

CIBC Risk Assessment Report

Executive Summary - Q1 2024

The first quarter of 2024 showed stable loan portfolio performance with default rates remaining consistent at 8.2%, in line with historical averages. Economic conditions remained favorable with steady employment rates and moderate interest rates.

Key Highlights:

- Total loan originations: \$2.1B across all products
- Default rate: 8.2% (within target range of 7-9%)
- Average credit score of applicants: 685
- Geographic concentration: Ontario (42%), British Columbia (28%), Alberta (18%)

Loan Portfolio Performance

Mortgage Products: Performed strongly with only 3.2% default rate. The low interest rate environment and strong housing market in major urban centers contributed to excellent performance.

Personal Loans: Default rate of 9.1%, slightly above target but within acceptable range. Concentrated in younger demographics (25-35 age range) with moderate income levels.

Auto Loans: Stable at 6.8% default rate. Longer loan terms (60-72 months) becoming more common but not yet showing elevated risk.

Small Business Loans: Default rate of 11.3%. Small businesses in retail and hospitality sectors showing some stress due to changing consumer behavior, but overall portfolio remains healthy.

Credit Cards: Revolving credit showing 12.1% default rate, consistent with industry standards.

Risk Factors & Mitigation

Identified Risk Factors:

- Interest Rate Sensitivity:** Bank of Canada signaled potential rate increases in coming quarters. Variable rate mortgage holders may face payment stress.
- Regional Concentration:** High exposure to Ontario and BC real estate markets. A correction in housing prices could impact mortgage performance.
- Credit Score Trends:** Slight decline in average applicant credit scores (down 5 points YoY),

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suggesting potential quality degradation.

Mitigation Strategies:

- Enhanced stress testing for variable rate mortgages
- Diversification efforts in Prairie provinces
- Tightened underwriting standards for sub-650 credit scores
- Increased monitoring of high-risk sectors (retail, hospitality)

Forward-Looking Assessment

Outlook for Q2 2024: MODERATE RISK

The economic environment remains supportive but warning signs are emerging:

- Bank of Canada likely to raise rates by 50-75 basis points
- Employment data showing early signs of softening
- Consumer debt levels at record highs
- Housing market showing cooling in major markets

Recommendation: Maintain current risk appetite but prepare for potential deterioration in Q2-Q3.

Recommend increasing provisions by 15% as a precautionary measure.