ICAAP). This encompasses all the associated elements of capital; forecasts of sources and uses, maturities, redemptions, new issuance, corporate initiatives and business growth. The capital plan is stress-tested in various ways to ensure that it is sufficiently robust under all reasonable scenarios. All of the elements of capital are monitored throughout the year, and the capital plan is adjusted as appropriate.

The capital adequacy is determined by rules and minimum standards prescribed by the Regulator under the umbrella of the various Basel accords. The capital elements that are managed comprise of reserves and shareholder's equity. These are detailed in the table below.

(Note 26 continued...)

Structure of regulatory capital

Regulatory capital consists of Tier 1 capital. The components of the regulatory capital are shown in the following table:

	2019	2018
	C$'000	C$'000
Core Tier 1 capital		
Permanent share capital	410,105	410,105
Profit and loss reserve and other reserves	72,932	176,776
Share premium account	79,233	79,233
Deductions from Tier 1 capital	(124)	(161)
Total Tier 1 capital after deductions	**562,146**	**665,953**

The 2019 permanent share capital includes shares denominated in pounds sterling translated at the historic rate. The deductions from Tier 1 capital are in relation to the regulatory prudent valuation adjustments.

During the year ended 31 October 2019 the Company complied with all externally imposed capital requirements.

27. Derivative financial instruments

The Company's policies and objectives on managing the risks that arise in connection with derivatives are included under Note 22 – Risk management.

The notional amount is the amount of a derivative's underlying contractual amount, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The table below sets out the notional principal amounts and fair values (which, after netting, are the carrying values) of both trading and non-trading derivative instruments respectively.

Collateral pledged or received in respect of these positions is included in note 29.

Analysis, includes internal trades	**2019** Notional amount	**2019** Carrying value assets	**2019** Carrying value liabilities	**2019** Carrying value net	**2018** Notional amount	**2018** Carrying value assets	**2018** Carrying value liabilities	**2018** Carrying value net
	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000
Trading								
Exchange rate contracts								
Forwards	990,212	4,587	(4,587)	-	82,158	898	(898)	-
Interest rate contracts								
Swaps	983,672	29,994	(30,177)	(183)	1,331,624	20,443	(20,582)	(139)
Balances arising from trading derivative instruments	**1,973,884**	**34,581**	**(34,764)**	**(183)**	**1,413,782**	**21,341**	**(21,480)**	**(139)**

Non-Trading Exchange rate contracts								
Forwards	565,633	6,195	(3,609)	2,586	636,986	4,301	(5,396)	(1,095)
Interest rate contracts								
Swaps	39,507	-	(19,372)	(19,372)	39,489	-	(15,806)	(15,806)
Balances arising from non-trading derivative instruments	**605,140**	**6,195**	**(22,981)**	**(16,786)**	**676,475**	**4,301**	**(21,202)**	**(16,901)**
Total at 31 October	**2,579,024**	**40,776**	**(57,745)**	**(16,969)**	**2,090,257**	**25,642**	**(42,682)**	**(17,040)**

The notional amount does not represent the Company's real exposure to credit risk, which is limited to the current cost of replacing contracts at current market rates, should the counterparties default. An analysis of the fair value of trading derivative instruments is set out below, netted by counterparty and by maturity time band.

Residual maturity analysis – exchange rate contracts

	2019 Notional amount C$'000	**2019** Carrying value assets C$'000	**2019** Carrying value liabilities C$'000	**2019** Carrying value net C$'000	**2018** Notional amount C$'000	**2018** Carrying value assets C$'000	**2018** Carrying value liabilities C$'000	**2018** Carrying value net C$'000
Less than 1 year	1,555,846	10,782	(8,196)	2,586	707,450	5,174	(6,277)	(1,103)
Between 1 and 5 years	-	-	-	-	11,694	25	(17)	8
5 years or over	-	-	-	-	-	-	-	-
Total	**1,555,846**	**10,782**	**(8,196)**	**2,586**	**719,144**	**5,199**	**(6,294)**	**(1,095)**

Residual maturity analysis – interest rate swaps

	2019 Notional amount C$'000	**2019** Carrying value assets C$'000	**2019** Carrying value liabilities C$'000	**2019** Carrying value net C$'000	**2018** Notional amount C$'000	**2018** Carrying value assets C$'000	**2018** Carrying value liabilities C$'000	**2018** Carrying value net C$'000
Less than 1 year	61,717	624	(624)	-	697,689	982	(982)	-
Between 1 and 5 years	323,989	5,298	(5,481)	(183)	290,849	3,049	(3,188)	(139)
5 years or over	637,473	24,072	(43,444)	(19,372)	382,575	16,412	(32,218)	(15,806)
Total	**1,023,179**	**29,994**	**(49,549)**	**(19,555)**	**1,371,113**	**20,443**	**(36,388)**	**(15,945)**

(Note 27 continued...)

An analysis of the fair value of derivative instruments entered into with third parties by counterparty type is set out below:

	2019 Carrying value assets C$'000	2019 Carrying value liabilities C$'000	2018 Carrying value assets C$'000	2018 Carrying value liabilities C$'000
OECD Banks	11,339	(57,733)	4,607	(42,657)
Other	29,437	(12)	21,035	(25)
	40,776	**(57,745)**	**25,642**	**(42,682)**

An analysis of the fair value of derivative instruments entered into with third parties by financial or non-financial counterparty is set out below:

	2019 Carrying value assets C$'000	2019 Carrying value liabilities C$'000	2018 Carrying value assets C$'000	2018 Carrying value liabilities C$'000
Financial	11,339	(57,733)	4,607	(42,657)
Non-financial	29,437	(12)	21,035	(25)
	40,776	**(57,745)**	**25,642**	**(42,682)**

28. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable data.

(Note 28 continued...)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 October 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	C$'000	C$'000	C$'000	C$'000
Financial assets:				
Fair value through profit or loss				
Held for trading				
Derivative financial instruments	-	34,581	-	**34,581**
Designated as fair value				
Derivative financial instruments	-	6,195	-	**6,195**
Debt securities	-	55,542	-	**55,542**
	-	**96,318**	**-**	**96,318**
Financial liabilities:				
Fair value through profit or loss				
Held for trading				
Derivative financial instruments	-	34,764	-	**34,764**
Designated as fair value				
Derivative financial instruments	-	3,609	19,372	**22,981**
Debt securities in issue	-	-	37,438	**37,438**
	-	**38,373**	**56,810**	**95,183**

The Level 2 population consists of:

- Derivative financial instruments, namely interest rate swaps and FX forwards, the valuation of which will be linked to the underlying interest rate and FX rates.
- Debt securities, namely a provincial government bonds, that are not actively traded.

The Level 3 population consists of:

- Debt securities in issue consists of a structured note that is linked to the payoff on a provincial government bond.
- Derivative financial instruments, namely an internal interest rate swap to hedge the residual risk on the structured note described above. As the corresponding note is designated as Level 3, this associated instrument follows the same treatment.

(Note 28 continued...)

31 October 2018	**Level 1** C$'000	**Level 2** C$'000	**Level 3** C$'000	**Total** C$'000
Financial assets:				
Fair value through profit or loss				
Held for trading				
Derivative financial instruments	-	21,341	-	**21,341**
Designated as fair value				
Derivative financial instruments	-	4,301	-	**4,301**
Debt securities	-	52,184	-	**52,184**
	-	**77,826**	**-**	**77,826**
Financial liabilities:				
Fair value through profit or loss				
Held for trading				
Derivative financial instruments	-	21,480	-	**21,480**
Designated as fair value				
Derivative financial instruments	-	5,396	15,806	**21,202**
Debt securities in issue	-	-	37,627	**37,627**
	-	**26,876**	**53,433**	**80,309**

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	Derivative financial instruments C$'000	**Debt securities in issue** C$'000	**Total level 3 financial liabilities** C$'000	**Total net level 3 financial assets / (liabilities)** C$'000
At 1 November 2018	(15,806)	(37,627)	(53,433)	**(53,433)**
Realised gains / (losses) recorded in profit or loss	(2,375)	-	(2,375)	**(2,375)**
Unrealised gains / (losses) recorded in profit or loss	(3,904)	189	(3,715)	**(3,715)**
Foreign exchange	338	-	338	**338**
Sales	-	-	-	-
Settlements	2,375	-	2,375	**2,375**
At 31 October 2019	**(19,372)**	**(37,438)**	**(56,810)**	**(56,810)**

(a) Included within 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'

(Note 28 continued...)

	Derivative financial instruments		Debt securities in issue		Total level 3 financial liabilities	Total net level 3 financial assets / (liabilities)
	C$'000		C$'000		C$'000	C$'000
At 1 November 2017	(20,569)		(34,675)		(55,244)	**(55,244)**
Realised gains / (losses) recorded in profit or loss	(2,593)	[a]	-	[a]	(2,593)	**(2,593)**
Unrealised gains / (losses) recorded in profit or loss	5,052	[a]	(2,093)	[a]	2,959	**2,959**
Foreign exchange	(289)	[a]	(859)	[a]	(1,148)	**(1,148)**
Sales	-		-		-	-
Settlements	2,593		-		2,593	**2,593**
At 31 October 2018	**(15,806)**		**(37,627)**		**(53,433)**	**(53,433)**

[a] Included within 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

Debt securities in issue and associated derivative economic hedges are sensitive to non-observable credit spreads, which are derived using extrapolation, and correlation assumptions. The structure of these positions is such that they are perfectly hedged with the associated assets disclosed within level 2. As such any change in their net fair value would also lead to an equal and opposite change in the fair value of the associated level 2 assets. A 20% downward shift in credit spreads, identified as the non-observable inputs to the derivative valuation, would not result in a significant change and would be fully offset by a loss of the same amount on the debt securities in issue. Given that the principal risk relating to the structured note arrangement is actively managed outside the Company (in CIBC) using a back to back model, a detailed sensitivity analysis has not been performed. Given this linkage, no further detailed disclosure is beneficial.

Fair value of financial instruments

Fair value of the Company's financial instruments analysed between assets and liabilities, including those not reflected in the financial statements at fair value is considered to be materially equal to the carrying value in the current and prior years.

The term 'financial instruments' includes both financial assets and liabilities, and also derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between knowledgeable and willing parties, other than in a forced or liquidation sale. The Company has a policy that where financial instruments are held at fair value, they are independently marked to market. The following methods and significant assumptions have been used in determining the fair values of financial instruments presented in the above table for financial instruments carried at fair value:

- The valuation of listed securities, investments and derivatives traded in an active market and for other financial instruments for which quoted prices in an active market are available, fair value is determined directly from those quoted prices.
- For all other derivative instruments a valuation technique is used; fair value is based on assumptions that are supported by observable market prices. For the Company this consists of bi-lateral Foreign Exchange (FX) and Interest Rate derivatives which are marked to market, with a Credit Valuation Adjustment (CVA) applied to account for counterparty credit risk. The valuation of these instruments are linked to the underlying FX and/or interest rates and the associated default risk of the counterparty.

- For financial assets and financial liabilities that are liquid or have a short term maturity (three months or less) the carrying amounts are considered approximate to their fair values. The fair value of loans and advances, and other lending including reverse repurchase agreements and cash advanced on securities borrowed approximates carrying value because they are short-term in nature or are repriced frequently. These reverse repo contracts are deemed to be level 2 in the fair value hierarchy.
- The fair value of deposit liabilities and other borrowings approximates carrying value because they are either short-term in nature or repriced frequently.

29. Collateral

	2019	2018
	C$'000	C$'000
Fair value of collateral pledged	447	261
Fair value of collateral received	195,449	284,272
	195,896	**284,533**

The derivative positions associated with the collateral pledged and received are included in note 27. The reverse-repo transactions associated with collateral received are included in note 13.

Collateral comprises cash in respect of derivative transactions and securities in respect of repurchase transactions. Client securities collateral that is available-for-sale or repledge is received in connection with securities lending, securities borrowed or purchased under resale agreements, margin loans and to collateralise derivative contracts. Client securities collateral may be sold or repledged by the Company 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 If the collateral received declines in value, additional collateral may be required. On balances above relating to the Securities Lending business there exists the obligation to return the equivalent securities. For the purposes of this note, both sides of a lending/borrow transaction have been deemed to be collateral.

The collateral received has not been sold or repledged onwards. The collateral pledged is a margin call on derivative trades.

30. Reserves

			Profit and Loss Reserve			
	Share Premium Total	Profit and Loss Reserve	Share-based payment reserve	Share-based payment distribution reserve	**Total Profit and Loss Reserve**	**Total**
	C$'000	C$'000	C$'000	C$'000	C$'000	C$'000
At 1 November 2018	**79,233**	**172,429**	**17,807**	**(13,460)**	**176,776**	**256,009**
Transition to IFRS 9	-	(42)	-	-	**(42)**	**(42)**
Gain for the financial year	-	15,920	-	-	**15,920**	**15,920**
Effect of IFRS 2 share-based payments for the financial year	-	-	820	(542)	**278**	**278**
Dividend paid	-	(120,000)	-	-	**(120,000)**	**(120,000)**
At 31 October 2019	**79,233**	**68,307**	**18,627**	**(14,002)**	**72,932**	**152,165**

The profit and loss Account has been split to take into account IFRS 2 "Share-based Payments" as stated in Note 33.

For more details as to the IFRS 9 transition adjustment, refer to Note 23 Credit Risk.

31. All monetary assets, liabilities and equity by currency

	2019	**2018**
	C$'000	C$'000
Assets		
Canadian Dollars	80,362	232,051
Euros	157,026	89,246
Pounds Sterling	638,762	423,439
US Dollars	206,236	174,425
Other Currencies	628	14,613
	1,083,014	**933,774**
		-
Liabilities and equity		
Canadian Dollars	80,362	232,031
Euros	157,026	89,327
Pounds Sterling	638,762	423,437
US Dollars	206,236	174,366
Other Currencies	628	14,613
	1,083,014	**933,774**

32. Directors and employees

The directors' aggregate emoluments in respect of qualifying services borne by the Company were:

	2019 C$'000	2018 C$'000
Emoluments charged in the Company	333	317
Contributions paid to money purchase plans	-	-
Share-based payments	-	-
Number of directors who exercised share options during the year	-	-
Number of directors to whom shares were granted under long-term incentive schemes	-	-

Additional directors' emoluments in respect of qualifying services borne by CIBC were as follows:

	2019 C$'000	2018 C$'000
Aggregate remuneration of the directors for the year	1,158	1,721
Contributions paid to money purchase plans	27	23
Share-based payments	250	318
Number of directors who exercised share options during the year	-	-
Number of directors to whom shares were granted under long-term incentive schemes	3	5

The directors determined that the split of their costs for the year ended 31 October 2019 between the Company and London Branch (see Directors' Report) to be 25%:75% ratio (2018: 25%:75% ratio).

The total emoluments and amounts receivable under long term incentive plans of the highest paid director was C$620,000 (2018: C$713,000).

The pension contribution for the highest paid director was C$15,632 (2018: C$ nil).

The share based payments for the highest paid director was C$114,000 (2018: C$151,000). The highest paid director was not granted any options during the year nor exercised options granted in previous years.

Average number of employees

The average number of persons employed by the Company (including directors) during the year was as follows:

	2019	2018
Senior management	3	3
Other	9	10
	12	13

33. Share-based payments

The Company recognised a total expense in the year with respect to share-based payments of C$820,000 (2018: C$761,000). Where an intercompany charge has been made in respect of share-based payments, the charge has been treated as a distribution.

The percentage of share-based remuneration deemed to relate to the services provided by UK domiciled directors to the Company is recognised as an expense by the Company. Share-based remuneration of non-UK domiciled directors of the Company has not been included in this figure since their remuneration is not considered dependent on their services provided to the Company.

Employee Share Purchase Plan (ESPP)
Under the CIBC ESPP, each ordinary CIBC share purchased by an employee of the Company through the plan is matched by one and a half ordinary shares in CIBC by the Company. Participants can choose to either receive or reinvest dividends in the plan. No matching contribution is made by the Company in the event of dividend reinvestment. Under the terms of the plan, there are no specific vesting conditions assigned to shares awarded.

The weighted average fair value of shares granted under this plan in the year was C$108.34 (2018: C$118.70) and totalled 302 (2018: 294) ordinary CIBC shares. Fair value is the average open market price at grant which includes the effect of expected dividends.

The Company recognised a total expense in the year with respect to the ESPP of C$33,000 (2018: C$35,000).

Restricted Share Award (RSA)
Under the CIBC RSA plan, awards 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 grant. Associated costs are recharged to the Company and accounted for on an equity-settled basis.

The weighted average fair value of RSA units granted in the year was C$113.48 (2018: C$115.23) and totalled 5,929 shares (2018: 9,357 shares). Fair value is calculated based on the average closing price per common share on the Toronto Stock Exchange (TSX) for the 10 trading days prior to a date specified in the grant terms.

The Company recognised a total expense in the year with respect to the RSA plan of C$509,000 (2018: C$466,000).

Performance Share Units (PSU)
Under the CIBC 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. Associated costs are recharged to the Company and accounted for on an equity-settled basis.

The weighted average fair value of PSU units granted in the year was C$113.48 (2018: C$115.23) and totalled 2,041 shares (2018: 2,970 shares). Fair value is the average open market price at grant which includes the effect of expected dividends.

The Company recognised a total expense in the year with respect to the PSU plan of C$277,000 (2018: C$255,000).

Employee Share Option Plan (ESOP)
Under the ESOP, share options are periodically granted to selected employees. Options provide the employees with the right to purchase CIBC common shares from CIBC at a fixed price not less than the closing price of the shares on the trading day immediately preceding the grant date. In general, the options vest evenly over a four year period and expire ten years from the grant date. Exercise of share options is only possible between the vesting date and either the expiry or termination date as defined by the rules of the plan.

The weighted average fair value per option granted during the year under this plan has been estimated as C$8.22 (2018: C$7.06) using the Black-Scholes option pricing model.

There were 3,673 share options granted in the current year (2018: 3,562).

