



Frequently Asked Questions – Q2 2011

Are the results of Broadway Trust (“Broadway” - the securitization conduit for the recently acquired Mastercard portfolio) representative of the performance of the base cards portfolio on CIBC’s balance sheet?

Background

- CIBC purchased Citigroup’s Canadian Mastercard portfolio in September 2010
- CIBC purchased a “clean” portfolio - there were no delinquent accounts
- As expected, as the portfolio seasoned, delinquencies started increasing
- By February, the 180-day mark, they began to rollover to write-off in accordance with CIBC’s accounting policy

Accounting differences between Broadway and CIBC

As mentioned on CIBC’s Q2 earnings web cast on May 26, 2011, Broadway results are not comparable to the credit performance of the core credit card receivables on CIBC’s balance sheet, primarily due to the accounting differences outlined below:

- Accounting for delinquencies – Broadway Trust accrues interest on delinquent accounts until they are written off. CIBC only accrues interest up to the point that there is an expectation of receipt (which is before the account is written-off). The result of this accounting difference is that Broadway records higher loan losses and higher revenue compared to CIBC. The bottom line impact is neutral; the two items offset. The impact of this accounting difference on loss rates is approximately 100 basis points.
- Different minimum payment thresholds – Broadway receivables, which continue to be administered by Citigroup, have higher minimum payment requirements than CIBC. The higher minimum payment drives higher loss rates. The impact of this accounting difference is approximately 200 – 300 basis points.

There are other (smaller) differences in Broadway's loan loss methodology which in most months result in higher loan losses.

In addition, CIBC’s portfolio mix consists of premium cards (eg. Aerogold) that perform better, as well as regular cards (eg. Classic) that are more comparable to the Mastercard portfolio.

Conclusion

As stated on the Q2 earnings web cast, the primary difference between the Broadway loss rates and those of CIBC’s base Cards portfolio are largely a function of differences in accounting treatment, and not performance.



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