

# CIBC Risk Assessment Report

## Executive Summary - Q3 2024

The third quarter showed signs of stabilization with default rates declining to 11.2%, down from the Q2 peak of 14.7%. While still elevated compared to historical norms, the trajectory is improving and emergency measures appear to be working.

### Key Highlights:

- Total loan originations: \$1.6B (continued conservative approach)
- Default rate: 11.2% (improving but still elevated)
- Average credit score of applicants: 692 (quality improving due to stricter standards)
- Early delinquency rates showing modest improvement

## Stabilization Factors

### What Changed in Q3:

#### 1. Interest Rate Pause:

Bank of Canada held rates steady at 5.0% throughout the quarter, providing relief to variable rate borrowers. Markets now pricing in potential rate cuts in early 2025.

#### 2. Employment Stabilization:

Unemployment peaked at 6.5% in July but stabilized through September. Tech sector hiring resumed modestly. Retail sector showing resilience.

#### 3. Consumer Adaptation:

Households adjusting to higher rates. Increased savings rates and reduced discretionary spending helping with debt servicing.

#### 4. Government Support Programs:

Federal and provincial programs providing targeted support to affected borrowers, reducing default risk.

#### 5. Bank Interventions:

Proactive loan modifications and payment deferrals preventing defaults. Restructured 2,847 loans totaling \$412M.

## Forward-Looking Assessment

# **CIBC Risk Assessment Report**

Outlook for Q4 2024 and Beyond: MODERATE RISK - CAUTIOUS OPTIMISM

Expected trajectory:

- Q4 2024: Default rates 9-10% (continued improvement)
- Q1 2025: Return to 8-9% range (near historical norms)
- Rate cuts expected Q1 2025 (25-50 bps) will provide additional relief

Recommendation: Maintain enhanced monitoring but begin gradual return to normal lending standards in Q1 2025. Continue elevated provisions through Q4 2024 as precautionary measure.

The crisis appears to be contained, but vigilance remains critical.