The Company recognised a total expense in the year with respect to the ESOP of C$1,000 (2018: C$5,000).

34. Parent company and guarantee

The Company is a subsidiary undertaking of Canadian Imperial Bank of Commerce (CIBC), the controlling entity and largest group in which the results of the Company are consolidated. CIBC is incorporated in Canada. The consolidated financial statements of CIBC are available to the public and may be obtained from Commerce Court, Toronto, Canada, M5L 1A2.

The ultimate parent company, CIBC, has by way of agreement (the Deed Poll Guarantee) guaranteed payment to creditors of all debts and other financial obligations until the earlier of 31 October 2022 or the Company ceasing to be a subsidiary.

35. Segmental reporting

All revenue has been generated from operations in the UK. As such no further segmental disclosures of revenue or profit before tax have been provided.

36. Pension plan

CIBC parent operates two separate pension plans, a defined contribution and a defined benefit plan, in which the Company participates. Only the defined contribution plan is open to new entrants and has active members. In the past year the Company was recharged C$187,000 (2018: C$171,000) in respect of these plans. There were no recharges outstanding as at 31 October 2019 (2018: C$ nil).

37. Events after the reporting period

There were no significant events subsequent to the reporting date.

CIBC WORLD MARKETS PLC

PILLAR 3 DISCLOSURES

FOR THE YEAR ENDED

31 OCTOBER 2019

Contents

1. Overview.....5

- 1.1 Introduction.....5
- 1.2 Background.....5
- 1.3 Scope of Application.....5
- 1.4 Frequency and Location of Disclosure.....5
- 1.5 Summary of Key Capital Metrics and Ratios.....6

2. Risk Management Objectives, Policies and Reporting.....8

- 2.1 Introduction to Risk Management.....8
- 2.2 Risk Culture.....8
- 2.3 Risk Appetite.....9
- 2.4 Three Lines of Defence Model.....10
- 2.5 Risk Management function.....11
- 2.6 Capital Management.....12
- 2.7 Operational Risk.....12
- 2.8 Compliance Risk.....13
- 2.9 Financial Crime Risk.....13
- 2.10 Reputational and Legal Risk.....13
- 2.11 Board Declaration - Adequacy of the Risk Management Arrangements 13
- 2.12 The Board.....13
- 2.13 Board - Recruitment Policy.....14
- 2.14 Diversity Policy.....14
- 2.15 Board Members Skills and Expertise.....14
- 2.16 Number of directorships held by members of the Board.....16
- 2.17 Plc Governance Structure.....17
- 2.18 Roles of Plc Committees.....17
- 2.19 Communication of Risk Information to Management.....19
- 2.20 Risk Measurement and Management.....20
- 2.21 Risk Management Polices.....21
- 2.22 Risk Management Reporting.....25

3. Capital Resources.....28

- 3.1 Objectives, Policies and Processes.....28
- 3.2 Structure of Regulatory Capital.....28
- 3.3 Reconciliation of Regulatory Capital to the Balance Sheet.....30

4. Capital Requirements.....31

- 4.1 Adequacy of Capital.....31
- 4.2 External Credit Rating Agency.....32
- 4.3 Risk Weighted Assets and Minimum Capital Requirements.....33

5. Management of Credit Risk.....34

- 5.1 Background.....34
- 5.2 Governance.....34

5.3 Process and Control 34
5.4 Credit Risk Mitigation 35
5.5 Policies, Procedures and Standards 36
5.6 Measurement, Monitoring and Control 36
5.7 Structure and Organisation of the Risk Management Function (including Credit) 36

6. Capital Buffers 38

6.1 Institution Specific and Geographical Distribution Countercyclical Buffer 38

7. Credit and Counterparty Credit Risk 39

7.1 Risk Rating of Exposures 39
7.2 Credit Risk 39
7.3 Counterparty Credit Risk 42
7.4 Risk Control 43
7.5 Wrong-Way Risk 45
7.6 Impact to Collateral Following a Downgrade in Credit Rating 45
7.7 Collateral 45
7.8 General and Specific Credit Risk Adjustments 46
7.9 Credit Valuation Adjustments 46

8. Liquidity Risk 48

8.1 Introduction 48
8.2 Liquidity Risk Management and Control 48
8.3 Liquidity Monitoring 48
8.4 Contractual Maturity of Transferrable Assets & Deposit Liabilities 49
8.5 Quantitative Information on LCR (Template EU LIQ1) 49

9. Encumbered Assets 50

9.1 Introduction 50
9.2 Assets 50
9.3 Collateral 50
9.4 Sources of Encumbrance 51

10. Management of Market Risk 52

10.1 Governance, Process and Control 52
10.2 Risk Monitoring 52
10.3 Policies and Standards 52
10.4 Trading Activities 52
10.5 Capital and Risk Measurement 52
10.6 Non-Trading Activities 53
10.7 Foreign Exchange Risk 53
10.8 Market Risk in the Trading Book 53
10.9 Capital requirement for market risk 53

11. Management of Operational Risk 54

11.1 Introduction 54
11.2 Governance 54
11.3 Three Lines of Defence Approach 54

11.4 Policies and Standards 55
11.5 Risk Monitoring 55
11.6 Risk Measurement 56
11.7 Capital requirement for operational risk 56

12. Remuneration 57

12.1 Role of the CIBC Board 57
12.2 Role of the UK Remuneration Advisory Group 57
12.3 Overview of CIBC's Compensation Approach 58
12.4 Quantitative Information on Remuneration 60

13. Leverage 61

13.1 Introduction 61
13.2 Processes Used to Manage Risk of Excessive Leverage 63
13.3 Factors Impacting the Leverage Ratio 63

Acronyms

ALCo	Asset and Liability Committee
ALM	Asset and Liability Management
CB	Corporate Banking
CFP	Contingency Funding Plan
CIBC	Canadian Imperial Bank of Commerce group of companies
CIBC Europe	The European operations of CIBC, including CIBC World Markets Plc and CIBC Capital Markets (Europe) S.A.
CIBC London Branch	Canadian Imperial Bank of Commerce, London Branch
CIBC Lux	CIBC Capital Markets (Europe) S.A., a wholly owned subsidiary of CIBC
CIBC UK	UK Operations of CIBC, consisting of Plc and CIBC London Branch
CIRA	Change Initiative Risk Assessment
CMRM	Capital Markets Risk Management
CRD	Capital Requirements Directive
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
ECL	Expected Credit Loss
eGRC	Enterprise Governance, Risk and Compliance solution
ERMF	European Risk Management Framework
ERR	Enterprise Risk Reporting
ExCo	European Executive Committee
FCA	Financial Conduct Authority
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Individual Liquidity Adequacy Assessment Process
KRI	Key Risk Indicator
LAB	Liquid Asset Buffer
Plc	CIBC World Markets plc, a wholly owned subsidiary of CIBC
PRA	Prudential Regulation Authority
RAG	Remuneration Advisory Group
RAS	Risk Appetite Statement
RLR	Reputation and Legal Risk
SVP	Senior Vice President
VP	Vice President

1. Overview

1.1 Introduction

CIBC World Markets plc (Plc) is a wholly owned subsidiary of Canadian Imperial Bank of Commerce (CIBC), a bank incorporated pursuant to the Bank Act Canada. Plc is a UK bank, authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA. Plc was incorporated under the laws of England and Wales (registered number 02733036) on 21 July 1992 as CIBC Bank Plc, adopting its current name on 28 April 1999. Its head office and registered office is 150 Cheapside, London, EC2V 6ET. Plc currently has no subsidiaries. The term CIBC Europe is used throughout this document to represent the European operations of CIBC, including Plc.

1.2 Background

The Capital Requirements Regulation (CRR) rules include a public disclosure requirement known as "Pillar 3" which applies to all UK Banks and Building Societies. These rules are designed to promote market discipline through disclosure of key information about risk exposures and the risk management processes.

When producing the Pillar 3 disclosures, Plc is required to comply with (i) the Capital Requirement Regulation (EU) No 575/2013, (ii) the Final Report on the guidelines on disclosures requirement under Part Eight of CRR issued by EBA on 14 December 2016 (amended version on 9 June 2017) (EBA Guidelines) and (iii) the PRA Supervisory Statements.

Plc applies the standardised approach for the calculation of credit and counterparty credit risk, market risk and credit valuation adjustment (CVA) risk. Plc uses the Basic Indicator Approach (BIA) for the calculation of operational risk.

1.3 Scope of Application

In line with prudential guidelines, Plc's prudential reporting is prepared on a solo unconsolidated basis.

1.4 Frequency and Location of Disclosure

Plc has adopted a formal policy to ensure that it remains in compliance with the requirements in Title I of Part Eight of the CRR. It has been developed in line with accounting policies and in conjunction with IFRS 7 Financial Instruments: Disclosures.

This policy is reviewed annually by the European Executive Committee (ExCo) and the Audit Committee. Final approval is obtained from Plc's Board of Directors (the Board).

The frequency of issue of Pillar 3 disclosures has been considered. It has not been deemed necessary to increase the frequency of disclosure beyond the annual requirement as set out in Article 433 of the CRR.

Pillar 3 disclosures for Plc are published annually as an addendum to its annual Financial Statements.

1.5 Summary of Key Capital Metrics and Ratios

Plc is a wholly owned subsidiary of Canadian Imperial Bank of Commerce (CIBC). As at 31 October 2019, CIBC had a credit rating of A+ (S&P), Aa2 (Moody's) and AA-(Fitch). CIBC is regulated by the Office of the Superintendent of Financial Institutions (OSFI) in Canada.

The following tables provide an overview of the key capital metrics and ratios for Plc as at 31 October 2019.

As at 31 October 2019	**C$ m**
Total Risk Weighted Assets	**233**
Tier I and Tier II Capital Resources	**546**
Tier 1 ratio	**233.98%**
Concentration Risk 25% Limit	**136**
Leverage Ratio	**47%**
Total assets	**1,083**
Profit after tax	**16**

Note: Figures throughout this document are presented in Canadian Dollars in millions (C$ m). They are computed in C$'000s and presented in C$ million. As a result, there may be small rounding differences between the various tables in the document.

1.5.1. Differences between accounting values and regulatory exposures by financial statement categories

Template 1: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation*	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
[illegible]							
Balances with Central Banks	626	626	626				
Settlement Account**	83						83
Derivative Financial Instruments (Asset)***	41	41		41		41	
Loans & Advances to Banks							
Loans & Advances to Non Banks	78	78	78				
Treasury & Other Eligible Bills	56	56	56				
Reverse Repurchase Agreements	195	195		195			
Other Assets	1						
Prepayments & Accrued Income	3	3					
Total assets	1083	999	760	236	-	41	83
[illegible]							
Settlement Account	-83						-83
Deposits from Banks	-328						-328
Derivative Financial Instruments (Liab)	-58	-11		-11			-46
Other Liabilities	-12						-12
Debt Securities in Issue	-37						-37
Accruals & Deffered Income	-2						-2
Total liabilities	-520	-11	-	-11	-		-509

*Whilst the template refers to regulatory consolidation, Plc is subject to solo reporting rules and the numbers in the above template reflects the solo requirements.
** Settlement balances are not subject to any capital requirements as they are all delivery versus payment (DVP) and not past due as at the reporting date.
***Derivative financial instruments are subject to both the counterparty credit risk and market risk frameworks

1.5.2. Differences between carrying values in the financial statements and regulatory exposures

Template 2: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	999	760	236		41
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	-11		-11		
Total net amount under the regulatory scope of consolidation	**988**	**760**	**225**		**41**
Off-balance-sheet amounts	98	74			
*Differences in valuations**	19		19		
*Differences due to different netting rules, other than those already included in row 2 ***	-195		-195		
Differences due to prudential filters					
Differences due to Cash Collateral					
Exposure amounts considered for regulatory purposes	**910**	**834**	**49**		**41**
Credit conversion factor adjustment on off balance sheet (CCF)		24			
Regulatory exposure amounts pre CRM and CCF	**910**	**858**	**49**		**41**

*Differences in valuations corresponds to the regulatory adjustment for derivative financial instruments (known as the potential future exposure, PFE).
**Difference relates to the regulatory adjustment for reverse repurchase agreements (under the master netting agreement for security financing transactions).

2. Risk Management Objectives, Policies and Reporting

2.1 Introduction to Risk Management

Effective risk management is deeply embedded in the businesses of Plc. Plc plans and controls its capital resources and capital requirement to strict guidelines. Risk and related balance sheet resources are managed within tolerance levels established by Senior Management and approved by the Board.

The Board has directed that Plc maintain a generous buffer between its capital resource requirement under CRD IV and its capital resources. This is achieved through a comprehensive framework of measurement, monitoring and control policies, procedures and standards that support active and effective management of risk and balance sheet resources.

Key risk management policies are approved or renewed by ExCo on behalf of Plc and the London Branch of CIBC.

Plc ensures sound risk management by adhering to the CIBC Risk Policy and Limits Framework (the Framework). The Framework is intended to ensure risks are appropriately identified, measured, monitored and controlled in accordance with CIBC's risk appetite.

Within this Framework, there are a series of additional overarching framework documents for most risk types that set out the key principles for managing the associated risks and the key risk policies and limits for that risk type. These frameworks and key policies are supported by standards, guidelines, processes, procedures and controls that govern day-to-day business activities undertaken by Risk Management representatives.

The Risk Management function of Plc is conducted by local Risk Management representatives who act independently from the lines of business. Risk Management work with the lines of business to ensure business and risk strategies are aligned, and that risk profile is reflective of the approved risk appetite. Risk Management is structured to align with the risk types and complexity of the respective lines of businesses.

In addition to Risk Management, CIBC maintains an Enterprise Governance, Risk and Compliance solution (eGRC) which is a database of CIBC's key internal controls that mitigate the risks the business could face. These controls are assessed and attested to on a regular basis.

Further information about the overall risk profile and its association with the business strategy of Plc, over and above what is disclosed below, can be found in the Strategic Report (pages 5-7) in the Company's Annual Report and Accounts 2019.

2.2 Risk Culture

Plc strives to achieve a consistent and effective risk culture throughout the organisation, promoted through both formal and informal channels. Each year all employees are required to complete formal training on reputational risk, code of conduct, anti-money laundering and other key risk topics. This enables all employees to develop a basic knowledge of risk management in support of the risk culture. In addition to this mandatory training, all material related to risk culture (i.e. Conduct & Culture Framework, Risk Appetite Statement, Risk Management priorities, principles, policies and

procedures) are communicated through the internal website, internal news releases and communications from the Head of Europe and Asia-Pacific.

Plc's Risk Appetite Statement is reviewed annually by ExCo and the Board and reinforced at all levels through town hall meetings and other forums.

2.3 Risk Appetite

The risk profile and risk appetite associated with the business strategy of CIBC has been a main focus of Management for many years. As part of this focus, CIBC has developed a concise Risk Appetite Statement (RAS), which contains metrics to define risk tolerance levels and facilitate assessment of the risk profile against the risk appetite.

In alignment with the CIBC RAS, Plc has developed its own RAS (Plc RAS). Adherence to Plc's RAS ensures sound risk management across all risk categories in Plc, supported by strong capital and funding positions. It also defines how business will be conducted, consistent with the following objectives:

- A client orientated business, focused on current core industry sectors including Mining, Oil & Gas, Power & Utilities and Infrastructure
- Using Plc's EU Passporting rights to facilitate business in strategically approved European countries in order to support client relationships
- Facilitate cross border opportunities for Canadian and global clients located in strongly rated European countries
- Maintaining a balance between sound risk management and appropriate returns; *and*
- Safeguarding Plc's reputation and brand.

Plc's RAS is updated annually in conjunction with the strategic planning cycle and is approved by the Board. On a quarterly basis, the Board, the Audit Committee, the Asset & Liability Committee (ALCo) and the ExCo receive and review reporting on Plc's risk profile against the risk appetite targets and limits.

A number of Early Warning Indicators (EWIs) are included as metrics in Plc's RAS and included in the quarterly presentations to the above-named Committees, and to the Board. An example of these metrics are set out in the table below as at 31st October 2019:

Management control metrics	Mgmt Limit[a]	Mgmt EWIs	PRA/EBA Limits
1. Common Equity Tier 1 (CET1) ratio	>83.05%	≤100%	>30.12%[b]
2. CET1 ratio in a mild stress environment	>81.40%		>28.53%
3. Large Exposure Limit	≤C$105MM	>C$105MM	≤C$162MM
4. Leverage ratio	>5%	≤10%	>3%
5. Loan losses as % of average outstanding loans (12-month trailing)	<25bps		
6. Expected losses as % of average outstanding loans	<0.55%		
7. Non-performing loans as % outstanding loans	<1.5%		
8. Trading VaR	<C$2MM	>C$2MM	
9. Non-trading VaR	<C$1MM	>C$2MM	
10. Stressed VaR	<C$45MM		
11. Stressed Non-trading losses (1-month)	<C$20MM		
12. Liquidity horizon	>90 days	<180 days	
13. Liquidity coverage ratio (LCR)	>110%		100%
14. Minimum Liquidity Horizon Under Stress (consolidated currencies)		<120 days	
15. Liquidity Asset Buffer (Qualifying Assets)		≤C$200MM	≥C$35MM
16. YTD total operational losses as % of gross revenue	<0.45%		
17. Number of past due high risk deficiencies	0		
18. Number of material weaknesses and significant deficiencies	0		
19. Number of unsatisfactory audit and compliance examinations	0		

[a] The change to a Management Limit does not change the escalation protocol process as defined in the Risk Appetite Framework

[b] The Regulatory limit will change in line with the changes to the RWA

At present, no transactions have been identified in Plc which would have a material impact on the risk profile of Plc (including reputational risk) or the distribution of risks within the group.

2.4 Three Lines of Defence Model

CIBC Europe's approach to enterprise-wide risk management aligns with the three lines of defence model:

- First line of defence (1st LOD) – Lines of business and functional groups (referred to as "1A" in the three lines of defence model) own the risk and are accountable and responsible for managing all risks associated with their activities including identifying, assessing, mitigating and controlling them.
- Governance and control groups within the 1st LOD who facilitate risk management processes are referred to as "1B".
- Second line of defence (2nd LOD) - Risk Management and other functional groups are responsible for providing guidance and effective independent oversight and challenge of the enterprise-wide risks inherent in the 1st LOD's activities.
- Third line of defence (3rd LOD) - Internal Audit function provides an independent assessment of the design and operating effectiveness of risk management controls, processes and systems.

Although the three lines of defence groups function independently in monitoring and providing oversight of the risks, a strong risk culture and good communication between the three lines of defence are important characteristics of effective risk management.

Generally, functional groups should not perform 1st LOD activities on behalf of the lines of business; in occasional situations where this is necessary, another independent and qualified group should act as the 2nd LOD.

Similarly, when functional groups perform 1st LOD activities to manage and mitigate risks within their own area of responsibility, appropriate 2nd LOD responsibilities should be established.

2.5 Risk Management function

CIBC Europe faces a variety of risks across all areas of business. Primary risks include credit, market, funding and liquidity, capital management, operational (including business interruption risk and continuity planning), conduct risk, reputational and legal risks, regulatory compliance risk, plus various corporate risks such as those associated with environmental risk management and outsourcing arrangements.

Risk management of CIBC Europe is conducted by a local Risk Management function which is independent from the Lines of Business (LOB) and falls under the oversight of the Senior Vice President, Chief Risk Officer Europe and Asia (SVP, CRO Europe and Asia). Risk Management partners with the LOB to ensure business and risk strategies are aligned, and that the risk profile is reflective of the approved RAS.

The Risk Management function is structured to align with the risk types and complexity of the respective LOBs.

2.5.1. Corporate Credit Risk

CIBC's Credit Risk Management Policy describes the overarching principles and policies for Credit Risk Management (CRM) that forms the foundation for segment specific portfolio limits, lending standards and guidelines.

The SVP, CRO Europe and Asia is responsible for CRM in Europe and has local oversight of corporate credit risks in Europe. Quarterly, the SVP, CRO Europe and Asia reports to ExCo and the Audit Committee on material credit risk matters including material credit transactions, compliance with limits, portfolio trends, impaired loans and credit loss provisioning levels. Impaired loan balances, allowances and credit losses are reviewed by the High Risk Committee at least quarterly.

2.5.2. Capital Markets Risk

CIBC's Capital Markets Risk Management (CMRM) Policies describes the policies for ensuring market risk and trading credit risks under the CMRM mandate are appropriately measured, approved, monitored and controlled.

The Head of Market and Liquidity Risk, Europe and Asia, CMRM, is responsible for trading credit risk in CIBC Europe and has local oversight of those risks. Quarterly, the Head of Market and Liquidity Risk, Europe and Asia, CMRM , reports to ExCo and The Audit Committee on material credit risk matters including material credit transactions, compliance with limits and portfolio trends, and changes to limits.

2.5.3. Trading Credit Risk

The CIBC CMRM Policies describe CIBC's requirements for the management of Trading Credit Risk, Market Risk and associated stress tests in support of the Enterprise Risk Management Framework and Risk Appetite Statement.

2.5.4. Market Risk

Within the CIBC CMRM Polices, the standards for Market Risk Management are outlined. These relate to the identification and measurement of the various types of market risk, and the establishment of limits within which overall exposures are managed. Explicit risk tolerance levels are expressed in terms of both statistically based Value-at-Risk (VaR) measures and potential worst-case stress losses, as well as notional or other limits as appropriate.

Local oversight of trading and non-trading market risk is provided by the Head of Market and Liquidity Risk, Europe and Asia, CMRM. The Head of Market and Liquidity Risk, Europe and Asia, CMRM is accountable for accurately identifying and reporting the main market risks as they relate to the business. Management of market risk is governed by limits, delegated by the EVP, CRO, CMRM, and authorised by the SEVP and CRO, CIBC. Overall local oversight is through the SVP, CRO Europe and Asia.

Market risk reports are distributed to the ExCo and the Audit Committee quarterly.

2.5.5. Funding and Liquidity Risk/Asset Liability Management

The CIBC Liquidity Risk Management Policy outlines key elements of CIBC's approach to managing liquidity risk. The liquidity risk management strategies followed by Plc seek to ensure that a sufficient amount of unencumbered liquid assets are available to meet anticipated liquidity needs in both stable and stressed conditions for a minimum period of time determined by ALCo and by the Board.

Supplemental to the Liquidity Risk Management Policy is the CIBC Global Contingency Funding Plan (CFP). The CFP clearly sets out the strategies for addressing liquidity shortfalls in emergency situations. Plc has implemented its own CFP, which is renewed annually by ALCo and the Board.

The Treasury function is distinct from Risk Management in CIBC Europe. Its remit includes the management of CIBC's liquidity and funding risks as well as structural interest rate and FX risk and associated risk positions. The Head of Treasury, Europe, Asia and Australia is the Treasury representative in Europe and reports to the SVP, Funding and Liquidity, Treasury, CIBC who reports to the EVP and Treasurer, CIBC. Oversight of treasury/liquidity risk management in Europe is via the SVP, CRO Europe and Asia.

2.6 Capital Management

Capital management in Plc is assessed through the ICAAP (Internal Capital Adequacy Assessment Process). The ICAAP aims to assess the capital requirements for Plc under both current state and across time. The ICAAP contains stresses to assess impact to Plc's balance sheet, and make an assessment of the viability of Plc's business model. The ICAAP is undertaken by London senior management with contributions from London representatives of Capital Markets Risk Management (CMRM), Credit Risk Management (CRM), Treasury, Legal, Business Management, Compliance, Finance and the Head of Europe and Asia-Pacific. Local oversight is provided by ExCo and the Board.

2.7 Operational Risk

Operational risk is inherent in all of CIBC's activities and is the risk of loss resulting from people, inadequate or failed internal processes and systems, or from external events. Operational Risk at Plc is governed by the CIBC Europe Operational Risk Management Policy.

Strategic business units and functional groups own their risks and are accountable and responsible for identifying, measuring, mitigating, monitoring and reporting operational risks using a common set of operational risk categories and terminology set out in CIBC's Common Operational Risk Taxonomy.

2.8 Compliance Risk

Ultimate responsibility for regulatory compliance risk lies with the Chief Executive Officer of Plc (CEO Plc), as the Senior Manager Function 1, SMF1 (the Chief Executive function). As the SMF1, the CEO Plc has been allocated with the PRA and FCA's Prescribed Responsibility for "compliance with the requirements of the regulatory system about the management responsibilities map". In order to assist CIBC Europe in meeting its regulatory compliance requirements, each of the lines of business is responsible for ensuring they are compliant with current regulatory requirements.

In addition, the Compliance Department in London (UK Compliance) have implemented local policies and manuals to adhere to in the region. The UK Compliance Manual establishes the regulatory rules, legal and contractual obligations and procedures that are relevant to staff in the region. UK Compliance have established the European Compliance Framework, which describes the purpose of the European Compliance Department, and describes the core functions and responsibilities as a second line of defence control.

2.9 Financial Crime Risk

Ultimate responsibility for the financial crime risk lies with the Chief Executive Officer (CEO), as the Senior Manager Function SMF 1 (the Chief Executive function).

The CEO is supported by the Money Laundering Reporting Officer (MLRO), as the Senior Manager Function, SMF17 whose prescribed responsibility is for Plc's policies and procedures for countering the risk that Plc might be used to further financial crime. Under the direction of the MLRO, the UK Financial Crime Compliance Team has implemented local AML/CTF procedures (see section 2.20.10 for further detail) to adhere to both regional and Enterprise requirements which all Plc employees must adhered too.

2.10 Reputational and Legal Risk

Reputation risk is the risk of negative publicity regarding CIBC's business conduct or practices which, whether true or not, could significantly harm CIBC's reputation as a leading financial institution, or could materially and adversely affect CIBC's business, operations or financial condition. Plc is governed by the CIBC Reputation Risk Management Framework, and supplemented by the Global Reputation and Legal Risk Policy (GRLR).

2.11 Board Declaration - Adequacy of the Risk Management Arrangements

ExCo formally approves the European Risk Management Framework (ERMF) every two years. The ERMF defines the accountabilities of risk governance and key controls for business conducted through CIBC's Europe office. In addition, it defines how the processes surrounding governance in CIBC Europe are linked to CIBC. The ERMF follows closely the Risk Management Framework of CIBC.

The adoption and approval of this document reflects Plc management's confidence in the risk management and systems in place for the entity. The ERMF document is updated every two years.

2.12 The Board

Ultimate responsibility for the activities of Plc rests with the Board. The members of the Board have a duty to promote the success of Plc for the benefit of its members as a

whole. The Board, directly and through its committees and the Chair of the Board, provides direction to management, generally through the European Executive Committee (ExCo) to pursue the best interests of Plc and have regard to:

- the likely consequences of any decision in the long term;
- interests of Plc's employees;
- the need to foster Plc's business relationships with suppliers, customers and others;
- the impact of Plc's operations on the community and the environment;
- the desirability of Plc maintaining a reputation for high standards of business conduct;
- the need to act fairly as between members of Plc; and
- each of the Director's duties as set out in Chapter 2 of Part 10 of the Companies Act 2006.

The Board have delegated the management and formal decision making responsibilities to ExCo. Together, the Head of Europe and Asia-Pacific and ExCo provide leadership, direction and guidance to CIBC Europe.

2.13 Board - Recruitment Policy

Recruitment to the Board combines an assessment of both technical capability and competence and is based on the principles of equity and diversity as enshrined in CIBC's Global Hiring Policy. Board appointments are made by a collective decision of the Board. In accordance with Plc's Diversity Commitment Statement, which covers diversity at Board level, the goal of Plc was to have at least 30% of board members composed of women by October 2019 and Plc continues to target that goal.

2.14 Diversity Policy

Plc is committed to promoting a diverse and inclusive workplace at all levels.

2.15 Board Members Skills and Expertise

Paul Atkinson
Mr. Atkinson is Managing Director, Head of Strategic Planning & Business Management. He is based in London and responsible for Strategic Planning and Business Management of CIBC's activities in Europe. He is also a member of CIBC Europe's Executive Committee and the global Capital Markets Operating Committee. Mr. Atkinson is a Fellow of The Association of Chartered Certified Accountants and prior to joining CIBC in 1995, Mr Atkinson had a number of Finance related roles within the Banking industry. He joined the CIBC Europe-Debt Capital Markets business in 2000 and has had progressively senior roles at CIBC in London. In addition to his role as CAO, Mr. Atkinson is an Executive Director of CIBC World Markets plc. He is also Chair of The CIBC World Markets plc Retirement Savings Scheme Trustee Board.

Chris Climo
Mr. Chris Climo, appointed as Director on 14 December 2017, is Deputy Chief Compliance Officer of Canadian Imperial Bank of Commerce as well as Vice President and Global Head of Capital Markets Compliance. Based in Toronto, he leads a global team that provides timely and proactive advice and independent oversight of Capital Markets compliance with applicable regulatory requirements and helps the business

leaders fulfil their regulatory compliance responsibilities, reduce and manage regulatory risk and achieve their business goals. Mr. Climo is also Chief Compliance Officer of CIBC World Markets Inc. in Canada, a General Securities Principal with CIBC World Markets Corp and Chief Swap Dealer Compliance Officer for Canadian Imperial Bank of Commerce in the US. He is a member of CIBC's Capital Markets Management Committee, Capital Markets Operating Committee, Capital Markets UK Executive Committee as well as being a Director of CIBC World Markets plc. Mr. Climo joined CIBC in 2009. Prior to joining CIBC, he held senior Compliance roles in both Wealth Management and Capital Markets at Toronto-Dominion Bank, was Treasurer of Prudential-Bache Securities Canada Inc. and commenced his career at Deloitte & Touche. Mr. Climo has a Bachelor of Commerce (Honours) from Queen's University in Kingston, is a Chartered Professional Accountant and Chartered Accountant in Ontario and a Fellow of the Canadian Securities Institute.

Wayne Lee
Mr. Lee is Managing Director and Head, Europe & Asia Pacific Region. He is responsible for CIBC's business and operations in the Europe and Asia Pacific Region, with offices in London, Hong Kong, Sydney, Tokyo, Singapore, Beijing and Shanghai. Mr. Lee joined CIBC in 2001 and has held increasingly senior and international positions. His previous roles at CIBC included Head of Asia Pacific and Chief Financial Officer of Capital Markets, International Operations, and Strategy and Corporate Development. Prior to joining CIBC, he was with PwC in Toronto. Mr. Lee is Chief Executive Officer and Executive Director of CIBC World Markets Plc and is a member of CIBC Capital Markets Executive Committee. Mr. Lee is a member of the Male Allies of The Women's Foundation, promoting gender equality in and out of the workplace. Mr. Lee also serves on the Board of the Canada-UK Chamber of Commerce and co-chairs its Financial Services Forum. In addition, he served as Vice Chairman and member of the Executive Committee of the Canadian Chamber of Commerce in Hong Kong. Mr. Lee received a Bachelor of Commerce degree from the McGill University (Montreal) and is a Chartered Accountant and a Chartered Financial Analyst. He has lived and worked in Toronto, New York, Hong Kong and is now based in London.

Meghan Foreman-Purves
Ms. Meghan Foreman-Purves, appointed Director on 26 July 2019, is Managing Counsel, Head of Legal – Europe. She is based in London and is responsible for the provision of legal support to CIBC's Capital Markets' businesses in the region. Ms. Foreman-Purves is dual qualified as a solicitor in England and Wales and Australia. Prior to joining CIBC in 2016, Ms. Foreman-Purves worked for King & Wood Mallesons in Australia and Herbert Smith Freehills in London, focusing on structured debt, debt capital markets, and securitization. She spent time on secondment with Lloyds Bank supporting Treasury and with Standard Chartered Bank supporting Debt Capital Markets businesses in Africa, Middle East, Europe, and South America. Before moving to London, Meghan acted in a pro bono role in Cambodia supporting the Civil Party Lawyers in the Extraordinary Chambers in the Courts of Cambodia. She has a Bachelor of Arts/Bachelor of Laws (Hons. First Class) from the Australian National University and a Graduate Diploma in International Law from the University of Melbourne.

Marshall Bailey OBE
Mr. Marshall Bailey, appointed as Director on 21 May 2014, is the non-executive Chairman of CIBC World Markets plc, and a member of the Audit Committee in London. He was appointed Chairman of the Financial Services Compensation Scheme (FSCS) on 1 April 2018 by the FCA and Bank of England, and he became Chairman of LCH Group Limited and an Independent Director of the London Stock Exchange Group plc on 25 September 2018. He was previously an Independent Director on the board of UK

Financial Investments Ltd (UKFI), the government body overseeing the UK government's ownership of RBS and UK Asset Resolution. Mr. Bailey has had a career in finance spanning over 30 years on three continents, and has substantial experience of leading complex international committees and boards. His background spans a range of sectors, including banking and capital markets, insurance, and government regulation. He had an active role in FICC markets on working with codes of conduct, and was a member and Co-Chair of the Market Participants Group of volunteers on the board of the CFA Society of the UK, as well as the East End Community Foundation in Tower Hamlets. Mr. Bailey holds a BA in Political Science from the University of Winnipeg, a Master of Arts in International Affairs and History from the Graduate Institute of International and Development Studies in Geneva, Switzerland and is a Chartered Financial Analyst. He has also completed the FT Non-Executive Directors' Diploma. In June 2018, he was made an Officer of the Most Excellent Order of the British Empire (OBE) for his contribution to financial services, and to charity.

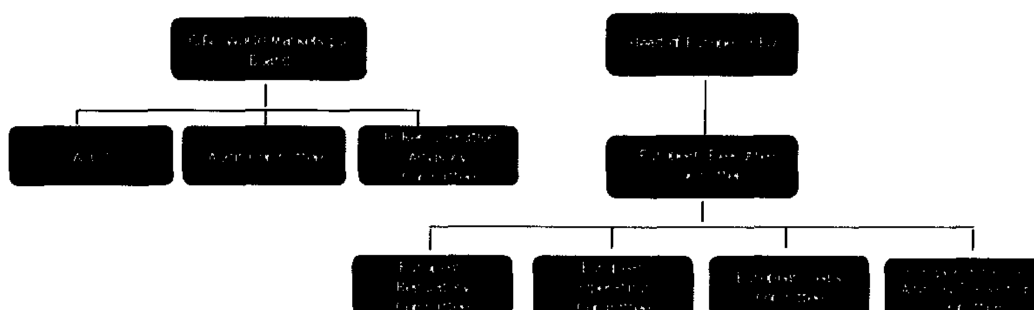
David Buckley
Mr. David Buckley, appointed as Director on 5 September 2016, is an Independent Non-Executive Director and is currently Chairman of Redwood Bank Limited. Mr. Buckley has previously been employed as a CEO at Morgan Stanley Bank International and as European CFO for Morgan Stanley. Mr. Buckley was also the Head of International Global Banking at Goldman Sachs.

2.16 Number of directorships held by members of the Board

Name	Position held with Plc	Directorships Executive	Directorships Non-Executive
Paul Atkinson	Managing Director, Chief Administrative Officer, Europe	2	-
Chris Climo	Vice President, Capital Markets Compliance	1	-
Wayne Lee	Managing Director, Head of Europe and Asia-Pacific	14	1
Meghan Foreman-Purves	Managing Counsel, Head of Legal – Europe	1	1
Directors resigned during the year			
Nicola Wickes	Senior Vice President, Chief Risk Officer, Europe and Asia	1	1
Non-Executive Directors			
Marshall Bailey	Chairman, Non-Executive Director	-	6
David Buckley	Non-Executive Director	-	12

2.17 Plc Governance Structure

CIBC Europe - Governance Structure



Control Framework

CIBC has established the Control Framework to ensure that Management follows a consistent approach in determining, with reasonable assurance, that CIBC's internal control environment is designed and operating effectively. This includes the operations of Plc. Activities supporting the Control Framework provide reasonable assurance that CIBC meets its management control objectives of producing accurate, timely and reliable financial and non-financial internal and external reports, complying with all applicable laws and regulations, and having effective operations. The internal control environment must be managed and evaluated through the Control Management Process and in accordance with the Control and Deficiency Management Policy to ensure it operates effectively.

Global Operational Risk Management (GORM) and Internal Audit report on the status of controls to senior management, senior management committees and to the Audit Committee of the Board; the Chief Compliance Officer also reports on regulatory compliance risk.

2.18 Roles of Plc Committees

2.18.1. Asset and Liability Committee (ALCo)

The Board of Plc has established an ALCo which reports to it. The mandate of the ALCo is to ensure that Plc operates with sufficient levels of liquidity for current and future business both under normal and stressed market environments. The ALCo also reviews the interest rate risk, market risk, credit risk and aggregate balance sheet of the entity to ensure that the risk within Plc is compliant with the Board approved Plc RAS. Current members are as follows:

Committee Role	Title
Executive Chair	Head of Treasury, Europe, Asia and Australia
Committee Members	Head of Europe and Asia-Pacific
	Chief Risk Officer, Europe and Asia
	Chief Financial Officer, Europe and Asia
	Chief Administrative Officer, Europe
	Head of Capital Markets, Europe
	Senior representatives from Europe business lines

2.18.2. Audit Committee

The Board has established an Audit Committee for Plc. The Audit Committee functions primarily to assist the Board to fulfil its oversight responsibilities and to perform functions of an audit committee required under Section 2.4 of the PRA Rulebook. Meetings are held as required to carry out the mandate of the Audit Committee with no less than four meetings annually. Minutes of each meeting are taken.

2.18.3. Remuneration Advisory Group (RAG)

The RAG is the delegate of the Management Resources and Compensation Committee ("MRCC"), the Board and ExCo for the oversight of the operation of remuneration policies across CIBC Europe. The RAG will meet at least twice a year, and otherwise as needed. The Chairman is appointed by MRCC. The Chairman approves RAG membership within the criteria set as stated in the RAG mandate.

2.18.4. European Executive Management Committee (ExCo)

Quarterly governance ExCo meetings are held to review risk reports from each area of the business and infrastructure group. In addition, ExCo review the work of other committees; approve regional business cases and Change Initiative Risk Assessment (CIRA).
ExCo is accountable to the SEVP & Head of CIBC Capital Markets and the Board for the fulfilment of its mandate. Bi-weekly ExCo meetings are held to oversee day-to-day strategy and governance of the region. The Chair of ExCo is the Head of Europe and Asia-Pacific. Summary updates are provided by the Chair, heads of business and functional groups.

2.18.5. European Regulatory Committee (ERC)

The ERC is comprised of heads and key staff of CIBC's European Business and Infrastructure groups, providing a forum to discuss regulatory matters and directives relating to CIBC's Europe operations, including Plc, and potential impacts on the European business model. It considers external factors such as upcoming regulatory developments and work to effectively accommodate the changes. Quarterly updates and recommendations are provided to ExCo and to the Board.

2.18.6. European Operating Committee (EOC)

ExCo established the EOC as a sub-committee of ExCo to: review the operational support of business activities executed through the European office, including Plc; ensure operational efficiency across all infrastructure groups within the region; consider specific business and regional operational issues and risks for resolution; review material risk assessments; and review proposals for Plc entity booking.

The EOC provides updates and recommendations to the ExCo. The Chair of ExCo would then make any approved recommendations to the Board at each quarterly meeting, or when required.

2.18.7. European Deals Committee (EDC)

The Head of Europe and Asia-Pacific has established the EDC to consider all capital requests associated with credit commitments provided by Business and Corporate Banking prior to obtaining Credit Risk Management approvals and presenting commitments to clients. The EDC's mandate is to ensure compliance with applicable CIBC policies, procedures and regulatory requirements, including reviewing transactions

in accordance with CIBC's Global Reputation and Legal Risks Policy and associated procedures including consideration as to whether escalation to the Reputation and Legal Risk (RLR) Committee is required. The EDC also screens proposed credit commitments, including contingent (trading) lines and associated daily settlement limits, of all clients who have borrowing relationships with Corporate Banking, with the goal of ensuring efficient and profitable allocation of CIBC's capital while maximising profit opportunities ('share of wallet') across all CIBC businesses, including Plc. It also ensures co-ordination with, and input from, key CIBC business groups as it pertains to historical and forecasted business opportunities, and account coverage strategies and provides local oversight. Membership of the committee is at the discretion of the Executive Chair. Current members are as follows:

Committee Role	Title
Executive Chair (voting)	Chief Administrative Officer, Europe
Voting Members*	Head of Europe and Asia-Pacific
	Chief Risk Officer, Europe and Asia
	Head of Legal, Europe
	Head of Capital Markets, Europe
	Head of Corporate Banking, Europe

***Or a designated alternative representative**

2.18.8. Financial Advisory Transactions Committee (FATC)

The ExCo has established the FATC as a sub-committee in respect of the advisory business of CIBC Europe. The Committee's mandate is to review and approve specific advisory-related CIBC Europe Investment Banking transactions and related reputation and legal risk considerations.

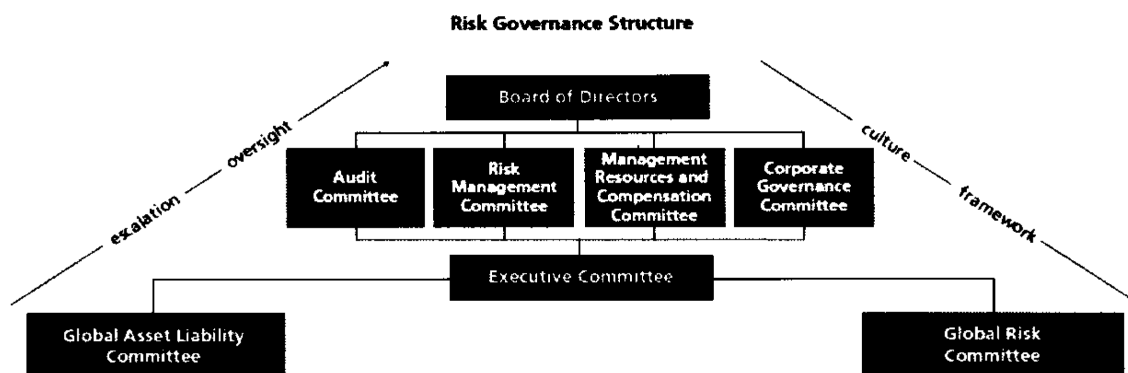
The FATC meets as required in response to requests to review transactions. Minutes of each meeting are maintained. Voting members of the FATC include the Head of Europe and Asia-Pacific, the SVP, CRO Europe and Asia, and representatives from Tax, Legal, Corporate and Investment Banking.

2.19 Communication of Risk Information to Management

Managing risk is a shared responsibility at CIBC. Business units and risk management work together to ensure the business strategies are aligned with the risk appetite of CIBC. Regular and transparent risk reporting and discussions at senior management committees facilitate communication of risks and discussions of risk management strategies within the organisation.

The following risk reports are presented to the London Audit Committee, the ALCo and ExCo at least quarterly: Funding and Liquidity Management, Market and Trading Risk, Capital Management Credit Risk, Plc RAS and Europe RAS. In addition, a dashboard of KRIs is presented to the London Audit Committee. The Chair of the London Audit Committee presents the Board with a Risk Update, following the presentation of these reports. In addition, the Board are presented with Plc's RAS for review.

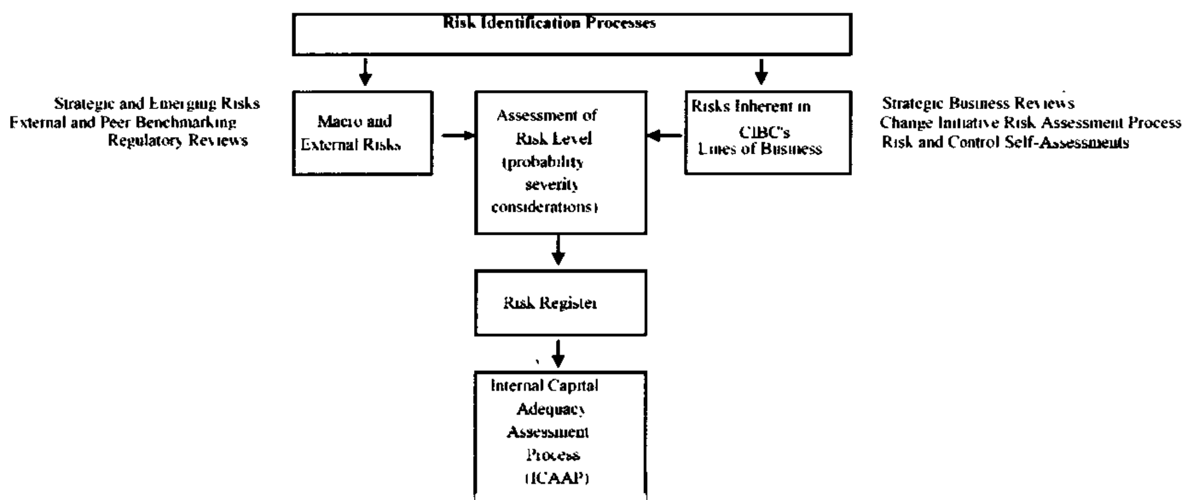
The governance structure for risk management in Plc is supplemented by the CIBC Risk Governance Structure and is described in detail in the European Risk Management Framework. The CIBC Risk Governance Structure is shown below and outlines the flow of information to the appropriate committees and senior management body:



2.20 Risk Measurement and Management

Risk identification and measurement is an important element of the Risk Management Framework. Risk identification is a continuous process, generally achieved through regular assessments of risks, ongoing monitoring of portfolios, assessment of risk in new business activities and processes, assessment of risk in complex and unusual business transactions and the regular monitoring of the overall risk profile.

Enterprise Risk Reporting (ERR) maintains a Risk Register that lists all material risks facing CIBC by line of business. The inventory is based on the risks inherent in CIBC's businesses, updated annually, to reflect changes in the nature of the risks faced by the business. The Risk Register is used as an input in the ICAAP, either explicitly in the economic and regulatory capital calculations, or implicitly through a buffer of regulatory capital over actual capital required.



CIBC uses a combination of external vendors and internally developed systems to enable the front office to manage risks associated with its trading and non-trading risk exposures. Within Risk Management, CIBC has purchased an external vendor solution to measure the market and credit risk associated with its trading and non-trading activities. This includes stress testing, VaR analysis for market risk and a quantification of current and future portfolio value following default for credit risk.

Methodologies, models and techniques are subject to independent assessment and review to ensure:

- the underlying logic remains sound;

- that model risks have been identified and managed; and
- the use of the models continues to be appropriate and outputs are valid.

2.21 Risk Management Polices

2.21.1. Overview

CIBC's RAS is the foundation for the comprehensive framework of risk limits, policies, standards and procedures, set out by type of risk: Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Reputation Risk, Regulatory Compliance Risk and Other Risks. Key risk policies and limits, as identified by management, are updated on a regular basis and are approved by the Risk Management Committee (RMC) of CIBC's Board of Directors.

For most risk types, policy documents set out the key principles for managing the associated risks. These are supported by standards, guidelines, processes, procedures and controls that govern day-to-day activities in CIBC's business.

The Risk Policy and Limits Framework ensures risks are appropriately identified, measured, monitored and controlled in accordance with CIBC's risk appetite.

Risk Policy and Limits Framework

RISK APPETITE FRAMEWORK[1]

RISK POLICY AND LIMITS FRAMEWORK

Credit Risk	Market Risk	Liquidity Risk	Operational Risk	Reputation Risk	Regulatory Compliance Risk	Other Risks

Key Supporting Policies and Limits

[1] Approved by the Board of Directors [2] Approved / Reviewed by the Risk Management Committee of the Board (RMC) [3] Approved by the CRO
[4] Approved by the Audit Committee

Highlights of policies and limits applicable to the European operations are outlined in the following sections.

2.21.2. Credit Risk Policies and Limits

Credit risk arises from CIBC Europe's direct lending and trading activities and is defined as the risk of financial loss due to a borrower or counterparty failing to meet its obligations in accordance with contractual terms.

To control credit risk, prudent credit risk management principles are used as a base to establish policies, standards and guidelines that govern credit activities as outlined by CIBC's Credit Risk Management Policy.

CIBC Europe is guided by the CIBC enterprise-wide limits with respect to acceptable exposures of their business activities.

CIBC's Management Limits are assessed on an ongoing basis to ensure effective monitoring of exposures as risks emerge or change. Exposures above Management Limits require the approval of the SEVP, CRO CIBC. CIBC Europe may also impose lower limits to reflect the nature of the exposures and target markets. Tiering of limits provides for an appropriate hierarchy of decision making.

CIBC also has set limits to mitigate against the risk of developing adverse concentrations. Concentrations can arise by borrower, where large, single name credit exposures create vulnerability to deterioration in the credit worthiness of one or more large clients. Concentrations can also arise by country, product or activity, and in the case of business loans, by industry, where potential correlations of exposure create vulnerability to event-driven deterioration across a portfolio. Concentration Risk Limits and Common Risk Limits apply to control concentration risk.

Country Limits also apply to control exposures within countries outside of Canada and the United States. These are reviewed regularly and updates distributed amongst the business and Risk Management.

CIBC Europe has ongoing regard to the local regulatory requirements and guidance of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in the application of the CIBC Risk Policy and Limits Framework and other policies.

Credit approval authority is granted by the SEVP, CRO CIBC and is further delegated to officers in writing with the appropriate level of experience and expertise relative to the type and size of credit. Credit approval authority for Plc's activities is delegated from the EVP, CRO Capital Markets Risk Management (CMRM) to the SVP, CRO Europe and Asia and from the EVP, CRO, Credit Risk Management (CRM), to the SVP, CRO Europe and Asia in respect of the mandates of CMRM and CRM.

Credit exposures within Plc against approved limits are monitored daily. Summary reports, highlighting concentrations and changes in credit risk exposure, as well as any unauthorised trading above limits (if applicable) are presented to SVP, CRO Europe and Asia on a monthly basis and to ExCo, ALCo, the Audit Committee and the Board quarterly.

2.21.3. Capital Markets Risk Policies and Limits

Market risk is the risk of economic financial loss in our trading and non-trading portfolios from adverse changes in underlying market factors, including interest rates, foreign exchange rates, equity market prices, commodity prices and credit spreads.

Trading credit risk is the risk resulting from all trading and treasury investing activities.

The CMRM policies set out key principles, the overall limits structure and specific roles and responsibilities, for the measurement, management and control of market risk and trading credit risk and comprise the following:

- Market Risk Management Policy; and
- Trading Credit Risk Policy.

Trading credit risk and market risk exposures are monitored against approved limits on a daily basis and reviewed by CMRM Europe. CMRM Europe follow the established excess management protocol when required. Summary market risk reports are produced and reviewed at least quarterly with ExCo and the Audit Committee.

2.21.4. Structural Risk Management Policy

Structural risk covers both structural interest rate risk and structural foreign exchange (FX) Risk. Structural interest rate risk is the risk arising due to mismatches in assets and liabilities, inherent in origination businesses like lending and deposits and in activities of domestic and foreign subsidiaries. Structural FX risk is primarily the risk inherent in net investment in foreign operations due to changes in FX rates.

The Structural Risk Management Policy describes the management principles, measures, benchmarking strategy, high-level reporting requirements, the requirements for monitoring and oversight as well as detailed roles and accountabilities for the management of CIBC's structural risks.

2.21.5. Interest Rate Risk in the Banking Book

Interest rate risk in the banking book occurs within the Treasury activities of CIBC Europe. Plc leverages the interest rate shocks that the Parent Bank has introduced, employing the Bank Outlier methodology. This includes both the minimum regulatory requirement of a 200bp parallel shock (as detailed in Section 9 of the PRA Internal Capital Adequacy Assessment Rule book), as well as encompassing a series of more sophisticated shocks such as yield curve steepeners, flatteners and shocks as prescribed in SPR31.90 to SPR31.93. Results are reported to the Audit Committee and ALCo on a quarterly basis. A change in fair value in excess of 20% of Tier 1 capital is reported to the PRA.

The results of the 200bps CRD IV stress test are included in the annual Plc ICAAP reverse stress testing framework, and used for capital planning purposes.

2.21.6. Liquidity Risk Management Policy and Limits

Liquidity risk is the risk of having insufficient cash or its equivalent in a timely and cost-effective manner to meet financial obligations as they fall due.

The CIBC Liquidity Risk Management Policy outlines key elements of CIBC's approach to managing liquidity risk. The policy incorporates RAS metrics for liquidity risk management as well as other RMC and management approved limits, such as funding limits, to further control liquidity risk.

The liquidity risk management strategies followed by CIBC Europe seek to ensure that a sufficient amount of unencumbered liquid assets are available to meet anticipated liquidity needs in both stable and stressed conditions for a minimum period of time determined for Plc by ALCo and by the Board. In addition, the liquidity risk management strategies seek to ensure that Plc is compliant with local regulatory requirements.

The Liquid Asset Buffer (LAB) Policy defines Plc's approach to managing its LAB as it relates to liquidity risk management and LAB regulatory requirements. It is the primary reference with regards to the risk-related LAB approach of Plc and includes key responsible parties for the oversight and policy/programme review cycles. Details of the LAB and any movements, breaches and repositioning will be identified to the ALCo as part of the regular agenda. On a quarterly basis, the ALCo report will be summarised and reported to the Board.

The Plc Contingency Funding Plan (CFP) sets out the strategies for addressing liquidity shortfalls in emergency situations. The CFP outlines policies to manage the liquidity requirement under Plc's stress scenario, establishes clear lines of responsibility, includes clear invocation and escalation procedures and is operationally robust. The CFP is aligned with the requirements of the Basel Committee on Banking Supervision (BCBS) Principles for Sound Liquidity Risk Management and Supervision. ALCo and the Board review and approve the CFP for Plc and ensure it is compliant with local regulatory requirements.

CIBC's Pledging Policy and associated pledging limits set out CIBC's approach to pledging and the consolidated aggregate gross and net maximum pledging limits.

2.21.7. Operational Risk Management Policy

The Europe Operational Risk Management Policy (EORMP) is supplemental to the CIBC global Operational Risk Management Policy (ORMP) which outlines the framework, requirements and roles and responsibilities in managing operational risk in CIBC. In addition to adhering to the global ORMP, the EORMP ensures CIBC Europe develops industry best practice with respect to operational risk identification, assessment, monitoring and control as it relates to relevant industry regulatory guidance.

The Operational Risk Management Policy describes the four-step model for continuous Operational Risk management.

2.21.8. Reputational Risk Management Policies

CIBC Europe follows CIBC's Reputation Risk Management Framework supplemented by the Global Reputation and Legal Risks (GRLR) Policy and related procedures, as well as the Anti-Money Laundering and Anti-Terrorist Financing Policy. In addition, CIBC Europe follows the CIBC Europe Conduct & Culture Framework, the Global Code of Conduct, Confidentiality and Privacy Policy, Information Security Policy, Fraud Management Policy and Marketing and Advertising Policy of CIBC.

2.21.9. Regulatory Compliance Management Policy

Regulatory compliance risk refers to the risk of CIBC's potential non-conformance with applicable regulatory requirements. Regulatory requirements are requirements contained in laws and regulations and other prescribed practices that are applicable to CIBC and require CIBC to do (or prohibit it from doing) certain things or to act or conduct its affairs in a particular manner.

The CIBC Regulatory Compliance Management (RCM) Policy sets out CIBC's regulatory compliance philosophy and RCM framework. The RCM Policy describes how CIBC identifies and risk assesses regulatory requirements, maps them to controls and oversees compliance. European regional regulatory compliance is monitored via the European Regulatory Committee of which SVP, CRO Europe and Asia is a member.

Compliance reports to the RMC on a quarterly basis, expressing opinions concerning the adequacy and design and operating effectiveness of CIBC's RCM framework.

2.21.10. Anti-Money Laundering and Anti-Terrorist Financing Policy

CIBC is committed to adhering to all regulatory requirements pertaining to AML and ATF and to implementing best practices to minimise the impact of Money Laundering and Terrorist Financing activities within the reach of CIBC. As such, all CIBC lines of business must execute their role in preventing Money Laundering and Terrorist Financing by being diligent in their dealings with clients and by being aware of and complying with applicable laws related to AML and ATF activities, including all reporting requirements and standards.

The AML and ATF Policy establishes a framework and sets out the requirements for promoting compliance with regulatory requirements relating to AML and ATF. CIBC Europe adheres to the Global AML and ATF policies.

2.21.11. Anti-Bribery and Anti-Corruption Policy

CIBC is committed to conducting its business in compliance with applicable regulatory requirements related to the prevention of bribery and corruption.

CIBC Europe follows the CIBC Anti-Bribery and Anti-Corruption (ABAC) Policy, which supports this commitment by setting out the various components that make up CIBC's ABAC regulatory compliance program, including minimum standards of conduct relating to the giving and receiving of gifts or entertainment.

In addition, CIBC Europe has established its own Anti-Bribery and Anti-Corruption – Europe Policy, which all CIBC Europe employees must adhere to, in addition to the ABAC Policy.

2.21.12. Policies for Other Risks

CIBC maintains other policies, which set out how other risks are managed. These include Corporate Environmental Policy, Model Risk and Validation Policy, Procurement and Supplier Governance Policy, Insurance/Reinsurance Risk Management Policy, Capital Policy, Economic Capital Policy, Stress Testing Policy and Risk Data and Reporting Framework and Management Policy.

CIBC Europe has specific Business Continuity Management plans which align to the CIBC Business Continuity Management Policy. CIBC Europe must regularly assess its exposure to business interruption risk and take appropriate action to minimise and control the risk. These requirements align with CIBC's Business Continuity Management Program (BCM Program).

Each policy must undergo review either annually or every two years as described in each relevant policy. In Europe, each policy is approved by ExCo and in some cases, by the Board.

2.22 Risk Management Reporting

To monitor CIBC Europe's risk profile and facilitate evaluation against the Plc and European RAS, measurement metrics have been established, with quarterly reporting against these metrics provided to ExCo, ALCo, the Board (Plc RAS only) and the Audit Committee. This reporting enables decisions on growth and risk mitigation strategies. The type and frequency of this reporting is set out below by type:

2.22.1. Market Risk Reporting

Daily market risk reports highlight VaR, stress results and sensitivities per business and are distributed to desk heads, the Head of Europe and Asia-Pacific, the SVP CRO, CMRM Europe and Asia and the Head of Capital Markets Trading (CMT), Europe. In addition, limit and exposure reports are generated and reviewed by traders and CMRM staff in London. On a monthly basis, a market risk report is presented to the ExCo. Market risk reports for London, and specifically Plc, are presented to the ExCo, the ALCo and the Audit Committee on a quarterly basis.

2.22.2. Trading Credit Risk Reporting

Daily credit risk reports are produced by CMRM Europe, highlighting any counterparties in excess of limit, and distributed to the Head of CMT, Europe and the Heads of the trading desks. On a weekly basis, market risk reports are generated and distributed at the weekly CMT floor meeting, which is chaired by the Head of CMT and the SVP, CRO CMRM Europe and Asia. Detailed reports are generated every quarter and presented to ExCo, and the Audit Committee.

2.22.3. Trading Operational Risk Reporting

CMRM Europe has developed a Key Risk Indicator (KRI) framework, highlighting any breaches above agreed operational risk triggers (e.g. unauthorised excesses). The KRI framework also encompasses metrics on processes performed in Toronto to support European regional business (e.g. outstanding confirmations). A dashboard of KRI's is presented to EOC every two weeks, and to ExCo and the Audit Committee quarterly.

Trading Operational Risk within CMRM Europe is also responsible for reviewing incident reports following an operational failure/near miss, and presenting the incident and conclusions to the EOC as they arise.

2.22.4. CRM Reporting

The SVP, CRO Europe and Asia is accountable for accurate and timely corporate credit risk reporting using staff and systems as appropriate across CIBC.

2.22.5. Overall Portfolio Reporting

CRM Europe provides summary reporting of the corporate loan portfolio along with associated contingent lines on a monthly basis to the SVP, CRO Europe and Asia and to ExCo quarterly. CRM Europe also reports this data monthly, to the Head of Europe and Asia-Pacific, the Head of Corporate Banking and the SVP, CRO Europe and Asia. Quarterly reports are presented to the ALCo and Audit Committee. On a daily basis CRM monitors balance changes booked by Middle Office in CIBC's main loan booking system.

This reporting details total authorised and total drawn exposure to individual borrower groups, banded by risk rating, country risk, industry groupings and by facility types. Exposures booked within CIBC Europe are separately identified within the overall portfolio. Notable month-on-month changes given new commitments, repayments or amendments are flagged within each report.

In accordance with the Quarterly High Risk Review Reporting Procedures, the SVP, CRO Europe and Asia's team along with Corporate Banking prepare risk reporting for the High Risk portfolio names. These detail the nature of CIBC's exposure, underlying borrower financial performance, historic and prospective risk rating analysis, collateral cover and where necessary provisioning rationale, along with current and future action plans for

the management of the files concerned. These reports are circulated quarterly to Internal Audit, the SVP, Head of Special Loans, CRM, the Head of Europe and Asia-Pacific, the EVP and CRO Global CRM, the MD and Head of Corporate Banking (CB) and the SEVP, CRO CIBC.

2.22.6. Stress Testing

Stress testing supplements other risk management tools by providing an estimate of tail loss. At least annually, enterprise-wide stress testing is conducted based on a number of enterprise-wide stress scenarios, featuring a range of severities. The stress testing program is integrated with CIBC's Recovery Plan (RP) and for preparation of specific RP related scenarios. Other enterprise-wide scenarios are performed on an ad hoc basis as emerging risks are identified through CIBC's risk identification processes. Results of stress testing are interpreted in the context of CIBC's risk appetite and specific risk appetite metrics including metrics for capital adequacy. Enterprise-wide stress testing, capital planning and financial planning processes combine to form a comprehensive information system. Other enterprise-wide scenarios are performed on an ad hoc basis as emerging risks are identified through the risk identification processes. Stress testing results are used to inform management decision making, including potential risk mitigation strategies. Plc also has its own Board approved reverse stress framework. The stress tests utilise CIBC's macro-economic stresses, and supplements them with additional stresses relevant to Plc's portfolio and/or local macro-economic conditions (e.g. default of the largest corporate loan), which are incorporated into Plc's Recovery Plan. The impact and results of Plc's stress testing are also documented in its annual ICAAP. The reverse stress framework is agreed by the Board and used in capital and recovery planning.

3. Capital Resources

3.1 Objectives, Policies and Processes

Plc's objective is to employ a strong and efficient capital base. Capital is managed in accordance with policies established by the Board. These policies relate to capital strength, capital mix and dividends. Each policy has associated guidelines, and capital is monitored continuously for compliance.

Each year a capital plan and three-year outlook are developed in conjunction with the ICAAP. This encompasses all the associated elements of capital: forecasts of sources and uses, maturities, redemptions, new issuance, corporate initiatives and business growth. The capital plan is stress-tested in various ways to ensure that it is sufficiently robust under all reasonable scenarios. All of the elements of capital are monitored throughout the year, and the capital plan is adjusted as appropriate.

The capital adequacy is determined by rules and minimum standards prescribed by the Regulator under CRD IV.

3.2 Structure of Regulatory Capital

Regulatory capital consists solely of Core Equity Tier 1 instruments less certain deductions. The components of Plc's regulatory capital are set out below:

OWN FUNDS	546	666
TIER 1 CAPITAL	546	666
COMMON EQUITY TIER 1 CAPITAL	546	666
Capital instruments eligible as CET1 Capital	489	489
Paid up capital instruments	410	410
Memorandum item: Capital instruments not eligible	0	0
Share premium	79	79
(-) Own CET1 instruments	0	0
(-) Direct holdings of CET1 instruments	0	0
(-) Indirect holdings of CET1 instruments	0	0
(-) Synthetic holdings of CET1 instruments	0	0
(-) Actual or contingent obligations to purchase own CET1 instruments	0	0
Retained earnings	73	176
Previous years retained earnings *	57	168
Profit or loss eligible	0	0
Profit or loss attributable to owners of the parent	16	8
(-) Part of interim or year-end profit not eligible	0	0
Accumulated other comprehensive income	0	0
Other reserves	0	0
Funds for general banking risk	0	0

*Dividend of C$120m paid out of previous years retained earnings

Transitional adjustments due to grandfathered CET1 Capital instruments	0	0
Minority interest given recognition in CET1 capital	0	0
Transitional adjustments due to additional minority interests	0	0
Adjustments to CET1 due to prudential filters	(0.2)	(0.2)
(-) Increases in equity resulting from securitised assets	0	0
Cash flow hedge reserve	0	0
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	0	0
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	0	0
(-) Value adjustments due to the requirements for prudent valuation	(0.2)	(0.2)
(-) Goodwill	0	0

3.2.1. Permanent Share Capital

The authorised share capital of the entity:

3,966,666,667 "A" Class ordinary shares of C$0.10 each	C$396,666,667
7,000,000 "B" Class ordinary shares of £1 each	GBP£7,000,000

The issued share capital, translated into Canadian dollars at the historic FX rate in place at the time of issue:

3,966,666,667 "A" Class ordinary shares of C$0.10 each	C$396,666,667
7,000,000 "B" Class ordinary shares of £1 each	C$13,438,000
Total	**C$410,104,667**

3.2.2. Share Premium

Share premium represents the difference on subscription between the par value and consideration received for Plc's A and B class ordinary shares. Both classes of shares carry one vote per share and rank pari passu. This reserve is not distributable.

3.2.3. P&L and Other Reserves

The reserves carried forward comprise prior year earnings (less any dividends paid out) and current year audited P&L.

3.2.4. Prudent Valuation Adjustment (PVA)

The Prudential Valuation Adjustment (PVA) is an Additional Valuation Adjustment (AVA) mandated under Article 105(14) of Regulation (EU) No 575/2013 (Capital Requirements Regulation — CRR) which is deducted from Common Equity Tier 1 (CET1) capital.

Under the Simplified Approach adopted by PLC it is calculated as 0.1% of the aggregate absolute value of fair valued positions held.

3.2.5. Dividends

Common share dividends are declared quarterly at the discretion of the Board. A dividend of C$120m was declared and paid during the year. This is the main driver for the decrease in CET1.

As at 31 October 2019 there were no current or foreseen impediments to the movement of capital resources[1] or repayments of liabilities between CIBC and Plc.

3.3 Reconciliation of Regulatory Capital to the Balance Sheet

	Balance Sheet Value	Adjustments	Regulatory Capital
	C$M	C$M	C$M
Own Funds			
Common Equity Tier 1	**546**	-	**546**
Paid-up capital instruments	410	-	410
Share premium	79	-	79
Retained earnings	57		57
Prudent Valuation Adjustment (PVA)	-	(0.2)	(0.2)

[1] *Subject to applicable regulatory rules and accounting standards*

4. Capital Requirements

4.1 Adequacy of Capital

To assess the adequacy of the firm's capital both to support current activities and activities which may be executed in the future, Plc performs an Internal Capital Adequacy Assessment Process (ICAAP). The Board has delegated the preparation of the ICAAP to the Head of Europe and Asia-Pacific and ExCo whilst retaining overall management ownership.

The ICAAP assessment has been undertaken by CIBC Europe Senior Management[2], including representatives from Capital Markets Risk Management (CMRM), Credit Risk Management (CRM), Treasury, Legal, Business Management, Compliance, Finance and the Head of Europe and Asia-Pacific. The ICAAP document has been reviewed by both ALCo and ExCo, and approved by the Plc Board.

The ICAAP review seeks to determine the composition and the total level of capital required by Plc to meet its business objectives and comply with its regulatory requirements. The review encompassed the following areas:

- Assessment of the adequacy of Tier 1 capital under Basel III (Pillar 1).
- Identification and assessment risks not currently captured under the Pillar 1 capital requirement (Pillar 2A).
- Assessment of the adequacy of the capital resources requirement under stress scenarios (Pillar 2B).

The review is based on a three year forecast, encompassing projected revenues, costs and projected balance sheet by business. Within this forecast, the possibility and associated costs that a business could be restructured, retrenched or closed down is considered. The impact of Brexit on Plc's operations has been considered in its 2019 ICAAP and has been documented therein. The ICAAP is reviewed on an annual basis, or as required in the event of an internal change in strategy, with a formal review of Plc's capital requirements on a three year basis. Brexit has also been discussed in the Strategic Report of Plc's Financial Statements.

Credit risk, market risk, operational risk, liquidity risk, concentration risk, pension obligation risk and group risk are considered by Senior Management to be the risks faced by Plc. The market and credit risk impact to capital adequacy is assessed using a severe economic recession scenario. Plc's credit risk capital requirement is recalculated using stressed risk weights.

The results of the ICAAP confirm that Plc is adequately capitalised and, under its current capital framework, is able to absorb both additional losses and capital charges arising from potential stress scenarios.

In addition to the ICAAP, the Board has formulated a RAS, which identifies key metrics to monitor and control the risk appetite of Plc. The RAS sets out the management target for Plc's capital ratio to ensure Management and the Board are adequately monitoring the firm's internal capital position.

Plc has an effective credit management policy to ensure that exposures are maintained within the regulatory limits.

[2] CIBC Europe Senior Management is comprised of the European Executive Committee (ExCo)

4.2 External Credit Rating Agency

The External Credit Assessment Institution (ECAI) used is Standard & Poor's (S&P), whose ratings are used, in addition to Plc's internal counterparty ratings, to determine the credit quality of counterparties for the following exposure classes:

- Central governments or central banks
- Regional governments or local authorities
- Institutions
- Corporates

Plc did not have exposures to any other exposure classes.

S&P is recognised by the PRA as an eligible credit assessment institution for the purposes of calculating credit risk requirements under the standardised approach. The external ratings provided by S&P are then mapped to prescribed credit quality steps based on which the applicable risk weight is derived for each of the relevant exposures.

Credit Quality Step	S&P's assessments
1	AAA to AA-
2	A+ to A-
3	BBB+ to BBB-
4	BB+ to BB-
5	B+ to B-
6	CCC+ and below

The standardised approach is used to determine credit and counterparty credit risk, and the following table both these risk frameworks for the 31 October 2019.

Credit Quality Step	Gross Exposures (in C$m)	Exposures post CCF and CRM (in C$m)	RWA (in C$m)
1	642	634	2
2	12	14	6
3	58	48	48
Unrated	201	192	133
Total	**913**	**889**	**189**

Current rating changes are monitored regularly, no less than on a semi-annual basis.

4.3 Risk Weighted Assets and Minimum Capital Requirements

Under Basel III, Plc applies the standardised approach to credit risk, market risk and CVA risk. Operational risk is calculated under the Basic Indicator Approach.

As at 31 October 2019 the Risk Weighted Assets and associated minimum capital requirements (8% of risk weighted assets) were as follows:

Template 4: EU OV1 – Overview of RWAs

	RWAs		Minimum capital requirements
	Oct-19	Oct-18	Oct-19
	C$M	C$M	C$M
Credit risk (excluding CCR)	**144**	**119**	**12**
Of which the standardised approach	144	119	
CCR	**49**	**32**	**4**
Of which mark to market	44	27	
Of which the standardised approach	1	2	
Of which CVA	4	3	
Settlement risk			
Of which standardised approach			
Market risk			
Of which the standardised approach			
Operational risk	**47**	**41**	**4**
Of which basic indicator approach	47	41	
Total	**240**	**192**	**20**

Increases are due to underlying business activities, resulting in a net increase relating to exposures subject to Credit Risk and Counterparty Credit Risk. This is particularly driven by loans and undrawn commitments to non banks and derivatives.

5. Management of Credit Risk

5.1 Background

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

5.2 Governance

To control credit risk in alignment with CIBC's risk appetite, CIBC has implemented overarching policies and standards. In addition to these policies and standards, Plc has established its own risk appetites and limits to control local credit concentrations. Key policies and limits are subject to annual review and approval by the Risk Management Committee (RMC) of the main Board of Directors of CIBC in Canada.

CIBC's Credit Risk Management Framework describes CIBC's overall approach to managing credit risk and supports the establishment of sound credit risk management principles. It also establishes an effective framework for managing credit risk, including documented policies, standards and guidelines, processes and controls, as well as limits to operationalise the credit risk management principles in line with CIBC's credit risk strategy.

5.3 Process and Control

5.3.1. Credit Risk Management

The SVP, CRO Europe and Asia provides independent adjudication under delegated approval authorities granted by the Executive Vice-President and Global CRO, CRM (EVP, GCRO). Credits above the SVP, CRO Europe and Asia's delegated authorities are recommended to the EVP and GCRO, CRM. For amounts above the EVP and CRO, CRM's delegated authorities, these credits are presented to the Credit Committee, SEVP, CRO and RMC, as appropriate, based on authority levels. Delegated lending authorities are risk rating based and are reviewed annually. The SVP, CRO Europe and Asia has the ability to delegate authority to appropriately skilled staff members. Use of delegated authorities in Europe is communicated to the EVP and GCRO, CRM on a monthly basis.

Credit Portfolio Monitoring is achieved through quarterly portfolio reports to ExCo, and the London Audit Committee.

Formal risk rating guidelines are amongst the tools used to manage credit risk. All credit exposures are monitored on an ongoing basis to ensure compliance with the terms and conditions of the credit agreement, including limits and repayment terms, and to facilitate the early identification of deteriorating accounts. At least annually, a formal risk assessment, including review of assigned ratings is documented. Higher risk-rated accounts are subject to closer monitoring and are reviewed at least quarterly.

5.3.2. Non-Trading Credit Risk

Within the non-trading book, qualified personnel undertake a detailed assessment of credit transactions and assign internal risk ratings according to an approved methodology. All loans have ratings appropriate for their businesses, which reflect probability of default of the counterparty, loss given default and probability of loss of the credit facility. In addition, final allocation of a designated limit(s) takes into consideration

concentration limits which are established for individual borrowers or groups of related borrowers.

The internal risk ratings standardise the quantification of risk across portfolios. They are also used in monitoring the portfolios and are key inputs used in the risk-based models for the attribution of the credit risk component of economic capital. The risk ratings also affect the level of approval of authority needed and thus seniority of approval personnel required.

Risk ratings of corporate credit counterparties are reviewed at least annually. Graded problem loan lists are used to monitor accounts where the counterparty represents heightened levels of risk. Such higher risk accounts are reviewed quarterly or more frequently as per CIBC's High Risk reporting protocol. Distressed accounts are monitored on a continuous basis and any changes are reported immediately for decision making.

An overview of the corporate credit portfolio is presented to the ExCo and the Audit Committee on a quarterly basis.

5.3.3. Trading Credit Risk

With regards to trading credit risk, the independent adjudication is conducted by the SVP, CRO Europe and Asia. Limits are delegated from the EVP, CRO CMRM while local oversight is through the SVP, CRO Europe and Asia. Limits are monitored against concentration limits established for individual counterparties or related groups, industry sectors, geographic regions and selected products.

Counterparty credit exposures are monitored on a daily basis. Excesses of approved lines are strictly prohibited and processes are in place to sanction those involved.

An overview of trading credit risk is presented to ExCo and The Audit Committee on a quarterly basis. In addition, the main trading credit exposures are reviewed by ALCo and the Audit Committee on a quarterly basis.

5.4 Credit Risk Mitigation

Credit risk mitigation is applied to repos/reverse repos, securities lending/borrowing and derivative trades. Plc only trades these products under market standard documentation such as Global Master Repurchase Agreement (GMRA) for repos/reverse repos, predominantly Global Master Securities Lending Agreement (GMSLA) for stock lending/borrowing (although some Overseas Securities Lending Agreements are in place), and International Swaps and Derivatives Agreement (ISDA/CSA where applicable) for derivatives. All counterparties must be pre-approved by CMRM, assigned an internal risk rating, assigned a credit limit and tenor for each product, and be subject to periodic credit management including annual reviews.

With respect to repos/reverse repos and securities lending/borrowing business, credit risk is mitigated by the underlying security.

Plc's CRM policies and procedures are described in the CIBC Europe Risk Management Framework. This ensures compliance with Part 3, Title II, Chapter 4 of the CRR and is signed-off by the Board and ExCo.

In the event of an exposure exceeding the credit limits in place due to market movements, credit mitigation strategies are adopted to bring the credit risk back within comfort levels promptly.

5.5 Policies, Procedures and Standards

CIBC has a comprehensive framework of risk polices and limits (Risk Policy and Limits Framework) which sets out policies by type of risk: credit risk, capital markets risk, liquidity risk, operational risk, reputation risk and other/corporate risks.

Within this Risk Policy and Limits Framework, there are a series of additional overarching documents for most risk types that set out the key principles for managing the associated risks. These frameworks and key policies are supported by standards, guidelines, processes, procedures and controls that govern day-to-day business activities undertaken by Risk Management officers. These documents are intended to ensure risks are appropriately identified, measured, monitored and controlled in accordance with risk appetite.

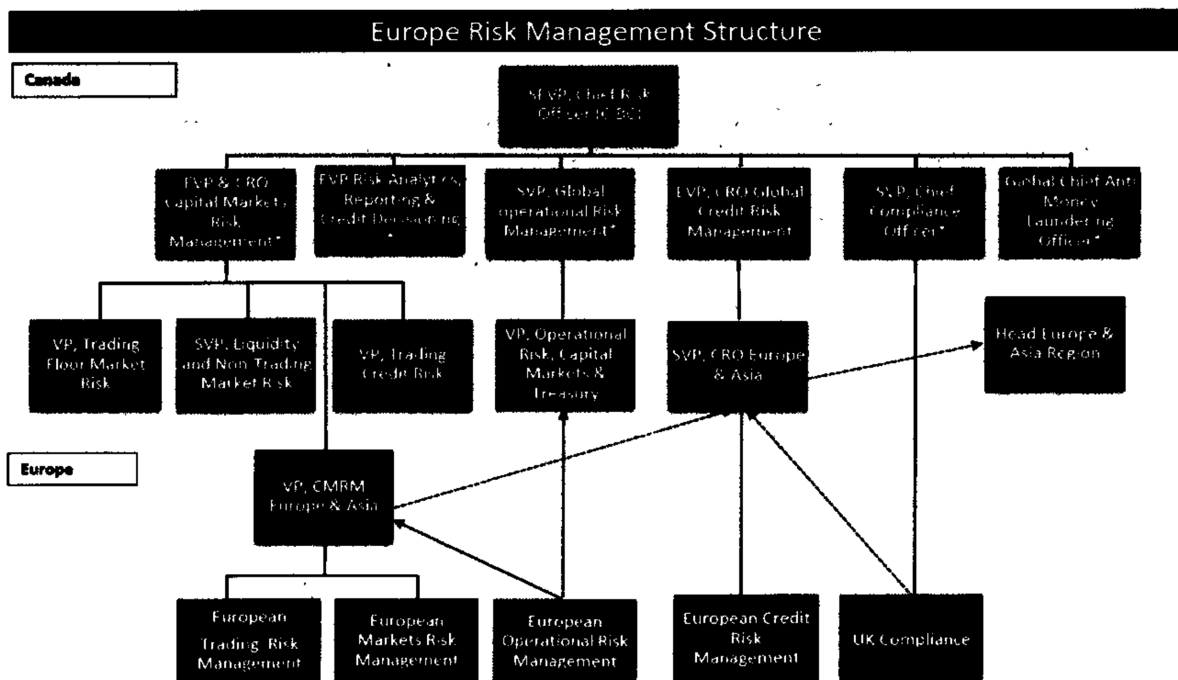
The Risk Policy and Limits Framework is utilised by Plc as applicable, with related standards in place covering lending to the large corporate sector.

5.6 Measurement, Monitoring and Control

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

Models and market-based techniques are also used by CRM in the management of the credit risk. Higher risk or concentrated positions are reduced through the use of direct loan sales, credit derivative hedges or structured transactions. In addition, selected credit exposures may be added to the portfolio to enhance diversification and increase overall return.

5.7 Structure and Organisation of the Risk Management Function (including Credit)



In addition to the above, CIBC has a separate Internal Audit Function, which operates outside the risk management function and forms the third line of defence. As the third line of defence, Internal Audit provides an independent assessment of the design and operating effectiveness of risk management controls, processes and systems. Annually, Internal Audit present their Audit Plan to the Board, which outlines their focus within the organisation for the coming year.

6. Capital Buffers

6.1 Institution Specific and Geographical Distribution Countercyclical Buffer

The following table details the geographical distribution of the credit exposures, after the application of relevant credit conversion factors, relevant for the calculation of the countercyclical capital buffer for Plc as at the 31 October 2019.

Table 1 as per Commission Delegated Regulation (EU) 2015/1555

Row		General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements			Own Funds requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of Which: Securitisation exposure		
		10	20	30	40	50	60	70	80	90	110	120
10	**Breakdown by country**											
	Bermuda	1									0.34%	0.00%
	Canada	44						4			25.31%	0.00%
	Germany	1									0.48%	0.00%
	Finland	6									3.23%	0.00%
	France										0.00%	0.25%
	UK										0.04%	1.00%
	Ireland	2									1.34%	1.00%
	Luxembourg	13						1			7.18%	0.00%
	Netherlands	44						4			25.00%	0.00%
	Norway	8									0.89%	2.00%
	Poland	64						5			36.19%	0.00%
	United States										0.00%	0.00%
	Total	**183**						**14**			**100.00%**	

The countercyclical buffer for UK remained at 1% with binding effect from 28 November 2018.

The below table details the institution specific rate relevant for the calculation of the countercyclical capital buffer for Plc as at the 31 October 2019. Countercyclical buffer rates are periodically reviewed by the respective issuing bodies.

Table 2 as per Commission Delegated Regulation (EU) 2015/1555

Row		Column
		10
		C$M
10	Total Risk exposure amount	233
20	Institution specific countercyclical buffer rate	0.03%
30	Institution specific countercyclical buffer requirement	0.07

7. Credit and Counterparty Credit Risk[3]

7.1 Risk Rating of Exposures

Qualified personnel undertake a detailed assessment of credit and counterparty credit transactions and assign internal risk ratings according to an approved methodology. All exposures have ratings appropriate for their businesses, which reflect probability of default of the counterparty and/or loss given default and/or probability of loss of the credit facility.

The internal risk ratings standardise the quantification of risk across portfolios. They are also used in monitoring the portfolios and are key inputs used in the risk-based models for the attribution of the credit and counterparty risk component of economic capital. The risk ratings also affect the level of seniority of approval personnel required.

7.2 Credit Risk

7.2.1. Total Exposures by risk weight

The following tables detail the exposures, after applicable credit conversion factors have been applied by Credit Quality step under the Standardised Approach. The amounts in these tables may differ from the amounts disclosed in the Financial Statements due to the application of Credit Risk Mitigation and netting effects.

Template 20: EU CR5 – Standardised approach

Exposure classes	Risk weight				Total	Of which unrated
	0%	20%	50%	100%		
	C$M	C$M	C$M	C$M	C$M	C$M
Central governments or central banks	626				626	
Regional government or local authorities	57				57	
Institutions		1	6		6	
Corporates		8		140	148	94
Total					**837**	**94**

Template 7: EU CRB-B – Total and average net amount of exposures

	Net value of exposures at the end of the period	Average net exposures over the period
	C$M	C$M
Central governments or central banks	626	500
Regional governments or local authorities	57	56
Institutions		7
Corporates	178	211
Total standardised approach	**861**	**774**
Total	**861**	**774**

The average net exposures have been taken from the quarterly Common Reporting (COREP) returns submitted to the Regulator.

[3] The amounts disclosed in section 7.3 may differ from the amounts disclosed in the Financial Statements as the exposures on derivative netting has been applied in accordance with Part 3 Title 1 Chapter 6 Section 7 of the CRR.

7.2.2. Total Risk Weighted Assets by exposure class

The risk weighted assets and own funds capital requirement (8% of RWAs) as at 31 October 2019 are shown in the following table:

Template 19: EU CR4 – Standardised approach – Credit risk exposure and CRM effects

	Exposures before CCF and CRM		**Exposures post CCF and CRM**		**RWAs and RWA density**	
Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
	C$M	C$M	C$M	C$M	C$M	%
Central governments or central banks	626		626			0%
Regional government or local authorities	57		57			0%
Institutions				6	3	47%
Corporates	80	98	80	68	141	95%
Total	**763**	**98**	**763**	**74**	**144**	**17%**

7.2.3. Analysis of Exposures by Credit Quality

Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument

	a	b	c	d	e	f	G
	Gross carrying values of						Net values
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	(a+b-c-d)
	C$M	C$M					C$M
Central governments or central banks		626					626
Regional governments or local authorities		57					57
Institutions							
Corporates		178					178
Total standardised approach		**861**					**861**
Total		**861**					**861**
Of which: Loans		706					706
Of which: Debt securities		57					57
Of which: Off-balance-sheet exposures		98					98

Template 12: EU CR1-B – Credit quality of exposures by industry or counterparty types

	a	b	c	d	e	f	G
	Gross carrying values of						Net values
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	(a+b-c-d)
	C$M	C$M					C$M
Finance Industry		683					683
Mining and quarrying		17					17
Manufacturing		4					4
Wholesale and retail trade		4					4
Transport, Utilities and Storage		153					153
Total		**861**					**861**

The above tables have been calculated using gross exposure amounts, excluding credit risk mitigation and CCF.

7.2.4. Geographical Analysis of Credit Risk

Country risk reflects economic, political, social, institutional and other risks. Country risk ratings are formally reviewed at least annually at the CIBC level, although there is a quarterly meeting to monitor any changing risks of countries. Country risk is actively managed on a group-wide basis through limits on exposures to individual countries outside of North America. These limits establish the maximum amount of acceptable country risk including its sub-components, such as bank deposits and trade finance. The majority of credit risk exposure relates to the loan portfolio. However, Plc also engages in activities that expose the entity to off-balance sheet credit risk. These include credit-related arrangements and derivative instruments and these exposures are managed through the credit risk management framework.

7.2.4.1. Geographical distribution of credit risk exposures

Template 8: EU CRB-C – Geographical breakdown of exposures

	Net value													
	United Kingdom	United Kingdom	**North America**	Canada	**Europe**	Germany	Finland	Ireland	Luxembourg	Netherlands	Norway	Poland	**Other geographical areas**	**Total**
	C$M	C$M	C$M	C$M	C$M	C$M	C$M	C$M		C$M	C$M		C$M	C$M
Central governments or central banks	**626**	626												**626**
Regional governments or local authorities			**57**	57										**57**
Institutions														
Corporates			**51**	51	**126**	2	7	3	11	16	16	72	1	**178**
Total standardised approach	**626**	**626**	**108**	**108**	**126**	**2**	**7**	**3**	**11**	**16**	**16**	**72**	**1**	**861**
Total	**626**	**626**	**108**	**108**	**126**	**2**	**7**	**3**	**11**	**16**	**16**	**72**	**1**	**861**

7.2.4.2. Geographical distribution by credit quality

Template 13: EU CR1-C – Credit quality of exposures by geography

	a	b	c	d	e	f	G
	Gross carrying values of						Net values
	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	(a+b-c-d)
	C$M	C$M					C$M
United Kingdom		***626***					***626***
United Kingdom		626					626
North America		**108**					**108**
Canada		108					108
Europe		**126**					**126**
Finland		7					7
Germany		2					2
Ireland		3					3
Luxembourg		11					11
Netherlands		16					16
Norway		16					16
Poland		72					72
Other geographical areas		**1**					**1**
Total		**861**					**861**

7.2.5. Analysis of Credit Exposure by Maturity

The following table presents the significant balance sheet categories having credit risk as at 31 October 2019. For on-balance sheet financial instruments, the maximum exposure equals their carrying amounts on the balance sheet.

Template 10: EU CRB-E – Maturity of exposures

	Net exposure value				
	On demand	<= 1 year	> 1 year and <= 5 years	> 5 years	Total
	C$M	C$M	C$M	C$M	C$M
Central governments or central banks	626				**626**
Regional governments or local authorities				57	**57**
Institutions					
Corporates		2	153	23	**178**
Total standardised approach	**626**	**2**	**153**	**80**	**861**
Total	**626**	**2**	**153**	**80**	**861**

7.2.6. Analysis by Exposure Type by Industry and Counterparty

Template 9: EU CRB-D – Concentration of exposures by industry or counterparty types

	Finance Industry	Mining and quarrying	Manufacturing	Wholesale and retail trade	Transport, Utilities and Storage	Total
	C$M	C$M	C$M	C$M	C$M	C$M
Central governments or central banks	626					**626**
Regional governments or local authorities	57					**57**
Institutions						
Corporates		17	4	4	153	**178**
Total standardised approach	**683**	**17**	**4**	**4**	**153**	**861**
Total	**683**	**17**	**4**	**4**	**153**	**861**

7.2.7. Credit Risk Exposures and CRM

Template 18: EU CR3 – CRM techniques – Overview

	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
	C$M	C$M	C$M	C$M	C$M
Total loans	706	6		6	
Total debt securities	57				
Total exposures	**763**	**6**		**6**	
Of which defaulted					

7.3 Counterparty Credit Risk

7.3.1. Counterparty Credit Exposure

Counterparty credit exposure arises from interest rate, foreign exchange, equity trading, hedging and portfolio management activities. Credit exposure on derivative contracts is measured and managed, taking into account both the current mark-to-market value of each contract, as well as a prudent estimate of potential future exposure for each transaction. This takes into account any legally enforceable risk-mitigating arrangements for each obligor, such as netting and margin. Under such an agreement, collateral can be obtained from and/or pledged to Plc counterparties. This consists primarily of cash or marketable securities that are re-valued on a regular basis.

7.3.2. Counterparty Credit Risk Exposure by Approach

For off-balance sheet instruments, the maximum exposure is the mark-to-market plus a value for potential future exposure (PFE).

Template 25: EU CCR1 – Analysis of CCR exposure by approach

	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
	C$M	C$M	C$M	C$M	C$M	C$M	C$M
Mark to market		30	19			49	44
Original exposure							
Standardised approach							
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)						4	1
VaR for SFTs							
Total							

7.3.3. Counterparty Credit Risk Exposures by Regulatory Portfolios and Risk Weight

Template 28: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

Exposure classes	Risk weight				Total	Of which unrated
	0%	20%	50%	100%		
	C$M	C$M	C$M	C$M	C$M	C$M
Central governments or central banks				5	5	5
Regional government or local authorities						
Institutions		4	9		13	
Corporates				35	35	35
Total		4	9	40	53	40

7.3.4. Counterparty Credit Risk Exposures and CRM

Template 31: EU CCR5-A – Impact of netting and collateral held on exposure values

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
	C$M	C$M	C$M	C$M	C$M
Derivatives	41	11	30		30
SFTs	195		195	192	3
Cross-product netting					
Total	236	11	225	192	33

The above table does not include PFE on the derivatives.

7.4 Risk Control

7.4.1. Derivatives

Plc does not make markets in derivatives. The use of derivatives is predominately to accommodate our clients' preferences for having Plc as their counterparty and to meet European Economic Area regulatory and legal requirements. In this case, Plc would generally seek to hedge its market risks by way of matching intra-group transactions as necessary.

Plc transacts over-the-counter trades, being contracts that are privately negotiated between Plc and the counterparty, as well as futures and options through regulated exchanges. Typically, this would include interest rate swaps, interest rate futures, interest rate options and cross currency swaps.

Credit exposure arising from derivative activities is actively measured and monitored. All counterparties must be pre-approved by CMRM, assigned an internal risk rating, assigned a credit limit and tenor for each product, and be subject to periodic credit

management reviews, including annual reviews. In addition, a daily OTC Derivative Change Analysis report, which comprises of material changes to Plcs derivative exposures per counterparty, is widely circulated to Capital Markets Risk Management, Credit Risk Management, Specialised Credit and the business on a daily basis.

7.4.2. Past Due

Plc deems a financial asset to be past due when a counterparty has failed to make a payment when contractually due. As at 31 October 2019 there were no such assets.

7.4.3. Impaired Loans

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows.

Plc imposes a disciplined approach to risk by continuously monitoring all credit exposures and aggressively managing all non-performing accounts. As at 31 October 2019 there were no non-performing loans.

7.4.4. Provision for Credit Losses and Impairments

IFRS 9 "Financial Instruments" requires that impairment allowances are measured according to an expected loss model. Previously impairments were measured according to an incurred loss model. This represents a substantial shift in the methodology for assessing credit losses; and generally means impairments are recognised earlier. Expected Credit Loss (ECL) incorporates forward looking information and considers various future macroeconomic scenarios to estimate unbiased expected losses. This involves the exercise of considerable judgement.

The calculation of ECL allowances is based on the expected value based on projected cash shortfalls discounted at the effective interest rate across three probability-weighted scenarios representing a downside scenario, an upside scenario and a base case.

The key inputs in the measurement of ECL allowances are as follows:

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

Further disclosures relating to ECL can be found in Note 23 Credit Risk (page 38) in the Company's Annual Report and Accounts 2019.

7.5 Wrong-Way Risk

Plc is exposed to wrong-way risk when the exposure to a particular counterparty is positively correlated with the probability of default of that counterparty due to the nature of the transactions with the company. Should Plc be exposed to wrong-way risk with a derivative counterparty, the procedures in place subject those transactions to a more rigorous approval process. The exposure may be hedged with other derivatives to further mitigate the risk that can arise from these transactions.

A valuation adjustment is established for expected future credit losses from each of the derivative counterparties. The expected future credit loss is a function of the estimates of the expected loss/exposure in the event of default, and other factors such as risk mitigants.

7.6 Impact to Collateral Following a Downgrade in Credit Rating

Plc is required to deliver collateral to certain counterparties in case of a downgrade to its current credit risk rating. The collateral requirement is based on mark-to-markets, valuations and collateral arrangement thresholds as applicable. If Plc is downgraded below the specified level and fails to make alternative arrangements that meet the requirements of the rating agencies, Plc could be required to provide funding into an escrow account to meet its liquidity commitments.

Plc's current mark-to-market (mtm) exposure with its counterparts is such that an immediate one notch downgrade in its credit rating would not result in a requirement to place additional collateral.

7.7 Collateral

CIBC has specific guidelines and standards covering the management, enforceability, dispute resolution, escalation and reporting of collateral held to support both trading and credit product exposures. These include Master Netting Agreements and Related Collateral Agreements Guidelines and Standards and Over-The-Counter Derivatives Collateral (Margin) Dispute Resolution, Escalation and Reporting Guidelines and Standards.

Plc seeks to minimise its credit exposure to counterparts by using collateral service agreements, wherever possible. Collateral is marked to market regularly from published market information. Where published market information is not readily available appropriate external appraisals are commissioned from an approved list of value. Collateral comprises of cash in respect of derivative transactions and high quality debt securities in respect of repurchase transactions. Plc does not take or hold any collateral in respect of any other transactions.

To accurately quantify the risk involved in a secured transaction, the valuation of collateral takes into account all relevant factors including, but not limited to type, quality, liquidity, location, volatility, any correlation between the collateral value and the borrower or counterparty's performance and prior charges or liens. A risk-based approach is used to determine the frequency and method to inspect and verify the collateral and its value may be used. Characteristics of the underlying asset, such as volatility and location, are to be considered in establishing segment specific requirements. Roles and responsibilities as well as operational requirements regarding the specific aspects of collateral management vary substantially across different risk rating systems due to the nature of the underlying asset and credit facility requirements.

The market risk and credit concentrations within credit mitigation are monitored on a daily basis through the use of daily large exposure reporting as well as daily capital monitoring requirements, these process are undertaken by the UK Finance Regulatory Reporting team.

7.7.1. Collateral Composition Under Standardised Approach

Template 32: EU CCR5-B – Composition of collateral for exposures to CCR

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
	C$M	C$M	C$M	C$M	C$M	C$M
Cash						
Sovereign Debt					195	
Total					**195**	

7.8 General and Specific Credit Risk Adjustments

In line with CIBC's policies for management of higher risk accounts, (Quarterly High Risk Review Reporting Procedures and Expected Credit Loss Policy), Corporate Banking Europe and CRM Europe provide a function across the European operations to monitor and manage higher risk and non-performing or impaired credits as these arise.

Certain higher risk names in CIBC Europe are also subject to refer notices within Middle Office such that advances or roll-overs under committed but not fully drawn facilities are referred to the SVP, CRO Europe and Asia before being actioned.

The SVP, CRO Europe and Asia (or delegate) provides a recommendation on a quarterly basis for any provisions and write-offs, as appropriate. At the beginning of the fiscal year this covers the forecast for the future four quarters and is not only loan specific but also includes a recommendation for a general level of provision which may be required during the year.

Provisions and, as identified, write-offs require approval by the SVP, Head of Special Loans with concurrence by the Head of Europe and Asia-Pacific. Any impairments and/or write-offs taken in Plc are promptly reported to ExCo, the Board and the Audit Committee.

As there is no specific Special Loans group based in Europe, the SVP, CRO Europe and Asia and the local CRM team provide day to day management and oversight of Special Loans accounts as the need arises.

7.9 Credit Valuation Adjustments

Credit Valuation Adjustment (CVA) as defined in Article 381 of the CRR is, 'an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty and that adjustment reflects the current market value of the credit risk of the counterparty to the institution, but does not reflect the current market value of the credit risk of the institution to the counterparty'.

Plc calculates CVA risk in respect of over-the-counter derivatives using the standardised approach as defined in Article 384 of the CRR. Majority of these corporate entities with

whom Plc have derivative contracts are exempt from the CVA charge because the transactions are below the threshold for clearing specified in Article 10(3) and 10(4) of the EMIR Directive (2013/36/EU).

Template 26: EU CCR2 – CVA capital charge

	Exposure value	RWAs
	C$M	C$M
Total portfolios subject to the advanced method		
(i) VaR component (including the 3x multiplier)		
(ii) SVaR component (including the 3x multiplier)		
All portfolios subject to the standardised method	8	4
Based on the original exposure method		
Total subject to the CVA capital charge	**8**	**4**

8. Liquidity Risk

8.1 Introduction

Liquidity risk is the risk arising from an inability to meet contractual or contingent financial obligations as they fall due, or only being able to meet these obligations at excessive costs. This may lead to an inability to support normal business activity. Liquidity risk may arise from a mismatch in the timing and amount of cash inflows and outflows.

8.2 Liquidity Risk Management and Control

The management of liquidity risk within PLC is described in detail in the Internal Liquidity Adequacy Assessment Process (ILAAP). It consists of controls covering the process for setting, monitoring and approving liquidity limits to ensure that the bank's Risk Appetite Statement (RAS) and relevant regulatory guidelines are respected at all times. The Contingency Funding Plan (CFP) for Plc references a number of Early Warning Indicators (EWI's) and the global CFP framework. The Plc CFP details testing and operational considerations as well as the invocation procedure. Plc employs a liquidity survival horizon reporting model, as well as compliance with regulatory metrics including the Liquidity Coverage Ratio (LCR).

Plc maintains a Liquid Asset Buffer (LAB) portfolio of High Quality Liquid Assets (HQLA) including cash deposits held in a Bank of England Reserve Account which ensure that Plc can manage liquidity effectively even during a stress environment. The LAB portfolio is comprised of assets with an appropriate currency mix and is available for sale.

Treasury is responsible for the daily management and monitoring of the LAB, as well as instigating any liquidation or repo activity (via the Funding and Liquidity Management (FLM) team). Liquidation or repo activity may be driven by the need to test the liquidity of the assets or to test the CFP. The LAB portfolio is dynamic and related to the output of liquidity stress tests among other variables. As such, Treasury calibrates the size of the LAB and adjusts its currency composition on an ongoing basis, respecting internal and regulatory reporting limits. Regular reporting is distributed.

8.3 Liquidity Monitoring

The ILAAP describes the regular daily liquidity monitoring combined with frequent stress testing and scenario analysis that plays a central role in the assessment and management of liquidity risk.

Liquidity Survival Horizons (by major currency), Liquid Asset Buffer targets and holdings, wholesale refinancing gaps, maximum daily outflows and liquidity metrics are monitored and reported to stakeholders on a daily basis. Additionally, ALCo receives a regular report which demonstrates compliance with Regulatory and Management Liquidity limits.

Stress testing for a variety of market and idiosyncratic liquidity stress scenarios are detailed in the ILAAP. Appropriate stress test scenarios and assumptions for current market conditions are reviewed on a continual basis in conjunction with lines of business and management. These scenarios (and stress test results) are presented to ALCo and the Board on a quarterly basis (or more frequently, where appropriate) as part of the regular governance, challenge and review process, prior to adoption and inclusion. The Board reviews these as part of the ILAAP approval process. Material changes or breaches are escalated appropriately. Stress test results indicate that Plc will be able to meet all of

its liabilities as they fall due and consequently meet its regulatory and liquidity obligations for the foreseeable future.

8.4 Contractual Maturity of Transferrable Assets & Deposit Liabilities

The following table shows the liquidity profile of the Liquid Asset Buffer and other HQLA, as at 31 October 2019:

Asset Liability Type	Amount in C$M	Maturity Profile			
		< 1 Month	1 > 3 Months	3 > 1 Year	Over 1 Year
LAB Qualifying	194	89	105		
Reserve Account	625	625			
Total Liquid Assets	**819**	**714**	**105**		
Deposits from Banks & CIBC Group	**318**	**318**			

8.5 Quantitative Information on LCR

	Total Adjusted Value		
Period	**Liquidity Buffer (in C$)**	**Total Net Cash Outflow (in C$)**	**Liquidity Coverage Ratio %**
Annualised Average	728,723,929	249,329,209	292.3%
Oct-19	818,153,608	383,988,900	213.1%
Sep-19	791,557,080	358,364,973	220.9%
Aug-19	790,512,880	350,859,605	225.3%
Jul-19	562,092,596	138,426,463	406.1%
Jun-19	577,758,723	166,026,412	348.0%
May-19	590,085,752	197,332,238	299.0%
Apr-19	893,746,955	464,424,449	192.4%
Mar-19	890,167,717	331,990,737	268.1%
Feb-19	712,112,895	128,733,713	553.2%
Jan-19	708,369,000	147,105,105	481.5%
Dec-18	714,919,582	150,317,791	475.6%
Nov-18	695,210,363	174,380,121	398.7%

9. Encumbered Assets

9.1 Introduction

Encumbered assets are an integral part of Plc's funding model as the positions traded and held are generally with highly rated counterparties to ensure that marketable securities are available to meet liquidity requirements.

In the calculation of the median values used in the tables below, the quarterly values have been used as there are no significant fluctuations month-on-month.

9.2 Assets

Template A-Assets

		Carrying amount of encumbered assets C$m		Fair value of encumbered assets C$m		Carrying amount of unencumbered assets C$m		Fair value of unencumbered assets C$m	
			of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	56	-			937	509		
030	Equity instruments	-	-			-	-		
040	Debt securities	56	-	56	56	-	-	-	-
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: asset-backed securities	-	-	-	-	-	-	-	-
070	of which: issued by general governments	56	-	56	56	-	-	-	-
080	of which: issued by financial corporations	-	-	-	-	-	-	-	-
090	of which: issued by non-financial corporations	-	-			-	-	-	-
120	Other assets	-	-			937	509		
121	of which: .	-	-			-	-		

9.3 Collateral

Template B-Collateral

		Fair value of encumbered collateral received or own debt securities issued C$m		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance C$m	
			of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**	1		246	246
140	Loans on demand	-	-	-	-
150	Equity instruments	-	-	-	-
160	Debt securities	-	-	246	246
170	of which: covered bonds	-	-	-	-
180	of which: asset-backed securities	-	-	-	-
190	of which: issued by general governments	-	-	196	196
200	of which: issued by financial corporations	-	-	50	50
210	of which: issued by non-financial corporations	-	-		
220	Loans and advances other than loans on demand	1	-		
230	Other collateral received	-	-	-	-
231	of which: ..	-	-	-	-
240	**Own debt securities issued other than own covered bonds or ABSs**	-	-	-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			-	-
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	56	-		

9.4 Sources of Encumbrance

Template C-Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	57	57
011	of which: ...	-	-

10. Management of Market Risk

Market risk arises as a result of Plc's trading and treasury activities and encompasses all market related positioning and market-making activity. Market risk is defined as the potential for economic financial loss in the trading and non-trading portfolios from adverse changes in underlying market factors, including interest and foreign exchange rates, credit spreads, and equity and commodity prices.

10.1 Governance, Process and Control

Local oversight of trading and non-trading market risk is provided by the Head of Market and Liquidity Risk, Europe and Asia, CMRM. The Head of Market and Liquidity Risk, Europe and Asia, CMRM is accountable for accurately identifying and reporting the main market risks as they relate to the business. Management of market risk is governed by limits, delegated by the EVP, CRO, CMRM, and authorised by the SEVP and CRO, CIBC. Overall local oversight is through the SVP, CRO Europe and Asia.

An overview of market risks is presented to ALCo, the Board and Audit Committee on a quarterly basis. The ExCo is presented with an overview of market risks every month.

10.2 Risk Monitoring

Market risk exposures are monitored daily against approved risk limits, and control processes are in place to ensure that only authorised activities are undertaken. Reports highlighting Value at Risk (VaR), stress results and key sensitivities are produced and distributed on a daily basis to traders and Risk Management personnel, as well as the Head of Europe and Asia-Pacific and Head of CMT, Europe. Market risk exposures are reviewed quarterly by the Board and ALCo.

10.3 Policies and Standards

Plc's market risk exposures are fully governed by group wide policy and there are no local policy exceptions. Policies and standards for market risk management relate to identification and measurement of the various types of market risk, and the establishment of limits within which overall exposures are managed. Explicit risk tolerance levels are expressed in terms of both statistically based VaR measures and potential worst-case stress losses, as well as notional or other limits as appropriate.

10.4 Trading Activities

Plc holds positions in traded financial instruments to meet client investment and risk management needs. Trading revenue (net interest income or non-interest income) is generated from these transactions. Trading instruments are recorded at fair value.

10.5 Capital and Risk Measurement

With regards to trading credit risks, direct, negotiable and settlement risk exposures are measured on a notional basis, whilst contingent risk is calculated using Potential Exposure Factors (PEF), where the risk on a trade or portfolio of trades with any given counterparty is run through a simulator that takes into account the notional sizes of the trades and the remaining term to maturity. Each individual trading exposure is then allotted a limit, based on the risk exposure measured or calculated through the

simulator, to accurately reflect the CIBC's credit risk appetite. Each individual credit exposure is risk rated using the methodology adopted by CIBC.

10.6 Non-Trading Activities

Non-trading interest rate risk within Plc is taken as part of the Treasury function's daily funding and cash management activities. For the assessment of non-trading interest rate risk, standardised interest rate shocks - expressed in terms of threat to economic value - are used. This includes parallel rate shocks to the yield curve of 200bps and rate shocks associated with 1st and 99th percentile of observed interest rate changes from five years of rate observations. Parallel rate shocks have also been supplemented by stresses including yield curve steepening and flattening.

On a daily basis, the mark-to-market change arising from interest rate shocks are compared to the capital for Plc. Stress shocks resulting in an excess of 20% of Tier 1 capital will trigger a discussion within MRM and Senior Management in relation to Plc's non-trading interest rate exposure.

10.7 Foreign Exchange Risk

Foreign exchange positions are taken to hedge the foreign exchange risk inherent in daily trading activities.

10.8 Market Risk in the Trading Book

Currently there is no Market Risk in the Trading Book.

10.9 Capital requirement for market risk

Plc calculates general market risk using the Maturity-Based calculation of general risk under Title IV, Chapter 2, Sub-Section 2 of the CRR.

Specific Interest Rate Risk is calculated using the Standard method under Title IV Chapter 2, Sub-Section 1 of the CRR.

Foreign Exchange Risk is calculated using the Standard method under Title 2, Chapter 3 of the CRR

Market risk as at 31 October 2019 was C$ nil.

11. Management of Operational Risk

11.1 Introduction

Operational risk is the loss resulting from inadequate or failed internal processes, systems, or from human error or external events. Operational risk is inherent in every business activity and process of Plc. Operational risk metrics are monitored by Operational Risk Management and form an integral part of Plc's RAS.

11.2 Governance

At parent level, CIBC's Global Risk Committee (GRC) and the Operational Risk and Control Committee (ORCC) and its related committees oversee operational risk matters, as well as the effectiveness of the internal control framework within the parameters and strategic objectives established by the Executive Committee (ExCo). The ExCo is accountable to the Board and its Audit Committee and the Risk Management Committee (RMC) for maintaining a strong internal control environment.

CIBC's approach to managing operational risk aligns with the model outlined in the Basel Committee on Banking Supervision's "Sound Practices for the Management and Supervision of Operational Risk" paper, which was last revised in June 2011. This model advocates that sound operational risk management should rely on three lines of defence: (i) business line management; (ii) an independent corporate operational risk management function; and (iii) an independent review.

11.3 Three Lines of Defence Approach

CIBC Europe's approach to enterprise-wide risk management aligns with the three lines of defence model (see also Section 2.4) :
Although the three lines of Defence groups function independently in monitoring and providing oversight of the risks, a strong risk culture and good communication between the three lines of Defence are important characteristics of effective operational risk management.

- **First Line of Defence (1st LOD) –** Management owns the risks and is accountable and responsible for identifying and assessing risks inherent in their activities in accordance with the CIBC risk appetite. In addition, Management establishes and maintains controls to mitigate such risks. Management may include governance groups within their business to facilitate Control Framework and other risk- related processes.

  Control Groups provide subject matter expertise to Management and/or implement/maintain enterprise-wide control programs and activities. While Control Groups collaborate with Management in identifying and managing risk, they also challenge risk decisions and risk mitigation strategies.

- **Second Line of Defence (2nd LOD)** is independent from 1st LOD. and provides an enterprise-wide view of specific risk types, guidance and effective challenge to risk and control activities. Risk Management is the primary Second Line of Defence. Risk Management may leverage and/or rely on subject matter expertise of other groups (e.g. third parties or Control Groups) to better inform their independent assessments, as appropriate.

  Where 2nd LOD also owns risks from their own activities, a designated Global Operational Risk Management Portfolio Manager will provide oversight and challenge.

  While independence is an important element of providing effective challenge, it is important that the 1st and 2nd Line of Defence, including Control Groups, work

collaboratively through open and complete dialogue and provision of information needed to assess risks, controls and deficiencies. Where there are differing views regarding the level of risk and/or the effectiveness of controls, unresolved disputes should be escalated by the Business Unit, Control Groups and Risk Management to their respective senior management or, if appropriate, to the Operational Risk and Control Committee (ORCC) for resolution.

- **Third Line of Defence (3rd LOD) –** Internal Audit is the 3rd LOD and is responsible for providing Reasonable Assurance to senior management and the Audit Committee of the Board on the effectiveness of CIBC's governance practices, risk management processes, and Internal Control as a part of its risk-based audit plan and in accordance with its mandate as described in the Internal Audit Charter.

Each line of Defence is responsible for ensuring an appropriate level of Management and Board reporting.

11.4 Policies and Standards

Plc has a comprehensive set of policies, procedures and standards that are designed to control operational risk associated with people, processes and systems, and to promote a sound internal control structure. Operational risks driven by people and processes are mitigated through human resources policies and practices, and operational procedural controls, respectively. Operational risks driven by systems are managed through controls over technology development and change management. Operational Risk at Plc is governed by the CIBC Europe Operational Risk Management Policy.

While operational risk can be minimised through a sound internal control structure, it can never be fully eliminated. The risk of catastrophic loss is addressed through risk avoidance and control programs that reduce the probability or potential severity of such losses to acceptable levels. Plc maintains a comprehensive corporate insurance program to protect its earnings from potential high-severity losses arising from certain criminal activity, property loss or damage, or liability exposures. Each type of coverage is evaluated on the basis of a cost-benefit analysis. A global business continuity plan is in place to ensure that key business functions will continue, and normal operations will be restored effectively and efficiently, in the event of a major disaster affecting the operations. This business continuity plan is regularly updated and tested.

11.5 Risk Monitoring

Operational risk is monitored using a variety of approaches. Global Operational Risk Management has developed a Key Risk Indicator (KRI) Framework that seeks to standardise specific operational risk metrics for the region. KRI's are used to monitor and report upon:

- unauthorised market and credit limit excesses and breaches against approved products.
- process failures during the trade settlement process, such as confirmation delays, trader cancels and corrects and collateral disputes

Indicators are constructed with pre-defined risk tolerance thresholds which are agreed with stakeholders. A dashboard of KRIs are reported to ExCo every two months and to the Board and Audit Committee on a quarterly basis. Operational Loss and Near Miss Incident Reports are also completed for the London businesses. Reports identify material operational risk issues, control failures, operational losses and policy breaches.

Operational risk is also assessed from deep dives (e.g. manual process reviews into businesses), and gap analysis against regulatory expectations (e.g. EBA standards on operational risk).

11.6 Risk Measurement

Plc does not have a history of operational losses and has been granted permission to use the Basic Indicator Approach for calculation of its operational risk charge. Under this approach, the net interest income, net fees & commissions and other operating income (excluding extraordinary items and non-trading book sales) are used to calculate this charge.

11.6.1.

11.7 Capital requirement for operational risk

Plc calculates the Operational Risk capital requirement by using the Basic Indicator Approach ("BIA"). The capital requirement is calculated to be 15% of the three year average audited Operating Income.

The RWA and capital requirements for operational risk as at 31 October 2019 appear below.

Operational Risk

	RWAs	Minimum capital requirements
	C$M	C$M
Operational Risk (BIA)	**47**	**4**

12. Remuneration

12.1 Role of the CIBC Board

The Board of Directors of CIBC and two of its sub-committees – the Management Resources and Compensation Committee (MRCC) and the Risk Management Committee (RMC) provide active oversight of CIBC's compensation process at a bank-wide level. Their responsibilities include:

- establishing the compensation governance process (MRCC);
- determining incentive compensation funding and allocations to the Strategic Business Units (SBU) and Key Lines of Business (LOB) (MRCC and CIBC Board);
- approving new material incentive compensation plans or changes to existing material plans (MRCC and CIBC Board);
- reviewing CIBC, SBU and LOB adherence to CIBC's risk appetite and the underlying risks associated with business performance (MRCC and RMC)

The MRCC receives regular updates and ongoing education from management, their independent compensation advisor and other outside advisors on Financial Stability Board (FSB) and other regulatory requirements in the jurisdictions in which CIBC operates, including the UK. The independent compensation advisor to the MRCC is Pay Governance LLC.

12.2 Role of the UK Remuneration Advisory Group

A Remuneration Advisory Group (RAG) has been established to provide active oversight of the compensation policies and practices of CIBC UK (Plc and London Branch) . This management sub-committee has delegated authority from the MRCC, the Board and the European ExCo. Members of the RAG include CIBC's Chief Financial Officer (Chair), CIBC's Chief Risk Officer (Deputy Chair), CIBC's Chief Human Resources and Communications Officer (CHR&CO), the Senior Vice-President, Total Rewards, CIBC's Group Head of Capital Markets, the Chair of the Board and the Head of Europe and Asia-Pacific.

The RAG met twice in the current year. Its responsibilities include:

- reviewing, approving and ensuring remuneration policies for CIBC UK are consistent with and promote effective risk management;
- reviewing, approving and ensuring remuneration policies for CIBC UK do not encourage risk taking which exceeds the tolerated level of risks within CIBC UK or of CIBC;
- having regard to the FSB Principles for Sound Compensation Practices, the Remuneration Policies set out in the Capital Requirements Directive, the guidelines on remuneration policies and practices set out by the EBA, the PRA's Remuneration Code and any other applicable regulation or guidance as amended from time to time;
- ensuring that the risks associated with the operation of remuneration policies are considered;
- reviewing and approving the implementation of new divisional or local remuneration plans within CIBC UK or other changes that may have a material impact on remuneration for CIBC;

- reviewing and approving the methodology by which UK Material Risk Takers (UK MRTs), as defined by EBA's Regulatory Technical Standards, are identified and reviewing and approving, from time to time, the list of UK MRTs; and
- reviewing and approving decisions and proposals by the management of CIBC UK in respect of the remuneration proposals for UK MRTs.

Such review and approval also includes:

- reviewing and approving severance payments made to UK MRTs;
- reviewing and approving guaranteed variable remuneration payments made to UK MRTs;
- reviewing and approving the remuneration structures for senior officers working in the CIBC UK Risk and Compliance functions to ensure that conflicts of interest do not arise;
- reviewing and approving any disclosures required to be made from time to time to the PRA or any other relevant authority relating to the remuneration policy that has been adopted for CIBC UK or the remuneration of UK MRTs;
- giving due regard to the long-term interests of shareholders, investors and other stakeholders when making individual remuneration decisions pursuant to the remuneration policies within CIBC UK; and
- giving due regard to any relevant legal or regulatory requirements, and associated guidance, as well as to the risk and risk management implications of its decisions.

Notwithstanding, the Chair of the Board maintains overall responsibility for overseeing the development of, and implementation of, the remuneration policies and practices for Plc, in accordance with the UK Remuneration Code. The Head of Europe and Asia-Pacific maintains overall responsibility for implementing incentive schemes across CIBC UK, that pay for performance and encourage behaviours aligned with CIBC values; and that such polices align with CIBC's business strategy, risk appetite, the creation of sustainable shareholder value and the evolving regulatory environment, including business conduct and sales practises. Both the Chair of the Board and the Head of Europe and Asia-Pacific are members of the RAG.

12.3 Overview of CIBC's Compensation Approach

CIBC's Compensation Philosophy, Methodology and Governance is comprised of three key principles that are intended to guide all steps of the compensation process, from plan design and variable incentive compensation pool determination through to individual award decisions:

- Support CIBC's ability to attract, motivate and retain the right talent;
- Pay for performance and encourage behaviours aligned with our purpose and employee value proposition; and,
- Align with CIBC's business strategy, risk appetite and the creation of sustainable shareholder value and the evolving regulatory environment, including business conduct and sales practises.

Total compensation is evaluated relative to a peer group of companies of comparable size, scope, market presence and complexity. At the employee level, awards are based on a combination of individual, LOB, SBU and CIBC-wide performance. For all employees eligible for variable incentive awards, individual performance is assessed against:

- core accountabilities of the role (including employee engagement for managers of people) and annual goals; and
- demonstration of behaviours aligned with our purpose and employee value proposition, and compliance with CIBC's risk management, governance, control and policy requirements.

Cash and deferred equity based compensation awards are used to achieve pay and performance alignment. Senior executives, as well as other employees whose actions have a material impact on the risk exposure of CIBC, have a substantial portion of variable compensation (up to 80%) which is deferred over the maximum allowable term for deferral in Canada. This ensures that future performance impacts final payouts.

Incentive compensation funding is designed to reflect a balanced consideration of CIBC's performance, the business environment, market conditions and competitive requirements.

- Incentives are funded monthly based on achievement against CIBC's three strategic priorities: financial strength measured by Earnings per Share (EPS), client satisfaction measured by CIBC's Client Experience (CX) Index and simplification *and efficiency measured by non-interest expense to revenue ratio (NIX Ratio). In* the case of the Capital Markets business, business performance measured by Capital Markets Net Income Before Bonus and Tax (NIBBT) is also included as a measure.
- NIBBT is adjusted for items typically adjusted for by research analysts.
- These measures are used to formulaically determine a Business Performance Factor (BPF) which is used to calculate the incentive funding. This can be also adjusted for qualitative funding factors.
- For Capital Markets a NIBBT funding rate, established at the beginning of the year, is used as a starting point to determine initial incentive funding, which is then adjusted by the Capital Markets BPF. The NIBBT funding rate is normalised for any material organisational changes during the year. When determining incentive funding at year end, the MRCC and CIBC Board reviews:
    - Achievement against CIBC's strategic priorities which are formulaically calculated using BPFs for CIBC and the SBUs.
    - Any qualitative adjustments for reported results vs. adjusted results, results vs. peers, material credit, market, operational, reputational and/or liquidity risk issues, the business environment and market conditions and competitive requirements.
    - Any discretionary adjustment recommended by the MRCC and the CIBC Board.
    - Independent assessments of performance from the CFO, CRO and Chief Client Experience Officer, including key considerations with regard to the quality and sustainability of earnings, an assessment of financial performance, adherence to CIBC's risk appetite and performance against client metrics. The CRO's independent assessment is also reviewed by the RMC who will bring up any concerns with the MRCC Chair. In addition, the RMC Chair also attends the October MRCC incentive funding discussion. Performance is assessed relative to Plan, peers and the prior year.

Compliance with risk appetite is a key component in assessing CIBC's performance for the year ended 31 October 2019, measured quantitatively against CIBC's Risk Appetite Targets, and qualitatively based on an assessment by the CRO.

Future business performance impacts the final payouts as measured by CIBC's absolute business performance, business performance relative to its peer group of other Canadian Banks, and/or CIBC's share price.

12.4 Quantitative Information on Remuneration

As per the guidelines issues by the PRA, Plc falls into the proportionality level 'three' category, and the Remuneration disclosures herein are reflective of the same.

The aggregated remuneration for the 20 individuals who are considered UK Material Risk Takers (MRTs) for Plc purposes was C$12.29 million for the 2019 performance year. This is split by;

Capital markets – 7 MRTs totalling C$8.91 million

Infrastructure – 13 MRTs totalling C$3.38 million

Please note the above remuneration figure reflects the full value of the compensation awarded to UK MRTs. It has been adjusted for partial year UK MRTs to reflect their tenure in the MRT role. The majority of UK MRTs are not employees of Plc and their cost is borne solely by its parent entity CIBC.

Due to the limited number of UK MRTs considered as material risk takers for Plc purposes, Plc does not consider it appropriate to further break down aggregated remuneration of its UK MRTs by senior management and members of staff whose action may have a material impact on the risk profile of the institution, for reasons of confidentiality and data protection.

13. Leverage

13.1 Introduction

Plc calculates and submits calendar quarter end leverage ratio data to the PRA as part of its COREP submissions. The leverage ratio is calculated for monthly monitoring purposes using adjusted total assets and the Tier 1 Capital amounts.

The table below summarises Plc's leverage at 31 October 2019. This template discloses the total exposure measure as well as a reconciliation of the total exposure measure to the published financial statements.

CRR Leverage Ratio - Disclosure Template		
	Reference date	31 October 2019
	Entity name	CIBC World Markets Plc
	Level of application	Individual

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		
		Applicable Amounts C$m
1	Total assets as per published financial statements	1,083
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR"	-
4	Adjustments for derivative financial instruments	8
5	Adjustments for securities financing transactions "SFTs"	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	74
EU-6a	Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	-
EU-6b	Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	-
7	Other adjustments	-
8	**Total leverage ratio exposure**	**1,165**

Table LRCom: Leverage ratio common disclosure		
		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	846

2	Asset amounts deducted in determining Tier 1 capital	(0.1)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**846**
	Derivative exposures	
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	30
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	19
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	-
8	Exempted CCP leg of client-cleared trade exposures	-
9	Adjusted effective notional amount of written credit derivatives	-
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**49**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	195
13	Netted amounts of cash payables and cash receivables of gross SFT assets	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	Exempted CCP leg of client-cleared SFT exposure	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**195**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	98
18	Adjustments for conversion to credit equivalent amounts	(24)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**74**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	-
EU-19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	-
	Capital and total exposures	
20	**Tier 1 capital**	546
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**1,165**
	Leverage ratio	
22	**Leverage ratio**	47%

Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	846
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	846
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	673
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	57
EU-7	Institutions	36
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporate	80
EU-11	Exposures in default	-
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	-

13.2 Processes Used to Manage Risk of Excessive Leverage

The Board has set a comprehensive array of risk triggers within Plc's RAS. Included within these triggers is a leverage ratio metric which is calculated in accordance with Article 429 of the CRR as amended by Commission Delegated Regulation (EU) 2015/62.

The Board has set a significantly more conservative trigger leverage ratio than the minimum required under regulatory rules. This means that Plc will maintain a leverage ratio of at least 5% at all times. In the event of this trigger being breached, appropriate management actions would be instigated to restore the leverage ratio to a level above the trigger level.

CIBC's RAS dictates the approach to risk management, guides the activities of Plc and is taken into consideration when setting the limits and metrics of Plc's RAS annually. Plc's RAS is aligned to CIBC's RAS and is monitored on a quarterly basis by ALCo and reported to both ExCo and the Board on a quarterly basis.

13.3 Factors Impacting the Leverage Ratio

The Balance Sheet of Plc is stable. Settlement balances and underwriting commitments may result in small changes to the leverage ratio. However, Plc's leverage ratios remain well ahead of both the internal trigger and regulatory minimum.

END OF DOCUMENT